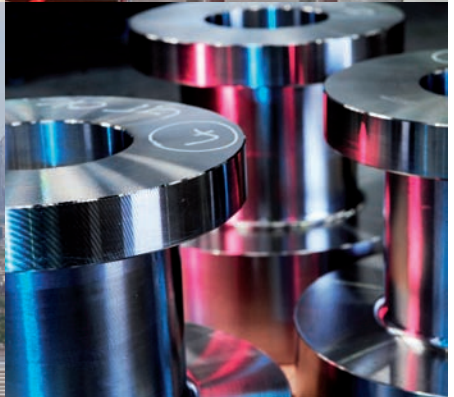
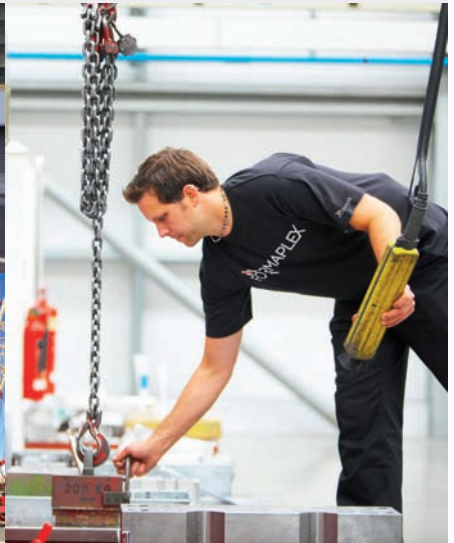


# Investing in Private Equity



Dunedin Enterprise Investment Trust PLC specialises in the provision of private equity finance. Private equity is medium to long term finance provided in return for an equity stake in established, potentially high growth private companies.

The Company's investment objective is to achieve substantial long term growth in its assets through capital gains from its investments, realise these investments and return all capital to shareholders. Following a change in investment policy in May 2016 no further new investments will be made other than through existing commitments.

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## Financial Highlights

Net asset value per share at 30 June 2016 of 475.7p (505.8p at 31/12/15), after 16p dividend

Share price at 30 June 2016 of 310p (321.5p at 31/12/15)

Net asset value total return of -2.9% in the six months to 30 June 2016

In May 2016 shareholders approved a managed wind-down of the Company

Realisations of £25.7m in the half year

New investments of £22.6m in the half year

Interim dividend of 16p per share paid on 18 May 2016

## Comparative Total Return Performance

Periods to 30 June 2016	Net Asset value (per share)*	Share price	FTSE Small Cap (ex Inv Cos) Index
Six months	-2.9%	1.3%	-4.6%
One year	-2.9%	3.1%	-3.7%
Three years	-4.5%	-17.7%	30.9%
Five years	2.2%	1.9%	69.8%
Ten years	22.2%	4.9%	60.7%

\* taken from 30 April for ten years

## Chairman's Statement

The net asset value per share at 30 June 2016 was 475.7p, compared with 505.8p at 31 December 2015. This reduction is partly attributable to the payment of a dividend of 16p on 18 May 2016. Taking account of this, in the half year to 30 June 2016, the Company's net asset value total return was -2.9%, compared with -4.6% for the FTSE Small Cap index.

During the six months to 30 June 2016 the share price decreased by 3.6% from 321.5p to 310p. After allowing for the 16p dividend paid in May, this equates to a total return in the half year of +1.3%. The share price discount to net asset value at 30 June 2016 was 34.8% compared with 36.4% at 31 December 2015.

A total of £25.7m was realised in the half year with £22.6m being invested.

### Wind-down

In May 2016 shareholders approved a managed wind-down of the Company to take place over a period of time. The circular sent to shareholders in April set out the rationale for this course of action and the recommendation of the Directors in favour of this route. This followed a review of the Company's investment strategy and consultations with its major shareholders.

The underlying aim of the wind-down is to maximise value for shareholders. The Company's new investment objective is to conduct an orderly realisation of its relatively illiquid assets, to be effected in a manner that seeks to achieve a balance between maximising the value of its assets and progressively returning cash to shareholders.

The majority (or some 73%) of the Company's investments comprise its commitments as a limited partner to funds managed by Dunedin LLP, the manager of our portfolio. The timing of realisations from these funds, as well as further drawdowns, is controlled by Dunedin LLP. In addition, there are some investments in other funds managed by parties other than Dunedin LLP, which make up about 20% of the portfolio.

In the circular sent to shareholders we stated that the Board may seek to sell all or part of the Company's interests in a fund, together with any uncalled commitment, prior to the end of the fund's life, if it believes that this will maximise value for shareholders and is in the best interests of shareholders as a whole.

In order to make this judgement the Board will review closely and regularly with Dunedin LLP and the managers of the other fund investments the prospects for, and the valuations of, the underlying investments.

### Commitments & Liquidity

The Company had outstanding commitments to limited partnership funds of £37.6m at 30 June 2016. This consists of £34.1m to Dunedin managed funds and £3.5m to European funds. Assuming these funds are held to maturity, it is expected that approximately £20m of this total commitment will be drawn over the remaining life of the funds.

As at 30 June 2016 the Company held cash of £0.6m. The Company has a revolving credit facility with Lloyds of £20m of which £1m was drawn at 30 June 2016. This facility is available to 31 May 2018. The net cash position of the Company at 30 June 2016 is therefore overdrawn by £0.4m.

The Board and the Manager remain satisfied with the balance between cash resources and outstanding commitments given the expected rate of new investment and potential realisations of existing investments.

The current forecast timing for realisations and new investments suggests it is unlikely that there will be further distributions of capital to shareholders in the short term.

### Brexit

The UK's vote to leave the European Union has created a considerable amount of uncertainty in both the public and private markets.

In the short term, there may be a reduced level of M&A activity in the UK, resulting in a slower pace of investment and fewer realisations.

It is too early to assess the impact of the EU referendum on the performance of the underlying portfolio companies. The internationalisation of portfolio companies has been a key focus for the Manager in recent years. Portfolio companies which export to the US and Europe are currently experiencing the benefits of the recent exchange rate movement which make their products more competitive in these markets.

### **Portfolio**

The portfolio has again had a period of mixed, and in some cases disappointing, performance during the half year. Strong trading at Kee Safety, Blackrock and U-POL has been offset by continued underperformance at Pyroguard, EV, RED and Formaplex.

The valuations of the two European funds have benefited from exchange rate movements and also good trading performance from portfolio companies.

### **Dividend**

An interim dividend of 16p per share was paid to shareholders on 18 May 2016 amounting to £3.3m. This followed the partial realisation of CitySprint in February 2016 and the receipt of £3.3m of loan interest.

### **Accounting Policy**

It is no longer appropriate to prepare the financial statements on a going concern basis, as the new corporate strategy is expected to ultimately lead to the liquidation of the Company. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the change in the basis of preparation.

### **Shareholders**

There has been a significant change in the shareholder base of the Company since the last year end. Legal & General has been a shareholder since 1986. In 2013 it announced its intention to wind down its private equity operations and subsequently sold its shareholding during the half year.

The shares have been acquired by a number of existing as well as new shareholders, who we welcome to the register.

### **Duncan Budge**

31 August 2016

## Manager's Review

### Results for the six months to 30 June 2016

In the six months to 30 June 2016, Dunedin Enterprise's net asset value per share total return was -2.9%, after taking account of dividends paid. This compares with a decrease in the FTSE Small Cap Index (ex Inv. Cos) over the same period of 4.6%.

In the six months to 30 June 2016 Dunedin Enterprise invested a total of £22.6m and realised £25.7m from investments.

### Net asset and cash movements in the half year to 30 June 2016

The movement in net asset value is summarised in the table below:-

	£'m
Net asset value at 31 December 2015	104.4
Unrealised value increases	8.8
Unrealised value decreases	(10.1)
Realised loss over opening valuation *1	(4.4)
Dividends paid to shareholders	(3.3)
Other movements	2.8
Net asset value at 30 June 2016	98.2

Cash movements in the half year to 30 June 2016 can be summarised as follows:-

	£'m
Cash & near cash balances at 31 December 2015	(4.1)
Investments made	(22.6)
Investments realised	25.7
Dividends paid to shareholders	(3.3)
Operating activities	3.9
Cash & near cash balances at 30 June 2016	(0.4)

\*1 includes management fees paid to Dunedin managed funds of £1.1m and excludes £3.3m loan interest received on the partial realisation of CitySprint which was included in the 31 December 2015 valuation

### Portfolio composition and movements

Dunedin Enterprise holds investments in unquoted companies through:-

- Dunedin managed funds (including direct investments), and
- Third party managed funds.

The portfolio movements can be analysed as shown in the table below:-

	Valuation at 31-12-15 £'m	Additions in half year £'m	Disposals in half year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 30-6-16 £'m
Dunedin managed	93.1	19.6	(23.4)	(4.4)*2	(4.9)	80.0
Third party managed	16.3	3.0	(2.3)	—	3.6	20.6
	109.4	22.6	(25.7)	(4.4)	(1.3)	100.6

\*2 includes management fees paid to Dunedin managed funds of £1.1m and excludes £3.3m loan interest received on the partial realisation of CitySprint which was included in the 31 December 2015 valuation

### New investment activity

In February 2016 an investment of £7.0m was made in Alpha Financial Markets ("Alpha"). Alpha is a global market leader in providing specialist consultancy services to blue chip asset and wealth managers and their third party administrators. Alpha has over 200 consultants deployed across six major financial centres working on behalf of more than 130 top asset and wealth management clients. Alpha currently advises three quarters of the top 50 global asset managers.

In May 2016 an investment of £4.2m was made in Kingsbridge Risk Solutions ("Kingsbridge"). Kingsbridge is the UK's market leading provider of insurance services that are tailored to meet the needs of contractors, freelancers and independent professionals. Kingsbridge covers the broadest range of industry sectors in its market, including aerospace, banking and finance, rail, automotive, nuclear, oil and gas and information technology.

An investment of £7.3m was made in CitySprint Newco as discussed below.

During the half year Innova/5 invested a total of £3.0m. In February £1.2m was invested in Trimo a leading Central and Eastern European provider of high quality building products. In addition, £0.8m was invested in PeP a leading Polish payment services provider and £0.4m in Netsprint an internet advertising business.

### Realisations

In February 2016 the investment in CitySprint was partially realised in a sale to LDC. On completion Dunedin Enterprise received proceeds totalling £26.1m of which £22.8m was capital and £3.3m was loan interest. A total of £7.3m has been rolled into a CitySprint Newco alongside LDC, resulting in net cash proceeds received of £18.8m by Dunedin Enterprise. Dunedin Enterprise retains a 5% interest in the Newco. The overall return to Dunedin Enterprise was 2.75 times the original investment of £9.8m over five years.

During the half year there were redemptions of loan stock at Blackrock (£0.3m) and RED (£0.3m).

One of the two European funds, Innova/5, realised £2.2m. This included £0.9m from the sale of Provus, the Romanian credit card processing and financial services company, generating a multiple of 2.2 times original cost. Marmite, the manufacturer of sanitary ware was also realised, generating proceeds of £0.7m and a multiple of 1.6 times original cost.

### Unrealised movements in valuations

Unrealised movements in portfolio company valuations in the half year amounted to a decrease of £1.3m. There were valuation uplifts at two of the more recent Dunedin managed investments, Kee Safety (£1.8m) and Blackrock (£1.5m) as well as at U-POL (£1.3m). There were reductions in value at Formaplex (£3.6m), Pyroguard (£2.1m), EV (£1.7m) and RED (£1.7m).

There was a strong performance within the two European funds with increased valuations at both Realza (£2.1m) and Innova/5 (£1.2m).

Kee Safety, the provider of collective fall protection systems, has continued to show strong international growth particularly in the Middle East and the US. The company has also continued its strategy of acquisitions in the UK which has contributed significantly to growth. Blackrock, the provider of independent expert witnesses for large construction projects, has experienced a strong demand for its services. This has led to the company increasing the number of fee earning staff and achieving

higher utilisation rates. Around 80% of Blackrock's revenue is non-UK with the Middle East contributing strongly. Trading continues to improve at U-POL, the manufacturer of automotive refinish products, where beneficial exchange rate movements, re-branding and product rationalisation are leading to an improved trading performance. The multiple applied to the valuation of U-POL has been increased from 7.8 to 8.3 times, reflecting the improved performance.

The maintainable earnings of Formaplex, the provider of tooling and lightweight component solutions to the automotive industry, have been impacted by delays and a reduced level of contract wins in the Tooling division. The valuation of Pyroguard, the manufacturer of fire resistant glass, has been impacted by production difficulties experienced at its French factory last year combined with increased competition and margin pressure across its product range, leading to a reduction in its maintainable earnings. EV, the provider of video technology to the oil and gas industry, has continued to experience difficult trading conditions following the dramatic fall in the price of oil in 2015. EV along with the Company's other oil & gas related investment Premier may require additional funding in the future. The maintainable earnings of RED, the provider of SAP software experts, have been impacted by the continued underperformance of its permanent staff division.

Exchange rate movements have benefitted the valuation of the European funds. Realza and Innova/5, by £1.4m and £0.9m respectively. Within the Realza portfolio there has been a strong contribution from GTT, the Spanish tax services provider, and Dolz, the manufacturer of automotive pumps. The contribution from Innova/5 has been spread across its portfolio of investments.

The average earnings multiple applied to the valuation of the Dunedin managed portfolio was 8.5x EBITDA (31 December 2015: 8.4x) or 9.8x EBITA (31 December 2015: 9.8x). These multiples are applied to the maintainable earnings of portfolio companies. Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.3x EBITDA (31 December 2015: 2.3x) or 2.6x EBITA (31 December 2015: 2.6x).

The portfolio continues to be valued in accordance with the International Private Equity Venture Capital valuation guidelines ([www.privateequityvaluation.com](http://www.privateequityvaluation.com)).

### Dunedin LLP

31 August 2016

## Ten Largest Investments

(both held directly and via Dunedin managed funds) by value at 30 June 2016

Company name	Approx. percentage of equity %	Cost of investment £'000	Directors valuation £'000	Percentage of net assets %
Hawksford	17.8	5,637	12,986	13.2
Realza*	8.9	8,832	11,827	12.0
Kee Safety	7.2	6,275	11,302	11.5
Weldex	15.1	9,505	9,611	9.8
Innova/5*	3.9	7,669	8,245	8.4
CitySprint	5.2	7,308	7,635	7.8
Blackrock	7.8	4,558	7,004	7.1
Alpha	10.0	6,988	6,988	7.1
U-POL	5.0	5,657	6,543	6.7
CGI (Pyroguard)	41.7	9,450	4,405	4.5
		71,879	86,546	88.1

\* European fund investments

## Top ten investments (held via funds and direct investments)

### Hawksford

Percentage of equity held	<b>17.8%</b>
Cost of Investment	<b>£5.6m</b>
Directors' valuation	<b>£13.0m</b>
Percentage of net assets	<b>13.2%</b>

#### Hawksford

Hawksford is a leading international provider of corporate, private client and funds services. The business offers a comprehensive range of services to, and solutions for trusts, companies, foundations, partnerships, family offices and investment funds.

In the last four years the company has completed the acquisitions of Key Trust Company Limited, Trustcorp Jersey Limited, the funds business of Standard Bank Dubai and Janus Corporate Solutions. These acquisitions have further enhanced Hawksford's market leading-position through additional high quality people and clients. The focus of the business remains on providing excellent service and increasing client choice by growing the international footprint.



Percentage of equity held	<b>8.9%</b>
Cost of Investment	<b>£8.8m</b>
Directors' valuation	<b>£11.8m</b>
Percentage of net assets	<b>12.0%</b>

#### Realza Capital

Realza Capital is a Spanish private equity fund making investments in Spain and Portugal. The fund is limited to investing 15% of commitments in Portugal. Dunedin Enterprise's investment is held via Dunedin Fund of Funds LP.

The fund invests in companies with leading market positions and attractive growth prospects either through organic growth or through merger & acquisition activity. Realza seeks to invest in companies with an enterprise value normally ranging from €20m to €100m. The fund's typical equity investment ranges from €10m to €25m.



Percentage of equity held	<b>7.2%</b>
Cost of Investment	<b>£6.3m</b>
Directors' valuation	<b>£11.3m</b>
Percentage of net assets	<b>11.5%</b>

#### Kee Safety

Kee Safety is a UK-headquartered, global market-leading provider of collective fall protection, safety systems and solutions. The business has 271 employees spread across the UK, USA, Canada, Germany, France, Poland, Dubai, China and India and sells its products in more than 50 countries.

Its core patent protected product range includes modular barrier systems, guardrails, access platforms, safety gates and specialist fixings. The business has multiple routes to market through an international direct sales force, direct to OEM, online and through the distributor channel. Kee Safety's customers range from multi-national corporations to major contractors, distributors and installers.

## WELDEX

Percentage of equity held	<b>15.1%</b>
Cost of Investment	<b>£9.5m</b>
Directors' valuation	<b>£9.6m</b>
Percentage of net assets	<b>9.8%</b>

### Weldex

Weldex was established in 1979 and has grown into the UK's largest crawler crane hire company. The company employs over 100 staff and operates nationwide and overseas from its headquarters in Inverness and its depot at Alfreton. The company provides its customers with an established team of fully accredited operators, site managers and service engineers and also supplies associated lifting equipment including wheeled cranes, forklifts, lorry loaders and trailers.

Weldex serves the offshore wind, oil and gas and commercial construction markets. Its cranes, including two of the largest in the UK, have been used in a number of significant construction projects including Heathrow Terminal 5, the iconic arch at the new Wembley Stadium, the 2012 Olympic site and Crossrail. More recent projects include erecting a Mitsubishi wind turbine at the offshore test facility at Hunterston, North Ayrshire and refurbishing the blast furnace at the Tata steel works in Scunthorpe.



Percentage of equity held	<b>3.9%</b>
Cost of Investment	<b>£7.7m</b>
Directors' valuation	<b>£8.2m</b>
Percentage of net assets	<b>8.4%</b>

### Innova/5

Innova/5 is a €380.8m private equity fund based in Warsaw which makes investments in Central Eastern Europe. Dunedin Enterprise's investment is held via Dunedin Fund of Funds LP.

The fund invests in mid-market buyouts in businesses with an enterprise value of between €50m and €125m. Its investment focus is Financial Services; Technology, Media, & Telecommunications (TMT); Business Services; Construction; Energy; and Industrial & Automotive.



Percentage of equity held	<b>5.2%</b>
Cost of Investment	<b>£7.3m</b>
Directors' valuation	<b>£7.6m</b>
Percentage of net assets	<b>7.8%</b>

### CitySprint

CitySprint is the UK's largest national time-critical and same day distribution network. It benefits from an asset-light business model with over 3,000 self-employed couriers, making the business both highly flexible and scalable. It operates from 40 service centres in the UK and can deliver to over 87% of mainland UK population within 60 minutes. It handles over ten million critical same day deliveries a year.

CitySprint offers a range of services including SameDay Courier, UK Overnight and International courier services, as well as more complex logistics services. It services a number of different sectors, including healthcare, online retail fulfilment and parts fulfilment such as outsourced supply chain services for engineering and servicing companies. CitySprint now has the UK's largest same day healthcare courier network.



### Blackrockpm

Percentage of equity held	<b>7.8%</b>
Cost of Investment	<b>£4.6m</b>
Directors' valuation	<b>£7.0m</b>
Percentage of net assets	<b>7.1%</b>

### Blackrock

Blackrock is a professional services firm that provides independent expert witness and construction consulting services for large, international construction projects. The company has developed a growing practice in independently assessing the precise reasons for, and cost involved in, disputes. These skills are in short supply in Europe, the Middle East and Asia.

Blackrock serves a growing global construction market and cases of litigation are increasing within the sector.

## Alpha

Percentage of equity held	<b>10.0%</b>
Cost of Investment	<b>£7.0m</b>
Directors' valuation	<b>£7.0m</b>
Percentage of net assets	<b>7.1%</b>

### Alpha

Alpha is a market leading provider of specialist consultancy services to blue chip asset managers and their third-party administrators internationally. It has a strong niche with a breadth of high quality consultants regarded as subject matter experts by their clients. Consultants undertake projects that either provide subject matter expertise, process expertise or team capacity for complex projects or initiatives. It is established in the UK and France and is expanding in the US, Netherlands and Luxembourg. Alpha serves an increasingly complex asset management industry that is facing the combined challenge of regulatory, cost and operational pressures.

## U-POL

Percentage of equity held	<b>5.0%</b>
Cost of Investment	<b>£5.7m</b>
Directors' valuation	<b>£6.5m</b>
Percentage of net assets	<b>6.7%</b>

### U-POL

U-POL is a leading independent manufacturer of automotive refinish products including body fillers, coatings, aerosols, polishing compounds and consumables. Included in the product range is RAPTOR™, a tough protective coating product which can be used over a multitude of surfaces. Sales of RAPTOR™ continue to grow steadily and the business is exploring opportunities to sell this product into adjacent sectors.

From its UK manufacturing base in Wellingborough, U-POL exports a range of products to 120 countries worldwide. The company has a strong market position in the UK and a growing position in other large markets such as the USA, the Far East, the Middle East, Africa and Russia. Its growth strategy is to continue expanding in both developed and emerging markets.

## CGI

Percentage of equity held	<b>41.7%</b>
Cost of Investment	<b>£9.5m</b>
Directors' valuation	<b>£4.4m</b>
Percentage of net assets	<b>4.5%</b>

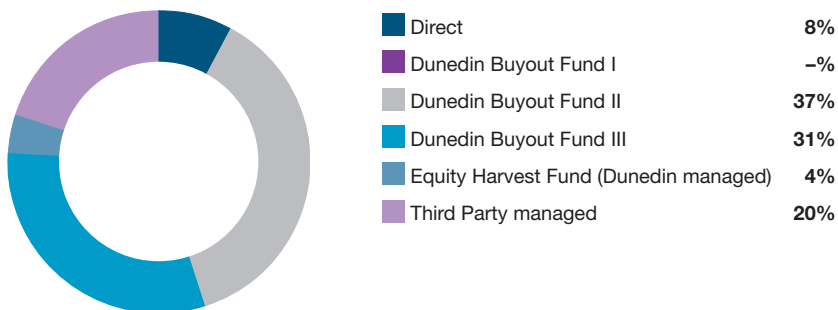
### C.G.I. (Pyroguard)

Since Dunedin Enterprise first invested in CGI the company has been through two refinancings, allowing Dunedin Enterprise to realise a total of £13.2m in capital and income to date. The cost shown here is the accounting valuation at the last re-gearing versus the total cash investment of £3.8m.

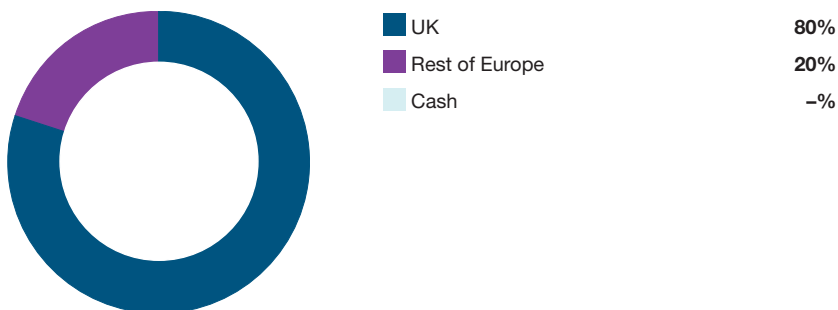
CGI, trading under the Pyroguard brand, is a leading designer, manufacturer and supplier of specialist fire resistant glass. The company serves the construction markets in the UK, Ireland, France, Holland, Scandinavia, Eastern Europe and the Middle East. Significant recent projects completed by CGI include the installation of fire resistant glass at Here East (the multipurpose redevelopment of the former 2012 Olympic site), the Biomedicum medical facility in Stockholm, the Paris Expo redevelopment project and Zaanstad Prison in the Netherlands.

## Overview of Portfolio

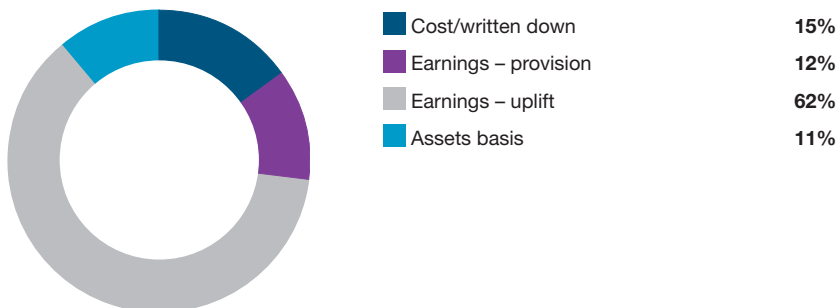
### Fund Analysis



### Geographic Location



### Valuation Method



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**Sector Analysis**

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Automotive	4%
Construction and building materials	6%
Consumer products & services	4%
Financial services	21%
Healthcare	5%
Industrials	23%
Support services	35%
Technology, media & telecoms	2%

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**Year of Investment**

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<1 year	14%
1-3 years	28%
3-5 years	9%
>5 years	49%

## Consolidated Income Statement (unaudited) for the six months ended 30 June 2016

	Six months ended 30 June 2016		
	Revenue £'000	Capital £'000	Total £'000
Investment income	3,655	–	3,655
Gain/(loss) on investments	–	(5,708)	( 5,708)
<b>Total Income</b>	<b>3,655</b>	<b>( 5,708)</b>	<b>(2,503)</b>
<b>Expenses</b>			
Investment management fees	(53)	(158)	(211)
Other expenses	(349)	–	(349)
<b>Profit/(loss) before finance costs and tax</b>	<b>3,253</b>	<b>(5,866)</b>	<b>(2,613)</b>
Finance costs	(79)	(237)	(316)
<b>Profit/(loss) before tax</b>	<b>3,174</b>	<b>(6,103)</b>	<b>(2,929)</b>
Taxation	(527)	527	–
<b>Profit/(loss) for the period</b>	<b>2,647</b>	<b>(5,576)</b>	<b>(2,929)</b>
Earnings per ordinary share (basic & diluted)	<b>12.8p</b>	<b>(27.0)p</b>	<b>(14.2)p</b>

The Total column of this statement represents the Income Statement of the Group, prepared in accordance with International Financial Reporting Standards as adopted by the EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

All income is attributable to the equity shareholders of Dunedin Enterprise Investment Trust PLC.

Six months ended 30 June 2015			Year ended 31 December 2015		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
98	–	98	196	–	196
–	76	76	–	853	853
98	76	174	196	853	1,049
(51)	(153)	(204)	(95)	(285)	(380)
(254)	–	(254)	(599)	–	(599)
(207)	(77)	(284)	(498)	568	70
(62)	(187)	(249)	(130)	(388)	(518)
(269)	(264)	(533)	(628)	180	(448)
–	–	–	–	–	–
(269)	(264)	(533)	(628)	180	(448)
(1.3)p	(1.3)p	(2.6)p	(3.0)p	0.8p	(2.2)p

## Consolidated Statement of Changes in Equity (unaudited) for the six months ended 30 June 2016

### Six months ended 30 June 2016

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2015	5,161	2,765
Profit/(loss) for the period	–	–
Dividends paid	–	–
At 30 June 2016	5,161	2,765

### Six months ended 30 June 2015

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2014	5,217	2,709
Profit/(loss) for the period	–	–
Purchase and cancellation of shares	(56)	56
Dividends paid	–	–
At 30 June 2015	5,161	2,765

### Year ended 31 December 2015

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2014	5,217	2,709
Profit/(loss) for the year	–	–
Purchase and cancellation of shares	(56)	56
Dividends paid	–	–
At 31 December 2015	5,161	2,765

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
38,639	4,957	47,600	5,305	96,501	104,427
12,024	(17,600)	–	2,647	(2,929)	(2,929)
–	–	–	(3,303)	(3,303)	(3,303)
50,663	(12,643)	47,600	4,649	90,269	98,195

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
47,552	(3,436)	47,600	6,914	98,630	106,556
(6,750)	6,486	–	(269)	(533)	(533)
(700)	–	–	–	(700)	(700)
–	–	–	(981)	(981)	(981)
40,102	3,050	47,600	5,664	96,416	104,342

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
47,552	(3,436)	47,600	6,914	98,630	106,556
(8,213)	8,393	–	(628)	(448)	(448)
(700)	–	–	–	(700)	(700)
–	–	–	(981)	(981)	(981)
38,639	4,957	47,600	5,305	96,501	104,427

## Consolidated Balance Sheet (unaudited)

As at 30 June 2016

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
<b>Non-current assets</b>			
Investments held at fair value	100,551	105,061	109,374
<b>Current assets</b>			
Other receivables	117	209	167
Cash and cash equivalents	617	396	573
	734	605	740
<b>Total assets</b>	<b>101,285</b>	<b>105,666</b>	<b>110,114</b>
<b>Current liabilities</b>			
Other liabilities	(2,090)	(1,324)	(987)
Loan facility	(1,000)	–	(4,700)
<b>Net assets</b>	<b>98,195</b>	<b>104,342</b>	<b>104,427</b>
<b>Equity attributable to equity holders</b>			
Share capital	5,161	5,161	5,161
Capital redemption reserve	2,765	2,765	2,765
Capital reserve – realised	50,663	40,102	38,639
Capital reserve – unrealised	(12,643)	3,050	4,957
Special distributable reserve	47,600	47,600	47,600
Revenue reserve	4,649	5,664	5,305
<b>Total equity</b>	<b>98,195</b>	<b>104,342</b>	<b>104,427</b>
Net asset value per ordinary share (basic and diluted)	475.7p	505.4p	505.8p

## Consolidated Cash Flow Statement (unaudited) for the six months ended 30 June 2016

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
<b>Operating activities</b>			
Loss before tax	(2,929)	(533)	(448)
Adjustments for:			
(Gain)/loss on investments	5,708	(76)	(853)
Interest paid	316	249	518
Decrease in debtors	50	60	102
Increase/(decrease) in creditors	1,103	514	177
<b>Net cash inflow from operating activities</b>	<b>4,248</b>	<b>214</b>	<b>(504)</b>
<b>Servicing of finance</b>			
Interest paid	(316)	(249)	(518)
<b>Investing activities</b>			
Purchase of investments	(22,635)	(10,636)	(14,513)
Purchase of 'AAA' rated money market funds	(5,002)	(6,707)	(6,707)
Sale of investments	25,747	3,045	3,286
Sale of 'AAA' rated money market funds	5,000	7,750	7,840
<b>Net cash inflow/(outflow) from investing activities</b>	<b>3,110</b>	<b>(6,548)</b>	<b>(10,094)</b>
<b>Taxation</b>			
Tax	-	-	-
<b>Financing activities</b>			
Revolving credit facility drawn	1,000	-	4,700
Revolving credit facility repaid	(4,700)	-	-
Purchase of ordinary shares	-	(700)	(700)
Dividends paid	(3,303)	(981)	(981)
<b>Net cash (outflow) from financing activities</b>	<b>(7,003)</b>	<b>(1,681)</b>	<b>3,019</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>5</b>	<b>(66)</b>	<b>(56)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>44</b>	<b>(8,330)</b>	<b>(8,153)</b>
Cash and cash equivalents at the start of period	573	8,726	8,726
Net increase/(decrease) in cash and cash equivalents	44	(8,330)	(8,153)
Cash and cash equivalents at the end of period	617	396	573

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## **Responsibility statement of the Directors** in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and profit of the Company
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board  
**Duncan Budge**  
Chairman  
31 August 2016

## Notes to the Accounts

### 1. Unaudited Interim Report

The comparative financial information contained in this report for the year ended 31 December 2015 does not constitute the Company's statutory accounts but is derived from those accounts. Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial statements for the six months ended 30 June 2015 and 30 June 2016 have not been audited.

### 2. Basis of Preparation

These condensed consolidated set of financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority (FCA) and IAS 34 Interim Financial Reporting as adopted by the European Union (EU). They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2015.

The Association of Investment Companies ('AIC') issued a revised Statement of Recommended Practice for the Financial Statements of Investment Trust Companies and Venture Capital Trusts in November 2014 ('SORP') applicable to accounting periods commencing on or after 1 January 2015. Where presentational guidance set out in the SORP is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

In previous years the financial statements have been prepared on a going concern basis. However in May 2016 shareholders approved a change in the investment policy of the Company. The Company's new investment objective is to conduct an orderly realisation of its relatively illiquid assets, to be effected in a manner that seeks to achieve a balance between maximising the value of its assets and progressively returning cash to shareholders. As it is likely this process, which is expected to have a duration of several years, will ultimately lead to the liquidation of the Company, these financial statements have not been prepared on a going concern basis. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statement as a consequence of the change in the basis of preparation.

### 3. Dividends

	Six months to 30 June 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Dividends paid in the period	<b>3,303</b>	981	981

### 4. Investments

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses that arise on investments are designated at fair value through profit or loss. Given the nature of the Company's investments the fair value gains recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and therefore the movement in these fair values are treated as unrealised.

#### Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.

- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	At 30 June 2016 £'000
<b>Level 1</b>	
'AAA' rated money market funds OEICS	7
<b>Level 2</b>	–
<b>Level 3</b>	–
Unlisted investments	100,544
	100,551

The Group recognises transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended 30 June 2016.

### Level 3 fair values

Details of the determination of Level 3 fair value measurements and the movements in Level 3 fair values during the six months ended 30 June 2016 are set out below:-

	Level 3 £'000
Book cost at 31 December 2015	104,412
Unrealised appreciation	4,957
Valuation at 31 December 2015	109,369
Purchases at cost	22,635
Sales – proceeds	(25,747)
Sales – realised (losses) against cost	11,887
Decrease in unrealised appreciation	(17,600)
Valuation at 30 June 2016	100,544
Book cost at 30 June 2016	113,187
Closing unrealised (depreciation)	(12,643)

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## Valuation of investments

Unquoted investments are fair valued by the Directors in accordance with the following rules, which are consistent with the International Private Equity and Venture Capital Valuation Guidelines:

- Investments are only valued at cost for a limited period after the date of acquisition, otherwise investments are valued on one of the other basis detailed below. Generally the earnings multiple basis of valuation will be used.
- When valuing on an earnings basis, the maintainable earnings of a company are multiplied by an appropriate multiple.
- An investment may be valued by reference to the value of its net assets. This is appropriate for businesses whose value derives mainly from the underlying value of its assets rather than its earnings.
- When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the relevant accounts (interim or final), the valuation is based on the exit valuation.
- Accrued interest on loans to portfolio companies is included in valuations where there is an expectation that the interest will be received.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

The Directors consider the carrying value of financial instruments in the financial statements to represent their fair value.

## 5. Statement of Principal Risks and Uncertainties

The Directors believe that the principal risks and uncertainties faced by the Company include investment and strategic, liquidity, cash drag, people and loss of investment trust status risks. These risks and other risks, and the way in which they are managed, are described in more detail under the heading "Principal Risks, Risk Management and Regulatory Environment" in the Strategic Report Review in the Company's Annual Report and Accounts for the year ended 31 December 2015. The Company's principal risks and uncertainties have not changed materially since the date of that report other than in relation to Brexit as discussed on page 2. These provisional risks and uncertainties are not expected to change materially for the remaining six months of the Company's financial year.

## 6. Earnings per share

	Six months to 30 June 2016	Six months to 30 June 2015	Year to 31 December 2015
Revenue return per ordinary share (p)	12.8	(1.3)	(3.0)
Capital return per ordinary share (p)	(27.0)	(1.3)	0.8
Earnings per ordinary share (p)	(14.2)	(2.6)	(2.2)
Weighted average number of shares	20,644,062	20,858,639	20,750,515

The earnings per share figures are based on the weighted average numbers of shares set out above. Earnings per share is based on the revenue profit in the period as shown in the consolidated income statement.

## 7. Contingent assets

Discussions are ongoing with HMRC regarding the payment of interest on a compound basis relating to the reclaim of VAT on management fees. The amount and timing of any recovery remains uncertain and accordingly no amount has been provided for in the financial statements.

## 8. Related party transactions

There have been no material changes to the related party transactions described in the last annual report.

## **Independent Review Report to Dunedin Enterprise Investment Trust PLC**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

In forming our conclusion on the condensed set of financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the condensed set of financial statements which explains that the condensed set of financial statements are now not prepared on the going concern basis for the reason set out in that note.

**Philip Merchant**  
**for and on behalf of KPMG LLP**  
Chartered Accountants  
Edinburgh

31 August 2016

## Information for Investors

Dunedin Enterprise is managed by Dunedin. Dunedin is authorised and regulated by the Financial Conduct Authority. All enquiries in relation to Dunedin Enterprise, other than those related to Alliance Trust Savings Limited products, should be directed to Dunedin at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN or [info@dunedinenterprise.com](mailto:info@dunedinenterprise.com).

The Company's share price appears under the heading 'Investment Companies' in The Financial Times, and other national newspapers. Prices are also available on the Company website [www.dunedinenterprise.com](http://www.dunedinenterprise.com) or on the Alliance Trust Savings website [www.alliancetrustsavings.co.uk](http://www.alliancetrustsavings.co.uk) or else on various websites such as [www.trustnet.com](http://www.trustnet.com).

Investors can buy and sell shares in an investment trust directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. However, in order to facilitate investment in the Company, arrangements have been put in place for Dunedin Enterprise to be part of the Alliance Trust Savings products. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

### Details of the Alliance Trust Savings products are noted below:

Alliance Trust Savings – Individual Savings Account (ISA) is a low-cost, tax-efficient savings vehicle. Since 6 April 2015 the ISA subscription limit has been £15,240. The monthly administration charge for an Alliance Trust Savings ISA is £7.50.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a means of investing in Dunedin Enterprise outside a tax efficient wrapper. The monthly administration charge for an Alliance Trust Savings IDA is £7.50.

Investors may make regular monthly payments (minimum £50 per month) or invest occasional lump sums (minimum £50 in both the ISA and IDA). The charge for online regular monthly payments is £1.50 and £5 for offline payments. Investors may also make

one-off investments by dealing online or by post/telephone. There is a maximum online dealing charge of £12.50 and a postal/telephone dealing charge of £40 to buy and sell shares within an IDA/ISA.

Investors can transfer in shares to their IDA or ISA from other providers. They can also have their dividends re-invested and request to receive income from dividends to their bank account. Although Alliance Trust Savings consider the IDA and ISA to be a medium to long term investment, there is no restriction on how long an investor need invest and investors can choose to close their account by instructing Alliance Trust Savings in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

For information relating to the above savings plans please contact:

#### Alliance Trust Savings Limited

PO Box 164  
8 West Marketgait  
Dundee  
DD1 9YP

Telephone 01382 573737  
Website [www.alliancetrustsavings.co.uk](http://www.alliancetrustsavings.co.uk)  
Email [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk)

For information regarding a shareholding not held through a savings plan, please contact:

#### Registrar

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Telephone: 0371 384 2440  
International: +44 121 415 7047  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

## Important Information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- If bank borrowing is unavailable then investment activity will be curtailed.
- The Company invests in small companies, and/or companies investing in technology or venture and development capital stocks, where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The Company invests in a specialist market sector and is likely to carry higher risks than a more widely invested fund.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Company will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchases will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- If you are unsure as to the suitability of any particular investment or product, you should seek professional financial advice.
- You should remember that the amount of tax relief depends on your individual circumstances and that the beneficial tax treatment of ISAs may not continue in the future.
- Charges may be subject to change in the future.

**Other Important Information:** The information contained on pages 24 to 25 has been issued by Alliance Trust Savings Limited, which is registered in Scotland No. SC 98767, registered office, PO Box 164, 8 West Marketgait, Dundee DD1 9YP; is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, firm reference number 116115. Alliance Trust Savings gives no financial or investment advice.

The Company is managed by Dunedin and marketed by Alliance Trust Savings Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

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## Financial Calendar

Announcements, regular dividend payments and the issue of the annual and half year reports may normally be expected in the months shown below:

### **March**

Preliminary figures and recommended dividend for the year announced.

### **April**

Annual Report and Accounts published.

### **May**

Annual General Meeting and dividend paid.

### **August**

Half year report published.

## Corporate Information

### Directors

Duncan Budge, Chairman  
Brian Finlayson  
Angela Lane  
Federico Marescotti

### Manager and Secretary

Dunedin LLP  
(Authorised and Regulated by the  
Financial Conduct Authority)

### Registered Office

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Registered No. 52844 Scotland  
Email [info@dunedinenterprise.co.uk](mailto:info@dunedinenterprise.co.uk)  
Website [www.dunedinenterprise.com](http://www.dunedinenterprise.com)

### Broker

Cantor Fitzgerald Europe  
One Churchill Place  
London  
E14 5RB

### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
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West Sussex BN99 6DA  
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