

# 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 capital growth in its assets through capital gains from its investments.

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## Financial Highlights

Total return per ordinary share

**0.0%**

-0.4% 2014

Net asset value per ordinary share

**505.8p**

510.6p 2014

Cash returned to shareholders

**£0.7m**

£5.2m 2014

Annualised net asset total return  
over 10 years

**3.5%**

5.7% 2014

Share price

**321.5p**

352.4p 2014

Discount

**36.4%**

31.0% 2014

Dividend per ordinary share

**0p<sup>\*1</sup>**

4.7p 2014

Ongoing charges

**2.9%**

2.9% 2014

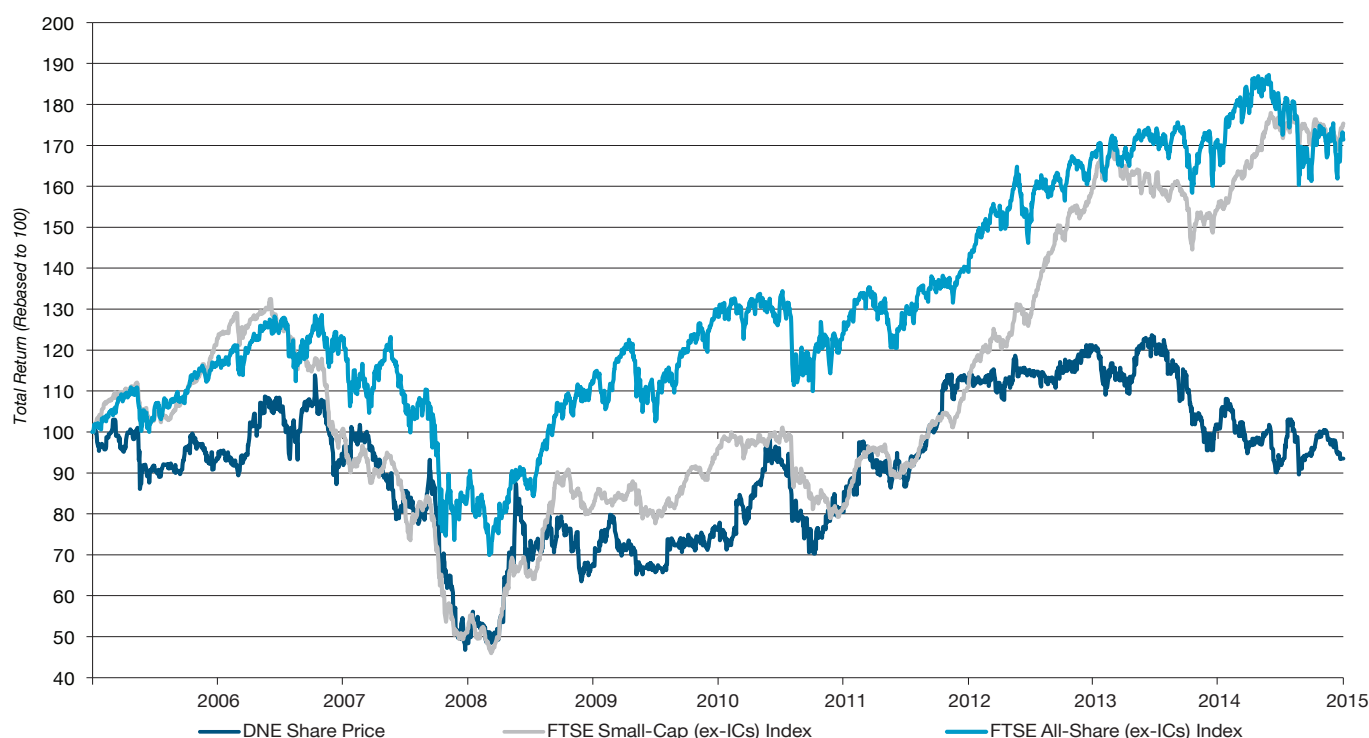
<sup>\*1</sup> an interim dividend for the year ended 31 December 2016 of 16p will be paid on 18 May 2016

### Comparative Total Return Performance

	One year to December 2015 %	Three years to December 2015 %	Five years to December 2015 %	Ten years to December 2015 %
Net asset value per ordinary share	0.0	0.0	12.0	39.6 <sup>*2</sup>
Share price	-7.5	-16.4	23.0	-6.4
FTSE Small Cap-Index ("the Benchmark")	13.0	58.2	82.9	75.7
FTSE All-Share Index	0.8	23.0	33.5	71.2

<sup>\*2</sup> Ten years from 31 October 2005

## Ten year record



## Long Term Record

Ended 30 April	Net assets £'000	Cash returned to shareholders £'000	Revenue available for ordinary shareholders £'000	Per Ordinary Share			
				Net asset value	Earnings	Dividend	Share price
				p	p	p	p
2004	105,687	–	2,846	344.0	9.2	8.57	258.0
2005	126,423	–	3,184	416.3	10.4	9.0	346.0
2006	151,304	–	4,236	498.2	13.9	11.45	457.75
2007	163,717	–	3,727	541.9	12.3	10.7	462.0
<b>Ended 31 December</b>							
2007	159,947	–	2,516	529.5	8.3	7.5	415.75
2008	130,777	–	8,825	433.4	29.2	25.85	211.0
2009	122,856	–	726	407.1	2.4	2.5	266.5
2010	150,083	–	1,125	497.3	3.7	3.8	300.0
2011	162,956	–	1,307	541.0	4.3	5.0	313.5
2012	137,198	21,086	5,801	532.7	20.8	22.5	412.38
2013	116,267	17,992	4,758	529.3	19.9	16.5	436.0
2014	106,556	5,217	980	510.6	4.6	4.7	352.4
2015	104,427	695	(628)	505.8	(3.0)	–	321.5

## Chairman's Statement

### Duncan Budge, Chairman



In the year to 31 December 2015 your Company's net asset value per share was largely unchanged at 505.8p. After allowing for last year's final dividend of 4.7p, the total return to shareholders was 0.0%, while the share price total return was -7.5%. This represents another period of disappointing performance.

On 18 February 2016 we announced the successful realisation of our largest investment, CitySprint, the same-day delivery business, for 2.75x our original investment. Further details of this transaction appear below. At the same time we announced that the Board had decided that it would be in the interests of shareholders for your Company to be wound down in an orderly process over time. This decision was taken after consulting the largest shareholders and our professional advisers. A separate circular will be posted to shareholders with the Annual Report containing further information on these proposals, on which shareholders will be asked to vote.

Following this combined announcement, the share price reacted positively, increasing by some 14% to 335p. The share price at 17 March 2016 stands at 331p a discount of 35% to the net asset value of 505.8p per share.

#### Portfolio

There was one new investment during the year. An investment of £4.9m was made in Blackrock Programme Management which provides independent expert witness and construction consulting services for large, international projects. Follow-on investments were also made into RED, Premier Hytemp and Steeper.

Trading performance of the portfolio has again been mixed. Valuation uplifts were achieved by CitySprint, Hawksford, the fiduciary services business and Kee Safety, the provider of safety equipment. Each of these businesses is trading well as a result of growth,

achieved both organically and by acquisition. As EV and Premier Hytemp supply services to the oil industry, trading at both has been significantly impacted by the reduction in the price of oil. Both are actively reducing their cost base to align this more closely to market conditions. Pyroguard has been impacted by production difficulties during the year at its French site, which have now been resolved.

Since the year end the Company has made a significant realisation as well as a new investment.

On 18 February 2016 the Company achieved a partial realisation of CitySprint through a sale to LDC. On completion Dunedin Enterprise received proceeds totalling £26.1m of which £22.8m is capital and £3.3m is loan interest. A total of £7.3m has been rolled into a CitySprint "Newco" alongside LDC for a 5% interest, resulting in net cash proceeds received of £18.8m by Dunedin Enterprise. The overall return to Dunedin Enterprise at 18 February 2016 was 2.75 times the original investment of £9.8m over five years.

On 5 February 2016 a new investment of £7.0m was made in Alpha Financial Markets. Alpha is the leading global asset and wealth management consulting firm. Founded in London in 2003, Alpha has grown rapidly and is now the global market leader in providing specialist consultancy services to blue chip asset managers and their third party administrators.

#### Dividends

In the year to 31 December 2015 income received by the Company fell as a result of there being no significant realisations. It is therefore proposed not to pay a final dividend for the year ended 31 December 2015. However, following the partial realisation of CitySprint in February 2016, which generated a receipt of £3.3m of income, it is proposed that an interim dividend for the year ended 31 December 2016 of 16p per share be paid on 18 May 2016.

### Share Buy-back

As reported at the half year, a share buy-back was undertaken for 1.1% of the Company's share capital. The share buy-back cost £0.7m and was undertaken at 309.8p, a 39% discount to the latest announced net asset value per share, following weakness in the share price as a result of the Company's removal from the FTSE All-Share Index due to a reduction in its market capitalisation. This required shareholders who were index tracker funds to dispose of their shares. Cantor, the Company's broker, was able to place the majority of these shares in the market with the Company undertaking a share buy-back for the balance.

### Board changes

As already set out in the Interim Report, I am pleased that Angela Lane has joined the Board. She was appointed to the Board on 1 June 2015. Angela has worked in private equity for a number of years and her skills and experience will be of great benefit to the Board.

Liz Airey, having been a member of the Board since 1 January 2005, will retire from the Board at the AGM in May 2016. In addition to being a Director of the Company, Liz Airey has also chaired the Audit Committee since 2009 and been the Senior Independent Director since 2012. I should like to thank her, on behalf of shareholders, for her very substantial contribution to the Company over the years. We have been fortunate to have had access to her expertise and wish her well for the future.

Angela Lane will chair the Audit Committee with effect from 17 March 2016. Federico Marescotti will take over the duties of the Senior Independent Director from the AGM in May 2016.

### Outlook

Proposals regarding a managed wind-down of the Company will be posted to shareholders with the Annual Report and voted upon at a General Meeting following the Annual General Meeting.

Subject to the shareholder vote, your Company will begin a new phase with the winding down of its activities and the realisation of its assets over time, aiming to maximise value for shareholders.

The June vote on the UK's membership of the EU is likely to lead to a period of uncertainty. However, the environment continues to be favourable for realising good private equity assets and particularly those which offer the potential for strong profit growth. The investment portfolio is relatively mature and a number of our investee companies offer interesting prospects for realisation.

**Duncan Budge**  
Chairman

17 March 2016

## Board of Directors



### Duncan Budge (60)

**Status:** Independent Non-Executive Director and Chairman of the Board, Nomination Committee and Management Engagement Committee

**Length of service:** Appointed a Director on 2 April 2012 and became Chairman on 14 May 2014

Last re-elected to the Board:  
14 May 2014

**Experience:** Duncan Budge was an Executive Director and Chief Operating Officer of RIT Capital Partners plc ("RIT") between 1995 and 2011. He was previously a director of J. Rothschild Capital Management Limited, a wholly owned subsidiary of RIT. He also spent six years with Lazard Brothers & Co. Ltd.

**Committee membership:** Audit Committee, Nomination Committee and Management Engagement Committee.

#### All other public company

**directorships:** Artemis Alpha Trust plc (Chairman), Lowland Investment Company plc, The World Trust Fund and Menhaden Capital plc

**Other directorships:** Spencer House Limited (Chairman) and Asset Value Investors Ltd

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:**  
35,900 Shares



### Liz Airey (57)

**Status:** Independent Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director

**Length of service:** Appointed a Director on 1 January 2005

Last re-elected to the Board:  
13 May 2015

**Experience:** Liz Airey has over 30 years' experience in banking, corporate advisory and finance. She was Finance Director of Monument Oil and Gas plc from 1990 to 1999.

**Committee membership:** Audit Committee, Nomination Committee and Management Engagement Committee.

#### All other public company

**directorships:** Jupiter Fund Management plc (Chairman) and Tate and Lyle plc (Senior Independent Director)

**Other directorships:** N/A

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:**  
50,000 Shares



### Brian Finlayson (68)

**Status:** Independent Non-Executive Director

**Length of service:** Appointed a Director on 1 January 2007

Last re-elected to the Board:  
13 May 2015

**Experience:** Brian Finlayson was appointed to the Board in 2007. He has over thirty years of experience in private equity and corporate finance. He was appointed Managing Director of Dunedin Capital Partners in 1990, becoming Deputy Chairman in 1999, retiring in 2002.

**Committee membership:** Audit Committee, Nomination Committee and Management Engagement Committee.

#### All other public company

**directorships:** N/A

**Other directorships:** N/A

**Employment by the Manager:** None

**Other connections with Company or Manager:** Previously Managing Director and Deputy Chairman of Dunedin Capital Partners retiring in 2002

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:**  
107,809 Shares

**Federico Marescotti (59)**

**Status:** Independent Non-Executive Director

**Length of service:** Appointed a Director on 1 June 2009

**Last re-elected to the Board:** 17 May 2013

**Experience:** Federico Marescotti is Chief Executive of Vela Capital, a specialist private equity management company. He sits on the Board of JP Morgan European Smaller Companies and he is a Board member of Gruppo Illy, the leading Italian luxury coffee brand. He is an international adviser to ADCO International GMBH. Until 2012 he sat on the Board of AIFI, the Italian Private Equity and Venture Capital Association, and chaired the Infrastructure Committee, and until 2012 was a non-executive Director of Ecofin Water & Power Opportunities Investment Trust Plc.

**Committee membership:** Audit Committee, Nomination Committee and Management Engagement Committee.

**All other public company directorships:** JP Morgan European Smaller Companies.

**Other directorships:** Gruppo Illy

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** 10,000 Shares

**Angela Lane (53)**

**Status:** Independent Non-Executive Director

**Length of service:** Appointed a Director on 1 June 2015

**Experience:** Angela Lane has worked as an independent director and advisor to a number of private companies and private equity firms. She is also on the investment committee of Altitude Partners LLP, a private equity investor in SME businesses based in Southern England and a Governor of Sherborne School. Previously Angela spent 18 years working in private equity at 3i after qualifying as an ACA at PwC. Angela has extensive experience of business and financial services, healthcare, travel and aviation, media, consumer goods and infrastructure.

**Committee membership:** Audit Committee, Nomination Committee and Management Engagement Committee

**All other public company directorships:** N/A

**Other directorships:** Huntswood CTC (Chairman), Bournemouth Water and Astbury Marsden

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** Nil

## The Manager

The Board has appointed Dunedin LLP to manage the Company. In addition to the Company, Dunedin manages four limited partnership funds and a European fund of funds. The Company has committed £60m (20%) to Dunedin's most recent £306m fund, Dunedin Buyout Fund III LP in 2012.

Dunedin provides equity finance for management buyouts and management buyins with a transaction size of £20m – £100m. It is an independent private equity house, owned by the partners, operating throughout the UK from offices in Edinburgh and London. It has an investment team comprising sixteen investment professionals. Seven of the Partners have worked together for more than ten years, giving it an unrivalled depth of experience in the UK lower mid-market buyout market.

Dunedin focuses on a number of sectors, using its depth of knowledge to understand the market drivers and to build relationships with management teams, key industry participants and influencers. The firm has enjoyed particular success in the industrial, business services and financial services sectors, completing 30 portfolio follow-on acquisitions since 2011 in order to drive the growth and internationalisation of its investee businesses.

Dunedin targets buyout investments where it can partner with management teams to build better businesses. Dunedin provides the knowledge, skills and finance to help the companies it backs to develop and attain their full potential. It targets businesses with many of the following characteristics:

- Proven management team with the desire to create and deliver value
- Strong market position, niche or brand
- Clear organic growth potential
- Internationalisation opportunities
- Potential for buy and build or roll-out
- Barriers to entry
- Legislation-driven products or services

Dunedin is authorised and regulated by the Financial Conduct Authority.

## Manager's Review

In the year to 31 December 2015 the net asset value per share has declined from 510.6p to 505.8p. After taking account of a final dividend for 2014 of 4.7p (paid in 2015), the movement in the year equates to a total return of 0.0%.

The Trust's net asset value decreased from £106.6m to £104.4m over the year. This movement is stated following a share buyback of £0.7m and dividend payments totalling £1.0m.

This movement in net assets can be explained as follows:

	£m
<b>Net asset value at 1 January 2015</b>	<b>106.6</b>
Unrealised value increases	15.6
Unrealised value decreases	(12.3)
Realised loss over opening valuation <sup>*1</sup>	(2.3)
Share buy-back	(0.7)
Dividends paid to shareholders	(1.0)
Other revenue and capital movements	(1.5)
<b>Net asset value at 31 December 2015</b>	<b>104.4</b>

<sup>\*1</sup> – There were drawdowns totalling £2.3m made during the year by Dunedin managed funds for management fees and operating expenses.

The investment portfolio can be analysed as shown in the table below.

	Valuation at 1 January 2015 £'m	Additions in year £'m	Disposals in year £'m	Realised movement <sup>*2</sup> £'m	Unrealised movement £'m	Valuation at 31 December 2015 £'m
Dunedin managed	84.0	10.3	(1.8)	(2.3)	2.9	93.1
Third party managed	13.2	4.2	(1.5)	–	0.4	16.3
	<b>97.2</b>	<b>14.5</b>	<b>(3.3)</b>	<b>(2.3)</b>	<b>3.3</b>	<b>109.4</b>

<sup>\*2</sup> – management fees paid to Dunedin managed funds

### New Investment Activity

A total of £14.5m was invested in the year to 31 December 2015. Of this total, £10.3m was invested in Dunedin managed funds and £4.2m was drawn down by European third party funds.

In March 2015 an investment of £4.9m was made in Blackrock Programme Management ("Blackrock PM"). Blackrock PM is a professional services firm that provides independent expert witness and construction consulting services for large, international construction projects. The company is headquartered in London and is widely recognised as a market leader, employing individual directors who are experts in their field. Blackrock PM has worked on an extensive range of projects around the globe including airports, roads,

### Share Buy-back

In June 2015 Dunedin Enterprise no longer qualified for inclusion in the FTSE All-Share index due to a reduction in the market capitalisation of the Company. This resulted in a number of tracker funds being required to dispose of their shareholding within a short period of time, resulting in downward pressure on the share price. The majority of these shares were placed with the assistance of the Company's brokers. The balance of shares remaining (£0.7m) were bought back by the Company at a price of 309.8p, a discount of 39% to the net asset value as at 31 December 2014.

### Portfolio Composition

Dunedin Enterprise makes investments in unquoted companies through Dunedin either directly or via its managed funds. In the past the Company has made commitments to funds managed by third parties. The last such commitment was made in 2009 and, following the policy change in November 2011, no further commitments will be made to funds managed by third parties.

railways, power stations, process plants, manufacturing facilities, health and educational facilities and commercial buildings.

During the year three follow-on investments were made. A further investment of £2.5m was made in RED, the IT staffing business, to assist with working capital and a re-setting of bank covenants. There was a follow-on investment of £0.3m made in Premier Hytemp, the provider of components to the oil and gas industry. Premier Hytemp's products are utilised in oil exploration. This area of the oil sector has been hit particularly hard by the reduction in the price of oil and the company required additional funding to support ongoing working capital requirements. Your Manager is working closely with the management of Premier

Hytemp to ensure that the cost base of the company matches expected future revenues.

A further £0.3m was invested in Steeper, the provider of prosthetic, orthotic and assistive technology products and services, to assist with a factory improvement programme. The company, which operates from factories in Leeds, was subsequently hit by the recent flooding in the north west of England causing significant damage to the operating capabilities of the business. The company is currently re-evaluating its strategic options but in the meantime is being assisted by insurance payments covering both damage to property and plant & machinery as well as business interruption.

Following the year end in February 2016 an investment of £7.0m was made in Alpha Financial Markets ("Alpha"). Founded in London in 2003, Alpha has grown rapidly and is now the 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 (London, Paris, New York, Boston, The Hague & Luxembourg), 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.

Within the European funds, £2.7m was drawn down by Realza Capital and £1.5m by Innova/5.

Realza made two new investments in the year. In March 2015 an investment of £1.4m was made in Litala, a provider of packaging finishes. Realza also invested £1.3m in Cualin Quality, a leading producer of premium tomatoes.

Innova made one new investment in the year. In December 2015 an investment of £1.2m was made in Pekaes S.A. Pekaes is one of the leading integrated logistics operators in Poland. Its services are delivered through a fully outsourced fleet.

### Realisations

During the year a total of £3.3m was generated from portfolio realisations. £1.7m was realised from Enrich following the successful outcome of the court case against the vendor of the business.

A total of £1.0m was returned from Innova/5. This was primarily the result of a successful IPO of the internet portal service provider Wirtualna Polska on the Polish stock exchange with a partial realisation of the stock on flotation. A further distribution of £0.4m was made by Realza as a result of strong cash generation by GTT, the provider of management services to local public entities in Spain.

Following the year end, in February 2016, the investment in CitySprint was partially realised. On

completion Dunedin Enterprise received proceeds totalling £26.1m of which £22.8m is capital and £3.3m is 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 at 18 February 2016 was 2.75 times the original investment of £9.8m over five years.

### Cash and commitments

As at 31 December 2015 the Company had cash and near cash balances of £0.6m all of which are denominated in Sterling. The Company has a revolving credit facility with Lloyds of £20m of which £4.7m was drawn at the year end. The net cash position of the Company at the year end was therefore overdrawn by £4.1m. The £20m facility from Lloyds has been extended to 31 May 2018.

Following the sale of CitySprint and after taking account of the investment in Alpha, other follow-on investments and operating expenses, the Company has net cash of £4.6m.

At 31 December 2015 the Company had undrawn commitments totalling £50.2m. Following the investment activity in 2016 noted above, as at the date of this report the Company had undrawn commitments to Dunedin managed funds of £35.7m and a further €6.0m (£4.4m) of undrawn commitments to the two remaining European funds. It is expected that £21m of the total outstanding commitments will ultimately be drawn over the remaining life of the funds.

### Unrealised movements in valuations

In the year to 31 December 2015 there were valuation uplifts generated from the following investments: CitySprint (£7.2m), Hawksford (£4.2m) and Kee Safety (£2.1m).

The valuation of CitySprint has been based upon the value of the transaction completed in February 2016.

The maintainable earnings of Hawksford have increased by 6% during the year and net external debt has been reduced by £3.4m. The EBITDA multiple applied to the valuation has been increased from 7x to 8.5x to reflect recent transactions in the sector, where multiples of 9x-10x have been paid.

The maintainable earnings of Kee Safety have increased by 25% during the year, generated from both organic growth and the bolt-on acquisition of five companies based in the UK, Ireland Holland and the US. The acquisitions have resulted in an increase in net bank debt of £5.4m.

The most significant valuation reductions in the year to 31 December 2015 were at EV (£4.9m), Premier Hytemp (£2.7m) and Pyroguard (£1.5m).

The maintainable earnings of both EV and Premier Hytemp have been impacted by the reduced oil price and the consequent reduced level of demand and lower margins. Premier Hytemp supplies the oil exploration sector whilst EV primarily supplies the production side of the oil industry. Both companies have taken actions to significantly reduce their cost base in light of the prevailing market conditions. EV has been valued on an earnings basis whilst Premier Hytemp is valued on a discounted net assets basis.

The maintainable earnings of Pyroguard have decreased by 19% during the year. The company has experienced production difficulties at its French operation which resulted in reworking/wastage costs and product discounting. The production problems in France have now been resolved.

The majority of portfolio companies are budgeting an increase in maintainable earnings during 2016.

A provision of £1.4m has also been established during the year for carried interest arising in the Equity Harvest Fund. This 2002 limited partnership fund has a hurdle rate of 7% which was achieved during the year following a period of valuation growth of its investment portfolio.

Included within portfolio company valuations is accrued interest of £11.6m (2014: £9.1m), of which £3.2m relates to CitySprint.

### Valuations and Gearing

The average earnings multiple applied in the valuation of the Dunedin managed portfolio was 8.4x EBITDA (2014: 7.6x), or 9.8x EBITA (2014: 9.3x). These multiples continue to be applied to maintainable profits.

The basis for the valuation of Weldex has been changed from an earnings to an assets basis. An assets basis of valuation is commonly used to value plant hire businesses. In deriving a valuation for Weldex the assets of the company have been valued at book value.

Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.3x EBITDA (2014: 2.2x) or 2.6x EBITA (2014: 2.7x). Analysing the portfolio gearing in more detail, the percentage of investment value represented by different gearing levels was as follows:

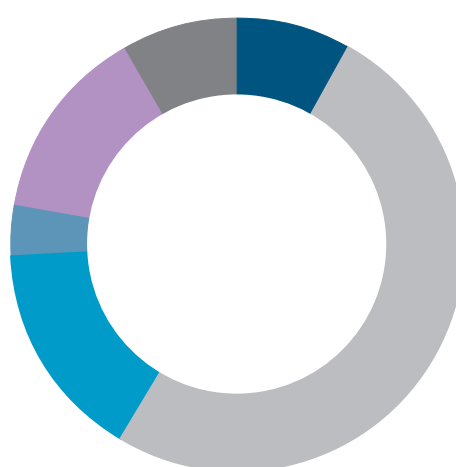
Less than 1 x EBITDA	14%
Between 1 and 2 x EBITDA	58%
Between 2 and 3 x EBITDA	15%
More than 3 x EBITDA	13%

Of the total acquisition debt in the Dunedin managed portfolio companies the scheduled repayments are spread as follows:

Less than one year	25%
Between one and two years	33%
Between two and three years	9%
More than three years	33%

### Fund Analysis

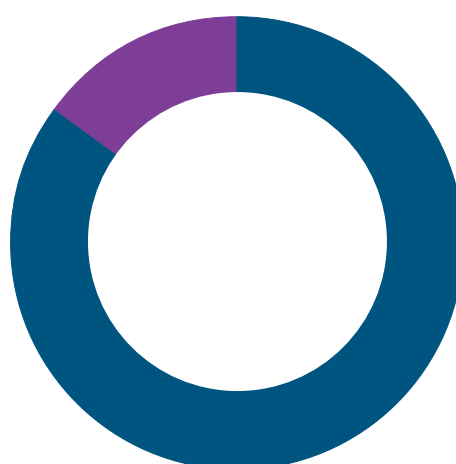
The chart below analyses the investment portfolio by investment fund vehicle.



Direct	9%
Dunedin Buyout Fund II	55%
Dunedin Buyout Fund III	17%
Equity Harvest Fund	4%
Third Party managed	15%

### Portfolio Analysis

Detailed below is an analysis of the investment portfolio by geographic location as at 31 December 2015.



UK	85%
Rest of Europe	15%

### Sector Analysis

The investment portfolio of the Company is broadly diversified. At 31 December 2015 the largest sector exposure of 43% remains to the diverse Support Services sector.



Automotive	2%
Construction and building materials	6%
Consumer products & services	4%
Financial services	15%
Healthcare	4%
Industrials	24%
Support services	43%
Technology	2%

### Year of Investment

In the vintage year chart below, current value is allocated to the year in which either Dunedin Enterprise or the third party manager first invested in each portfolio company.



<1 year	7%
1-3 years	18%
3-5 years	10%
>5 years	65%

### Dunedin LLP

17 March 2016

### Valuation Method



Earnings – provision	22%
Earnings – uplift	43%
Assets basis	11%
Exit value	24%

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



Percentage of equity held	<b>11.9%</b>
Cost of Investment	<b>£9.8m</b>
Directors' valuation	<b>£26.1m</b>
Percentage of Dunedin Enterprise's net assets	<b>25.0%</b>



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### CitySprint

#### Business description

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, providing flexible, reliable and cost-effective solutions.

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.

#### Investment rationale

CitySprint has a unique, highly scalable business model with a sustainable competitive advantage. It is entirely differentiated from next day courier businesses where the market is much more competitive and made up of larger organisations. The company's market leading technology platform underpins its asset light business model. It exploits opportunities in new markets such as pharmacy, healthcare and e-retail and is active in the development of new products and market leading technology, particularly in the retail and healthcare divisions. It has a highly experienced management team with a track record in Buy and Build and organic growth.

#### Value creation

The company is achieving good revenue and profit growth through its very active buy and build and organic growth strategies. It continues to assess an active pipeline of acquisition opportunities.

#### What has been achieved

Since the beginning of 2015, CitySprint has made four acquisitions to expand its reach and consolidate its position as the UK's leading private same day distribution company, bringing the number of acquisitions made since Dunedin's buyout to 21. The 2015 acquisitions were Crisis Courier Solutions, CJ's Logistics Solutions, Worldwide Logistics & Distribution and Bexley Couriers. These acquisitions bring significant economies of scale and growth in market share. CitySprint has continued to invest in operational and commercial resource to provide a platform for growth.

#### Performance

In the year to 31 December 2014, the EBITDA of CitySprint was £13.5m (2013: £12.4m) on turnover of £129.0m (2013: £112.7m).

## Hawksford

Percentage of equity held	<b>17.8%</b>
Cost of Investment	<b>£5.6m</b>
Directors' valuation	<b>£13.0m</b>
Percentage of Dunedin Enterprise's net assets	<b>12.5%</b>



## Hawksford

### Business description

Hawksford is a leading international provider of corporate, private client and funds services. The business offers a comprehensive range of services and solutions to and 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.

### Investment rationale

Hawksford presented an opportunity to invest in a cash generative company with a stable core business, high levels of repeat business and very good long term client relationships. There was a clear opportunity to create value through increased operational efficiency and marketing capability, proactive business development, international expansion into new geographies and an acquisition strategy in a highly fragmented sector.

### Value creation

Growth is expected to be delivered through continued international expansion and continuing the proactive buy-and-build strategy. Dunedin has played a significant role in identifying, evaluating and funding bolt on acquisitions and Hawksford has a strong pipeline of these acquisition opportunities.

### What has been achieved

Since the management buyout in October 2008, Hawksford has completed five acquisitions, the latest being Janus Corporate Solutions in Singapore. This followed Hawksford's expansion in Jersey and the Middle East and extended the company's global reach into the Far East, where it opened an office in Hong Kong in 2015. Hawksford continues to assess acquisition opportunities.

Dunedin was actively involved in the recruitment of the new CEO. The management team has been further strengthened with the appointment of a new Finance Director and Operations Director.

### Performance

In the year to 31 December 2014, the EBITDA of Hawksford was £4.1m (2013: £5.6m) on turnover of £21.5m (2013: £19.6m).



Percentage of equity held	<b>8.9%</b>
Cost of Investment	<b>£8.8m</b>
Directors' valuation	<b>£9.7m</b>
Percentage of Dunedin Enterprise's net assets	<b>9.3%</b>



## Realza Capital

### Business description

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. 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 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 ranges from €10m to €25m.

### Investment rationale

A €15m commitment was made to Realza in 2008. This commitment was made in accordance with the Trust's investment policy of investing in limited partnership funds with a European investment remit which invested in transactions of a similar nature and size to Dunedin.

### What has been achieved

To date Realza has drawn down 92% of commitments. The fund has made seven investments to date. The areas of business in which the fund's seven investments operate are the:-

- management and operation of dental clinics;
- manufacture and sale of digital photo-books;
- manufacture and sale of household cleaning and personal care products;
- provision of tax management services to local government;
- manufacture and sale of water pumps for the automotive industry;
- provider of printing and varnishing services for metal can and closure manufacturers; and
- producer of premium tomatoes.

### Performance

To date there has been one realisation achieved by the fund. Hofmann, the manufacturer and seller of digital photo-books was realised in 2014 generating a multiple on original cost of 2.3x. The remaining investments are valued at 1.4x cost.

# WELDEX

Percentage of equity held	<b>15.1%</b>
Cost of Investment	<b>£9.5m</b>
Directors' valuation	<b>£9.6m</b>
Percentage of Dunedin Enterprise's net assets	<b>9.2%</b>



## Weldex

### Business description

Weldex is a market leading crawler crane hire business in the UK, with the 11th largest lifting capacity globally. It 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.

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.

### Investment rationale

Weldex is a market leading business serving the renewables and power generation market, where growth is driven by the developing UK energy gap and EU legislation on climate change. The offshore wind installation infrastructure is supply constrained and Weldex services this niche. There are strong barriers to entry: high capital expenditure; long lead times to source cranes; the need for experienced operators; and Weldex's reputation.

### Value Creation

Value creation is expected to be generated through continued investment in the crawler crane fleet to meet demand in Weldex's targeted sectors. Key growth areas are in renewable energy infrastructure, oil and gas, power generation and industrial and commercial construction.

### What has been achieved

Weldex has continued to invest in its core fleet. A new independent non-executive Chairman was appointed in 2014, with extensive international experience. This breadth of experience compliments the existing management team's operational expertise.

### Performance

In the year to 30 November 2014, the EBITDA of Weldex was £17.3m (2013: £13.1m) on turnover of £31.7m (2013: £23.1m).



Percentage of equity held	<b>7.2%</b>
Cost of Investment	<b>£6.3m</b>
Directors' valuation	<b>£9.5m</b>
Percentage of Dunedin Enterprise's net assets	<b>9.1%</b>



## Kee Safety

### Business description

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.

### Investment rationale

Kee Safety services a large growing market, driven by more rigorous enforcement and awareness of health and safety regulations. It has a proven management team supported by regional managing directors in each of its main geographies. Its strong margins are driven by world class service, with 98% of orders available for immediate dispatch and a low cost supply base in China.

### Value creation

Further growth is expected through geographic expansion in existing and new territories and bolt-on acquisitions. The business will continue to use a multi route to market model to accelerate growth. Margins will be increased through process engineering, price management and the further deployment of its low cost supply chain.

### What has been achieved

Organic growth at Kee Safety continues and the business has made seven acquisitions since Dunedin invested. During 2015 Kee Safety completed five acquisitions, opened an office in Singapore and developed new product lines including next generation wire systems and safety gates.

### Performance

In the year ended 31 December 2014, the EBITDA of Kee Safety was £11.1m, on turnover of £40.5m.



Percentage of equity held	<b>41.7%</b>
Cost of Investment	<b>£9.5m</b>
Directors' valuation	<b>£6.5m</b>
Percentage of Dunedin Enterprise's net assets	<b>6.3%</b>



## CGI (trading as Pyroguard)

### Business description

Since Dunedin Enterprise first invested in CGI the company has been through two refinancings allowing Dunedin Enterprise to realise a total of £14.5m in capital and income to date from this investment. 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 from its manufacturing bases in Haydock, UK and Seingbouse, France. 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.

### Investment rationale

CGI operates in a highly regulated market which creates strong barriers to entry. Pyroguard is manufactured using a patented process which has certain advantages over its competitors such as flexibility, cost and immediate delivery. Pyroguard produces clear glass which is taking market share from wired glass. Fire regulations throughout Europe are becoming stricter and standards demanded by insurance companies are rising, which are advantageous to CGI.

### Value creation

CGI has followed a commercial strategy which combines acquisition with organic growth. In 2012 it acquired Interfer SA, the French-based manufacturer of fire glass products. The focus for the business going forward is to sell directly to product users rather than to distributors as was the case historically. A number of direct projects have been won recently allowing CGI to demonstrate its future project credentials.

### What has been achieved

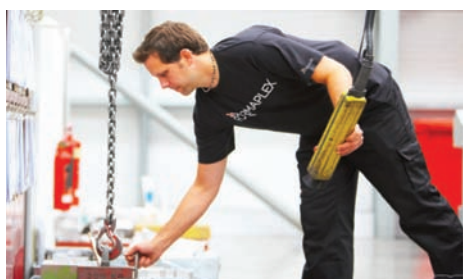
CGI has invested in people expanding both its European sales team as well as its R&D team. The business has also appointed consultants to improve factory and process efficiencies which has resulted in significant cost savings.

### Performance

In the year ended 31 December 2014, the EBITDA of CGI was £2.4m (2013: £2.9m) on turnover of £15.8m (2013: £17.0m).



Percentage of equity held	<b>17.7%</b>
Cost of Investment	<b>£1.7m</b>
Directors' valuation	<b>£6.5m</b>
Percentage of Dunedin Enterprise's net assets	<b>6.2%</b>



## Formaplex

### Business description

Formaplex is a market leading provider of tooling and lightweight component solutions to a range of attractive high-growth end markets. It 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. The business has an enviable blue chip customer base with which it has developed long-standing, trusted relationships.

### Investment rationale

Formaplex presented an opportunity to professionalise processes and structures and to diversify into new sectors and geographies. Formaplex has established a highly differentiated offering through its ability to offer a fully integrated service from tool design and manufacture, through to final component manufacture, finishing and delivery. Customers recognise its expertise in tooling design and ability to deliver innovative solutions. This design is then supported by modern, high quality manufacturing and delivery, underpinned by rigorous project management. This results in high precision tools which are delivered on-time and once in use, enable customers to achieve consistently accurate performance rates which protect their own quality standards and programme timings.

### Value creation

The growth of Formaplex is expected to be driven by underlying growth in demand, particularly in the premium automotive and aerospace segment; the trend towards automotive model proliferation and shorter model cycles, both of which drive demand for additional tooling volumes; and legislative requirements to reduce emissions and improve fuel efficiency. The latter of these trends means an increased usage of lightweight materials and components and, as a result, increased penetration of Formaplex's products on vehicles and aircraft.

### What has been achieved

Formaplex's growth has been positively impacted by continual investment in the UK's automotive sector and increased international demand for UK premium car brands. The business has also found opportunities to extend its lightweight components into new sectors such as aerospace and defence. Formaplex's current facilities are now at maximum capacity and a lease has been signed for the new 'Voyager Park' facility, near Cosham. This 120,000 square feet property will be Formaplex's fourth manufacturing facility and is expected to be operational by the end of May 2016.

During the Trust's investment the EBITDA of Formaplex has increased from £3.1m to £7.0m.

### Performance

In the year to 30 June 2014, the EBITDA of Formaplex was £7.0m (2013: £7.8m) on turnover of £38.7m (2013: £33.2m).



Percentage of equity held	<b>3.9%</b>
Cost of Investment	<b>£6.9m</b>
Directors' valuation	<b>£6.3m</b>
Percentage of Dunedin Enterprise's net assets	<b>6.1%</b>



## Innova/5

### Business description

Innova/5 LP is €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.

### Investment rationale

A €15m commitment was made to Innova in 2010. This commitment was made in accordance with the Trust's investment policy of investing in limited partnership funds with a European investment remit which invested in transactions of a similar nature and size to Dunedin.

### What has been achieved

To date Innova has drawn down 54% of commitments. The fund has made eight investments to date. The areas of business in which the fund's eight investments operate are:-

- manufacture of cast marble bathroom sanitaryware;
- credit card transaction processing, ATM and POS operations and e-commerce services;
- provision of managed analogue digital TV and radio broadcaster;
- provision of obstetric, gynaecological and neonatal services to private hospitals;
- provision of a wide range of electricity related products and services in turnkey project management and engineering to the electricity sector;
- internet portal services;
- branded manufacturer of home-baking and home-cooking products and ingredients; and
- integrated logistics operator.

### Performance

To date there has been one full realisation achieved by the fund and two partial realisations. Emitel, the provider of managed analogue digital TV and radio broadcaster, was realised in 2014 generating a multiple on original cost of 2.0x. Both Marmite and Wirtualna Polska have been partially realised, Wirtualna Polska has returned 2.6x cost to date and Marmite 0.3x.



Percentage of equity held	<b>7.8%</b>
Cost of Investment	<b>£4.9m</b>
Directors' valuation	<b>£5.8m</b>
Percentage of Dunedin Enterprise's net assets	<b>5.6%</b>



## Blackrock PM

### Business description

Blackrock PM 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 the dispute. These skills are in short supply in Europe, the Middle East and Asia.

### Investment rationale

Blackrock PM is a high margin, cash generative, professional services firm, well positioned in an attractive market niche, serving an international client base. Blackrock has built one of the strongest and most universally admired teams in its sector and is seen as the best incubator for talent in the market.

### Value creation

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

### What has been achieved

Dunedin is working in conjunction with management to develop and implement an IT strategy, build out the human resource function, develop a marketing plan and source and execute acquisition opportunities. Dunedin drove the appointment of a new Chairman and CFO.

### Performance

The business is trading well with 65% EBITDA growth in 2014 and 11% sales growth.

## U-POL

Percentage of equity held	<b>5.2%</b>
Cost of Investment	<b>£5.7m</b>
Directors' valuation	<b>£5.3m</b>
Percentage of Dunedin Enterprise's net assets	<b>5.1%</b>



## U-POL

### Business description

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.

The company has a good reputation for product quality and innovation, which is the key to its global success. 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.

U-POL sells primarily through intermediate distributors but has built brand recognition and loyalty with end-users which are largely comprised of car repair outlets.

### Investment rationale

U-POL has a market leading position in the UK and growing market share in other large markets such as the USA. It enjoys a good competitive position globally. Growth was expected through expansion of its range and increased market share in new and existing markets.

### Value creation

U-POL is focussing on products with high growth potential. Further growth is expected to be achieved through expansion in both developed and emerging markets.

### What has been achieved

A new Chairman, CEO and Marketing Director were appointed during 2015 to accelerate the company's growth.

### Performance

In the year to 31 December 2014, the EBITDA of U-POL was £12.5m (2013: £15.2m) on turnover of £58.5m (2013: £62.5m).

## The Remaining Investments (held directly and via funds)

Company Last reported	Proportion of fully diluted capital owned %	Book cost £m	Valuation £m	Percentage of net assets %
Description of business				
<b>Steeper</b> 28.02.15 Provider of prosthetic, orthotic and assistive technology products	37.4	5.3	3.9	3.8
<b>EV</b> 31.03.14 Provider of high performance ruggedized video cameras and engineers that are used to analyse problems in oil and gas wells	10.5	7.1	3.6	3.4
<b>Red</b> 31.03.15 Global provider of SAP software experts to international corporations and consultancies	20.1	10.7	2.4	2.3
<b>Premier Hytemp</b> 30.09.15 Provider of highly engineered steel and nickel alloys and machined components for the gas and oil industry	20.7	8.9	2.1	2.1
<b>Alta-Berkeley VI</b> 31.12.14 Technology fund	3.0	0.7	0.2	0.2
<b>Add One</b> 31.12.14 Technology fund	2.9	1.2	0.1	0.1
<b>Advent Private Equity Fund III</b> 31.12.14 Technology fund	3.0	1.0	0.1	0.1

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## Strategic Report

This Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### Business and Status

The Company carries on business as an investment trust. The last accounting period for which the Company has been treated as approved as an investment trust by HM Revenue & Customs was for the year ended 31 December 2014. In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to meet the eligibility conditions in Section 1158 of the Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999).

The Board has contractually delegated the management of the investment portfolio to the Manager, Dunedin LLP ("Dunedin"). A summary of the terms of the Alternative Investment Fund Management Agreement is contained in the Directors' Report on page 27.

The existing Investment Objective and Investment Policy of the Company are detailed below. A circular is being sent to shareholders along with the Annual Report which is seeking approval from shareholders to change both the Investment Objective and Investment Policy. If shareholders approve the proposed changes, there will be a managed wind down of the Company and, subject to retaining sufficient cash to meet the Company's working capital requirements, net proceeds from realisations will be returned to shareholders. Shareholders should refer to the circular for the proposed changes.

### Investment Objective and Business Model

The Company's objective is to target a rate of return on equity in excess of 8% per annum over the long-term. The Company aims to achieve its investment objective by investing principally in private equity funds managed by Dunedin.

Dunedin Enterprise is the only UK listed investment trust with an ongoing mandate to invest exclusively in the UK lower mid-market. It thus represents a unique opportunity to access this part of the private equity market for investors. The Company adopted a Distribution Policy on 28 November 2011. Under the Distribution Policy at least 50% of the capital gains made on realisation of the Company's investments in UK lower mid-market buyout funds will be used to fund share buy-backs, tender offers, returns of capital or other distributions to shareholders. In respect of any sale of the Company's investments in existing third party managed funds, a substantial proportion of the net sales proceeds will be used to fund share buy-backs, tender offers, returns of capital and other distributions to shareholders.

### Investment Policy

In 2011 the Company changed its investment policy so that in future it will invest only in direct private equity investments or via private equity funds managed by Dunedin.

The Company does not intend to make any new commitments to, or any new investments (other than investments resulting from existing commitments) in private equity funds managed by managers other than Dunedin. Investments in the existing European Funds Portfolio may be held to maturity, with any associated outstanding commitments being met when called,

although the Directors reserve the right to sell all or any such investments, together with any associated outstanding commitments, prior to maturity, if they believe that this is in the best interests of shareholders.

Accordingly, the mix of investments by the Company among direct investments and investments via private equity funds managed by Dunedin or by managers other than Dunedin will vary from time to time. In the medium to long term, the exposure to the European Funds Portfolio will decrease as the funds in the portfolio mature or the Group's interests in them are sold.

Ultimately, the Company will invest in private equity funds managed by Dunedin, 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 £20m – £100m). It is anticipated that the Company may also make direct investments in the form of co-investments alongside private equity funds managed by Dunedin in which the Company is also invested.

Not more than 15% of net asset value (measured at the date of investment) will be invested, directly or indirectly, in any single company or group of companies (measured at the date of investment). Investments are made across a range of business sectors. Investments are structured to deliver capital growth for the Company using a variety of financial instruments, including ordinary shares, preference shares, loan stock and mezzanine debt, either directly or through commitments to limited partnership funds.

The Company does not invest in other listed closed-end investment funds. Cash balances are held either on cash deposit or in gilts or cash liquidity funds.

### Strategy Implementation

The Company invests principally through commitments made to funds managed by Dunedin. Dunedin has a clear strategy of maintaining a focused investment approach throughout different economic cycles. This distinct investment strategy has allowed Dunedin to concentrate on its core strengths of acquiring businesses and driving value to maximise returns for investors.

Dunedin has concentrated on buyouts in the UK, in which it takes a controlling position to enable it to drive value through active portfolio management in partnership with management teams. Dunedin operates in the most active segment of the UK buyout market, which it believes is less competitive due to the high volume of investment opportunities per market participant. In addition, investing at the small end of the market allows Dunedin to acquire high quality companies at reasonable entry multiples and the opportunity to grow the businesses and sell them on to a larger, more international pool of buyers.

Each fund which Dunedin raises invests in a portfolio of around 10 companies. Dunedin's investment strategy is to focus on market-leading small to medium sized businesses with strong growth strategies and which have a low public profile. This distinct approach to constructing portfolios is founded on Dunedin's experience of identifying growth strategies which are uncorrelated to the UK economy. The growth of many of Dunedin's portfolio companies is generated internationally. This brings the added benefit of attracting more international buyers at the point of exit.

The wider portfolio is carefully constructed to diversify portfolio risk exposure. Dunedin focuses on ensuring that portfolio companies have a low level of correlation to one another.

### **Principal Risks, Risk Management and Regulatory Environment**

The Board has during the year reviewed the principal risks facing the Trust. In addition to the risks faced by all investment trusts, namely, regulatory, reputational, operational and financial, the Board believes that the principal risks faced by the Company are:

- Investment and strategic – an inappropriate strategy, poor asset allocation or consistent weak investment selection might lead to under performance and poor returns to shareholders. Therefore the Company's investment strategy is periodically reviewed by the Board which considers at each meeting the performance of the investment portfolio.
- Market risk – a reduction in the market capitalisation of the Company leading to decreased demand for shares in the Company and an increased share price discount to net asset value per share. The Board performs an ongoing review of the Company's market capitalisation and share price discount. This review has led to proposals being put to shareholders for a managed wind-down of the Company.
- Economic risk – events such as an economic recession or movement in stock markets and interest rates would affect portfolio company valuations and their ability to access capital for their business.
- Liquidity risk – the Company's investments may be difficult to realise. The majority of investments are in unquoted companies which by their nature are not readily realisable assets. The Company ensures that it has adequate borrowing facilities to mitigate this risk.
- Cash drag – significant levels of cash held by the Company can impact upon performance. The Board performs an ongoing review of the level of cash held by the Company compared to undrawn commitments.
- People risk – key employees leaving Dunedin.
- Loss of approval as an Investment Trust – the Company must comply with Section 1158 of the Corporation Tax Act 2010 which allows it to be exempted from capital gains on investment gains. Any breach of these rules may lead to the Company losing its approval as an Investment Trust and losing its exemption from corporation tax on capital gains. The Company must also comply with the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Board seeks to mitigate the internal risks by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of the Company's internal controls are contained in the Corporate Governance Report on pages 30 to 32.

### **Borrowings**

In common with most investment companies, the Company may borrow to finance further investment. Although the Company is permitted by its Articles of Association to borrow an amount equal to the amount paid up on the issued share capital and the total amounts standing to the credit of the capital and revenue reserves of the Company, the Board's policy is that financial gearing will not exceed 40% of gross asset value.

The Company currently has a £20m revolving credit facility with Lloyds Bank plc which expires on 31 May 2018. There are standard bank covenants attached to the facility including a minimum net asset value covenant.

### **Review of Performance**

An outline of the performance, market background, investment activity and portfolio during the year under review and the performance over the past 10 years, as well as the investment outlook, are provided in the Chairman's Statement on pages 3 and 4 and the Manager's Review on pages 8 to 11. Details of the Company's top ten investments can be found on pages 12 to 21 with the remaining investments detailed on page 22.

### **Monitoring Performance – Key Performance Indicators**

At each Board meeting the Directors consider a number of performance indicators to assess the Company's success in achieving its objectives, which include both absolute and relative performance compared to the market indices and peer group. The key performance indicators ('KPIs') used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- movement in net asset value per ordinary share;
- movement in share price;
- movement of net asset value and share price performance compared to the Benchmark; and
- ongoing charges.

Details of the KPIs are shown on pages 1 and 2.

### **Share Buyback**

The Board recognises that it is in the long term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. As outlined on page 28, the Board intends to seek renewal of its annual share buyback authority. The Board does not intend to issue a precise discount target at which shares might be bought back as it believes that the announcement of specific targets would be likely to hinder the successful execution of a buyback policy.

### **Social, Community, Human Rights, Employee Responsibilities and Environmental Policy**

As an investment trust, the Group has no direct social, community, or employee responsibilities. Dunedin, with the support of the Board, does however take environmental, social and governance factors and human rights issues into consideration with regard to investment decisions made on behalf of the Company. Further information on Dunedin's policy on sustainable and responsible investing is provided on page 30. The Company has no employees and no requirement to report separately on this area, as the management of the portfolio has been delegated to Dunedin. Details of the Alternative Investment Fund Management Agreement are provided on page 27.

### **Diversity**

At 31 December 2015, there were three male directors and two female directors on the Board. The Board's policy on diversity is set out on page 30.

By order of the Board

### **Duncan Budge**

Chairman  
17 March 2016

## Directors' Report

The Directors present their report and audited financial statements for the year to 31 December 2015.

The Manager of the Company is Dunedin LLP ("Dunedin"). The Board is independent of Dunedin. The Company's registration number is SC052844.

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 4. The financial position of the Company, its cash flows and liquidity position are described in the Manager's Review on pages 8 to 11. In addition, note 20 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Company has the appropriate level of financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Statement on long-term viability

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over the three year period to 31 December 2018. The Directors consider that for the purpose of their assessment it is not practical or meaningful to look forward over a period of more than three years. Furthermore, the Directors deem that this reflects a balance between assessing the Company's prospects over the longer term and the uncertainties inherent in looking out further than three years. This period is considered appropriate as it covers the expiration of the current bank facility in May 2018.

The Board has taken account of the Company's current position and carried out a robust assessment of the principal risks and uncertainties facing the Company and the mitigating actions as identified in the Strategic Report. The Board also considered the major factors which effect the economic, regulatory and political environment.

The assessment also took into account:-

- the nature of the Company's business, including cash reserves and borrowing facilities available to the Company,
- the potential for its unlisted portfolio to generate future income and capital proceeds,
- future capital calls by funds to which the Company has made commitments,
- the Company's income and expenditure projections; and

- a proposed change to the Investment Objective of the Company.

These metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecasts. The principal factors which were stress tested being the:-

- timing of realisations,
- timing of new investments, and
- quantum of realisations.

The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2018.

### Share Capital

At 31 December 2015, the Company's issued and paid up share capital was £5,161,016 divided into 20,664,062 fully paid up ordinary shares. During the year a buyback was undertaken which reduced the issued share capital by 224,500 (nominal value of £56,125) ordinary shares.

The rights attaching to the Company's shares are set out in the Company's Articles of Association (which may be amended by special resolution) and they are also supplemented by (and are subject to) relevant provisions of the Companies Act 2006 ("2006 Act") and other legislation applying to the Company from time to time.

### Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

### Dividends

The ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Directors) and to receive any interim or special dividends which the Directors may resolve to pay.

It is not proposed to pay a dividend for the year ended 31 December 2015. However, following the partial realisation of CitySprint in February 2016 it is proposed that an interim dividend for the year ended 31 December 2016 of 16p is to be paid to shareholders on 18 May 2016, to shareholders on the register at close of business on 29 April 2016. The ex-dividend date is 28 April 2016.

### Voting Rights

Each ordinary shareholder present in person or by proxy is entitled to one vote in a show of hands and, on a poll, to one vote for every share held.

**Significant Shareholdings**

The significant holdings in the Company's ordinary share capital which have been notified to the Company as at 31 December 2015 are shown below.

	Ordinary shares	% of issued share capital
Legal & General Group	4,791,765	23.2
Alliance Trust Savings	2,922,842	14.2
Baillie Gifford Diversified Growth Fund	1,061,877	5.1
East Riding of Yorkshire Council	990,000	4.8
Hargreaves Lansdown	625,372	3.0

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the financial year.

**Directors**

Details of the current Directors of the Company are shown on pages 5 to 6. All Directors are considered to be independent. No contract or arrangement existed during the period in which any of the Directors had a material interest. No Director has a service contract with the Company. Notwithstanding the Directors' other appointments it is considered that each has sufficient time available to undertake their duties as a Director of the Company.

In accordance with the UK Corporate Governance Code, changes to the Chairman's other significant commitments require to be disclosed and explained. The Chairman's other directorships are noted on page 5. Since 19 March 2015 Duncan Budge has been appointed to the boards of Menhaden Capital plc and Asset Value Investors Ltd. The Directors have carefully considered the Chairman's other directorships and consider that the Chairman effectively manages his commitments and has sufficient time to meet what is expected of him as Chairman of the Company. The Chairman's attendance at Board and Committee meetings is outlined in the relevant table on page 31. The table shows that the Chairman has attended each Board and Committee meeting held during the year. The Directors believe this demonstrates that the Chairman continues to allocate sufficient time to the Company and continues to discharge his responsibilities effectively.

In accordance with the UK Corporate Governance Code and the AIC's Code of Corporate Governance, Angela Lane offers herself for election to the Board. Duncan Budge, Brian Finlayson and Federico Marescotti will retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM"). Brian Finlayson was appointed to the Board on 1 January 2007 and has served for more than nine years and is therefore subject to annual re-election. The Board has carefully considered Brian Finlayson's independence and believe he retains independence of character and of judgement. Following performance evaluation, in the view of the other Directors, Angela Lane, Duncan Budge, Brian Finlayson and Federico Marescotti continue to perform effectively and to demonstrate

commitment to the Company. The election of Angela Lane and the re-election of Duncan Budge, Brian Finlayson and Federico Marescotti is recommended to shareholders as their skills and experience continues to add to the strength of the Board.

Liz Airey will retire from the Board at the Annual General Meeting.

**Directors' and Officers' Liability Insurance/Directors' Indemnity**

The Company maintains insurance in respect of directors' liabilities in relation to their acts on behalf of the Company.

In line with market practice and the Company's Articles of Association, the Company has agreed to indemnify the Directors in respect of costs, charges, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under section 1157 of the Companies Act 2006 ("2006 Act"), in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' insurance maintained by the Company be exhausted.

**Director's Conflicts of Interest**

Under the 2006 Act, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain provisions to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. The register is reviewed at each Board meeting and the Directors are required to disclose to the Company Secretary any change to conflicts or any potential new conflicts. Where a conflict of interest arises, the Director concerned will not participate in any discussions or decisions in that area.

**Corporate Governance**

The statement on Corporate Governance on pages 30 to 32 is included in the Directors' Report by reference.

**Investment Management Arrangements**

The principal terms of the Company's management agreement with Dunedin are set out on page 61.

The Board has thoroughly reviewed Dunedin's investment policy and process. The review covered the performance of the investment manager, their management process, investment style, resources and risk controls. The Board is satisfied with the results of the review and is therefore of the opinion that the continuing appointment of Dunedin on the terms agreed is in the interests of shareholders as a whole. Such a review is carried out on an annual basis.

In 2008, the Company's shareholders approved management incentive arrangements and the introduction of two investment classes within the overall assets of the Company, the Fund of Funds LP and the Co-Investment LP. The Company is a limited partner in both partnerships as are Dunedin executives who invest in each of these partnerships as a limited partner. Dunedin is the general partner of each partnership.

Dunedin Managed Funds, Dunedin Fund of Funds LP, and Dunedin Co-Investment LP operate carried interest schemes. Dunedin executives participate in these carried interest schemes.

Although the co-investment scheme for Dunedin executives, under which selected Dunedin executives invested their own funds in ordinary shares alongside direct investments by the Company, has been replaced by the new Co-investment LP, the co-investment scheme continues to operate for investments made prior to May 2008.

### Secretary

Dunedin LLP is appointed as Corporate Company Secretary pursuant to the Alternative Investment Fund Management Agreement, details of which are set out on page 61.

### Duration

The Company does not have a fixed life. It is not expected that this will change under proposals regarding a new Investment Objective which are being put to shareholders.

### Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The investment manager also adopts a zero tolerance approach and has policies and procedures in place to prevent and detect bribery.

### Social, Community and Environmental Policy

The statement on social, community, environmental and human rights policy on page 25 is included in the Directors' Report by reference.

### Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties.

As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### External Auditor

The Directors confirm that so far as each Director is aware there is no relevant audit information of which the Company's external auditors are unaware. Each Director has also taken all reasonable steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the external auditors are aware of that information.

The External Auditor, KPMG LLP, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the Directors to fix their remuneration will be

proposed as resolutions 7 and 8 at the forthcoming Annual General Meeting.

### Annual General Meeting ("AGM")

The AGM of the Company will be held at The Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB. Notice of the AGM is given on pages 62 to 64 of this report.

### Resolutions to be considered at the AGM

Resolutions 1 to 8 will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 9 to 10 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution. Each of these resolutions is being proposed to comply with the Company's Articles of Association and to obtain certain authorities required under the 2006 Act from shareholders.

### Resolution 1: Receive the audited Report and Accounts

Shareholders are being asked to receive the audited accounts for the year ended 31 December 2015.

### Resolution 2: Approve the Directors' Remuneration Report

Shareholders are being asked to approve the Directors' Remuneration Report set out pages 35 to 37 for the year ended 31 December 2015.

### Resolution 3: Election of Director

Biographical details of Angela Lane who is standing for election are set out on page 6. The Board recommends to Shareholders the election of Angela Lane, who the Board regards as possessing the requisite skills and attributes to make a significant contribution in her role.

### Resolutions 4, 5 and 6: Re-election of Directors

Biographical details of Duncan Budge, Brian Finlayson and Federico Marescotti who are standing for re-election are set out on pages 5 to 6. The Board recommends to Shareholders the re-election of the Directors, each of whom the Board regards as possessing the requisite skills and attributes to continue making significant contributions in their respective roles.

### Resolutions 7 and 8: Re-appointment and remuneration of external auditors

The Company is required to appoint auditors at each general meeting at which accounts are presented to shareholders. It is proposed that KPMG LLP be and are hereby re-appointed auditors of the Company and will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, and that their remuneration be fixed by the Directors.

### Resolution 9: Share buy-backs

The existing buy-back authority, granted at the AGM of the Company held on 13 May 2015, permits the Company to make market purchases of up to 14.99 per cent. of the Company's issued ordinary share capital as at 2 April 2015 and expires at the forthcoming AGM. The authority, under Resolution 9, if conferred, will only be exercised if, in the Directors' opinion, a repurchase would be in the best interests of shareholders as a

whole and would result in an increase in the net asset value per Ordinary Share for the remaining shareholders.

The Directors propose to renew the authority at this year's AGM, and seek authority to purchase up to 3,096,609 Ordinary Shares (being 14.99 per cent. of the issued share capital as at 31 March 2016). This authority will expire at the conclusion of the AGM of the Company in 2017 (or, if earlier, the date following 15 months from this year's AGM). Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value per Ordinary Share. Under the Listing Rules of the Financial Conduct Authority, the maximum price that can be paid is not more than the higher of (i) 5 per cent. above the average market values of the ordinary shares for the five business days before the day on which the purchase is made and (ii) that stipulated by Article 5 (i) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid will be 25p per share (being the nominal value of a share). Ordinary shares that are purchased will be cancelled. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

#### **Resolution 10: Notice of General Meetings**

The Shareholder Rights Directive ("Directive") was implemented in the UK in August 2009. One of the requirements of the Directive is that all general meetings must be held on 21 days'

notice unless shareholders agree to a shorter notice period. Resolution 10 seeks to renew this shareholder approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice. The Directors only intend to call a general meeting on less than 21 days' notice where the proposals are time sensitive and the short notice would clearly be an advantage to shareholders as a whole.

#### **Recommendation of the Board**

The Board considers that all the resolutions to be considered at the AGM are in the best interests of the Company and the shareholders as a whole. Your Board intend to vote in favour of them in respect of their entire beneficial holdings of Ordinary Shares which amount, in aggregate, to 203,709 Ordinary Shares (representing approximately 1.0 per cent. of the ordinary share capital of the Company in issue) and unanimously recommends that you do so as well.

By order of the Board,

**Duncan Budge**  
Chairman

## Corporate Governance Report

### Compliance

The Board considers that the Company has complied with the relevant provisions contained in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 and the recommendations of the AIC's Code of Corporate Governance issued in February 2015 (the "AIC Code") by reference to the AIC Corporate Governance Guide for investment companies ("the AIC Guide") throughout this accounting period with the exception of the matters noted below.

The AIC Code and the AIC Guide can both be found on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)) and a copy of the UK Corporate Governance Code can be found at [www.frc.org.uk](http://www.frc.org.uk).

The UK Corporate Governance Code includes provisions relating to the role of the Chief Executive, Executive Directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, which is an externally managed investment company. The Company has not, therefore, reported further in respect of these provisions.

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### The Board

The Board consists of five non-executive Directors, all of whom the Company deems to be independent, even though both Liz Airey, the Senior Independent Director, and Brian Finlayson have served as a Director for over nine years. Liz Airey will retire from the Board at the AGM on 11 May 2016.

On appointment, new Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Following appointment, the Chairman regularly reviews and agrees with Directors, as appropriate, their training and development needs as necessary to enable them to discharge their duties taking account of company specific matters and industry issues.

The Board determines the strategic direction of the Company. It meets at least four times a year and there is regular contact with Dunedin (the "Manager") between these meetings. There is a formal schedule of matters specifically reserved for Board decision. The schedule of matters is reviewed regularly by the Board. The Directors also have access to any information, the advice and services of the Company Secretary and, if required, external advice at the expense of the Company. The Company Secretary is also responsible for ensuring good information flows between all parties. The Board maintains ongoing dialogue with the Company's legal adviser in relation to corporate governance matters.

There is a clear division of responsibility between the Board and the Manager. The Manager's role is defined within the Alternative Investment Fund Management Agreement. The Board and the Manager have agreed clearly defined investment criteria and specific levels of authority. Reports on these issues, including performance statistics, investment valuations and management accounts, are submitted to the Board at each meeting. The Manager's evaluation procedure and financial analysis of the companies within the portfolio includes detailed research and appraisal, and also takes into account environmental policies and social, ethical, human rights and other business issues. The Manager's ESG policy can be found at [www.dunedin.com](http://www.dunedin.com). The Manager also supports the principles of the UK Stewardship Code and implements these where applicable. As an institutional investor, the Company recognises its responsibility that the companies in which it invests should aspire to appropriate levels of corporate governance. As a matter of policy, the Company aims to utilise its votes in respect of shares held in the relevant underlying portfolio companies at the annual general meetings of these companies. In the year to 31 December 2015 the Company voted in favour of all resolutions put forward at the annual general meetings of portfolio companies.

The Company's Articles of Association require that all Directors are subject to retirement by rotation and, given this and that all of the Directors are non-executive directors, the Board does not consider it necessary for the Directors to be appointed for a fixed term as recommended by provision B.2.3 of the UK Corporate Governance Code. The Board's policy on tenure is to adopt best practice in line with the requirement of the UK Corporate Governance Code for FTSE 350 companies, for all Directors to retire and, if appropriate, stand for annual re-election at each AGM. The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period as the historical knowledge of the portfolio is a key benefit. Any Directors appointed to the Board since the previous AGM also retire and stand for election.

The Board undertakes a formal annual evaluation of its own performance and that of its committees and individual Directors, including the Chairman. The most recent evaluation was carried out in November 2015 and the next evaluation is planned to take place in November 2016. An external consultant assists the Board in this evaluation at least every three years. The Board as a whole meets to assess its own performance and that of its Committees. The Chairman undertakes an appraisal of each Director to assess their performance. The non-executive Directors, led by the Senior Independent Director, are responsible for performance evaluation of the Chairman. The appraisals consider, amongst other things, the balance of skills of the Board and its diversity, the contribution of individual Directors and the overall effectiveness of the Board and its committees. Each individual Director's training requirements are reviewed as part of the annual evaluation process. The Board believes that it has an appropriate balance of skills and experience, length of service, diversity (including gender) and knowledge of the Company.

The Board supports diversity in the boardroom and is of the opinion that appointments to the Board should be made taking into account a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise. The Board ensures that any recruitment process reflects this view.

The table below details the number of Board, Audit, Nomination and Management Engagement Committee meetings attended by each Director. During the year there were four Board meetings, four Audit Committee meetings, two Nomination Committee meetings and two Management Engagement Committee meetings.

Directors	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended	Management Engagement Committee meetings attended
Liz Airey	4	4	2	2
Duncan Budge	4	4	2	2
Brian Finlayson	4	4	2	2
Angela Lane (appointed 1 June 2015)	3	3	1	1
Federico Marescotti	4	4	2	2

### Board Committees

There are three committees of the Board: the Nomination Committee, the Management Engagement Committee and the Audit Committee. The Board considers that, given the size of the Board, it would be unnecessarily burdensome to establish separate Nomination, Management Engagement and Audit Committees which did not involve the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise. The terms of reference for each committee are available on the Company's website. A report of the activity of each committee is set out below.

The Board has not established a separate Remuneration Committee and, as a whole, fulfils the function of the remuneration committee.

### Nomination Committee

#### Members:

Duncan Budge (Chairman)  
Liz Airey  
Brian Finlayson  
Angela Lane  
Federico Marescotti

The Nomination Committee comprises all the independent non-executive directors. The Nomination Committee is responsible for identifying and nominating to the Board new Directors and for considering whether existing Directors should be re-elected. The Nomination Committee is also responsible for monitoring the composition, size and structure of the overall Board. The Nomination Committee aims to maintain an appropriate balance of skills and experience within the Board and, together with the Board, supports the principle of diversity in the boardroom. Given the small size of the Board, it is not considered appropriate for the Company to have set targets or quotas in relation to diversity; candidates are assessed in relation to the relevant needs of the Company at the time of the appointment. The Nomination Committee is responsible for ensuring that any recruitment process takes account of the Company's diversity policy. The Nomination Committee uses external specialist search consultants, as appropriate, to assist it in carrying out its responsibilities.

The Nomination Committee is chaired by Duncan Budge, except when this committee considers his succession and reviews his performance. In such circumstances, the Nomination Committee elects an alternative member to take the Chair. The Nomination Committee met twice and included the search for a new non-executive Director. External specialist search consultants, Trust Associates, assisted the Committee with this task. Trust Associates have no connection to the Company.

### Management Engagement Committee

#### Members:

Duncan Budge (Chairman)  
Liz Airey  
Brian Finlayson  
Angela Lane  
Federico Marescotti

The Management Engagement Committee comprises all the independent non-executive Directors. The Management Engagement Committee reviews the performance of the Manager and its compliance with the terms of the Alternative Investment Fund Management Agreement. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Management Engagement Committee on an annual basis.

### Audit Committee

#### Members:

Liz Airey (Chairman)  
Duncan Budge  
Brian Finlayson  
Angela Lane  
Federico Marescotti

The Audit Committee comprises all the independent non-executive Directors. The Directors believe that it is in the best interests of the Company that its Chairman, Duncan Budge, is a member of the Committee. The Board is satisfied that the Audit Committee has the necessary skills and experience to operate effectively. The Audit Committee Report is set out on pages 33 to 34.

### Internal Controls

The Directors have overall responsibility for ensuring that there are systems of internal control in place, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable. Such a system can provide reasonable, but not absolute assurance against material misstatement or loss.

Under the terms of the management agreement the day-to-day management and operation of the Company has been delegated to the Manager. Clear lines of accountability have been established between the Board and the Manager. The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. The Manager is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly. The system extends to financial, operational and compliance controls and risk management. The Board reviews the financial reports and performance statistics, including projections and management accounts from the Manager on a regular basis. Annually the Audit Committee carries out an assessment of internal risks and controls. In carrying out its review, the Audit Committee has regard to the activities of the Manager, including their risk management, compliance function and whistle-blowing policies, and the Independent Auditors.

On the basis of this work, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant business and operational risks faced by the Company and that this process has been in place for the year ended 31 December 2015 and up to the date of the annual report and accounts.

The Audit Committee considers and the Board agrees that an internal audit function is not required by the Company as the internal control systems operated by the Manager provide sufficient assurance over the effectiveness of internal controls.

### Relations with Shareholders

All shareholders have the opportunity to attend and vote at the AGM. The notice of the AGM sets out the business of the meeting and items of business are explained in the Directors' Report on pages 26 to 29. Separate resolutions are proposed for each substantive issue. Both the Board and representatives of the Manager are available to answer shareholders' questions at the AGM. Proxy voting figures are announced to shareholders at the AGM.

The Chairman and Manager hold regular discussions with substantial shareholders, the feedback from which is greatly valued by the Board. In addition, the Chairman and Directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company at any point during the year. They can be contacted at the registered office address of the Company noted on page 67. Additionally the Chairman can be contacted via email at [duncan.budge@dunedinenterprise.com](mailto:duncan.budge@dunedinenterprise.com). All correspondence received from shareholders is passed directly to the Chairman.

The Senior Independent Director is available to shareholders if their concerns are concerns which contact through the normal channels of Chairman or other Directors has failed to resolve or for which such contact is inappropriate.

All communications by the Company with shareholders are approved by the Board.

The Company's website is [www.dunedinenterprise.com](http://www.dunedinenterprise.com). The Manager's presentation to shareholders will be available on the website after the AGM.

By order of the Board,

**Duncan Budge**

Chairman

17 March 2016

## Audit Committee Report

The Audit Committee is chaired by Liz Airey and comprises all of the Directors, all of whom are independent. Liz Airey will retire from the Board and Audit Committee at the AGM. The Audit Committee will be chaired by Angela Lane following Liz Airey's retirement.

The Audit Committee's principal responsibilities are:

- to review the interim and annual financial statements (and consider their integrity), interim management statements, announcements and matters relating to accounting policy, laws and regulations;
- to evaluate the risks to the quality and effectiveness of the financial reporting process;
- to review the consistency of accounting policies on a year on year basis;
- to review compliance with applicable accounting standards and make appropriate judgements, taking into account the views of the external auditor;
- where requested, to review the content of the Annual Report and Accounts and advise the Board whether the report as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- to review and recommend for approval by the Board the valuation of portfolio investments;
- to review the effectiveness of the internal control systems and the policies and procedures for the identification and assessment of business risks and the management of these risks;
- to review corporate governance compliance;
- to review the nature and scope of the work to be performed by the external auditors, including monitoring the statutory audit of the annual financial statements;
- to evaluate the independence, objectivity, effectiveness, resources and qualifications of the auditors and develop and implement a policy on the engagement of the auditors to provide non audit services and to review such fees having regard to their independence;
- to make recommendations as to the appointment and remuneration of the external auditors; and
- to formally report to the Board on how it has discharged its duties.

The Audit Committee has a schedule which sets out its annual work programme to ensure it covers the areas within its remit appropriately. It met four times during the year to carry out its responsibilities and senior representatives of the investment manager ("the Manager") attended the meetings as required by the Audit Committee. The external auditors attended the Audit Committee's meetings twice in the year and met with the Audit Committee without representatives of the Manager being present. In between meetings, the Audit Committee chairman maintains ongoing dialogue with the Manager and the external audit lead partner.

During the year the Audit Committee carried out a review of its terms of reference and its own effectiveness. It concluded that the Audit Committee is satisfactorily fulfilling its terms of reference and is operating effectively.

### Significant accounting matters

The significant issue considered by the Audit Committee during the year in relation to the financial statements of the Company is usually the valuation of unquoted investments and 2015 was no exception.

The Company's accounting policy for valuing unquoted investments is set out in note 2 (h) on page 50. The Audit Committee reviewed and challenged the valuations prepared by the Manager taking account of the latest available information about the Company's investments and the Manager's knowledge of the underlying companies through their ongoing monitoring, position on portfolio company boards and participation on fund advisory committees. The Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and in accordance with published industry guidelines.

The external auditors explained the results of their review of the procedures undertaken by the Manager for the valuation. On the basis of their audit work, no material adjustments were identified by the auditor.

### Going Concern

Given the illiquid nature of the Company's underlying investments, going concern will always be a matter of focus for the Board and Audit Committee. As regards the year ended 31 December 2015, the Audit Committee considered the Board's obligation to satisfy itself as to the appropriateness of the adoption of the going concern assumption as a basis for preparing the financial statements. Taking into account the £50.2m of outstanding commitments; the remaining £15.3m of the £20.0m revolving credit facility with a maturity date of 31 May 2018; the future cash flow projections and the cash balances held by the Company at 31 December 2015, the Audit Committee concluded that the adoption of the going concern basis was appropriate.

### External Auditors

The Audit Committee monitored the relationship with the external auditors with a view to ensuring that they did not provide non-audit services to the Company that had the potential to impair or appear to impair the independence of their audit role. The Board has approved a policy which recognises that it will be appropriate and cost effective for the external auditors to provide certain specified categories of non-audit services and has determined that fees in excess of £50,000 for taxation services and £20,000 for non-taxation services require prior approval by the Audit Committee.

The external auditor, KPMG, has provided details of other relationships it has with the Manager and confirmed to the Board that in its opinion it is independent of the Manager. The Audit Committee has reviewed the independence and objectivity of the external auditor and has reviewed the non-audit services provided by the external auditor for the financial year ended 31 December 2015 which comprised the provision of tax services at a total cost of £29,000, as detailed in Note 5 to the accounts. The Audit Committee is satisfied that the external auditor continues to demonstrate its independence.

The appointment of KPMG has not been put out to tender notwithstanding KPMG's tenure of 20 years, as the Audit Committee, from ongoing review of the external auditors work and effectiveness, and indirect enquiry of the Manager, remains satisfied that KPMG continue to provide a high quality audit and effective independent challenge in carrying out their responsibilities. Following professional guidelines, the partner rotates after five years and this is the fifth year for the current partner. During the year the Committee considered the impact of European legislation which is expected to limit the tenure of the Company's auditor to a maximum of 10 years. If the audit is put out for public bid, the member state may allow the auditor to continue for a maximum of 20 years. The Committee will

recommend to the Board the timing of a tender once the UK regulations are finalised and enacted. The Committee will be considering the timing for a tender in due course.

During the year the Committee completed an external auditor performance evaluation questionnaire. The Committee reviewed and discussed the results of the questionnaire. Having considered these matters and the effectiveness of the external auditor, the Audit Committee has recommended to the Board that, subject to shareholder approval at the 2016 Annual General Meeting, KPMG LLP be re-appointed as external auditor for the forthcoming year.

### Risk Management and Internal Control

The Company does not have an internal audit function. The Committee believes this is appropriate as all of the Company's management functions are delegated to the Manager which has its own internal control and risk monitoring arrangements. A report on these arrangements is prepared by the Manager and submitted to the Audit Committee which it reviews on behalf of the Board to support the Directors' responsibility for overall internal control as set out in the Governance Report on page 30.

The Company does not have a whistleblowing policy and procedure in place. The Company delegates this function to the Manager who is regulated by the FCA and has such policies in place. The Audit Committee has been informed by the Manager that these policies meet the industry standards and no whistleblowing took place during the year.

### Liz Airey

Chairman of the Audit Committee  
17 March 2016

## Directors' Remuneration Report

The Board presents the Directors' Remuneration report for the year ended 31 December 2015 which has been prepared in accordance with sections 420-422 of the Companies Act 2006. In addition, following the publication by the Department of Business, Innovation and Skills (BIS) of final remuneration disclosure regulations effective from 1 October 2013, the report now comprises a Remuneration Policy Report, which is subject to a triennial binding shareholder vote, and a Remuneration Policy Implementation Report, which will be subject to an annual advisory shareholder vote.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, this is indicated. The auditors' opinion is included in their report on pages 39 to 40.

### Chairman's Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 ("2013 Regulations"), the Chairman confirms that there have been no major decisions taken on Directors' remuneration and no substantial changes relating to Directors' remuneration made during the previous financial year to 31 December 2015.

### 1) Directors' Remuneration Policy Report

This Report provides details of the remuneration policy for the Directors of the Company and is the same in all material respects as the policy put into practice by the Board. All Directors are non-executive, appointed under the terms of their letters of appointment and under the same terms as in force at the date of their appointment.

This Remuneration Policy was approved by a resolution of the Company's shareholders at the Annual General Meeting of the Company held on 14 May 2014 and was passed by 98.4% of shareholders voting in favour of the resolution, 1.6% voting against and 0.0% abstaining. Its provisions will apply until the next triennial shareholder vote unless the Company's shareholders approve amendments sooner.

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy, as well as implementation of that policy. A separate Committee has therefore not been established. The Company's Directors are all independent of the Manager.

The non-executive Directors of the Company are entitled to such rates of annual fees, together with any incremental fees payable in recognition of any Director's additional time commitment, as the Board at its discretion shall from time to time determine, subject to the aggregate annual fees not exceeding an amount set by shareholders through the Articles of Association currently set at £200,000, and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. The level of fees paid to Directors is determined by assessing their time commitment and responsibilities in fulfilling their roles.

The Chairman of the Board, Chairman of the Audit Committee and Senior Independent Director are paid higher fees, reflecting the greater amount of time spent on the Company's business. As well as monitoring the approach by similar investment trusts to fees, suitable external advice is sought where appropriate.

In line with the majority of investment trusts, no component of any Director's remuneration is subject to performance factors, introductory fees or an exit payment. Additionally, Directors are not eligible for pension benefits, share options, long-term incentive schemes or other benefits. As the Company has no employees, no consideration needs to be given to employment conditions in setting Directors' pay. Subject to the triennial shareholder vote, the Company has not sought shareholder views on its remuneration policy.

It is the Company's policy that Directors do not have service contracts. The terms of their appointment provide that in line with the provisions set by the Articles of Association, a Director shall retire and be subject to election by shareholders at the first Annual General Meeting after their appointment and stand for re-election every three years thereafter. However, it is the policy of the Board that Directors are re-elected annually. The terms also provide that a Director may be removed from office with a notice period of three months. No compensation is payable for loss of office.

The Company indemnifies Directors in respect of costs, charges, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company.

**Table of Directors' Remuneration Components<sup>1</sup>**

	2015 <sup>2</sup> £	2014 £
Chairman fee	<b>34,000</b>	34,000
Non-executive Director base fee	<b>23,000</b>	23,000
Additional fee for chair of the Audit Committee	<b>3,000</b>	3,000
Additional fee for Senior Independent Director	<b>3,000</b>	3,000

The fees noted above represent the entirety of fees paid to Directors.

<sup>1</sup> The Company's Remuneration Policy (including its future policy) is contained on page 35.

<sup>2</sup> Directors' fees may be increased, subject to the current maximum aggregate limit of £200,000 per annum stated in the Company's Articles of Association.

## 2) Directors' Remuneration Implementation Report

This report is prepared in accordance with Schedule 8 of the 2013 Regulations.

The rates of Directors' fees for the financial year to 31 December 2015 were set out in the Directors' Remuneration Report contained in the Company's 2014 Annual Report and Accounts. A non-binding ordinary resolution proposing adoption of the Remuneration Report was put to shareholders at the Company's Annual General Meeting held on 13 May 2015 and was passed by 95.7% of shareholders voting in favour of the resolution, 3.9% voting against and 0.4% abstaining.

The Company does not anticipate making any significant changes to implementation of the Remuneration Policy in the current financial year.

### Directors' emoluments for the year (audited)

All Directors who served during the year ended 31 December 2015 received the emoluments, in the form of fees, as described in the table below.

#### Single Total Figure Table (audited)

	2015 Annual Fees £	2014 Annual Fees £
Liz Airey	29,000	29,000
Duncan Budge	34,000	29,924
Brian Finlayson	23,000	23,000
David Gamble (retired 14 May 2014)	–	12,641
Federico Marescotti	23,000	23,000
Angela Lane (joined 1 June 2015)	13,417	–
<b>Total</b>	<b>122,417</b>	<b>117,565</b>

The fees noted above represent the entire remuneration paid to Directors.

## Relative importance of expenditure on pay

As required by the 2013 Regulations, to allow shareholders to assess the relative importance of expenditure on pay, the table below demonstrates the total remuneration paid to the Directors compared to the distributions to shareholders by way of dividend and any other significant distributions and payments.

	2015 £	2014 £	Difference
Spend on Directors' fees'	<b>122,417</b>	117,565	+4%
Distributions to shareholders:			
(a) dividends	<b>980,822</b>	3,624,540	-73%
(b) tender offer (inc costs)	–	5,309,395	-100%
(c) share buyback (inc costs)	<b>700,304</b>	–	+100%

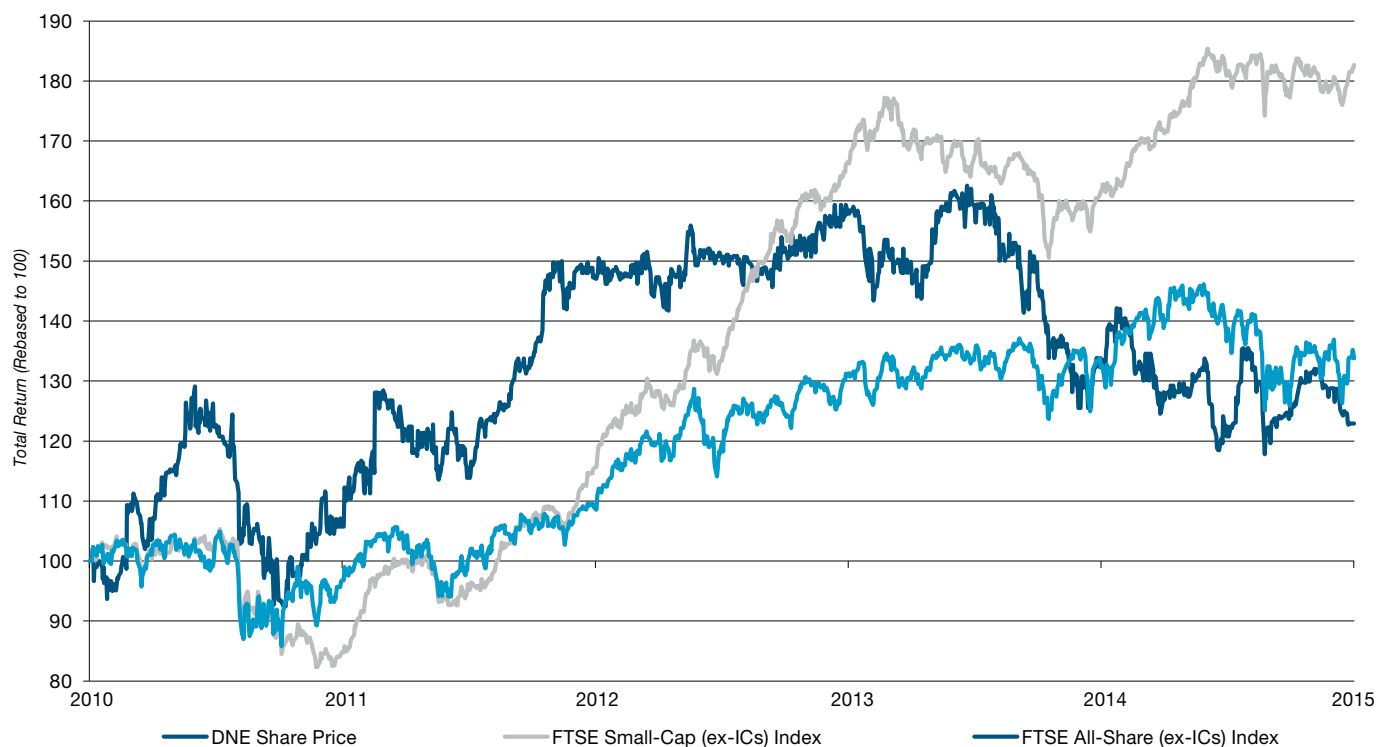
### Statement of Directors' shareholding and share interests (audited)

The names of the Directors and their shareholdings in the Company as at 31 December 2015 are shown in the table below. The Company has not been notified of any changes to the Directors' shareholdings between 31 December 2015 and 17 March 2016. The shareholding of connected persons to the Directors are disclosed where appropriate.

	2015 #	2014 #
Liz Airey	<b>50,000</b>	50,000
Duncan Budge	<b>35,900</b>	15,900
Brian Finlayson	<b>107,809</b>	90,809
Angela Lane	–	–
Federico Marescotti	<b>10,000</b>	4,000

### Share price total return

The graph below presents for the period from 31 December 2010 to 31 December 2015 the total shareholder return compared to the total return on the FTSE Small Cap (ex-investment companies) and the FTSE All Share (ex-investment companies). These indices are chosen for comparative purposes only.



The Directors' Remuneration Report on pages 35 to 37 was approved by the Board of Directors and signed on its behalf on 17 March 2016.

**Duncan Budge**

Chairman

17 March 2016

## Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility Statement of the Directors in respect of the Annual Financial Report

Under the Disclosure and Transparency Rules the Directors confirm that to the best of their knowledge:

- that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that in the opinion of the Directors, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Duncan Budge**

Chairman

17 March 2016

# Independent Auditor's Report

## To the members of Dunedin Enterprise Investment Trust PLC only

### Opinions and conclusions arising from our audit

#### 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Dunedin Enterprise Investment Trust PLC for the year ended 31 December 2015 set out on pages 41 to 61. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

##### Valuation of unquoted investments (£109.4m)

Refer to page 33 (Audit Committee Report), page 50 (accounting policy) and pages 53 to 56 (financial disclosures)

- *The risk* – 99.3% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples, and net assets. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.
- *Our response* – Our procedures included:
  - documenting and assessing the design and implementation of the investment valuation processes and controls in place;
  - attendance at bi-annual valuation meetings with the Directors and investment manager to assess their discussion and review of the investment valuations;
  - assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations, to understand the reasons for significant

variances and determine whether they are indicative of bias or error in the company's approach to valuations;

- challenging the investment manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable. Where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- attending the year-end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

#### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1,097,000 (2014: £2,100,000), determined with reference to a benchmark of total assets, of which it represents 1%, reflecting industry consensus levels (2014: 2%).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £54,800, in addition to other identified misstatements that warrant reporting on qualitative grounds.

Our audit of the four components of the Group were performed by the group audit team at the Investment Manager, Dunedin LLP's, head office in Edinburgh to materiality levels set individually for each component, which ranged from £1,000,000 to £1.

These group procedures covered 100% of total group revenue, 100% of group profit before taxation and 100% of total group assets.

#### 4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### 5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement on long-term viability on page 26, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the 3 years to 31 December 2018; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

#### 6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 26 in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 30 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

#### Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 38 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### Catherine Burnet (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Edinburgh  
17 March 2016

## Consolidated Income Statement

	Notes	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Investment income	3	196	—	196	1,711	—	1,711
Gains/(losses) on investments		—	853	853	—	(1,218)	(1,218)
<b>Total income</b>		<b>196</b>	<b>853</b>	<b>1,049</b>	<b>1,711</b>	<b>(1,218)</b>	<b>493</b>
<b>Expenses</b>							
Investment management fee	4	(95)	(285)	(380)	(104)	(311)	(415)
Management performance fee	4	—	—	—	7	22	29
Other expenses	5	(599)	—	(599)	(633)	—	(633)
<b>Profit/(loss) before finance costs and tax</b>		<b>(498)</b>	<b>568</b>	<b>70</b>	<b>981</b>	<b>(1,507)</b>	<b>(526)</b>
Finance costs	6	(130)	(388)	(518)	(138)	(413)	(551)
<b>Profit/(loss) before tax</b>		<b>(628)</b>	<b>180</b>	<b>(448)</b>	<b>843</b>	<b>(1,920)</b>	<b>(1,077)</b>
Taxation	7	—	—	—	137	162	299
<b>Profit/(loss) for the year</b>		<b>(628)</b>	<b>180</b>	<b>(448)</b>	<b>980</b>	<b>(1,758)</b>	<b>(778)</b>
Basic return per ordinary share (basic & diluted)	9	<b>(3.0)p</b>	<b>0.8p</b>	<b>(2.2)p</b>	4.6p	(8.3)p	(3.7)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.

The notes on pages 48 to 60 form part of the financial statements.

## Consolidated Balance Sheet

	Notes	£'000	2015 £'000	£'000	2014 £'000
<b>Non-current assets</b>					
Investments at fair value through profit or loss	10		<b>109,374</b>		98,371
<b>Current assets</b>					
Other receivables	11	<b>167</b>		269	
Cash and cash equivalents		<b>573</b>		8,726	
		<b>740</b>		8,995	
<b>Current liabilities</b>					
Other liabilities	12	<b>(987)</b>		(810)	
Loan facility	12	<b>(4,700)</b>		–	
		<b>(5,687)</b>		(810)	
<b>Net current (liabilities)/assets</b>			<b>(4,947)</b>		8,185
<b>Net assets</b>			<b>104,427</b>		106,556
<b>Capital and reserves</b>					
Share capital	13		<b>5,161</b>		5,217
Capital redemption reserve	14		<b>2,765</b>		2,709
Capital reserve – realised	14		<b>38,639</b>		47,552
Capital reserve – unrealised	14		<b>4,957</b>		(3,436)
Special distributable reserve	14		<b>47,600</b>		47,600
Revenue reserve	14		<b>5,305</b>		6,914
<b>Total equity shareholders' funds</b>			<b>104,427</b>		106,556
<b>Net asset value per share (basic &amp; diluted)</b>	15		<b>505.8p</b>		<b>510.6p</b>

The financial statements were approved by the Board of Directors on 17 March 2016.

### Duncan Budge, Chairman

The notes on pages 48 to 60 form part of the financial statements.

## Company Balance Sheet

	Notes	£'000	2015 £'000	£'000	2014 £'000
<b>Non-current assets</b>					
Investments at fair value through profit or loss	10	93,331		85,670	
Subsidiary undertakings	21	16,102		13,392	
			109,433		99,062
<b>Current assets</b>					
Other receivables	11	167		267	
Cash and cash equivalents		511		8,031	
		678		8,298	
<b>Current liabilities</b>					
Other liabilities	12	(984)		(804)	
Loan facility	12	(4,700)		—	
		(5,684)		(804)	
<b>Net current (liabilities)/assets</b>			(5,006)		7,494
<b>Net assets</b>			104,427		106,556
<b>Capital and reserves</b>					
Share capital	13	5,161			5,217
Capital redemption reserve	14	2,765			2,709
Capital reserve – realised	14	38,492			47,177
Capital reserve – unrealised	14	5,271			(2,805)
Special distributable reserve	14	47,600			47,600
Revenue reserve	14	5,138			6,658
			104,427		106,556

The financial statements were approved by the Board of Directors on 17 March 2016.

**Duncan Budge, Chairman**

The notes on pages 48 to 60 form part of the financial statements.

## Consolidated Cash Flow Statement

	Notes	£'000	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	16		<b>4,196</b>	1,355
<b>Servicing of finance</b>				
Finance costs			(518)	(551)
<b>Investing activities</b>				
Purchase of investments		(14,513)	(16,025)	
Purchase of 'AAA' rated money market funds		(6,707)	(13,395)	
Sale of investments		3,286	6,108	
Sale of 'AAA' rated money market funds		7,840	16,629	
<b>Net cash (outflow) from financial investment</b>			<b>(10,094)</b>	(6,683)
<b>Taxation</b>				
Tax recovered			—	116
<b>Financing activities</b>				
Purchase of ordinary shares		(700)	(5,309)	
Dividends paid		(981)	(3,624)	
			<b>(1,681)</b>	(8,933)
<b>Effect of exchange rate fluctuations on cash held</b>			<b>(56)</b>	(62)
<b>Net (decrease) in cash and cash equivalents</b>			<b>(8,153)</b>	(14,758)
Cash and cash equivalents at start of the year			<b>8,726</b>	23,484
Net (decrease) in cash and cash equivalents			<b>(8,153)</b>	(14,758)
<b>Cash and cash equivalents at end of the year</b>			<b>573</b>	8,726

The notes on pages 48 to 60 form part of the financial statements.

## Company Cash Flow Statement

	Notes	£'000	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	16		<b>4,459</b>	<b>1,048</b>
<b>Servicing of finance</b>				
Finance costs			<b>(518)</b>	<b>(551)</b>
<b>Investing activities</b>				
Purchase of investments		<b>(10,328)</b>		<b>(11,610)</b>
Subsidiary investment		<b>(3,232)</b>		<b>(3,841)</b>
Purchase of 'AAA' rated money market funds		<b>(6,707)</b>		<b>(13,395)</b>
Sale of investments		<b>1,798</b>		<b>2,609</b>
Subsidiary sale		<b>865</b>		<b>2,726</b>
Sale of 'AAA' rated money market funds		<b>7,840</b>		<b>16,629</b>
<b>Net cash (outflow) from financial investment</b>			<b>(9,764)</b>	<b>(6,882)</b>
<b>Taxation</b>				
Tax recovered			<b>—</b>	<b>292</b>
<b>Financing activities</b>				
Purchase of ordinary shares		<b>(700)</b>		<b>(5,309)</b>
Dividends paid		<b>(981)</b>		<b>(3,624)</b>
			<b>(1,681)</b>	<b>(8,933)</b>
<b>Effect of exchange rate fluctuations on cash held</b>			<b>(16)</b>	<b>(4)</b>
<b>Net (decrease) in cash and cash equivalents</b>			<b>(7,520)</b>	<b>(15,030)</b>
Cash and cash equivalents at start of the year			<b>8,031</b>	<b>23,061</b>
Net (decrease) in cash and cash equivalents			<b>(7,520)</b>	<b>(15,030)</b>
<b>Cash and cash equivalents at end of the year</b>			<b>511</b>	<b>8,031</b>

The notes on pages 48 to 60 form part of the financial statements.

## Consolidated Statement of Changes in Equity

<b>For the year ended 31 December 2015</b>	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2014	5,217	2,709	47,552	(3,436)	47,600	6,914	98,630	106,556
Profit/(loss) for the year	–	–	(8,213)	8,393	–	(628)	(448)	(448)
Purchase and cancellation of shares	(56)	56	(700)	–	–	–	(700)	(700)
Dividends paid	–	–	–	–	–	(981)	(981)	(981)
<b>At 31 December 2015</b>	<b>5,161</b>	<b>2,765</b>	<b>38,639</b>	<b>4,957</b>	<b>47,600</b>	<b>5,305</b>	<b>96,501</b>	<b>104,427</b>

<b>For the year ended 31 December 2014</b>	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2013	5,492	2,434	62,832	(11,649)	47,600	9,558	108,341	116,267
Profit/(loss) for the year	–	–	(9,971)	8,213	–	980	(778)	(778)
Purchase and cancellation of shares	(275)	275	(5,309)	–	–	–	(5,309)	(5,309)
Dividends paid	–	–	–	–	–	(3,624)	(3,624)	(3,624)
<b>At 31 December 2014</b>	<b>5,217</b>	<b>2,709</b>	<b>47,552</b>	<b>(3,436)</b>	<b>47,600</b>	<b>6,914</b>	<b>98,630</b>	<b>106,556</b>

The notes on pages 48 to 60 form part of the financial statements.

## Company Statement of Changes in Equity

<b>For the year ended 31 December 2015</b>	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2014	5,217	2,709	47,177	(2,805)	47,600	6,658	98,630	106,556
Profit/(loss) for the year	–	–	(7,985)	8,076	–	(539)	(448)	(448)
Purchase and cancellation of shares	(56)	56	(700)	–	–	–	(700)	(700)
Dividends paid	–	–	–	–	–	(981)	(981)	(981)
<b>At 31 December 2015</b>	<b>5,161</b>	<b>2,765</b>	<b>38,492</b>	<b>5,271</b>	<b>47,600</b>	<b>5,138</b>	<b>96,501</b>	<b>104,427</b>

<b>For the year ended 31 December 2014</b>	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2013	5,492	2,434	62,781	(11,852)	47,600	9,812	108,341	116,267
Profit/(loss) for the year	–	–	(10,295)	9,047	–	470	(778)	(778)
Purchase and cancellation of shares	(275)	275	(5,309)	–	–	–	(5,309)	(5,309)
Dividends paid	–	–	–	–	–	(3,624)	(3,624)	(3,624)
<b>At 31 December 2014</b>	<b>5,217</b>	<b>2,709</b>	<b>47,177</b>	<b>(2,805)</b>	<b>47,600</b>	<b>6,658</b>	<b>98,630</b>	<b>106,556</b>

The notes on pages 48 to 60 form part of the financial statements.

## Notes to the Accounts

### 1. Basis of Preparation

Dunedin Enterprise Investment Trust PLC (the “Company”) is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

The principal accounting policies adopted by the Group and Company are set out below. The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its income statement and related notes.

The Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Trust Companies in November 2014 (‘the SORP’) is applicable for accounting periods commencing on or after 1 January 2015. Where presentation guidance set out in the SORP is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. There are no significant changes to the Company’s accounting policies or disclosures as a result of the adoption of the SORP.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant estimate is the valuation of unlisted investments which is described in note 2(h) below.

The Directors have reviewed forecasts which show the financial position, cash flow and liquidity forecasts for the Company and its subsidiaries. The Directors are confident that they show that the Group will have sufficient resources to meet its liabilities as they fall due. Accordingly the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### 2. Accounting Policies

#### a. Consolidation

Subsidiaries are investees controlled by the Company. The Company controls an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead the Company having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Subsidiaries are valued at fair value which is deemed to be net asset value.

The Group holds a number of investments in entities over which it has significant influence which meet the definition of associates in IAS 28 Investment in Associates. The Group has adopted the ‘Investment Entities’ amendment to IFRS 10 ‘Consolidated Financial Statements’ which requires a qualifying investment entity to account for investments in associates at fair value through profit or loss.

To qualify, an entity is required to meet the following tests:

- The entity obtains funds from one or more of its investors to provide those investors with investment management services;
- The entity commits to its investors that its business purpose is to invest for returns solely from capital appreciation and/or investment income.
- The entity measures and evaluates the performance of substantially all investments on a fair value basis.

In addition, an investment entity has the following characteristics:

- The entity has more than one investment;
- The entity has more than one investor;
- The entity has investors that are not related parties; and
- The entity has ownership interests in the form of equity or similar interests.

## 2. Accounting Policies continued

The Company meets the requirements of an 'investment entity' and therefore accounts for its investments in associates at fair value through profit or loss. Further details are provided in note 10.

The Company has consolidated its holdings in the entities listed in note 21 for the purposes of these consolidated financial statements as these entities provide investment related services to the Company and are viewed as being simply an extension of the investment entity's investing activities.

### b. Associated Undertakings

The Group holds a number of investments in entities over which it has significant influence which meet the definition of associates in IAS28 Investment in Associates. The Company has taken advantage of the exemption from applying IAS28 as these investments are held as part of the Group's portfolio with a view to the ultimate realisation of capital gains. These investments are accounted for at fair value through profit and loss.

### c. Revenue/capital

The revenue column of the income statement includes all income and expenses except for the realised and unrealised profit and loss on investments and the proportion of management fee and finance costs charged to capital which are included in the capital column.

### d. Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is applicable are brought into account when the Group's right to receive payment is established. Interest income is accounted for on an effective yield basis except where there is uncertainty as to whether the interest will be received.

### e. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue column within the Income Statement except that:

- expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column as incurred,
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, and accordingly the investment management fee, performance fee and finance costs have been allocated 25% to revenue and 75% to capital in order to reflect the Directors' expected long term view of the nature of the investment returns of the Group.

### f. Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks. These are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

### g. Valuation of investments

Purchases and sales of investments are recognised at the date of transaction. The Group's investments have been designated by the Directors as fair value through profit or loss and are carried at fair value as determined by the Directors.

Listed investments are valued at bid price unless this is not considered to be an accurate representation of fair value. 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 bases 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.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and are then transferred to the unrealised capital reserve.

Gains or losses on investments realised in the year that have been recognised in the Income Statement are transferred to the realised capital reserve. In addition, any prior unrealised gains or losses on such investments are transferred from the unrealised capital reserve to the realised capital reserve on disposal of the investment.

Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full on the balance sheet date.

### h. Taxation

Corporation tax payable is provided on taxable profits at the current rate. Any tax relief obtained on expenses is allocated between capital and revenue on the assumption that expenses charged to revenue are matched first against taxable revenue items. Tax relief is only reflected in capital to the extent that additional expenses are utilised from capital to reduce or eliminate the Group's tax liability.

**2. Accounting Policies** continued

Deferred taxation is provided on the balance sheet liability method on all temporary differences, calculated at the rate at which it is estimated that tax will be payable.

Due to the Company's status as an investment company, and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or on disposal of investments.

**i. Dividend**

Dividends payable are recognised as a distribution and recorded in the Statement of Changes in Equity when they become a liability of the Company.

**j. Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

**k. Segmental analysis**

The Group has one reportable segment being investing in a portfolio of private equity funds or companies.

**l. New standards, amendments to published standards and interpretations adopted**

The amendment to IFRS 13 'Fair Value Measurement' clarifying the portfolio exception in IFRS 13 is mandatory for annual reporting periods beginning on or after 1 January 2015 and has been endorsed for adoption by the EU. The amendment is not considered to have an impact on the Group.

There are no other standards, amendments to standards or interpretations that are applicable in the year which have a material impact on the Group.

**Future accounting developments**

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, however have not been endorsed by the EU. The following may be relevant to the Group.

**IFRS 15 'Revenue from contracts with customers' – effective 1 January 2018 (has not been EU endorsed)**

Current revenue recognition accounting standards have led to inconsistencies in accounting for similar transactions and inadequate disclosures. IFRS 15 specifies comprehensive principles on whether, how much and when an entity should recognise revenue from customer contracts. Given that the Group has no customer contracts, it is not expected that this standard will have an effect on the Group.

**3. Income**

	Group 2015 £'000	Group 2014 £'000
Interest income – UK	47	47
Limited partnership income – UK	124	842
Limited partnership income – European	–	707
'AAA' rated money market funds	3	9
Other income	12	28
	<b>186</b>	1,633
Deposit interest*	10	78
<b>Total income</b>	<b>196</b>	1,711

\* income arising from financial assets that are not investments designated as fair value through profit or loss.

#### 4. Investment management fee

	Revenue £'000	Capital £'000	Group 2015 Total £'000	Revenue £'000	Capital £'000	Group 2014 Total £'000
Investment management fee	95	285	380	104	311	415
Management performance fee	–	–	–	(7)	(22)	(29)
	95	285	380	97	289	386

Dunedin provides investment management and general administration services to the Company. The terms of the management fee arrangements are detailed on page 61.

#### 5. Other expenses

Profit/(loss) on ordinary activities before taxation is shown after charging the following amounts:

	Group 2015 £'000	Group 2014 £'000
Directors fees	122	118
Administration expenses	418	450
<b>Fees payable to the auditor:</b>		
Fees payable to the Company's auditor for audit of Company's annual accounts	23	22
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	6	6
Audit related assurance services	6	6
Tax compliance services	20	21
Tax advisory services	4	10
	599	633

The Company does not directly employ any staff.

#### 6. Finance costs

	Revenue £'000	Capital £'000	Group 2015 Total £'000	Revenue £'000	Capital £'000	Group 2014 Total £'000
On bank loans and overdraft:						
Repayable in less than 5 years	105	313	418	100	299	399
Banking facility arrangement fee	25	75	100	38	114	152
	130	388	518	138	413	551

The interest paid represents a fee on an undrawn facility.

#### 7. Taxation on profit on ordinary activities

	Revenue £'000	Capital £'000	Group 2015 Total £'000	Revenue £'000	Capital £'000	Group 2014 Total £'000
<b>(a) Analysis of charge/(credit) for the year:</b>						
UK corporation tax at 20.25% (2014: 21.5%)	–	–	–	162	(162)	–
Prior year adjustment	–	–	–	(299)	–	(299)
	–	–	–	(137)	(162)	(299)

The UK corporation tax rate was 21% until 31 March 2015 and 20% from 1 April 2015 giving an effective tax rate of 20.25% (2014 – effective tax rate of 21.5%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below.

**7. Taxation on profit on ordinary activities** continued

**(b) Factors affecting the tax charge for the year:**

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>
Total return on ordinary activities before tax	<b>(448)</b>	(1,077)
UK Corporation Tax at 20.25% (2014: 21.5%)	<b>(91)</b>	(232)
Effects of:		
Capital (loss)/gain not subject to corporation tax	<b>173</b>	262
Non taxable partnership income and expenses	<b>–</b>	21
Prior year adjustment	<b>–</b>	(299)
Excess management expenses not utilised	<b>(82)</b>	(51)
	<b>–</b>	(299)

At 31 December 2015, the Company had net surplus management expenses of £3,557,000 (2014: £2,392,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future liabilities through the use of existing surplus expenses.

**8. Dividends**

Amounts recognised as distributions to equity holders in the year:

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>
Final dividend for the year ended 31 December 2014 – 4.7p paid 22 May 2015	<b>981</b>	–
Final dividend for the year ended 31 December 2013 – 16.5p paid 23 May 2014	<b>–</b>	3,624
	<b>981</b>	3,624

There is no final dividend proposed for the year ended 31 December 2015. The total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered, is noted below.

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>
Final dividend for the year ended 31 December 2014 – 4.7p paid on 22 May 2015	<b>–</b>	981
	<b>–</b>	981

**9. Return per ordinary share**

The returns per ordinary share are based on the following figures:

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>
Revenue return	<b>(628)</b>	980
Capital return	<b>180</b>	(1,758)
	<b>(448)</b>	(778)
Weighted average number of shares in issue	<b>20,750,515</b>	21,277,808

## 10. Investments

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments 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.

The Company is a limited partner in Dunedin Buyout Fund, Dunedin Buyout Fund II, Dunedin Buyout Fund III, Equity Harvest Fund and Dunedin Fund of Funds LP. The table below details Dunedin Enterprise's investment holdings by fund entity.

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>
Direct	<b>9,332</b>	10,916
Dunedin Buyout Fund LP	<b>250</b>	245
Dunedin Buyout Fund II LP	<b>59,964</b>	51,799
Dunedin Buyout Fund III LP	<b>18,849</b>	15,835
Equity Harvest Fund LP	<b>4,931</b>	5,737
Dunedin Fund of Funds LP	<b>16,043</b>	12,701
'AAA' rated money market funds	<b>5</b>	1,138
	<b>109,374</b>	98,371

On a look through basis Dunedin Enterprise's investments are detailed below.

	<b>Group 2015 £'000</b>	<b>Company 2015 £'000</b>	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>
Unlisted UK investments	<b>93,326</b>	<b>93,326</b>	84,532	84,532
Unlisted European investments	<b>16,043</b>	–	12,701	–
'AAA' rated money market funds	<b>5</b>	<b>5</b>	1,138	1,138
	<b>109,374</b>	<b>93,331</b>	98,371	85,670

Funds realised from listed and unlisted investments have been utilised to make investments in 'AAA' rated money market funds. The Board intends to realise these investments as and when new unlisted investment opportunities arise.

### Valuation of financial instruments

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 inputs that are not based on observable market data (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.

# 10. Investments continued

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:

	2015 £'000	2014 £'000
<b>Level 1</b>		
'AAA' rated money market funds	5	1,138
<b>Level 2</b>	–	–
<b>Level 3</b>		
Unlisted investments	109,369	97,233
	<b>109,374</b>	<b>98,371</b>

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 following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 1 and Level 3 of the fair value hierarchy.

Group	Level 3 UK Unlisted £'000	Level 3 European Unlisted £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2014	86,889	13,780	1,138	101,807
Unrealised appreciation/(depreciation)	(2,357)	(1,079)	–	(3,436)
Valuation at 31 December 2014	84,532	12,701	1,138	98,371
Purchases at cost	10,328	4,185	6,707	21,220
Sales – proceeds	(1,798)	(1,488)	(7,840)	(11,126)
Sales – realised gains/(losses) on sales	(7,484)	–	–	(7,484)
Increase/(decrease) in unrealised appreciation	7,748	645	–	8,393
Valuation at 31 December 2015	93,326	16,043	5	109,374
Book cost at 31 December 2015	87,935	16,477	5	104,417
Closing unrealised appreciation/(depreciation)	5,391	(434)	–	4,957

Company	Level 3 UK Unlisted £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2014	86,889	1,138	88,027
Unrealised appreciation/(depreciation)	(2,357)	–	(2,357)
Valuation at 31 December 2014	84,532	1,138	85,670
Purchases at cost	10,328	6,707	17,035
Sales – proceeds	(1,798)	(7,840)	(9,638)
Sales – realised losses on sales	(7,484)	–	(7,484)
Increase in unrealised appreciation	7,748	–	7,748
Valuation at 31 December 2015	93,326	5	93,331
Book cost at 31 December 2015	87,935	5	87,940
Closing unrealised appreciation/(depreciation)	5,391	–	5,391

There have not been any movements between the levels of the fair value hierarchy during the year.

**10. Investments** continued

Group	Level 3 UK Unlisted £'000	Level 3 European Listed £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2013	88,028	12,292	4,372	104,692
Unrealised appreciation/(depreciation)	(12,265)	616	–	(11,649)
Valuation at 31 December 2013	75,763	12,908	4,372	93,043
Purchases at cost	11,610	4,415	13,395	29,420
Sales – proceeds	(2,609)	(3,499)	(16,629)	(22,737)
Sales – realised gains/(losses) on sales	(10,140)	572	–	(9,568)
Increase/(decrease) in unrealised appreciation	9,908	(1,695)	–	8,213
Valuation at 31 December 2014	84,532	12,701	1,138	98,371
Book cost at 31 December 2014	86,889	13,780	1,138	101,807
Closing unrealised appreciation/(depreciation)	(2,357)	(1,079)	–	(3,436)

Company	Level 3 UK Unlisted £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2013	88,028	4,372	92,400
Unrealised appreciation/(depreciation)	(12,265)	–	(12,265)
Valuation at 31 December 2013	75,763	4,372	80,135
Purchases at cost	11,610	13,395	25,005
Sales – proceeds	(2,609)	(16,629)	(19,238)
Sales – realised losses on sales	(10,140)	–	(10,140)
Increase in unrealised appreciation	9,908	–	9,908
Valuation at 31 December 2014	84,532	1,138	85,670
Book cost at 31 December 2014	86,889	1,138	88,027
Closing unrealised appreciation/(depreciation)	(2,357)	–	(2,357)

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Realised gains/(losses) based on cost	(7,484)	(7,484)	(9,568)	(10,140)
Unrealised appreciation/(depreciation) recognised in prior years	5,181	5,181	5,843	5,843
	(2,303)	(2,303)	(3,725)	(4,297)
Increase/(decrease) in unrealised appreciation	3,212	2,895	2,370	3,204
Other movements	(56)	(16)	137	195
Total gains/(losses) on investments	853	576	(1,218)	(898)

Included within unlisted investments are investments valued at £75,573,644 (2014: £69,951,437) where the Company's interest is between 20% and 50% of the equity. These investments have been accounted for at fair value through profit or loss as set out in Note 2(a).

## 10. Investments continued

### Significant interests

(a) At 31 December 2015, the Company held between 20% and 50% of the allotted share capital of the following companies:

Name	Country of incorporation or registration	% of equity held	% of equity held directly and through funds	Latest available accounts	Share capital & reserves £'000	EBITDA £'000
CGI Group Holdings Limited	England	41.7	41.7	31.12.14	(675)	2,378
Dunedin Buyout Fund II LP	Scotland	29.7	29.7	31.12.15	n/a	n/a
Equity Harvest Fund LP	England	47.4	47.4	31.12.15	n/a	n/a
Premier Hytemp Topco Limited	Scotland	–	20.7	30.09.15	(6,257)	818
Red Topco Limited	England	–	20.1	31.03.15	(17,017)	183
Steeper Holdings Limited	England	22.8	37.4	28.02.15	5,097	2,439

(b) Other interests of 10% or more of any class of allotted share capital:

Name	Country of incorporation or registration	% of equity held directly	% of equity held directly and through funds
CitySprint (UK) Group Limited	England	–	11.9
EV Holdings Limited	England	–	10.5
Dunedin Buyout Fund LP	Scotland	13.0	13.0
Dunedin Buyout Fund III LP	Scotland	19.6	19.6
Formaplex Group Limited	England	–	17.7
Hawksford International Limited	Jersey	–	17.8
Weldex (International) Offshore Holdings Limited	Scotland	–	15.1

Equity percentages shown are fully diluted, based on the latest audited accounts available, to take account of options and warrants which have been issued, and conversion rights.

## 11. Other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Prepayments and accrued income	167	167	269	267
	167	167	269	267

## 12. Creditors: amounts falling due within one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Accruals	987	984	810	804
Revolving Credit Facility	4,700	4,700	–	–
	5,687	5,684	810	804

A revolving credit facility of £20m is available to the Company until 31 May 2018. The rate of interest on the revolving credit facility is 2.5% above LIBOR.

### 13. Called-up share capital

	Nominal No. '000	Group & Company 31 December 2015 £'000	Nominal No. '000	Group & Company 31 December 2014 £'000
Allotted, called-up and fully paid ordinary shares:				
At 1 January 2015	20,869	5,217	21,967	5,492
Repurchased during the year	(225)	(56)	(1,098)	(275)
At 31 December 2015	20,644	5,161	20,869	5,217

The capital of the Company is managed in accordance with its investment policy and objectives which are detailed in the Strategic Report on page 24.

The Company repurchased 224,500 ordinary shares in the year to 31 December 2015 (2014: 1,098,345) at a cost of £700,305 (2014: £5,309,395). The nominal value of these shares was £56,125 and represented 1.0% of the issued share capital. At 18 March 2016 no ordinary shares have been repurchased since 31 December 2015. The Directors exercise the power to make repurchases only where they believe a repurchase is in the interests of the members as a whole and will result in an increase in the net asset value per ordinary share. The Company does not hold any shares in treasury.

### 14. Reserves

Group	Share Capital £'000	Capital redemption reserve* £'000	Special distributable reserve £'000	Capital reserve – realised* £'000	Capital reserve – unrealised* £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2014	5,217	2,709	47,600	47,552	(3,436)	6,914	98,630	106,556
Net revenue for the year	–	–	–	–	–	–	–	–
Purchase and cancellation of shares	(56)	56	–	(700)	–	–	(700)	(700)
Transfer on disposal of investments	–	–	–	(5,181)	5,181	–	–	–
Net gain/(loss) on realisation of investments	–	–	–	(2,303)	–	–	(2,303)	(2,303)
Revaluation movements	–	–	–	–	3,212	–	3,212	3,212
Management fees charged to capital	–	–	–	(285)	–	–	(285)	(285)
Finance costs charged to capital	–	–	–	(388)	–	–	(388)	(388)
Dividends paid	–	–	–	–	–	(981)	(981)	(981)
Loss in the year	–	–	–	–	–	(628)	(628)	(628)
Other movements	–	–	–	(56)	–	–	(56)	(56)
<b>At 31 December 2015</b>	<b>5,161</b>	<b>2,765</b>	<b>47,600</b>	<b>38,639</b>	<b>4,957</b>	<b>5,305</b>	<b>96,501</b>	<b>104,427</b>

Company	Share Capital £'000	Capital redemption reserve* £'000	Special distributable reserve £'000	Capital reserve – realised* £'000	Capital reserve – unrealised* £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2014	5,217	2,709	47,600	47,177	(2,805)	6,658	98,630	106,556
Net revenue for the year	–	–	–	–	–	–	–	–
Purchase and cancellation of shares	(56)	56	–	(700)	–	–	(700)	(700)
Transfer on disposal of investments	–	–	–	(5,181)	5,181	–	–	–
Net gain/(loss) on realisation of investments	–	–	–	(2,303)	–	–	(2,303)	(2,303)
Revaluation movements	–	–	–	–	2,895	–	2,895	2,895
Management fees charged to capital	–	–	–	(97)	–	–	(97)	(97)
Finance costs charged to capital	–	–	–	(388)	–	–	(388)	(388)
Dividends paid	–	–	–	–	–	(981)	(981)	(981)
Loss in the year	–	–	–	–	–	(539)	(539)	(539)
Other movements	–	–	–	(16)	–	–	(16)	(16)
<b>At 31 December 2015</b>	<b>5,161</b>	<b>2,765</b>	<b>47,600</b>	<b>38,492</b>	<b>5,271</b>	<b>5,138</b>	<b>96,501</b>	<b>104,427</b>

\* – these reserves are non-distributable

### 15. Net asset value per share

The net asset value per share is calculated on shareholders' funds of £104,427,010 (2014: £106,555,617) and on 20,644,062 ordinary shares in issue at the year end (2014: 20,868,562).

## 16. Reconciliation of income to net cash inflow from operating activities

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Profit/(loss) before tax	(448)	(448)	(1,077)	(1,068)
Gains/(losses) on investments	(853)	(591)	1,218	898
Interest paid	518	518	551	551
Decrease in debtors	102	100	324	326
Increase in creditors	4,877	4,880	140	142
Other non cash movements	–	–	199	199
Net cash inflow from operating activities	4,196	4,459	1,355	1,048

## 17. Capital commitments

There were outstanding capital commitments of £50.2m (2014: £63.8m) in respect of investments at the end of the year.

Outstanding capital commitments are as noted below:-

	2015 £'000	2014 £'000
Dunedin Buyout Fund I LP	195	730
Dunedin Buyout Fund II LP	9,296	12,326
Dunedin Buyout Fund III LP	34,780	40,908
Equity Harvest Fund LP	–	224
Innova/5 LP	5,058	5,800
Realza Capital FCR	885	3,805
	50,214	63,793

## 18. Contingent liabilities

There were no contingent liabilities at the year end (2014: £Nil).

## 19. 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.

## 20. Financial instruments and associated risks

The Company's financial instruments comprise ordinary shares, fixed and floating interest rate investments, cash balances and liquid resources. The Company holds financial assets in accordance with its investment policy to invest in unquoted companies both directly and through specialist vehicles. Investments are valued at fair value. For quoted stocks this is at bid price unless this is not considered to be an accurate representation of fair value. In respect of unquoted investments, these are fair valued by the Directors using rules consistent with International Private Equity and Venture Capital Valuation Guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet.

The Company's investing activities expose it to types of risk that are associated with the financial instruments and the market in which it invests. The most important types of financial risk to which the Company is exposed are market risk, interest rate risk, credit risk, liquidity risk and currency risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Market risk – the risk that the value of a financial instrument will change as a result of changes to market prices is one that is fundamental to the Company's objective. The portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Company's objective. Some of the risk can be mitigated by diversifying the portfolio across business sectors, asset classes and regions. Details of the Company's investment portfolio at the balance sheet date are disclosed in the schedule of investments on pages 12 to 22. The Company's overall market positions are monitored by the Manager on an ongoing basis and by the Board quarterly.

100% (2014: 98.8%) of the Company's investments are in unquoted companies held at fair value. Valuation methodology includes the application of an appropriate multiple to maintainable earnings. A 5% increase in the valuations of unquoted investments at 31 December 2015 would have increased the net assets of the Company by £5.5m (2014: £4.9m).

## 20. Financial instruments and associated risks continued

Interest rate risk – some of the Company's financial assets are interest bearing, at both fixed and variable rates. As a result the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The table below analyses the Company's financial assets and details the weighted average interest rate and life of fixed rate lending.

### Financial Assets of the Group

31 December 2015	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
<b>Currency</b>				
Sterling	70,955	578	22,371	93,904
Euro	10,929	–	5,114	16,043
<b>Total</b>	<b>81,884</b>	<b>578</b>	<b>27,485</b>	<b>109,947</b>

31 December 2014	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
<b>Currency</b>				
Sterling	68,918	9,864	15,614	94,396
Euro	8,966	–	3,735	12,701
<b>Total</b>	<b>77,884</b>	<b>9,864</b>	<b>19,349</b>	<b>107,097</b>

### Financial Assets of the Company

31 December 2015	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
<b>Currency</b>				
Sterling	70,955	578	22,371	93,904
Euro	10,926	–	5,114	16,040
<b>Total</b>	<b>81,881</b>	<b>578</b>	<b>27,485</b>	<b>109,944</b>

31 December 2014	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
<b>Currency</b>				
Sterling	68,918	9,864	15,614	94,396
Euro	8,962	–	3,735	12,697
<b>Total</b>	<b>77,880</b>	<b>9,864</b>	<b>19,349</b>	<b>107,093</b>

The fixed rate assets comprise fixed rate lendings to investee companies. Fixed rate lendings have a weighted average interest rate of 9% per annum (2014: 9%) and a weighted average life to maturity of 2.9 years (2014: 3.6 years). The floating rate assets consist of cash and "AAA" rated cash OEIC's. The nil interest rate bearing assets represent the equity content of the investment portfolio.

Interest rate risk is managed on an ongoing basis by the Manager and on a quarterly basis by the Board.

Due to the relatively short period to maturity of the floating rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have had a significant effect on the Group's net assets or total return for the period.

Credit risk – credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The portfolio consists of the following financial instruments:

	<b>Group</b>		<b>Company</b>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Unquoted investments	109,369	97,233	109,428	97,229
AAA rated cash OEICs	5	1,138	5	1,138
Cash deposits	573	8,726	511	8,726
<b>Total</b>	<b>109,947</b>	<b>107,097</b>	<b>109,944</b>	<b>107,093</b>

## 20. Financial instruments and associated risks continued

Investment in unquoted companies either directly, via Dunedin managed funds or via third party managed funds (both limited partnership funds and quoted stocks) is by its nature subject to potential credit losses. The Company's exposure to any one entity is carefully monitored. The unquoted investment portfolio is further diversified by asset class, sector and region. Liquid assets (cash deposits and AAA rated cash OEIC's) are divided between a number of different financial institutions, each of whose credit rating is assessed. Credit risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

Liquidity risk – the Company has significant investments in unquoted companies which are inherently illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these companies at an amount close to its fair value in order to meet its liquidity requirements. The Company manages its liquid investments to ensure sufficient cash is available to meet contractual commitments and also seeks to have cash or readily convertible investments available to meet other short term financial needs. The Company has access to a £20m borrowing facility. Liquidity risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

Currency risk – the Company is exposed to currency risk as a result of investing in companies and funds denominated in euros. The sterling value of these investments can be influenced by movement's in foreign currency exchange rates. Currency risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

The risks faced by the Group and the Company are not considered to be materially different.

## 21. Subsidiary undertakings

Name of Subsidiary	Dunedin Enterprise Limited
% of Equity invested	100%
Type of entity	Limited Company
Activity	Private equity investment
Name of Subsidiary	Dunedin Fund of Funds LP
% of Equity invested	100%
Type of entity	Limited Partnership
Activity	Private equity investment
Name of Subsidiary	Dunedin Co-Investment Fund LP
% of Equity invested	99%
Type of entity	Limited Partnership
Activity	Private equity investment

	Dunedin Fund of Funds LP £'000	Dunedin Enterprise Limited £'000	Dunedin Co-Investment LP £'000	Total £'000
Valuation at 31 December 2014	13,374	17	1	13,392
Net capital movements	2,383	–	–	2,383
Valuation movements	343	(16)	–	327
Valuation at 31 December 2015	16,100	1	1	16,102

## 22. Related party transactions

The Company has investments in Dunedin Buyout Fund LP, Dunedin Buyout Fund II LP, Dunedin Buyout Fund III LP and Equity Harvest Fund LP. Each of these limited partnerships are managed by Dunedin. The Company has paid a management fee of £2.1m (2014: £2.2m) in respect of these limited partnerships. The total investment management fee payable by the Company to the Manager is therefore £2.2m (2014: £2.6m).

A Manager's Incentive Scheme ("the Scheme") was introduced from 1 May 1999. Under the terms of the Scheme qualifying directors and investment executives of Dunedin were entitled to purchase 7.5% of the equity shares (and, occasionally, other financial instruments) in each of the directly held investments subscribed for by the Company. This scheme has now been replaced by the arrangements noted below.

Since the Company began investing in Dunedin Buyout Funds ("the Funds") executives of the Manager have been entitled to participate in a carried interest scheme via the Funds. Performance conditions are applied whereby any gains achieved through the carried interest scheme associated with the Funds are conditional upon a certain minimum return having been generated for the limited partner investors. Additionally, within Dunedin Buyout Fund II LP and Dunedin Buyout Fund III LP the economic interest of the Manager is aligned with that of the limited partner investors by co-investing in this fund.

As at 31 December 2015 there is a provision made within Investments for carried interest of £1.4m relating to Equity Harvest Fund LP and £0.1m relating to Dunedin Buyout Fund LP. Current executives of the Manager are entitled to 46% of the carried interest in Equity Harvest Fund LP and 60% in Dunedin Buyout Fund LP.

Brian Finlayson has an interest in the carried interest scheme of Dunedin Buyout Fund LP and received £nil from that scheme during 2015. Brian Finlayson was previously employed by the Manager and retired in 2002. As at 31 December 2015 the remaining value in this scheme attributable to Brian Finlayson is £1,545.

**Management Fees**

The terms of the management fees are:-

Vehicle	Fee
Fund of Funds Limited Partnership	1.5 per cent on the value of investments plus 0.5 per cent on undrawn commitments to third party funds
Co-investment Limited Partnership	1.5 per cent on the value of investments
Direct investments in individual companies	1.5 per cent on the value of investments
Dunedin Managed Funds	Same fees as paid by third party investors in such Funds
Third party managed funds	1.5 per cent on value of investments
Listed private equity funds	1.5 per cent on the value of investments
Cash	0.5 per cent on cash balances not committed to funds through the Dunedin Fund of Funds LP

The notice period on the alternative investment fund management agreement is 12 months. No compensation payment is payable by the Company to the Manager on termination except where: (i) the Company notifies the Manager of an intended breach of, or change to, any value of the agreed thresholds and profiles and in the opinion of the Manager, the intended breach or proposed change in value is such that it would cause the Manager to be in breach of, or otherwise become unable to comply with, its obligations under the AIFMD Rules; or (ii) the Manager notifies the Company of any proposed change to any value of the agreed thresholds and profiles expressly required by the FCA and the Company does not agree to the proposed change, in which case the Manager is entitled to receive an amount equal to the remuneration it would have received had the full 12 months' termination notice been given.

## Notice of Annual General Meeting (“AGM”)

Notice is hereby given that the forty-first Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at 11.00 am on 11 May 2016 at The Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 to 10 will be proposed as special resolutions.

### Ordinary Business

1. To receive and adopt the report of the Directors and auditors and the audited accounts for the year ended 31 December 2015.
2. To approve the Directors’ remuneration report for the year ended 31 December 2015.
3. To elect Angela Lane as a Director.
4. To re-elect Duncan Budge as a Director.
5. To re-elect Brian Finlayson as a Director.
6. To re-elect Federico Marescotti as a Director.
7. To re-appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Directors to fix the remuneration of the auditors.

### Special Business

9. That, in substitution for any existing authority, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the “Act”) to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company provided that:
  - (i) the maximum number of ordinary shares hereby authorised to be purchased is 3,096,609;
  - (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;
  - (iii) the maximum price (exclusive of expenses) which shall be paid for an ordinary share shall be not more than the higher of an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the shares are purchased and the amount stipulated by Article 5(1) of the regulation entitled the ‘Buy-Back and Stabilisation Regulation’;

- (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, the date which is 15 months after the passing of this resolution) unless the authority is varied, revoked or renewed prior to such time; and
- (v) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

10. That a general meeting other than an annual general meeting may be called at not less than 14 clear days’ notice.

By Order of the Board

### Dunedin LLP

Secretary  
1 April 2016

Registered Office:  
Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN

### Notes

1. **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action to be taken, you should seek personal financial advice from your independent financial advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriate independent financial advisor.
2. If you have sold or otherwise transferred all your shares in Dunedin Enterprise Investment Trust PLC, please forward this document, together with the Form of Proxy enclosed, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.
3. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. Appointment of a proxy does not preclude a member from attending the meeting and voting in person.
4. To appoint a proxy using the enclosed Form of Proxy, it must be lodged not less than 48 hours before the meeting with the Company’s registrars, Equiniti, Aspect House,

Spencer Road, Lancing, West Sussex BN99 6DA. The notes to the Form of Proxy explain how to direct your proxy how to vote on each resolution or withhold their vote.

5. There are special arrangements for holders of shares through the Alliance Trust Savings Investment Trust Share Plan, ISA and PEP. These are explained in the 'Letter of Directions' which such holders will have received with this report.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members at 6.00pm on 9 May 2016. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members 48 hours before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
9. As at 1 April 2016 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 20,644,062 ordinary shares of 25 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 1 April 2016 are 20,644,062.
10. Pursuant to Section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member attending the AGM relating to the business being considered, except if a response would not be in the interests of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may however elect to provide an answer to a question, within a reasonable period of days after the conclusion of the AGM.
11. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.dunedinenterprise.com](http://www.dunedinenterprise.com).
12. Shareholders may require the Company to place on its website a statement, made available also to the Company's auditors, setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which shareholders intend to raise at the Annual General Meeting. The Company becomes required to place such a statement on the website once a) members with at least 5% of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid, have submitted such a request to the Company. Members seeking to do this should write to the Company at its registered office providing their full name and address.
13. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.00 am on 9 May 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
16. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their

CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST manual can be viewed at [www.euroclear.com](http://www.euroclear.com).

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
18. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at [www.sharevote.co.uk](http://www.sharevote.co.uk) where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and then clicking on the link to vote. The on screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11.00am on 9 May 2016.
19. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 12, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) The resolution must not be defamatory of any person, frivolous or vexatious; (iii) The resolution must be received by the Company not later than 6 weeks before the Annual General Meeting; and (iv) Members seeking to do this should write to the Company at its registered office providing their full name and address.
20. Under Section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 12, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) The matter of business must not be defamatory of any person, frivolous or vexatious; (ii) The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (iii) Must be accompanied by a statement setting out the grounds for the request; (iv) Must be authenticated by the person or persons making it (see note 12); and (v) Must be received by the Company not later than 6 weeks before the Annual General Meeting.
21. Copies of the letters of appointment for directors and the Company's articles of association will be available for inspection at the Annual General Meeting for at least 15 minutes prior to the beginning of the meeting until the end of the meeting.

## 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 quarterly administration charge for an Alliance Trust Savings ISA is £18.75.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a means of investing in Dunedin Enterprise outside a tax efficient wrapper. 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 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: 0871 384 2440\*  
International: +44 121 415 7047  
Textel/hard of hearing line: 0871 384 2255\*  
International: +44 121 415 7028  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\* Lines are open 8.30am to 5.30pm, Monday to Friday.

**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 65 to 66 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.

## Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports for the year ended 31 December 2015 and half year end 30 June 2016 can be expected in the months shown below:

### March

Preliminary figures and final dividend for the year announced.

### April

Report and accounts published.

### May

Annual General Meeting held and payment of interim dividend.

### August

Interim report for half year to 30 June published.

## Corporate Information

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Duncan Budge, Chairman (duncan.budge@dunedinenterprise.com)  
Liz Airey  
Brian Finlayson  
Angela Lane  
Federico Marescotti

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