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1 November 2011

DUNEDIN ENTERPRISE INVESTMENT TRUST PLC

PROPOSED CHANGE OF INVESTMENT POLICY AND INTRODUCTION OF DISTRIBUTION POLICY

Summary

The Board has been concerned for some time with regard to the discount at which the Shares have been trading relative to their NAV and the poor liquidity in the market for the Shares. As a result, the Board has undertaken a strategic review of the Company and, as part of this review, consulted a number of the largest Shareholders. Having concluded this consultation, the Board is pleased to announce proposals:

- to change the Company's investment policy so that, in particular:
  - the Company's portfolio will be progressively refocused on UK lower mid-market buyouts where the Company has invested directly or through funds managed by its investment manager, Dunedin Capital Partners; and
  - the Company's existing third party managed fund investments may be held to maturity, although the Directors will consider earlier sales of all or any of those investments, together with any associated undrawn commitments, if the Directors believe that any such sales on the terms proposed are in the best interests of Shareholders as a whole;
- to introduce a distribution policy, using, if Shareholders approve the proposed change of investment policy, at least 50% of the capital gains made on realisations of the Company's investments in UK lower mid market buyouts and a substantial proportion of the net proceeds from any sales of the Company's existing investments in third party managed funds (or, if Shareholders do not approve the proposed change of investment policy, at least 50% of the capital gains made on all realisations of the Company's investments) to fund Share buy-backs, tender offers, returns of capital, dividend payments or other distributions to Shareholders; and
- to cancel the Company's share premium account, thereby creating a special reserve to facilitate the new distribution policy.

The Directors believe that the principal benefits of the Proposals will be:

- refocusing the Company's portfolio on investments that fall within Dunedin Capital Partners' core area of investment management expertise as a UK lower mid-market private equity investor;
- a material and sustained reduction in the Company's unfunded commitments in the longer term;
- a clearly defined distribution policy, which should reduce the cash drag on Shareholders' returns following realisations and pending re-investment and create liquidity for Shareholders whilst maintaining the Company at a viable size;
- a more efficient employment of the Company's capital through a combination of a reduction in its outstanding commitments and the new distribution policy, with the flexibility to make direct investments when its commitments and cash position permit; and
- enhancing returns to Shareholders over the longer term.

The Directors believe that these benefits should, over time, enhance the Company's appeal to investors and, accordingly, should attract market support for the Shares over the medium to long term. In turn, this should lead to an improvement in the Company's rating.

The proposed change of investment policy represents a material change of investment policy and, accordingly, under the Listing Rules, requires the approval of Shareholders in general meeting. In addition, the proposed cancellation of the Company's share premium account requires, under the Companies Act 2006, to be approved by Shareholders and confirmed by the Court. A general meeting of the Company has been convened for Monday, 28 November 2011 commencing at 12 noon, at the offices of Dunedin Capital Partners at Dukes Court, 32 Dukes Street, St James's, London SW1Y 6DF, at which the requisite resolutions will be proposed. The Board is recommending that Shareholders vote in favour of those resolutions.

Enquiries

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Background to, and Reasons for, the Proposals

Dunedin Enterprise has been investing in unquoted companies throughout the 37 years of its existence, the last 23 as a company listed on the London Stock Exchange. Over this time, the investment strategy of the Company has continued to evolve in line with developments in the wider market for unquoted investments and as the venture capital and private equity industry has matured. At all times during that period the Board has sought to develop the investment strategy of the Company to continue to deliver long term capital growth to Shareholders. As can be seen from the following table, the returns to Shareholders have generally been strong relative to the FTSE SmallCap (ex. Investment Companies) Index.

Comparative Total Return Performance to 30 June 2011[1]

Periods to 30 June 2011	*NAV per Share*[2]	*Share Price*[3]	*FTSE SmallCap (ex. IC) Index*[3]
6 months	6.3%	22.4%	2.8%
1 year	22.4%	40.7%	24.6%
3 years	7.2%	11.1%	18.5%
5 years	19.5%	3.0%	-5.4%
10 years	93.7%	93.3%	22.3%

[1]Note: 30 June 2011 is the last date in respect of which the Company has published a NAV.
[2]Note: Taken from 30 April for five and 10 years.
[3]Source: Datastream.

Since 2000, the Company has made a number of commitments to funds managed by private equity groups other than Dunedin Capital Partners. At the same time, the Company has increased its concentration on smaller and medium size buyouts based in the UK through increasing its commitments to the buyout funds managed by Dunedin Capital Partners. In particular, following Shareholder approval of a change of investment policy in May 2008, the Company increased its exposure to third party managed funds specialising predominantly in small and medium sized buyouts in Europe. The Company's investments at 30 June 2011 can be categorised as set out in the table below.

Portfolio Composition at 30 June 2011

	Value	*% of Portfolio*	*Outstanding Commitment*
Dunedin Capital Partners-managed investments (direct and via funds managed by Dunedin Capital Partners)	£93.2m	71.2%	£31.0m
Third party managed limited partnerships	£19.4m	14.8%	£41.8m
SWIP Private Equity Fund of Funds II PLC	£16.3m	12.5%	-
Legacy technology funds	£2.0m	1.5%	-
	£130.9m	100.0%	£72.8m

A consequence of the Company's strategy of increasing its exposure to indirect investment in private equity through limited partnerships was to increase the Company's level of over-commitments (i.e. where the Company has committed to invest in limited partnerships in advance of having the immediate means to meet such commitments as they are drawn down). Over-commitment strategies are designed to ensure efficient employment of capital, reflecting the long-term and illiquid nature of private equity investment and the long-term gradual nature of draw downs on commitments.

As at 30 June 2011, the Company had cash and near cash balances of £27.9 million. Given the Company's current resources, anticipated realisations and the expected rate of new investments, the Board is satisfied that the Company will continue to be able to meet its outstanding commitments without recourse to debt. However, during the 2008-09 financial crisis a number of listed private equity funds operating over-commitment strategies had to take action to strengthen their balance sheets to enable them to meet their outstanding commitments or to rebut concerns from market commentators over their ability to meet their outstanding commitments. Whilst the Company was not one of these funds, the Directors believe that the extent of the Company's commitments in the recent past is a factor that has contributed to the discount at which the Shares have been trading relative to their NAV.

In common with most other private equity investment trusts, the Shares have been trading at a substantial discount relative to their NAV for some time and the market in the Shares is relatively illiquid. Accordingly, in June 2011, the Board instigated a strategic review of the Company with the objective of optimising Shareholder value. As part of this review, the Board, through its financial adviser, consulted a range of Shareholders to ascertain their views on the Company. In broad terms, the feedback from this consultation process:

- indicated strong support for both the Company and its Manager;
- suggested that the Company's investments in third party managed funds failed to capitalise on Dunedin Capital Partner's core area of investment management expertise as a UK lower mid-market private equity investor; and
- echoed the Board's concerns regarding the discount at which the Shares have been trading relative to their NAV and the poor liquidity in the market for the Shares.

Taking into account that feedback and having assessed a number of options for optimising Shareholder value, the Board developed, in conjunction with its advisers, the proposals described in this announcement.

Changes to the Investment Policy

The Board is proposing to change the Company's investment policy so that, in future, the Company will invest only in direct private equity investments or via private equity funds managed by Dunedin Capital Partners, specialising in the provision of equity finance for management buyouts, management buyins and growing businesses in the UK lower mid-market (i.e. businesses with an enterprise value typically in the region of £20 – 75 million). It is anticipated that the Company's new direct investments will be in the form of co-investments alongside private equity funds managed by Dunedin Capital Partners in which the Company has also invested.

The Directors believe that the Company's existing investments in third party managed funds are beginning to emerge from the negative part of the J-curve (in private equity, the J-curve is used to illustrate the historical tendency of private equity funds to deliver negative returns in the early years and investment gains in the outlying years as the portfolio of companies mature). In order to benefit from their up-side potential, those investments may be retained and allowed to follow their natural course and, therefore, held to maturity, with draw downs on outstanding commitments being met when called. However, the Directors will consider earlier sales of all or any of those investments, together with any associated undrawn commitments, prior to maturity if they believe any such sales on the terms proposed are in the best interests of Shareholders as a whole.

As a result of the illiquid nature of the Company's investments, it will take some time for the Company to realise its existing investments in third party managed funds and to re-invest the resulting net proceeds that may be available for re-investment. Accordingly, the refocusing of the Company's portfolio on UK lower mid-market buyouts where the Company has invested directly or through funds managed by its Manager will be progressive and will take some time to complete.

Introduction of a Distribution Policy

The change in the Company's investment policy, if approved by Shareholders, will result in a material and sustained reduction in the Company's unfunded commitments over time. Absent of any other proposals, this would lead to a build up of substantial cash balances over time and could act as a drag on the Company's investment performance, which in turn would dilute returns to Shareholders.

Accordingly, with a view to making the most efficient use of the Company's capital and to aim to provide additional liquidity in respect of the Shares than is currently available through the secondary market, the Board is introducing, with immediate effect, a distribution policy to deploy, for purposes other than re-investment, a proportion of the capital gains made when investments are realised. Any losses incurred on realisations will be disregarded for the purpose of determining the amount available to be deployed under the distribution policy (i.e. realised gains will not be offset by, or adjusted to take account of, realised losses or investments written off when determining the amount to be deployed under the distribution policy). **By way of illustration only**, during the 10 years preceding the date of this announcement the Company realised gains on investments of £120.2 million (although it should be noted that, had the new distribution policy been in force during that period, such amount would have been lower as the Company would have had less capital available for re-investment).

It is intended that, under the distribution policy, at least 50% of the capital gains made (i.e. the sale proceeds received by the Company on realisation excluding income and less the original cost and costs incurred on sale) on realisations of the Company's investments in UK lower mid market buyouts (or, if Shareholders do not approve the proposed change of investment policy, at least 50% of the capital gains made on all realisations of the Company's investments) will be used to fund Share buy-backs, tender offers, returns of capital or other distributions to Shareholders. Where investments are held indirectly through a limited partnership, the capital gains made on realisations of those investments will be calculated on a look through basis.

Furthermore, if Shareholders approve the proposed change of investment policy, in respect of any sale of the Company's investments in existing third party managed funds, it is intended that, under the distribution policy, a substantial proportion of the net sale proceeds (and not just a proportion of any capital gains made on sale) will be used to fund Share buy-backs, tender offers, returns of capital and other distributions to shareholders.

The Directors will aim to use amounts available to be deployed under the distribution policy for the purposes outlined above as soon as practicable following their receipt. However, the Directors will have discretion to determine the mechanics and timing for the deployment of such amounts having regard, in particular, to the Company's cash flow, cash balances and outstanding commitments, the amount available to be paid out and legal and regulatory restrictions.

For the avoidance of doubt, the Company will continue to pay an annual dividend calculated at a level to ensure that it meets the requirements of UK tax legislation to maintain its investment trust status.

Cancellation of the Share Premium Account

The ability of the Company to implement its new distribution policy depends, amongst others, on the Company having appropriate reserves out of which the relevant distribution can be funded. In order to maximise the extent to which the new distribution policy can be implemented, and provide some flexibility as to the mechanics available to implement it, the Board is proposing, subject to Shareholder approval and confirmation by the Court, that the amount standing to the credit of the Company's share premium account (being £47.6 million at the date of this announcement) be cancelled and that that amount be transferred to a newly created special reserve which, following compliance with any Court undertaking (or other form of creditor protection), may be treated as a distributable reserve for all purposes. The cancellation will take effect upon the registration with the Registrar of Companies of the order of the Court confirming the cancellation, which is expected to occur in the first quarter of 2012.

Buy-backs of Shares

At each annual general meeting of the Company, the Directors seek a general authority from Shareholders for the Company to make market purchases of up to 14.99% of the Shares then in issue, with the authority expiring at the conclusion of the Company's next annual general meeting or, if earlier, 15 months after the passing of the relevant resolution. As required by the Listing Rules, the maximum price (exclusive of expenses) which may be paid by the Company to buy back a Share pursuant to such authority is the higher of (i) 5% over the average of the middle market prices of the Shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the Shares and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

The Board believes that the ability to make market purchases of Shares is a valuable mechanism which may be used to enhance Shareholder value. The reduction in the Company's unfunded commitments should increase the Company's flexibility to undertake Share buy-backs (in addition to the deployment of capital in accordance with the new distribution policy). Accordingly, even when there is no amount available for deployment in accordance with the new distribution policy, the Directors intend to use the Company's general Share buy-back authority to acquire Shares if they believe, at the relevant time, that it is in the best interests of Shareholders generally and will result in an increase in the NAV per Share for the remaining Shareholders.

Any Shares bought by the Company will be cancelled.

Benefits of the Proposals

The Directors believe that the principal benefits of the Proposals will be:

- the progressive refocusing of the Company's portfolio on UK lower mid-market buyouts, being Dunedin Capital Partners' core area of investment management expertise;
- a material and sustained reduction in the Company's unfunded commitments in the longer term;
- a clearly defined distribution policy, using, if Shareholders approve the proposed change of investment policy, at least 50% of the capital gains made on realisations and a substantial proportion of the net proceeds from any sales of the Company's existing investments in third party managed funds (or, if Shareholders do not approve the proposed change of investment policy, at least 50% of the capital gains made on all realisations of the Company's investments) to fund Share buy-backs, tender offers, returns of capital or other distributions to Shareholders, thereby reducing the cash drag on Shareholders' returns following realisations and pending re-investment and creating liquidity for Shareholders whilst maintaining the Company at a viable size;
- a more efficient employment of the Company's capital through a combination of a reduction in its outstanding commitments and the new distribution policy, with the flexibility to make direct investments when its commitments and cash position permit; and
- enhancing returns to Shareholders over the longer term.

The Directors believe that these benefits should, over time, enhance the Company's appeal to investors and, accordingly, should attract market support for the Shares over the medium to long term. In turn, this should lead to an improvement in the Company's rating.

Circular

A circular to Shareholders containing further details of the Proposals will be posted to Shareholders later today. A copy of that circular will be submitted to the National Storage Mechanism and will be available for inspection at www.hemscott.com/nsm.do and on the Company's website, www.dunedinenterprise.com.

Expected Timetable

Latest time and date for receipt of completed Forms of Proxy, electronic proxy appointment and CREST electronic proxy appointment for use at General Meeting	12 noon on Thursday, 24 November
General Meeting	12 noon on Monday, 28 November

Definitions

The following definitions apply throughout this announcement, unless the context requires otherwise:

"Board"	the board of Directors, including any duly constituted committee thereof
"Company" or "Dunedin Enterprise"	Dunedin Enterprise Investment Trust PLC
"Court"	the Court of Session in Scotland
"Directors"	the directors of the Company
"General Meeting"	the general meeting of the Company convened for Monday, 28 November 2011 at 12 noon, or any adjournment of such general meeting
"Manager" or "Dunedin Capital Partners"	Dunedin Capital Partners Limited
"Listing Rules"	the listing rules made by the Financial Services Authority pursuant to section 73A of the Financial Services and Markets Act 2000
"NAV"	in relation to a Share, its net asset value calculated in accordance with the Company's accounting policies

"Proposals"	the proposals regarding changes to the Company's investment policy, the introduction of a distribution policy and the cancellation of the Company's share premium account described in this announcement
"Shareholders"	holders of Shares
"Shares"	ordinary shares of 25p each in the capital of the Company

Notes

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company and for no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Genuity or for affording advice in relation to the Proposals or any other matter referred to in this announcement.