Dunedin Enterprise Investment Trust PLC
Half Year Report 2014

Investing in Private Equity

Dunedin

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.

Contents

References in this interim report to 'Dunedin Enterprise', 'the Company', 'the Group', 'the Trust' mean Dunedin Enterprise Investment Trust PLC

References to 'Dunedin', 'the Manager', or to 'the Investment Manager' mean Dunedin LLP

Financial Highlights

Net asset value total return of -1.7% in the six months to 30 June 2014

Realisations of £2.3m in the half year

New investment of £9.8m in the half year

£5.2m returned to shareholders by way of tender offer

Final dividend for 2013 paid of 16.5p per share

Comparative Total Return Performance

Periods to 30 June 2014	Net Asset value	Share price	FTSE Small Cap (ex Inv Cos) Index
Six months	-1.7	0.9	0.4
One year	-2.7	5.3	25.3
Three years	4.2	30.3	62.6
Five years	35.8	70.5	143.7
Ten years	81.1*	112.5	103.6

* taken from 31 July for ten years

Manager's Review

Results for the six months to 30 June 2014

In the six months to 30 June 2014, Dunedin Enterprise's unaudited net asset value per share decreased by 4.6% from 529.3p to 504.8p. When dividends paid in the half year are included, this equates to a total return of -1.7%.

During the period to 30 June 2014 the share price of Dunedin Enterprise decreased by 3.1% from 436.0p to 422.63p. The FTSE Small Cap index decreased by 0.8% over the same period. The share price of 422.63p equates to a discount of 16.3% to net asset value and has reduced from 17.6% at 31 December 2013. At the date of writing the share price stands at 406p which equates to a discount of 19.6% to net asset value per share.

In the six months to 30 June 2014 Dunedin Enterprise invested a total of £9.8m and realised £2.3m from investments.

The Trust had outstanding commitments to limited partnership funds of £68.3m at 30 June 2014. This consists of £55.6m to Dunedin managed funds and £12.7m to European funds. It is expected that approximately £48m of this total commitment will be drawn.

Net asset and cash movements in the half year to 30 June 2014

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

	£'m
Net asset value at 31 December 2013	116.3
Unrealised value increases	6.4
Unrealised value decreases	(7.1)
Realised gain over opening valuation	(0.7)
Dividends paid to shareholders	(3.6)
Tender offer to shareholders (including costs)	(5.3)
Other movements	(0.6)
Net asset value at 30 June 2014	105.4

Cash movements in the half year to 30 June 2014 can be summarised as follows:-

	£'m
Cash and near cash balances at 31 December 2013	27.9
Investments made	(9.8)
Investments realised	2.3
Dividends paid to shareholders	(3.6)
Tender offer to shareholders (including costs)	(5.3)
Operating activities	(1.1)
Cash and near cash balances at 30 June 2014	10.4

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 31-12-13 £'m	Additions in half year £'m	Disposals in half year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 30-6-14 £'m
Dunedin managed	75.1	8.3	(0.5)	(0.7)	0.2	82.4
Third party managed	13.6	1.5	(1.8)	–	(0.9)	12.4
	88.7	9.8	(2.3)	(0.7)	(0.7)	94.8

New investment activity

On 25 June 2014 an investment of £5.9m was made in EV Offshore Limited ("EV"). EV designs, manufactures and provides high performance, ruggedised video cameras that are used to diagnose and analyse problems in oil and gas wells. It offers a highly specialist service, providing skilled engineers to operate its cameras in the harshest of down-hole conditions. The high quality video and still images produced by EV's cameras allow oil and gas well operators to identify problems and design appropriate solutions. This rapid identification of problems saves operators many millions of dollars a year. EV is based in Aberdeen and Norwich, with R&D and manufacturing facilities based in Norwich. It has a further presence in 17 worldwide locations across Northern Europe, Canada, USA, West Africa, the Middle East, Asia and Australasia. The business currently employs 100 staff.

On 6 March 2014 a further investment of £1.3m was made in Hawksford, enabling the Company to acquire the Singapore based corporate services provider, Janus Corporate Solutions ("Janus"). This is the fifth acquisition made by Hawksford since it was backed by Dunedin in October 2008 and reflects the underlying growth strategy to expand the business internationally. Established in 2009, Janus has over 1,500 clients and has experienced growth of 30% year on year, which is set to continue.

Within the European funds £1.4m was drawn down by Innova/5 and £0.1m by Realza Capital. Innova invested £1.1m in Wirtualna Polska a leading internet portal company operating in Poland. The remaining £0.3m was drawndown by Innova/5 to meet management expenses and operating costs of the fund.

There were drawdowns totalling £1.1m made during the half year by Dunedin managed funds for management fees.

Realisations

In the six months to 30 June 2014 a total of £2.3m was realised from investments. The majority of realisation proceeds in the half year were received from Innova/5. The final proceeds from the investment in Emitel, the operator of tower infra-structure for television companies, was realised by Innova/5 generating an overall money multiple of 2 times and cash proceeds to Dunedin Enterprise of £1.4m. Realza Capital returned £0.3m to the Trust following the successful re-financing of one of its portfolio companies.

Deferred proceeds totalling £0.5m were received from the realisations of Capula, etc.venues and Practice Plan and a distribution of £0.1m was received from one of the legacy technology funds, Advent.

Unrealised movements in valuation

Unrealised movements in portfolio company valuations in the half year totalled a reduction of £0.7m. The largest increases within this total were in the valuation of Weldex (£2.2m), Enrich (£1.8m), CitySprint (£1.4m) and RSL Steeper (£0.6m). There were reductions in value at Trustmarque (£3.0m), Red Commerce (£2.5m) and U-POL (£0.7m).

Increased levels of crane utilisation and a hardening of rates have led to a significant improvement in the maintainable earnings of Weldex. The valuation of Weldex has therefore returned to an earnings basis from a net assets basis and resulted in an increased valuation of £2.2m. The valuation of Enrich reflects the expected net proceeds from the liquidation of the business. The valuation of CitySprint has benefited from both an increased EBITDA multiple (7.0 to 7.5) to reflect the growth of the business and also a lower level of bank debt. The maintainable earnings of RSL have increased due to an export contract being won in the Middle East.

A change in accounting for revenue recognition at Trustmorque has resulted in a material reduction in maintainable earnings. The maintainable profits of Red Commerce have been impacted by lower net margins in the Contract Division and a lower level of activity in the Permanent Division. Trading at U-POL has been impacted negatively by currency movements in a number of geographical areas.

The average earnings multiple applied to the valuation of the Dunedin managed portfolio was 7.5x EBITDA (31 December 2013: 7.1x) or 9.1x EBITA (31 December 2013: 8.0x). These multiples are applied to the maintainable earnings of portfolio companies. Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.2x EBITDA (31 December 2013: 2.3x) or 2.7x EBITA (31 December 2013: 2.8x). Over 60% of the debt is repayable after 2017.

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

The Board and the Manager remain satisfied with the balance between cash resources and outstanding commitments to limited partnership funds given the expected rate of new investment. The Board therefore continues to adopt a going concern basis in preparing the half year report and accounts. The £20m revolving credit facility available to the Company has been renewed until 27 February 2017.

Tender Offer

A tender offer was approved by shareholders in May 2014 for 5% of the issued share capital at a price of 475p per share. This equated to a discount of 10.3% to the net asset value per share as at 31 December 2013. Under the tender offer £5.2m was returned to shareholders. A total of £44.3m has now been returned to shareholders since the introduction of the Distribution Policy in November 2011.

Independence Referendum

The question of Scottish independence remains as uncertain as when we last reported to shareholders in March 2014. The Board continues to be concerned about the uncertainty surrounding the referendum in Scotland and will develop contingency plans as appropriate once the outcome is known in a few weeks time.

Outlook

The UK economy appears to be relatively stable. GDP growth for 2014 is now forecast to reach 3.0% with growth for 2015 forecast at 2.6%. Unemployment is forecast to reduce from 6.2% in 2014 to 5.8% in 2015. Against this economic background the majority of portfolio companies are forecasting an increased EBITDA, with the average increase across the portfolio is forecast at 8%.

The outlook for the UK buyout market in 2014 is for a stronger second half and the Manager is currently considering a number of new investment opportunities.

Dunedin LLP
27 August 2014

Ten Largest Investments

(both held directly and via Dunedin managed funds) by value at 30 June 2014

Company name	Approx. percentage of equity %	Cost of investment £'000	Directors valuation £'000	Percentage of net assets %
CitySprint (UK) Group Limited	11.9	9,838	17,320	16.4
Hawksford International Limited	20.0	5,637	9,219	8.8
CGI Group Holdings Limited	41.4	9,450	8,632	8.2
Weldex (International) Offshore Holdings Limited	15.1	9,505	8,448	8.0
Realza Capital FCR	8.9	5,924	7,235	6.9
Formaplex Group Limited	17.7	1,731	6,757	6.4
Kee Safety Group Limited	9.4	6,275	6,275	6.0
EV Offshore Limited	10.1	5,882	5,882	5.6
U-POL Group Limited	5.2	5,657	5,495	5.2
Innova /5 LP	3.9	5,345	4,455	4.2
		65,244	79,718	75.7

Top ten investments (held via funds and direct investments)

CitySprint (UK) Group Limited

Percentage of equity held	11.9%
Cost of Investment	£9.8m
Directors' valuation	£17.3m
Percentage of net assets	16.4%

In December 2010, Dunedin Enterprise invested £9.8m in CitySprint to support the company's ongoing organic and buy & build strategy; fifteen bolt-on acquisitions have been made under Dunedin's ownership.

CitySprint is the UK's market leader in the same day delivery sector with a national network of 37 service centres. CitySprint benefits from a technology enabled asset light business model with over 2,500 self-employed couriers, making the business both highly flexible and scalable. The business splits its activities into three key services of same day courier, same day logistics and UK & International overnight courier to a wide range of sectors, including healthcare, online retail fulfilment and parts fulfilment.

Hawksford International Limited

Percentage of equity held	20.0%
Cost of Investment	£5.6m
Directors' valuation	£9.2m
Percentage of net assets	8.8%

Dunedin Enterprise invested £3.7m in the management buyout of Hawksford in October 2008. A further £1.9m has been invested to finance acquisitions.

Hawksford is a Jersey based provider of trust and fiduciary services to ultra-high net worth individuals and corporates. The business, which has its foundations in the mid-nineteenth century, has been built through the consolidation of high quality firms in Jersey, and one of the largest global centres for offshore fiduciary services. In the last three years the business has completed the acquisitions of Key Trust, Trustcorp Jersey, L-S&S, the funds business of Standard Bank Dubai and most recently Janus in Singapore.

C.G.I. Group Holdings Limited

Percentage of equity held	41.4%
Cost of Investment	£9.5m
Directors' valuation	£8.6m
Percentage of net assets	8.2%

Dunedin Enterprise first invested in CGI in 1998, in support of a management buyout of the company. Since that time the company has been through two refinancings allowing Dunedin Enterprise to raise a total of £14.5m in capital and income to date from this investment.

CGI is a leading independent developer, manufacturer and supplier of specialist fire glass. In November 2012, CGI reinforced its European reach with the acquisition of the business activities of Interver SA in France, a long established producer of fire resistant glass. CGI generates two thirds of its revenues from clients outside the UK. CGI France will enhance the existing range of products and expand its geographic and customer reach.

Weldex (International) Offshore Holdings Limited

Percentage of equity held	15.1%
Cost of Investment	£9.5m
Directors' valuation	£8.4m
Percentage of net assets	8.0%

Dunedin Enterprise invested £9.5m in the management buyout of Weldex in June 2010.

Weldex is the UK market leading crawler crane hire company. 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 and the 2012 Olympic site. The company is well placed to benefit from the rapid growth in offshore wind farm developments and UK power station construction and decommissioning.

Weldex operates nationwide and overseas from its headquarters in Inverness and its depot at Alfreton in Derbyshire. The company also supplies associated lifting equipment. It recently opened a new base established at Nigg Energy Park to undertake oil and gas decommissioning work.

Realza Capital FCR

Percentage of equity held	8.9%
Cost of Investment	£5.9m
Directors' valuation	£7.2m
Percentage of net assets	6.9%

Realza Capital FCR is a Spanish private equity fund making investments in Spain and Portugal. The fund is limited to investing 15% of commitments in Portugal.

The fund invests in companies with leading market positions and attractive growth prospects either through organic growth or through subsequent 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 will range from €10m to €25m. The areas of business in which the fund's four remaining investments operate are:- management and operation of dental clinics; manufacture and sale of digital photo-books; manufacture and sale of household cleaning and personal care products; tax management services to local government.

Formaplex Group Limited

Percentage of equity held	17.7%
Cost of Investment	£1.7m
Directors' valuation	£6.8m
Percentage of net assets	6.4%

In December 2007, Dunedin Enterprise invested £3.1m in Formaplex. The company has redeemed £1.4m of loan stock since acquisitions.

Formaplex is an advanced manufacturing services business focussed on tooling and component manufacture and other supply chain services in advanced materials (plastics and composites). Formaplex has a market-leading position in the UK premium automotive and motorsport sectors, with a rapidly growing share of the UK and European high-volume automotive, defence, aerospace and industrial markets. It operates from three state of the art UK manufacturing facilities with a strong network of European and Asian supply partners.

Kee Safety Group Limited

Percentage of equity held	9.4%
Cost of Investment	£6.3m
Directors' valuation	£6.3m
Percentage of net assets	6.0%

In December 2013, Dunedin Enterprise invested £6.3m in the management buyout of Kee Safety. The investment will help enable the business to continue its international expansion.

Kee Safety is a global market leading provider of safety systems and products designed to protect people from hazards. Kee Safety is headquartered in Meriden, West Midlands and has 271 employees spread across the UK, USA, Canada, Germany, France, Poland, Dubai, China and India. Its customers range from multi-national corporations, to major contractors, distributors and installers.

EV Offshore Limited

Percentage of equity held	10.1%
Cost of Investment	£5.9m
Directors' valuation	£5.9m
Percentage of net assets	5.6%

In June 2014, Dunedin Enterprise invested £5.9m to support the management buyout of EV to enable the business to continue its international expansion.

EV is a UK headquartered global market leading provider of high performance, ruggedised video cameras that are used to analyse problems in oil and gas wells. EV is based in Aberdeen and Norwich, with R&D and manufacturing facilities based in Norwich. It has a further presence in 17 worldwide locations across Northern Europe, Canada, USA, West Africa, the Middle East, Asia and Australasia.

Percentage of equity held	5.2%
Cost of Investment	£5.7m
Directors' valuation	£5.5m
Percentage of net assets	5.2%

U-POL Group Limited

Dunedin Enterprise invested £5.7m in the management buyout of U-POL in December 2010.

U-POL is a leading independent manufacturer of automotive refinish products including body fillers, coatings, aerosols, polishing compounds and consumables. The company has an enviable reputation for product quality and innovation, which is the key to its global success. 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 expand in both developed and emerging markets.

Percentage of equity held	3.9%
Cost of Investment	£5.4m
Directors' valuation	£4.5m
Percentage of net assets	4.2%

Innova/5 LP

Innova/5 LP is private equity fund based in Warsaw which makes investments in Central Eastern Europe.

The fund invests in mid-market buyouts in businesses with an enterprise value of between €50m and €125m. The areas of business in which the fund's five remaining investments operate are:- manufacture of bathroom sanitary ware; card processing, ATM and POS operations and e-commerce services; provision of obstetric, gynaecological and neonatal services to private hospitals; a wide range of electricity related products and services in turnkey project management and engineering; leading internet portal.

Overview of Portfolio

Analysed by category of investment

	30 June 2014 %	31 December 2013 %
Dunedin managed	**79**	64
Third party managed	**11**	12
Cash	**10**	24

Analysed by fund

	30 June 2014 %	31 December 2013 %
Direct	**11**	9
Dunedin Buyout Fund I	**–**	–
Dunedin Buyout Fund II	**49**	42
Dunedin Buyout Fund III	**13**	9
Equity Harvest Fund	**6**	4
Third Party managed	**11**	12
Cash	**10**	24

Analysed by valuation method

	30 June 2014 %	31 December 2013 %
Cost/written down	**18**	15
Earnings – provision	**36**	23
Earnings – uplift	**42**	50
Net asset	**4**	12

Analysed by geographic location

	30 June 2014 %	31 December 2013 %
UK	**79**	65
Rest of Europe	**11**	11
Cash	**10**	24

Analysed by sector

	30 June 2014 %	31 December 2013 %
Construction and building materials	**9**	9
Consumer products & services	**3**	7
Financial services	**12**	11
Healthcare	**5**	5
Industrials	**30**	26
Support services	**37**	39
Technology, media & telecoms	**4**	3

Analysed by age of investment

	30 June 2014 %	31 December 2013 %
<1 year	**14**	14
1-3 years	**16**	18
3-5 years	**35**	37
>5 years	**35**	31

Contents

Consolidated Income Statement
for the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014		
	Revenue £'000	Capital £'000	Total £'000
Investment income	292	–	292
Gain/(loss) on investments	–	(1,430)	(1,430)
Total Income	292	(1,430)	(1,138)
Expenses			
Investment management fees	(61)	(183)	(244)
Management performance fee	–	–	–
Other expenses	(323)	–	(323)
Profit/(loss) before finance costs and tax	(92)	(1,613)	(1,705)
Finance costs	(75)	(225)	(300)
Profit/(loss) before tax	(167)	(1,838)	(2,005)
Taxation	–	–	–
Profit/(loss) for the period	(167)	(1,838)	(2,005)
Earnings per ordinary share (basic & diluted)	(0.8)p	(8.4)p	(9.2)p

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 items in the above statement derive from continuing operations.

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

		Unaudited Six months ended 30 June 2013			Audited Year ended 31 December 2013
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
114	–	114	6,487	–	6,487
–	1,759	1,759	–	(4,990)	(4,990)
114	1,759	1,873	6,487	(4,990)	1,497
(105)	(315)	(420)	(182)	(545)	(727)
–	–	–	(121)	(363)	(484)
(322)	–	(322)	(659)	–	(659)
(313)	1,444	1,131	5,525	(5,898)	(373)
(68)	(205)	(273)	(133)	(399)	(532)
(381)	1,239	858	5,392	(6,297)	(905)
(26)	–	(26)	(634)	506	(128)
(407)	1,239	832	4,758	(5,791)	(1,033)
(1.6)p	4.9p	3.3p	19.9p	(24.2)p	(4.3)p

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2014

Six months ended 30 June 2014 (unaudited)

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2013	5,492	2,434
Profit/(loss) for the period	–	–
Purchase and cancellation of shares	(275)	275
Dividends paid	–	–
At 30 June 2014	5,217	2,709

Six months ended 30 June 2013 (unaudited)

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2012	6,438	1,488
Profit/(loss) for the period	–	–
Purchase and cancellation of shares	(657)	657
Dividends paid	–	–
At 30 June 2013	5,781	2,145

Year ended 31 December 2013 (audited)

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2012	6,438	1,488
Profit/(loss) for the year	–	–
Purchase and cancellation of shares	(946)	946
Dividends paid	–	–
At 31 December 2013	5,492	2,434

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
	62,832	(11,649)	47,600	9,558	108,341	116,267
	(6,917)	5,079	–	(167)	(2,005)	(2,005)
	(5,288)	–	–	–	(5,288)	(5,288)
	–	–	–	(3,624)	(3,624)	(3,624)
	50,627	(6,570)	47,600	5,767	97,424	105,350

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
	81,915	(6,717)	47,600	6,474	129,272	137,198
	(2,552)	3,791	–	(407)	832	832
	(12,618)	–	–	–	(12,618)	(12,618)
	–	–	–	(1,674)	(1,674)	(1,674)
	66,745	(2,926)	47,600	4,393	115,812	123,738

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
	81,915	(6,717)	47,600	6,474	129,272	137,198
	(859)	(4,932)	–	4,758	(1,033)	(1,033)
	(18,224)	–	–	–	(18,224)	(18,224)
	–	–	–	(1,674)	(1,674)	(1,674)
	62,832	(11,649)	47,600	9,558	108,341	116,267

Consolidated Balance Sheet
As at 30 June 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Non-current assets			
Investments held at fair value	**95,127**	105,892	93,043
Current assets			
Other receivables	**905**	60	593
Cash and cash equivalents	**10,078**	22,849	23,484
	10,983	22,909	24,077
Total assets	**106,110**	128,801	117,120
Current liabilities			
Other liabilities	**(626)**	(4,982)	(670)
Current tax liabilities	**(134)**	(81)	(183)
Net assets	**105,350**	123,738	116,267
Equity attributable to equity holders			
Share capital	**5,217**	5,781	5,492
Capital redemption reserve	**2,709**	2,145	2,434
Capital reserve – realised	**50,627**	66,745	62,832
Capital reserve – unrealised	**(6,570)**	(2,926)	(11,649)
Special distributable reserve	**47,600**	47,600	47,600
Revenue reserve	**5,767**	4,393	9,558
Total equity	**105,350**	123,738	116,267
Net asset value per ordinary share (basic and diluted)	**504.8p**	535.1p	529.3p

Consolidated Cash Flow Statement
for the six months ended 30 June 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Operating activities			
(Loss)/profit before tax	**(2,005)**	858	(905)
Loss/(gain) on investments	**1,430**	(1,759)	4,990
Interest paid	**300**	273	532
(Increase) /decrease in debtors	**(312)**	1,241	708
(Decrease)/increase in creditors	**(44)**	671	439
Other non cash movements	**–**	(225)	(228)
Net cash (outflow)/inflow from operating activities	**(631)**	1,059	5,536
Servicing of finance			
Interest paid	**(300)**	(273)	(532)
Investing activities			
Purchase of investments	**(9,768)**	(6,076)	(18,458)
Purchase of 'AAA' rated money market funds	**(10,379)**	(8,026)	(17,213)
Sale of investments	**2,272**	18,147	27,276
Sale of 'AAA' rated money market funds	**14,379**	5,700	20,171
Net cash (outflow)/inflow from investing activities	**(3,496)**	9,745	11,776
Taxation			
Tax	**(49)**	–	–
Financing activities			
Purchase of ordinary shares	**(5,288)**	(12,618)	(18,224)
Dividends paid	**(3,624)**	(1,674)	(1,674)
Net cash (outflow) from financing activities	**(8,912)**	(14,292)	(19,898)
Effect of exchange rate fluctuations on cash held	**(18)**	5	(3)
Net (decrease) in cash and cash equivalents	**(13,406)**	(3,756)	(3,121)
Cash and cash equivalents at the start of period	**23,484**	26,605	26,605
Net (decrease) in cash and cash equivalents	**(13,406)**	(3,756)	(3,121)
Cash and cash equivalents at the end of period	**10,078**	22,849	23,484

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
27 August 2014

Notes to the Accounts

1. Unaudited Interim Report

The financial information contained in this report does not constitute the Company's statutory accounts for the year ended 31 December 2013 but is derived from those accounts. Statutory accounts for the year ended 31 December 2013 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 2013 and 30 June 2014 have not been audited.

2. Basis of Preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The accounting policies applied in these financial statements are the same as those in the Group's consolidated financial statements as at and for the year ended 31 December 2013.

3. Dividends

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Dividends paid in the period	**3,624**	1,674	1,674

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 2014 £'000
Level 1	
'AAA' rated money market funds OEICS	370
Level 2	–
Level 3	
Unlisted investments	94,757
	95,127

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 2014.

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 2014 are set out below:-

	Level 3 £'000
Book cost at 31 December 2013	100,320
Unrealised (depreciation)	(11,649)
Valuation at 31 December 2013	88,671
Purchases at cost	9,768
Sales – proceeds	(2,272)
Sales – realised (losses) against cost	(6,489)
Increase in unrealised appreciation	5,079
Valuation at 30 June 2014	94,757
Book cost at 30 June 2014	101,327
Closing unrealised (depreciation)	(6,570)

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 2013. The Company’s principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially, other than the outcome of the Scottish independence referendum, for the remaining six months of the Company’s financial year.

6. Earnings per share

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Revenue return per ordinary share (p)	**(0.8)**	(1.6)	19.9
Capital return per ordinary share (p)	**(8.4)**	4.9	(24.2)
Earnings per ordinary share (p)	**(9.2)**	3.3	(4.3)
Weighted average number of shares	**21,693,838**	25,158,532	23,894,866

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 2014 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Catherine Burnet

for and on behalf of KPMG Audit Plc
Chartered Accountants
Edinburgh

27 August 2014

Information for Investors

The information on pages 24 and 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. It is authorised and regulated by the Financial Conduct Authority whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS firm reference number 116115. It gives no financial or investment advice.

The Company is managed by Dunedin LLP ("Dunedin") and marketed by Alliance Trust Savings Limited. 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.

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 or on the Alliance Trust Savings website www.alliancetrustsavings.co.uk or else on various websites such as 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 platform.

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 2013, the ISA subscription limit has been £11,520 for anyone eligible to invest, rising to £15,000 from 1 July 2014. The quarterly administration charge for an Alliance Trust Savings ISA is £18.75.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a simple means of investing in Dunedin Enterprise. The quarterly administration charge for an Alliance Trust Savings IDA is £18.75.

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 an 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 consider our IDA and ISA to be medium to long term investments, 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
Email contact@alliancetrust.co.uk

Alliance Trust Savings Limited is a subsidiary of Alliance Trust PLC and 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.

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: 0871 384 2440*

*Calls to this number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday. The overseas helpline number is +44(0)121 415 7047

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.
- 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.

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
Liz Airey
Brian Finlayson
Federico Marescotti

Manager and Secretary
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Money Observer Investment Trust Awards 2012
Highly Commended
Best Private Equity Trust
Dunedin Enterprise