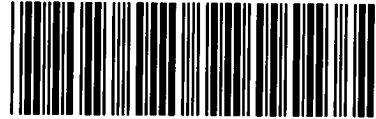


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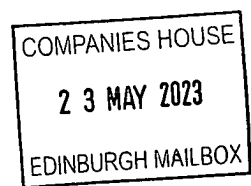
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# **Dunedin Enterprise Investment Trust PLC**

## **Annual Report & Accounts 2022**

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 conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to shareholders.

## Financial Highlights

### Year to 31 December 2022

Net asset value total return per ordinary share<sup>\*1</sup>

**21.7%**

**39.5% 2021**

Share price total return per ordinary share<sup>\*1</sup>

**18.5%**

**46.3% 2021**

Dividend per ordinary share

**59.0p**

**30.5p 2021**

Ongoing charges<sup>\*1</sup>

**1.4%**

**1.3% 2021**

### At 31 December 2022

Net asset value per ordinary share<sup>\*1</sup>

**627.1p**

**558.8p 2021**

Share price

**509.0p**

**473.0p 2021**

Discount<sup>\*1</sup>

**18.8%**

**15.4% 2021**

Returned to shareholders since 2012

**£202.1m<sup>\*2</sup>**

**£154.7m 2021**

<sup>\*1</sup> – Alternative Performance Measures. See page 64 for a glossary of these terms

<sup>\*2</sup> – in 2011 the investment policy of the Company was changed and distribution policy introduced

### Comparative Total Return Performance

	One year to December 2022 %	Three years to December 2022 %	Five years to December 2022 %	Ten years to December 2022 %
Net asset value per ordinary share	21.7	60.4	95.2	148.4
Share price	18.5	58.1	113.9	209.4
FTSE Small Cap Index ("the Benchmark")	-17.3	10.3	11.9	130.3
FTSE All-Share Index	1.5	6.9	14.7	85.9

**Total Assets and Cash Returned to Shareholders**

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
<b>Analysis of total assets:</b>										
Dunedin managed	75.1	84.0	93.1	81.5	57.2	64.8	75.9	57.8	43.6	14.1
European Funds	12.9	12.7	16.0	22.0	9.6	10.2	4.4	4.3	5.2	2.8
Other	1.2	0.8	0.4	0.4	1.5	6.1	1.3	1.2	0.3	5.3
Cash	27.9	9.9	0.6	1.1	32.9	5.7	12.3	13.9	24.4	12.4
<b>Total assets</b>	<b>117.1</b>	<b>107.4</b>	<b>110.1</b>	<b>105.0</b>	<b>101.2</b>	<b>86.8</b>	<b>93.9</b>	<b>77.2</b>	<b>73.5</b>	<b>34.6</b>
<b>Cash returned to shareholders:</b>										
Capital returned	18.0	5.2	0.7	–	20.6	20.6	5.2	9.8	26.0	41.0
Dividends paid	1.7	3.6	1.0	3.3	6.4	1.1	0.4	1.0	3.3	6.4
<b>Return to shareholders</b>	<b>19.7</b>	<b>8.8</b>	<b>1.7</b>	<b>3.3</b>	<b>27.0</b>	<b>21.7</b>	<b>5.6</b>	<b>10.8</b>	<b>29.3</b>	<b>47.4</b>
<b>Cumulative return to shareholders since 2012</b>	<b>46.5</b>	<b>55.3</b>	<b>57.0</b>	<b>60.3</b>	<b>87.3</b>	<b>109.0</b>	<b>114.6</b>	<b>125.4</b>	<b>154.7</b>	<b>202.1</b>

**Ten year record**

## Chairman's Statement

### Duncan Budge, Chairman

I am pleased to report further progress in terms of performance and the return of cash to shareholders.

The total return in the year to 31 December 2022 was 21.7% and 18.5% in terms of net asset value per share and share price respectively.

Your Company's net asset value per share increased from 558.8p to 627.1p in the year. This is stated after allowing for dividends per share paid in the year of 48.5p, totalling £6.4m.

The share price of 509p at 31 December 2022 represented a discount of 18.8% to the net asset value of 627.1p per share. The share price currently stands at 562.5p.

In November 2022 a tender offer returned £41m to shareholders. In total £47.4m was returned to shareholders this year. Since shareholders approved the decision to implement a managed wind-down of the Trust in May 2016 a total of £145.1m has been returned to shareholders.

Your Company's net asset value decreased over the year from £73.4m to £34.5m.

#### Portfolio

During the year a total of £36.9m was realised from the investment portfolio.

The investment in RED, the provider of SAP contract and permanent staff, was realised generating proceeds of £24.1m and a return of 2.2x original cost. The transaction included an earn-out arrangement which is dependent upon RED achieving profit targets in the year to 31 March 2023. The earn-out has been valued at £4.0m at 31 December 2022.

The realisation of Incremental, the market-leading IT services platform, was completed in March 2022, generating proceeds of £9.1m and a return of 2.4x original cost.

In January 2022 the remaining investment in CitySprint, the same day courier, was realised, generating £1.5m.

In November 2022 Realza returned £2.9m following the sale of Dolz, a manufacturer of water pumps for the automotive industry.

Unrealised valuation increases of £5.3m were offset by decreases of £6.0m. Valuation uplifts were achieved at Premier Hytemp and FRA, offset by a reduction in the valuation of GPS. Further details are provided in the Manager's Review.

#### Cash, Commitments & Liquidity

The original investment periods of all funds to which the Company has made a commitment have now ended. In future the Company is only required to meet drawdowns for follow-on investments, management fees and expenses during the remainder of the life of the funds.

At 31 December 2022 the Company held cash and near cash equivalents amounting to £12.4m. There are outstanding commitments to limited partnership funds of £9.6m at 31 December 2022, consisting of £8.9m to Dunedin managed funds and £0.7m to Realza.

#### Tender offer

A tender offer was approved by shareholders in November 2022 for 58.1% of the issued share capital at a 1.0% discount to the net asset value at 30 September 2022. Under the tender offer £41m was returned to shareholders.

#### Dividends

An interim dividend of 34.0p was paid in November 2022. It is proposed that a final dividend of 25.0p per share be paid on 19 May 2023.

#### Outlook

The Board acknowledges the importance of monitoring the Company's costs as the wind-down progresses and will continue to keep under review the options available to the Company. However, in view of the Company's remaining investments and after discussions with the Manager and the Company's advisers, the Board does not currently anticipate putting formal proposals to Shareholders for a members' voluntary liquidation of the Company in the short term while the wind-down continues.

Furthermore, the Board considers maintaining the Company's listed status to be important during this stage of the wind-down, as many Shareholders would be unable to hold the Shares, or be greatly inconvenienced by holding them, if they could not be traded on the London Stock Exchange.

As the wind-down progresses, the Board will continue to assess whether the Company's current arrangements remain in the interests of Shareholders as a whole and will, of course, continue to keep Shareholders informed as to the future of the Company.

  
**Duncan Budge**  
Chairman

24 March 2023

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## Board of Directors

### **Duncan Budge (67)**

**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:** 11 May 2022

**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, Biopharma Credit plc and Menhaden Capital plc

**Other directorships:** Asset Value Investors Limited

**Employment by the Manager:** None

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

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

**Shareholding in Company:** 7,667 Shares

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### **Brian Finlayson (75)**

**Status:** Independent Non-Executive Director

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

**Last re-elected to the Board:** 11 May 2022

**Experience:** Brian Finlayson was appointed to the Board on 1 January 2007 and has served as an Independent Non-Executive Director for more than nine years. He has over thirty years of experience in both private equity and corporate finance. He worked with Dunedin Capital Partners Limited before retiring from the company in 2002. He has held numerous non-executive director positions in private equity backed businesses both whilst unlisted and subsequently on listing

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

**All other public company directorships:** None

**Other directorships:** None

**Employment by the Manager:** None

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

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

**Shareholding in Company:** 62,249 Shares

**Angela Lane (60)**

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

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

**Last re-elected to the Board:** 11 May 2022

**Experience:** Angela Lane has worked as an independent director and adviser to a number of private companies and private equity firms. 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:** Pacific Horizon Investment Trust PLC (Chair of Audit), BlackRock Throgmorton Trust plc (Chair of Audit), Seraphim Space Investment Trust PLC (Chair of Audit)

**Other directorships:** Roserrow Management Company Limited, The Sherborne School

**Employment by the Manager:** None

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

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

**Shareholding in Company:** 3,000 Shares

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## The Manager

The Company is an Alternative Investment Fund (AIF) under the UK version of the EU's Alternative Investment Fund Managers Directive as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("AIFMD"). Its Alternative Investment Fund Manager ("AIFM") is Dunedin LLP. Dunedin LLP became a full scope AIFM on 25 May 2016.

In addition to the Company, Dunedin manages two limited partnership funds and a European fund of funds. The Company committed £60m to the £306m Dunedin Buyout Fund III LP in 2012, representing a 20% interest.

Dunedin is authorised and regulated by the Financial Conduct Authority.

## Manager's Review

The total net assets return for the year, after taking account of dividends and capital returned to shareholders, was 21.7%.

The Company's net asset value decreased from £73.4m to £34.5m over the year. As detailed below this movement is stated following dividend payments totalling £6.4m and capital of £41.5m returned to shareholders via a tender offer in November 2022.

	£m
<b>Net asset value at 1 January 2022</b>	<b>73.4</b>
Unrealised value increases	5.3
Unrealised value decreases	(6.0)
Realised gain over opening valuation	5.2
Net income and capital movements	4.5
<b>Net asset value prior to shareholder distributions</b>	<b>82.4</b>
Dividends paid to shareholders	(6.4)
Tender offer	(41.5)
<b>Net asset value at 31 December 2022</b>	<b>34.5</b>

### Portfolio Composition

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

	Valuation at 1 January 2022 £'m	Additions in year £'m	Disposals in year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 31 December 2022 <sup>1</sup> £'m
Dunedin managed	43.6	0.4	(34.0)	5.3	(1.2)	14.1
Third-party managed	5.2	0.1	(2.9)	(0.1)	0.5	2.8
Investment portfolio	48.8	0.5	(36.9)	5.2	(0.7)	16.9
AAA rated money market funds	11.8	28.4	(28.6)	–	–	11.6
	60.6	28.9	(65.5)	5.2	(0.7)	28.5

<sup>1</sup> in addition the Company held net current assets of £6.0m

### Realisations

In the year to 31 December 2022 a total of £36.9m was realised from the investment portfolio.

In October 2022 the investment in RED, the provider of SAP contract and permanent staff was realised in a secondary management buy-out to AEA SBPE. The investment in RED was valued at £20.7m at 31 December 2021. Proceeds from the sale amounted to £24.1m, consisting of capital of £20.1m and income of £4.0m. The investment in RED has generated cash proceeds of £25.5m, representing a return of 2.2x original cost. Additionally, there are future potential proceeds from an earn-out arrangement which are dependent upon RED achieving profit targets in the year to 31 March 2023. The potential earn-out proceeds are valued at £4.0m at 31 December 2022.

In March 2022 Incremental, the market-leading IT services platform which designs, implements and supports clients with ERP/CRM systems and cloud infrastructure, was realised by a trade sale to Telefonica. Proceeds from the realisation amounted to £9.1m, consisting of capital of £8.4m and income of £0.7m. The investment in Incremental was valued at £6.0m at 31 December 2021 and has generated a return of 2.4x original cost.

In January 2022 the remaining investment in CitySprint, the same day courier, was realised delivering proceeds of £1.5m. Total proceeds from the original investment totalled £21.3m and generated a 2.1x return on cost of £9.8m.

In November 2022 the remaining European fund, Realza, returned £2.9m following the sale of Dolz, a manufacturer of water pumps for the automotive industry.

**Investment activity**

A further £0.5m was drawn down by Dunedin and third-party managed funds to meet management fees and ongoing expenses.

**Unrealised valuation uplifts**

In the year to 31 December 2022 there were valuation uplifts generated from the following investments: Premier (£1.2m) and FRA (£0.7m).

Premier Hytemp, the provider of highly engineered components to the oil and gas industry, has experienced a recovery in profitability following an increase in margins both in the UK and Singapore. As the market outlook improves the company is tendering for some significant contracts. The investment continues to be valued on a discounted net assets basis.

Trading at FRA, the forensic accounting, data analytics and e-discovery business, was impacted by COVID but has recovered during 2022, albeit not as yet to the levels seen pre-COVID. The uplift in valuation reflects the improved trading position.

In addition, there was a release of the provision for carried interest in Dunedin Buyout Fund III LP amounting to £2.8m. The majority of this movement was a result of carried interest released on the sale of Incremental.

**Unrealised valuation reductions**

In the year to 31 December 2022 there was a valuation reduction at GPS of £5.9m.

A partial sale of GPS, a market leader in payment processing technology, was achieved in December 2021 generating a cash return of 2.2x original cost. In the year the revenue of GPS has continued to increase by 18%. However, since December 2021 the valuation multiples applied to fintech companies have suffered a significant downturn. This has resulted in no value being attributed against the remaining investment.

**Cash and commitments**

The Company had outstanding commitments to limited partnership funds of £9.6m, consisting of £8.9m to Dunedin managed funds and £0.7m to Realza, the one remaining European fund.

The original investment periods of all funds to which the Company has made a commitment have now ended. In future the Company is only required to meet drawdowns for follow-on investments, management fees and expenses during the remainder of the life of the funds.

**Valuations and Gearing**

The average earnings multiple applied in the valuation of the Dunedin managed portfolio was 8.3x EBITDA (2021: 9.7x). These multiples continue to be applied to maintainable profits.

Within the Dunedin managed portfolio, the weighted average gearing of the companies was 4.1x EBITDA (2021: 3.3x).

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	–%
Between 1 and 2 x EBITDA	32%
Between 2 and 3 x EBITDA	–%
More than 3 x EBITDA	68%

**Fund Analysis**

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

■ Dunedin Buyout Fund II	57%
□ Dunedin Buyout Fund III	27%
■ Realza	16%

## Portfolio Analysis

Detailed below is an analysis of the head office of the investment portfolio companies by geographic location as at 31 December 2022.

■ UK	85%
■ Rest of Europe	15%

## Sector Analysis

■ Consumer products & services	14%
■ Industrials	27%
□ Support services	59%

## Valuation Method

■ Earnings – provision	10%
■ Earnings – uplift	38%
□ Assets basis	52%

**Dunedin LLP**  
24 March 2023

## Investments

Percentage of equity held	<b>15.1%</b>
Cost of Investment	<b>£9.5m</b>
Directors' valuation	<b>£6.6m</b>
Percentage of Dunedin Enterprise's net assets	<b>19.2%</b>

### Weldex

#### Business description

Weldex is a market-leading crawler crane hire business in the UK, with the tenth largest lifting capacity globally. It serves the offshore wind, oil & gas, commercial construction and infrastructure markets. Its cranes, including some 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 Wembley Stadium, the 2012 Olympic site and Crossrail. Recent projects include the HS2 railway, the Thames Tideway Tunnel in London, and the Peterborough Railway Tunnel where a curved concrete box weighing more than the Eiffel Tower will be pushed underground to form a new railway tunnel.

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 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 increasing demand in Weldex's targeted sectors. Key areas are in renewable energy infrastructure, 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 complements the existing management team's operational expertise.

#### Performance

In the year to 30 November 2021, the EBITDA of Weldex was £7.8m (2020: £8.9m) on turnover of £19.0m (2020: £17.7m).

Percentage of equity held	<b>5.2%</b>
Cost of Investment	<b>£1.4m</b>
Directors' valuation	<b>£4.1m</b>
Percentage of Dunedin Enterprise's net assets	<b>12.0%</b>

## FRA

### Business description

FRA is an international consultancy that provides forensic accounting, data analytics and e-discovery expertise, helping businesses respond to regulatory investigations in an increasingly regulated global environment.

FRA works on some of the largest and most complex regulatory investigations globally. Its clients are typically blue-chip multinational corporates seeking advice to help navigate regulatory scrutiny, effect compliant cross-border data transfer, and manage risk. The company has offices in London, Dallas, New York, Washington DC, Philadelphia, Paris, Helsinki and Stockholm. It also runs data centres near each office location as well as in Montreal and Zurich.

### Investment rationale

FRA services a large and growing global market driven by increasing regulatory activity and scrutiny at an international level. Data volume and complexity is growing rapidly, benefiting FRA in terms of the quantity of data storage, analysis and cross-border data protection rules that must be navigated. FRA's strong organic growth is driven by exceptional client service, a strong reputation among regulators, law firms and corporates, long term engagements and growth in the team of forensic accountants, eDiscovery experts and data analysts.

### Value creation

Regarded as a leading authority in its niche, FRA is seeing demand for its services grow more and more as regulation and enforcement increase globally. The investigation projects are increasingly being supplemented with three-year monitorships of corporations subject to regulatory oversight. Strong relationships with the in-house legal counsel at corporate clients, and with referring law firms, opens up new business opportunities – which FRA is well placed to take advantage of, with its reputation for independence and integrity with regulatory bodies. The strategy is to develop FRA's international reach by recruiting talent into existing offices whilst opening new offices to access further talent pools or expand client relationships.

### What has been achieved

The successful expansion of FRA was reliant on accelerating its recruitment drive for talented people around the world, particularly in the US. This was the only way the business would meet ever increasing client demand. Dunedin has helped by getting directly involved in the sourcing and selection process, and filling some of the company's most senior positions.

Two re-financings of the business have been undertaken with Dunedin Enterprise receiving proceeds of £5.5m.

### Performance

In the year to 31 December 2021, the EBITDA of FRA was £12.1m (2020: £21.5m) on turnover of £47.9m (2020: £57.3m).

Percentage of equity held	<b>23.0%</b>
Cost of Investment	<b>£10.1m</b>
Directors' valuation	<b>£2.9m</b>
Percentage of Dunedin Enterprise's net assets	<b>8.5%</b>

## Premier Hytemp

### Business description

Premier Hytemp is a global market leader in the manufacture and supply of engineered metal solutions. It is a specialist in the provision of low alloy and nickel alloy steel components for the upstream oil and gas industry. Its components are used in complex engineered assemblies required to extract and control the flow of oil and gas from new reserves, often sub-sea.

Premier Hytemp is headquartered in Edinburgh with manufacturing facilities in Singapore and Malaysia.

### Investment rationale

The market for oil and gas equipment was growing, driven by strong global demand for oil and gas and heavy investment in new oil wells. There was only a small number of global specialist engineering players supplying steel and engineering services to manufacturers of wellheads, and there were strong barriers to entry. This was an opportunity to invest in improving the business to enhance its capabilities and extend geographic coverage.

### Value creation

Whilst the oil and gas market remains somewhat volatile, market conditions for Premier Hytemp are improving as much delayed capital projects finally become live and the underlying product supply chains see demand return to more normal levels of operation. Premier is seeing a healthy increase in order-intake which should lead to improvements in profitability and shareholder value.

### What has been achieved

A new CEO and additional key senior hires have been made throughout the company. Operational and working capital improvements have been made through internal initiatives and through working with external consultants. The company has now returned to profitability despite a period of severe market dislocation.

### Performance

In the year to 30 September 2021, the EBITDA of Premier Hytemp was £0.6m (2020: £3.0m) on turnover of £19.4m (2020: £28.3m).

Percentage of equity held	<b>8.9%</b>
Cost of Investment	<b>£3.7m</b>
Directors' valuation	<b>£2.8m</b>
Percentage of Dunedin Enterprise's net assets	<b>8.0%</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 94% of commitments. The fund has made eight investments of which six have been realised. The areas of business in which the fund's remaining investments operate are the:-

- producer of premium tomatoes; and
- producer of cannabis for medicinal and pharmaceutical use.

### Performance

To date there has been five realisations achieved by the fund generating a multiple on original cost of 2.0x.

Percentage of equity held	<b>10.6%</b>
Cost of Investment	<b>£8.3m</b>
Directors' valuation	<b>£1.9m</b>
Percentage of Dunedin Enterprise's net assets	<b>5.6%</b>

## EV

### Business description

EV is a UK headquartered, global market leader in the provision of high performance, harsh environment, video cameras and quantitative visual analytics to the global energy industry.

It offers a highly specialist service, providing skilled engineers to operate its market-leading cameras in the most difficult down-hole conditions. The high-resolution video images produced by EV's cameras allow oil and gas well operators to identify, quantify and solve problems rapidly. EV is based in Dubai, Perth, Kuala Lumpur, Calgary, Aberdeen, Houston and Norwich. It has a further presence in seventeen worldwide locations across Europe, Canada, USA, South America, West Africa, the Middle East, Asia and Australasia. The business employs more than 100 staff.

### Investment rationale

EV's high value Visual Analytics services and products hold a significant technological competitive advantage operating in a growing marketplace as global leader in this field of optical data analytics. The business has a key technological competitive advantage delivering full 360 degree top to toe wellbore images in HD colour employing the EV proprietary Optis Infinity Multi-Side-View-Camera technology. EV are focussed on increasing customer well performance and providing detailed well integrity information helping customers extend well life and thereby decrease the global carbon footprint. EV has a strong, committed management team and a good reputation with its customers.

### Value creation

The company is well placed to capitalise on the growing use of cameras in oil and gas well analysis. There is a clear opportunity for the business to broaden its product and service offering and in turn deliver significant additional growth.

In 2016 EV acquired Epidote, a software company specialising in the presentation and analysis of oil and gas well integrity data. The acquisition of Epidote enabled EV to diagnose problems in oil and gas wells faster and more effectively.

### What has been achieved

Dunedin has worked closely with the team to develop a revised long-term strategy for EV. Dunedin introduced a new Chairman to lead the recovery.

### Performance

In the year to 31 March 2021, the EBITDA of EV was £3.8m (2020: £4.1m) on turnover of £14.4m (2020: £20.7m).

Percentage of equity held	1.5%
Cost of Investment	£2.0m
Directors' valuation	—
Percentage of Dunedin Enterprise's net assets	—

## GPS

### Business description

GPS is a UK headquartered payments processing business providing customers with leading edge payment processing and ancillary services. Customers include new emerging fintech or challenger banks, offering a significantly differentiated proposition for their clients; as well as specialist payment firms serving the travel, insurance and foreign exchange markets. It offers a best in class, scalable payment processing platform with flexibility, innovative features and an accelerated speed to market for new market entrants. It has over 80 clients, including many UK fintech and challenger banks, and is seeing significant growth opportunities from emerging overseas challenger banks as they seek to disrupt their own domestic banking markets.

### Investment rationale

GPS has a large and growing addressable market. Challenger banks and fintech companies needing leading edge payment processing services are being created in all major geographical markets. Many are seeking help from GPS as they start to disrupt their own domestic markets. As the winners emerge, the volume of payments that they generate also increases, thereby adding further volume of processing to the GPS platform. In general, the payments market is growing globally through a reduction in the use of cash and an increase in the use of mobile methods of payment (e.g. phones and 'tap to pay' debit cards).

GPS has an increasingly international target market, with recent client wins in Europe and Australia. GPS has signed a strategic partnership with Visa to provide fintech clients with payments technology in the Asia Pacific region. It has also been selected by Mastercard as its chosen processing partner in its Fintech Express Programme. In 2020 GPS was selected by the Department for International Trade (DIT) to become a London Export Champion.

### Value creation

Growth is expected to come through a strategy of geographic expansion and investment to maintain the company's leading-edge technological position.

### What has been achieved

Significant progress has been made in helping the company prioritise its key opportunities and invest in improving its main functional business areas, thereby creating strong foundations to support the growth that is expected in this market. Key talent has been sourced and added to the company at all levels, including a Chairman, a Chief Financial Officer and numerous operating and technology focused hires. Key new management and operating systems have been introduced to the company to help it as it grows.

In December 2021 a partial sale of the business was completed with new investors, including Advent International and Viking Global Investors, injecting additional capital to finance future growth of the business. Dunedin Enterprise retains a 1.5% interest in GPS Newco.

### Performance

In the year to 31 December 2021, the EBITDA of GPS was £3.1m (2020: £5.1m) on turnover of £26.7m (2020: £21.2m).

		Hawksford
		<b>Business description</b>
Percentage of equity held	3.7%	Hawksford is a leading international provider of corporate, private client and funds services. The business offers a comprehensive range of services to, and solutions for, trusts, companies, foundations, partnerships, family offices and investment funds.
Cost of Investment	—	During 2018 Hawksford completed the acquisitions of P&P, a Hong Kong based trust business; and the corporate services division of audit and accountancy practice SH Landes. The P&P acquisition increased Hawksford's Asian presence, giving the company new representation in China and Japan, building on its existing presence in Singapore and Hong Kong. Hawksford's international clients will now have access to a greater depth of services across Asia, while P&P clients will be able to utilise Hawksford's wider services in other locations. As a result of the SH Landes acquisition, Hawksford is able to provide specialist corporate services from its central London offices.
Directors' valuation	—	
Percentage of Dunedin Enterprise's net assets	—	
		<b>Investment rationale</b>
		Hawksford presents 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 structures and relationships. There is 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.
		<b>Value creation</b>
		Dunedin has played a significant role in identifying, evaluating and funding bolt-on acquisitions.
		<b>What has been achieved</b>
		To date Hawksford has completed seven major acquisitions in Jersey, the UK, the Middle East and the Far East. These acquisitions have further enhanced Hawksford's 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.
		Dunedin organised and led the recruitment of the current CEO. The financial management of the company has also been strengthened with the appointment of a new Finance Director. To prepare for the next phase of growth highly experienced Heads of the Private Client, Funds and Corporate Service businesses have also been appointed.
		In August 2020 Dunedin Enterprise announced a proposed injection of growth capital from a new majority investor, Star Capital, into Hawksford. Dunedin Enterprise will retain a 3.7% interest in Hawksford. Regulatory approval for the transaction was granted in February 2021.
		<b>Performance</b>
		In the period to 31 December 2021, the EBITDA of Hawksford was £6.1m (2020: £8.1m) on turnover of £28.1m (2020: £34.1m).

**Total return of unlisted investments  
at 31 December 2022**

Company name	Original cost of investment £'000	Realised to date* <sup>1</sup> £'000	Directors valuation* <sup>2</sup> £'000	Total return £'000
Weldex	9,505	119	6,612	6,731
FRA	6,035	5,504	4,132	9,636
Premier Hytemp	10,136	178	2,917	3,095
Realza	11,545	14,551	2,773	17,324
EV	8,321	–	1,921	1,921
GPS	8,220	18,203	–	18,203
Hawksford	6,910	7,087	–	7,087
	60,672	45,642	18,355	63,997

\*<sup>1</sup> – dividends and capital

\*<sup>2</sup> – excludes carried interest provision of £1.5m

**Long Term Record**

Group Ended 31 December	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
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
<b>Company*</b>							
<b>Ended 31 December</b>							
2016	103,901	–	6,916	503.3	33.5	33.5	306.0
2017	100,988	20,644	3,927	489.2	19.0	19.0	396.5
2018	85,235	20,644	177	412.9	0.9	2.0	328.0
2019	91,747	5,161	933	444.4	4.5	5.0	376.0
2020	74,922	9,819	345	413.9	1.7	2.0	336.0
2021	73,413	26,000	4,649	558.8	26.6	30.5	473.0
2022	34,518	41,000	4,499	627.1	36.5	59.0	509.0

\* from 2016 the financial statements are no longer prepared on a consolidated basis but instead with subsidiaries carried at fair value

## Strategic Report

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

### Business and Status

The Company carries on business as an investment trust. 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 Tax 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 on page 58.

The existing Investment Objective and Investment Policy of the Company are detailed below.

### Investment Objective and Policy

The Company's investment objective is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to Shareholders.

The Company's investment policy is to invest primarily in private equity investments, either through private equity funds managed by Dunedin or directly.

The Company may not make any new investments save that: (i) investment may be made to honour commitments to funds under existing contractual arrangements; (ii) further investment may be made into the Company's direct investments in order to preserve the value of such investments; and (iii) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds or bank cash deposits pending its return to Shareholders in accordance with the Company's investment objective.

No more than 10 per cent. of the Company's total assets may be invested in any single cash equivalent instrument or placed on deposit with any single institution, except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The use of gearing shall be limited to the investment of up to £20m of borrowed funds or, if less, 20 per cent. of the Company's NAV (measured at the time of drawdown).

The Company will not invest in other listed closed-end investment funds.

The Company will continue to comply with the requirements of UK investment trust legislation and the restrictions imposed on closed-ended investment funds by the Listing Rules in force from time to time.

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 20 per cent. of net asset value.

### Section 172

Under section 172 of the Companies Act 2006 (the "CA 2006"), the Directors have a duty to promote the success of the Company for the benefit of Shareholders as a whole. In doing so, the Directors have regard to matters set out in section 172(1) of the CA 2006 and the likely consequences of any decision in the long term; the desirability of the Company for maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

In this context, and taking into consideration that the Company is an externally managed investment company with no employees, the Board consider that its primary stakeholders are existing and potential new shareholders (who are also its customers) and suppliers which include its externally appointed manager, service providers and other professional advisers.

Whilst the FCA's consumer duty does not apply to the Company or the Board, the Manager has confirmed that it is aware of its obligations under the consumer duty, including the assessment of value in relation to the Company, and has discussed its implementation plan with the Board.

### Shareholders

To assist the Board in its aim to act fairly between the Company's shareholders, it encourages communications with all shareholders, and the Annual General Meeting provides a key forum for both the Board and the Manager to make presentations on the performance of the Company. Please refer to page 27 for further detail on communication with shareholders.

### Service Providers

The Board seeks to engage with the Manager and other service providers in a collaborative manner. The principal relationship is with the Manager, whose services are fundamental to the success of the Company and for achieving the Company's investment objective. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Management Engagement Committee annually and the board regularly reviews the Manager's financial reports and performance statistics, further detail of which can be found on page 26. The Manager seeks to maintain productive relationships with the Company's other suppliers on behalf of the Company, primarily through regular communication and provision of information as necessary.

### Investee Companies

Whilst the Company's operations are limited (with all substantive matters being conducted by its externally appointed service providers) the Board is aware of the need to consider the impact of the Company's operations on environmental, social and governance matters and the Board also expects good standards at the companies within which the Company is invested. In this regard, it is satisfied that the Manager consistently and

proactively engages with investee companies on such matters, where these are material to the investment case and therefore to the success of the Company. The Corporate Governance report sets out details of the Manager's considerations of these issues.

#### Investment Policy

Taking into consideration that the Company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders, the Company's primary focus in promoting the success of the Company as a whole is to direct the Company with a view to realising such objective in a manner consistent with the stated investment policy. In this regard, a tender offer was approved by shareholders in November 2022 as a mechanism for returning capital to shareholders.

#### Risk Management

The Board carries out a regular and robust review of the risk environment in which the Company operates. The Board acknowledges that it is responsible for risk management systems, which have been in place for the year under review, and for reviewing their effectiveness. There is an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company and they are regularly reviewed by the Board. The principal risks and uncertainties identified by the Board which might affect the Company's business model and future performance, and the steps taken with a view to their mitigation, are as follows:

**Investment and liquidity risk:** the Company's investments are in small and medium-sized unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. **Mitigation:** the Manager aims to limit the risk attaching to the portfolio as a whole by closely monitoring individual holdings, including the appointment of investor directors to the board of portfolio companies. The Board reviews the portfolio, including the schedule of projected exits, with the Manager on a regular basis to evaluate the orderly realisation process.

→ No Change in overall risk in year

**Portfolio concentration risk:** following the adoption of the Company's revised investment policy in May 2016, the portfolio will become more concentrated as investments are realised and cash is returned to shareholders. This will increase the proportionate impact of changes in the value of individual investments on the value of the Company as a whole. The Directors' valuation of the Company's investments represents their best assessment of the fair value of the investments as at the valuation date and the amounts eventually realised from such investments may be more or less than the Directors' valuation. **Mitigation:** the Directors and Manager keep the portfolio under review and focus closely on those holdings which represent the largest proportion of total value.

↑ Increase in overall risk in year

**Financial risk:** most of the Company's investments involve a medium to long term commitment and many are relatively illiquid. **Mitigation:** the Directors consider it appropriate to finance the Company's activities through the retention of sufficient cash reserves. The Board seeks to ensure that the availability of cash reserves matches the forecast cash flows of the Company both on a base and stress case basis given the level of undrawn commitments to limited partnership funds.

→ No Change in overall risk in year

**Economic risk:** events such as economic recession or general fluctuations in stock markets and interest rates may affect the valuation of portfolio companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value. An economic risk is the conflict in Ukraine. **Mitigation:** the Company invests in a diversified portfolio of investments spanning various sectors and maintains access to sufficient cash reserves to be able to provide additional funding to portfolio companies should this become necessary. The Manager and board of each portfolio company is keeping under review the impact of the conflict in Ukraine and developing contingency plans/mitigating actions where appropriate.

→ No Change in overall risk in year

**Credit risk:** the Company holds a number of financial instruments and cash deposits and is dependent on counterparties discharging their commitment. **Mitigation:** the Directors review the creditworthiness of the counterparties to these investments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

→ No Change in overall risk in year

**Currency risk:** the Company is exposed to currency risk as a result of investing in companies who transact in foreign currencies and funds denominated in euros. The sterling value of these investments can be influenced by movements in foreign currency exchange rates. **Mitigation:** Currency risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

→ No Change in overall risk in year

**Internal control risk:** the Company's assets could be at risk in the absence of an appropriate internal control regime. **Mitigation:** the Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

→ No Change in overall risk in year

#### 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 the use of gearing shall be limited to £20m of borrowed funds or, if less, 20 per cent. of the Company's NAV (measured at the time of drawdown). The Board has no intention for the Company to use gearing.

#### 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 page 3 and the Manager's Review on pages 6 to 8. Details of the Company's investments can be found on pages 9 to 16.

**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 are as follows:

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

Details of the KPIs are shown on pages 6 and 8. Alternative performance measures are defined on page 64.

**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 24, the Board intends to seek renewal of its annual share buyback authority. The Board does not intend to set 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**

Whilst the Company has no employees and therefore no requirement to report separately on this area (as the management of the portfolio has been delegated to Dunedin), the Company has regard to each of the factors set out in section 172 of the Companies Act 2006 and is mindful of the diversity targets under the Listing Rules and other reporting obligations (to the extent applicable to an investment trust) in respect of environmental, social and governance matters. Further, Dunedin, with the support of the Board, takes environmental, social and governance factors and human rights issues into consideration when making investment decisions made on behalf of the Company. The Manager's environmental, social and governance 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. Details of the Alternative Investment Fund Management Agreement are provided on page 58.

**Diversity**

At 31 December 2022, there were two male directors and one female director on the Board. The Board's policy on diversity is set out on page 26 and the Company is mindful of the diversity targets set out under the Listing Rules.

By order of the Board



**Duncan Budge**  
Chairman  
24 March 2023

## Directors' Report

The Directors present their report and audited financial statements for the year to 31 December 2022.

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 financial statements have not been prepared on a going concern basis since the Company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders. No adjustments were necessary to the investment valuations or the recognition and measurement of other assets and liabilities included in the financial statements as a consequence of the basis of preparation.

### 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 2025. 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.

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 considered:-

- the nature of the Company's business, including cash reserves 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
- the change to the Company's investment objective and the impact on the potential of the unlisted portfolio to generate future income and capital proceeds during the managed wind-down and the ability of the Directors to minimise the level of cash outflows should this be necessary.

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 were the:-

- timing of realisations (delayed by one year); and
- quantum of realisations (reduced by 20%).

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 2025. If the remaining investments in the portfolio are realised within three years then formal proposals may be put to Shareholders for a members' voluntary liquidation prior to 31 December 2025.

### Share Capital

At 31 December 2022, the Company's issued and paid up share capital was £1,376,068 divided into 5,504,274 fully paid up ordinary shares of 25 pence each.

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.

An interim dividend of 34.0p per share was paid to shareholders on 24 November 2022. A final dividend of 25.0p is proposed and if approved, will be paid to shareholders on 19 May 2023, to shareholders on the register at close of business on 21 April 2023. The ex-dividend date is 20 April 2023.

### Voting Rights

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

### Rights attaching to B shares

Following the approval by shareholders on 8 May 2019, the Directors have the ability to capitalise sums standing to the credit of certain of the Company's reserves in accordance with the Articles of Association and use such capitalised amounts to allot and issue as fully paid up B shares of 1 pence each. The quantum and timing of any issue is at the discretion of the Directors.

Any B shares issued will be redeemable at the option of the Company and it is expected that any redemption will occur shortly after each date of issue of B shares, when all of the B shares then in issue will be compulsorily redeemed and cancelled in accordance with their terms for an amount not exceeding the amount treated as paid up on the B shares.

When in issue, B shares do not provide the holder with any voting rights. B shares carry a limited right to a dividend; however, due to the very short time B shares will be in existence if issued, no dividend is ever likely to become payable. On a return of capital on a winding up, the holders of any B shares in issue will be entitled to 1 pence per B share held by them, in priority to any payment to the holders of every other class of shares in the Company.

As the Company now has insufficient capital reserves available to issue B shares for new consideration it is not envisaged that the Company will issue any further B shares.

### Significant Shareholdings

The significant holdings in the Company's ordinary share capital which have been notified to the Company as at 31 December 2022 are shown below.

	Ordinary shares	% of issued share capital
Interactive Investor	1,915,006	34.8
Hargreaves Lansdown	676,918	12.3
Lind Invest	438,325	8.0
MIGO Opportunities Trust	250,000	4.5
Halifax Share Dealing	171,432	3.1

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

### Directors

Details of the current Directors of the Company are shown on pages 4 to 5. 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. Following a detailed review by the Board of each of the Directors other commitments, both public and private, 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 4. 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 26. 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.

Angela Lane, Duncan Budge and Brian Finlayson 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. He has over thirty years of experience in both private equity and corporate finance. He worked with Dunedin Capital Partners Limited before retiring

from the company in 2002. He has held numerous non-executive director positions in private equity backed businesses both whilst unlisted and subsequently on listing. The Directors have carefully considered Brian Finlayson's independence and believe that notwithstanding his historic connections with the Manager's group and the number of years he has served as a Director, he retains independence of character and of judgement. The Directors do not consider that there are relationships or circumstances which are likely to affect Brian Finlayson's judgement. Given the long-term nature of private equity investments the Board considers it a significant benefit to the Company for Directors of the Company not to be subject to any overall limit on tenures.

Following performance evaluation, in the view of the other Directors, Angela Lane, Duncan Budge and Brian Finlayson continue to perform effectively and to demonstrate commitment to the Company. The re-election of Angela Lane, Duncan Budge and Brian Finlayson is recommended to shareholders as their skills and experience continue to add to the strength of the Board.

### Tenure of the Chairman

Duncan Budge has been a Director of the Company since 2 April 2012 and Chairman since 14 May 2014. The Nomination Committee has resolved that it is in the best interests of the Company that there should be no limit on the length of tenure of the Chairman; however, this position will be subject to annual review. The Nomination Committee took a number of factors into consideration when arriving at this conclusion, including the fact that private equity investments by their nature are long term investments where an accumulated knowledge of the investments is beneficial to their supervision. Additionally, the Company is in a wind-down process which was approved by shareholders in May 2016. At the time the wind-down was approved, the Directors indicated that the process would take at least seven years to complete and the Nomination Committee consider it beneficial for there to be consistency of chairmanship during this period.

### 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 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.

### Directors' 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 25 to 27 is included in the Directors' Report by reference.

#### **Investment Management Arrangements**

The principal terms of the Company's Alternative Investment Fund Management Agreement with Dunedin are set out on page 58.

The Management Engagement Committee has 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 Management Engagement Committee 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.

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

#### **Use of financial instruments**

Reference is made to note 20 on pages 54 to 56 which sets out a description of the financial instruments and associated risks.

#### **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 58.

#### **Duration**

The Company does not have a fixed life. Reference is made to Going Concern as detailed on page 21.

#### **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.

#### **Facilitation of tax evasion**

The Company has a zero-tolerance policy towards the facilitation of tax evasion. The Investment Manager also adopts a zero-tolerance approach and has policies and procedures in place to prevent and detect the facilitation of tax evasion.

#### **Engagement with Suppliers and Customers**

Reference is made to the section 172 statement on pages 18 and 19.

#### **Social, Community and Environmental Policy**

The statement on social, community, environmental and human rights policy on page 20 is included in the Strategic Report by reference.

#### **Modern Slavery Act**

The Company is an investment company and has no employees. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, which are listed on the inside back cover of this report, comply with the provisions of the UK Modern Slavery Act 2015.

#### **Activities in the field of research and development**

The Company does not undertake activities in the field of research and development.

#### **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 (as amended by the Strategic Report and Directors' Report 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 auditor is 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, Johnston Carmichael LLP, has indicated its 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.

#### **Post Balance Sheet Events**

The Manager's Review on pages 6 to 8 details all post balance sheet events.

#### **Annual General Meeting ("AGM")**

The AGM of the Company will be held at Dickson Minto WS, 16 Charlotte Square, Edinburgh, EH2 4DF on 10 May 2023 at 12 noon. Notice of the AGM is given on pages 59 to 62 of this report.

In addition to completing the enclosed Form of Proxy and returning it to Equiniti as per the instructions on the form, shareholders can submit proxies online by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy. Full details of the procedure are given on the website. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint a proxy by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using their usual user ID and password. Once logged in simply click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. Any such votes need to be cast by no later than 12 noon on 8 May 2023.

The Board would also welcome questions from shareholders in advance of the AGM. Please submit all questions to [info@dunedinenterprise.com](mailto:info@dunedinenterprise.com) by 8 May 2023. The Board will provide answers to these questions after the AGM.

If it is necessary to provide you with further information about the Annual General Meeting, or notify you about any alternative arrangements, we will do so on our website ([www.dunedinenterprise.com](http://www.dunedinenterprise.com)) and by RNS.

**Resolutions to be considered at the AGM**

Resolutions 1 to 9 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 10 to 11 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 2022.

**Resolution 2: Approve the Directors' Remuneration Policy**

Shareholders are being asked to approve the Directors' Remuneration Policy set out pages 30 to 32 for the three years ending on the Company's AGM in 2026.

**Resolution 3: Approve the Directors' Remuneration Report**

Shareholders are being asked to approve the Directors' Remuneration Report set out pages 30 to 32 for the year ended 31 December 2022.

**Resolution 4: Final Dividend**

Shareholders are being asked to approve the Final Dividend of 25p per Ordinary Share for the year ended 31 December 2022. If shareholders approve the recommended Final Dividend, it will be paid on 19 May 2023 to shareholders on the Company's register of members at the close of business on 21 April 2023.

**Resolutions 5, 6, and 7: Re-election of Directors**

The Directors standing for re-election and their biographical details are set out on pages 4 to 5. 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 8 and 9: Re-appointment and remuneration of external auditor**

The Company is required to appoint auditors at each general meeting at which accounts are presented to shareholders. It is proposed that Johnston Carmichael LLP be and are hereby re-appointed as auditor of the Company and will hold office from the conclusion of the AGM 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 10: Share buy-backs**

The existing buy-back authority, granted at the AGM of the Company held on 11 May 2022, permits the Company to make market purchases of up to 14.99 per cent. of the Company's issued ordinary share capital as at 29 March 2022 and expires at the forthcoming AGM. The authority, under Resolution 10, 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 825,090 Ordinary Shares (being 14.99 per cent. of the issued share capital as at 31 March 2023 the latest practicable date prior to publication of this notice). This authority will expire at the conclusion of the AGM of the Company in 2024 (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 (excluding expenses) 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; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue. The minimum price that may be paid will be 25 pence per share (being the nominal value of a share). Ordinary shares that are purchased will be cancelled. The effect of any cancellation would be to reduce the number of shares in issue. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

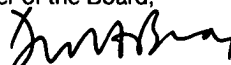
**Resolution 11: Notice of General Meetings**

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 11 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 intends to use reasonable endeavours to vote in favour of them in respect of their entire beneficial holdings of Ordinary Shares which amount, in aggregate, to 72,916 Ordinary Shares (representing approximately 1.32 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  
24 March 2023

## Corporate Governance Report

### Compliance

The Board considers that the Company has complied with the relevant principles and provisions contained in the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") in July 2018 and the principles and provisions contained in the AIC's Code of Corporate Governance issued in February 2019 (the "AIC Code") throughout this accounting period with the exception of the matters noted below.

The AIC Code can be found on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. 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 Code, 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 (as amended by the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Strategic Report and Directors' Report Regulations 2013).

### The Board

The Board consists of three non-executive Directors, all of whom the Company deems to be independent, even though Duncan Budge and Brian Finlayson have both served as a Directors for over nine years.

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 the Manager between these meetings. There is a formal schedule of matters specifically reserved for Board decisions. 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 environmental, social and governance 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 ensure the Manager utilises 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 2022 the Manager voted in favour of all resolutions put forward at the annual general meetings of portfolio companies.

The Manager does not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Manager to consider how ESG factors could impact long term investment returns.

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. The Board's policy on tenure is to adopt best practice in line with the requirement of the AIC Code, 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.

During the year the performance of the Board, committees and individual Directors was evaluated through a discussion process led by the Chairman. The performance of the Chairman was evaluated by the other Directors. Amongst other considerations, the performance evaluation considered the balance of skills and diversity of the Board, as well as the Board's overall effectiveness. The Board believes it has an appropriate balance of skills and experience, length of service and knowledge of the Company. Each individual Director's training requirements are reviewed as part of the annual evaluation process. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process adopted, however, the option of using of an external consultant is kept under review.

The Board supports diversity in the boardroom, including targets set out under the Listing Rules, and is of the opinion that appointments to the Board should be made considering a number of different diversity criteria (including gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds) alongside the appropriate skill set, experience and expertise.

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
Duncan Budge	4	4	2	2
Brian Finlayson	4	4	2	2
Angela Lane	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 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.

Due to the size of the Board, 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)  
Brian Finlayson  
Angela Lane

Due to the size of the Board, 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. The Board is conscious of the diversity targets set out in the Listing Rules and the Board complies with the AIC Code in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company. The Board will always appoint the best person for the role and will not discriminate on the grounds of gender, ethnicity, sexual orientation, disability or educational, professional or socio-economic backgrounds. The Nomination Committee is responsible for ensuring that any recruitment process takes account of the Company's diversity policy. From time to time, 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 in the year.

#### Management Engagement Committee

##### Members:

Duncan Budge (Chairman)  
Brian Finlayson  
Angela Lane

Due to the size of the Board, 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:

Angela Lane (Chairman)  
Duncan Budge  
Brian Finlayson

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 28 to 29.

#### 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 Alternative Investment Fund 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 its risk management, compliance function and whistle-blowing policies, and the Independent Auditor.

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 the Board has carried out a review of the effectiveness of this process. This process has been in place for the year ended 31 December 2022 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 of the effectiveness of internal controls.

#### **Relations with Shareholders**

All shareholders have the opportunity to attend in person 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 21 to 24. 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 66. 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 have not been resolved through the normal channels or where these are 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.

#### **Articles of Association**

The Articles of Association of the Company may be amended by special resolution of the Company.

#### **Share buy-backs**

Reference is made on page 20 of the Strategic Report for further information on share buy-backs.

#### **Significant shareholdings**

Reference is made on page 22 of the Director's Report for further information on the Company's significant shareholders.

By order of the Board



**Duncan Budge**  
Chairman  
24 March 2023

## Audit Committee Report

The Audit Committee is chaired by Angela Lane and comprises all of the Directors, all of whom are independent. 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 auditor and develop and implement a policy on the engagement of the auditor to provide non audit services and to review such fees having regard to their independence;
- to conduct a tender process and make recommendations as to the appointment and remuneration of the external auditor; 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 Manager attended the meetings as required by the Audit Committee. The main agenda item discussed at each of these meetings was the valuation of portfolio investments. The external auditor 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 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 was the valuation of unquoted investments.

The Company's accounting policy for valuing unquoted investments is set out in note 2 on pages 43 to 45, with an explanation to its implementation in note 4 on pages 46 to 47. 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 auditor 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 differences were identified by the auditor.

### Going Concern

The current investment policy of the Company is to conduct an orderly realisation of its assets leading ultimately to the liquidation of the Company. It was concluded that the financial statements should not be prepared on a going concern basis. No adjustments were necessary to the investment valuations or the recognition and measurement of other assets and liabilities included in the financial statements as a consequence of the basis of preparation. The auditor's report contains an "emphasis of matter" paragraph referring to the non-going concern basis of preparation.

**External Auditor**

The Audit Committee monitored the relationship with the external auditor with a view to ensuring that it did not provide non-audit services to the Company that had the potential to impair or appear to impair the independence of its audit role. In light of the restrictions of the FRC's Ethical Standard placed on the provision of non-audit services by the Company's auditor, the Audit Committee's policy is that no tax services will be provided by the auditor and that any other proposed non-audit services will require pre-approval by the Audit Committee. There were no non-audit services provided to the Company by the external auditor during the year ended 31 December 2022.

The external auditor, Johnston Carmichael LLP, 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. The Audit Committee is satisfied that the external auditor continues to demonstrate its independence.

The current audit partner is David Holmes, appointed on 6 May 2020 and now in his fourth year. Under the rotation requirements of the FRC ES, the Johnston Carmichael LLP audit partner will rotate every five years. 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 Annual General Meeting, Johnston Carmichael 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 Audit 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 26. A copy of this report is provided to the external auditor for consideration.

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.

**Angela Lane**Chairman of the Audit Committee  
24 March 2023

## Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of section 420 of the Companies Act 2006. A resolution to approve the report will be proposed at the Annual General Meeting.

The Company's independent auditor, Johnston Carmichael, is required to give an opinion on certain information included in this report, as indicated below. The auditor's report on these and other matters is set out on pages 34 to 38.

### 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) (Amendment) 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 financial year to 31 December 2022.

### 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 6 May 2020 and was passed by 99.89% (7,599,786 votes) of shareholders voting in favour of the resolution and 0.11% (8,504 votes) voting against. Its provisions are applicable until the next triennial shareholder vote which will be at the AGM on 6 May 2023. The Company does not intend making any significant changes to implementation of the Remuneration Policy in the current financial year.

Due to the size of the Board, 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 and all new 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

	2022 <sup>1</sup> £	2021 £
Chairman fee	34,000	34,000
Non-executive Director base fee	23,000	23,000
Additional fee for chairman of the Audit Committee	3,000	3,000
Additional fee for Senior Independent Director	3,000	3,000

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

<sup>1</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 2022 were set out in the Directors' Remuneration Report contained in the Company's 2021 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 11 May 2022 and was passed by 99.6% (5,180,231 votes) of shareholders voting in favour of the resolution, 0.4% (20,606 votes) voting against.

In the financial year to 31 December 2022, no discretion has been exercised in the award of directors' remuneration. 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 2022 received the emoluments, in the form of fees, as described in the table below.

#### Single Total Figure Table (audited)

	2022 Annual Fees £	2021 Annual Fees £
Duncan Budge	34,000	34,000
Angela Lane	29,000	29,000
Brian Finlayson	23,000	23,000
<b>Total</b>	<b>86,000</b>	<b>86,000</b>

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

The remuneration of Directors has been unchanged over the past five years.

## 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.

	2022 £	2021 £	Difference
Spend on Directors' fees	86,000	86,000	–%
Distributions to shareholders:			
(a) dividends	6,371,353	3,258,033	+96%
(b) Tender offer (inc costs)	41,407,212	26,235,293	+58%

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

The names of the Directors and their shareholdings in the Company as at 31 December 2022 are shown in the table below. The shareholdings of connected persons to the Directors are included in the figures below.

	2022 #	2021 #
Duncan Budge	7,667	18,292
Brian Finlayson	62,249	148,555
Angela Lane	3,000	23,417

The Company has not been notified of any changes to the Directors' shareholdings between 31 December 2022 and 24 March 2023.

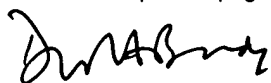
In accordance with the Company's articles of association, no Director is required to hold any shares in the Company by way of qualification.

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**Share price total return**

The graph below presents for the period from 31 December 2012 to 31 December 2022 the total shareholder returns 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 30 to 32 was approved by the Board of Directors and signed on its behalf on 24 March 2023.

**Duncan Budge**

Chairman

24 March 2023

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## Statement of Directors' Responsibilities

### in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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 Company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. As explained in note 1, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company 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.

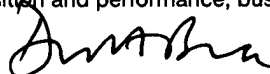
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider 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 Company's position and performance, business model and strategy.



**Duncan Budge**

Chairman

24 March 2023

# Independent Auditor's Report

## To the members of Dunedin Enterprise Investment Trust PLC

### Opinion

We have audited the financial statements of Dunedin Enterprise Investment Trust PLC ("the Company"), for the year ended 31 December 2022, which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter – financial statements prepared on a basis other than going-concern

We draw your attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis because the Company's current objective is to conduct an orderly realisation of its investment portfolio and return cash to shareholders. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1.

Our opinion is not modified in respect of this matter.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Dunedin LLP (the "Alternative Investment Fund Manager", the "Company Secretary", and the "Administrator"), to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
<p><b>Valuation and ownership of unlisted investments</b></p> <p>(as described on page 28 in the Audit Committee Report and as per the accounting policy in note 2, and notes 4 and 12).</p> <p>The key driver of the Company's net assets and total return is the valuation of the unlisted investments portfolio. The valuation of the unlisted ("level 3") investments at 31 December 2022 was £16.9m (2021: £48.8m).</p> <p>The unlisted investments are valued in accordance with the revised International Private Equity and Venture Capital (IPEV) valuation guidelines. Significant judgement is required in applying these principles and determining certain inputs to the valuation models.</p> <p>Given the estimation uncertainty in the valuation of the unlisted investment portfolio, as well as the portfolio's impact on the Company's Balance Sheet, accounting for 48.7% of total assets at 31 December 2022, it has been designated as a key audit matter, being one of the most significant assessed risks of material misstatements due to fraud or error.</p> <p>Additionally, there is a risk that the unlisted investments recorded as held by the Company may not represent property of the Company (ownership).</p>	<p>We performed a walkthrough of the valuation process with the AIFM, to gain an understanding and evaluate the design of the process and implementation of key controls.</p> <p>We obtained evidence of the Valuation Committee's oversight of each valuation and assessed whether they performed their review on a regular basis and free from bias.</p> <p>We assessed the degree to which the valuations were subject to estimation uncertainty and the degree to which the selection and application of the valuation method, assumptions and data were affected by complexity and subjectivity.</p> <p>We engaged our specialist corporate finance team to review the appropriateness of certain judgements, such as multiples and discounts.</p> <p>We corroborated data used in the valuation models to independent sources, assessing if market conditions met management's expectations and any forecasts used in the valuation models were suitable, consistent and the data was relevant and reliable.</p> <p>We reperformed the calculation of the valuation models to ensure mathematical accuracy.</p> <p>We assessed whether any changes from the prior year valuation models were appropriate and in line with IPEV guidelines.</p> <p>We performed back-testing over disposals in the year to the most recent valuation prior to disposal to assess management's previous valuations.</p> <p>We ensured that accounting estimates and related disclosures are included in the financial statements.</p> <p>We performed a recalculation of the carried interest earned from the underlying limited partnerships.</p> <p>We agreed the ownership of unlisted investment holdings to share certificates or loan notes and agreed any material disposals in the year to underlying agreements.</p> <p>From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of unlisted investments.</p>

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value
<b>Materiality for the financial statements as a whole</b> – we have set materiality as 2% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with its listed status and with the nature of the Company's investment portfolio which is 59.3% invested in level 3 unlisted investments.	£690,000 (2021: £1,468,000)
<b>Performance materiality</b> – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.  In setting this we consider the Company's overall control environment, our past experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% of our overall financial statement materiality.	£518,000 (2021: £1,101,000)
<b>Specific materiality</b> – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas.  Specifically, given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Income Statement set as 5% of the revenue profit before tax.  We have set a specific materiality in respect of related party transactions and Directors' remuneration.  We used our judgement in setting these thresholds and considered our past experience of the audit, the history of misstatements and industry benchmarks for specific materiality.	£227,000 (2021: £219,000)
<b>Audit Committee reporting threshold</b> – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£34,500 (2021: £73,000)

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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; or
- A corporate governance statement has not been prepared by the Company.

#### **Corporate governance statement**

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 21;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 21;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 21;
- The Directors' statement on fair, balanced and understandable set out on page 33;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 19;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 26 and 27; and
- The section describing the work of the Audit Committee set out on pages 28 and 29.

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct

effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014, and updated in July 2022 with consequential amendments;
- UK-adopted international accounting standards; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the valuation and ownership of investments. Audit procedures performed in response to these risks are set out in the section on key audit matters above.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules;
- Testing of accounting journals and other adjustments for appropriateness;

- Assessing judgements and estimates made by management for bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

#### **Other matters which we are required to address**

Following the recommendation of the Audit Committee, we were appointed by the Board on 7 October 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of our total uninterrupted engagement is four years, covering the years ended 31 December 2019 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*DS Holmes*

**David Holmes (Senior Statutory Auditor)**  
For and behalf of Johnston Carmichael LLP  
Statutory Auditor  
Edinburgh, United Kingdom

24 March 2023

## Income Statement

	Notes	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Investment income	5	4,951	–	4,951	4,800	–	4,800
Gains on investments	12	–	4,514	4,514	–	23,408	23,408
		<b>4,951</b>	<b>4,514</b>	<b>9,465</b>	<b>4,800</b>	<b>23,408</b>	<b>28,208</b>
<b>Expenses</b>							
Investment management fee	6	(35)	(105)	(140)	(29)	(88)	(117)
Other expenses	7	(380)	(13)	(393)	(384)	(23)	(407)
<b>Profit before finance costs and tax</b>		<b>4,536</b>	<b>4,396</b>	<b>8,932</b>	<b>4,387</b>	<b>23,297</b>	<b>27,684</b>
Finance costs	8	–	–	–	(10)	(32)	(42)
<b>Profit before tax</b>		<b>4,536</b>	<b>4,396</b>	<b>8,932</b>	<b>4,377</b>	<b>23,265</b>	<b>27,642</b>
Taxation	9	(37)	37	–	272	70	342
<b>Profit for the year</b>		<b>4,499</b>	<b>4,433</b>	<b>8,932</b>	<b>4,649</b>	<b>23,335</b>	<b>27,984</b>
<b>Basic return per ordinary share (basic &amp; diluted)</b>	11	<b>36.46p</b>	<b>35.92p</b>	<b>72.38p</b>	<b>26.56p</b>	<b>133.33p</b>	<b>159.89p</b>

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with UK-adopted International Accounting Standards. 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.

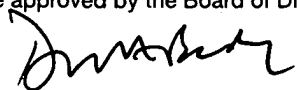
All income is attributable to the equity shareholders of Dunedin Enterprise Investment Trust PLC.

The notes on pages 43 to 57 form part of the financial statements.

## Balance Sheet

	Notes	£'000	2022 £'000	£'000	2021 £'000
<b>Non-current assets</b>					
Investments at fair value through profit or loss	12		28,487		60,588
<b>Current assets</b>					
Other receivables	13	5,375		297	
Cash and cash equivalents		778		12,616	
		6,153		12,913	
<b>Current liabilities</b>					
Other liabilities	14	(122)		(88)	
		(122)		(88)	
<b>Net current assets</b>			6,031		12,825
<b>Net assets</b>			34,518		73,413
<b>Capital and reserves</b>					
Share capital	15		1,376		3,284
Capital redemption reserve	2		3,149		1,241
Capital reserve – realised	2		33,947		19,721
Capital reserve – unrealised	2		(18,220)		(8,378)
Special distributable reserve	2		9,594		51,001
Revenue reserve	2		4,672		6,544
			34,518		73,413
Net asset value per share	16		627.1p		558.8p

The financial statements were approved by the Board of Directors on 24 March 2023.



Duncan Budge, Chairman

The notes on pages 43 to 57 form part of the financial statements. The accompanying notes form an integral part of these financial statements.

## Cash Flow Statement

	£'000	2022 £'000	£'000	2021 £'000
<b>Operating activities</b>				
Profit before tax		8,932		27,642
Adjustments for:				
(Gains) on investments		(4,514)		(23,408)
Interest paid		-		42
(Increase)/decrease in debtors		(1,058)		760
Increase/(decrease) in creditors		34		(2,183)
<b>Net cash inflow from operating activities</b>		<b>3,394</b>		<b>2,853</b>
<b>Investing Activities</b>				
Purchase of investments	(430)		(1,550)	
Drawdown from subsidiary	(75)		(79)	
Purchase of 'AAA' rated money market funds	(28,422)		(6,213)	
Sale of investments	30,007		38,547	
Distribution from subsidiary	2,900		-	
Sale of 'AAA' rated money market funds	28,615		8,100	
<b>Net cash inflows from investing activities</b>		<b>32,595</b>		<b>38,805</b>
<b>Tax</b>				
Tax recovered		-		342
<b>Financing Activities</b>				
Tender offer	(41,456)		(26,235)	
Dividends paid	(6,371)		(3,258)	
Interest paid	-		(42)	
<b>Net cash outflows from financing activities</b>		<b>(47,827)</b>		<b>(29,535)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(11,838)</b>		<b>12,465</b>
<b>Cash and cash equivalents at 1 January</b>		<b>12,616</b>		<b>151</b>
<b>Cash and cash equivalents at 31 December</b>		<b>778</b>		<b>12,616</b>

The notes on pages 43 to 57 form part of the financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2022	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 2021	3,284	1,241	19,721	(8,378)	51,001	6,544	68,888	73,413
Profit for the year	–	–	14,276	(9,842)	–	4,499	8,933	8,933
Purchase and cancellation of shares	(1,908)	1,908	(50)	–	(41,407)	–	(41,457)	(41,457)
Dividends paid	–	–	–	–	–	(6,371)	(6,371)	(6,371)
<b>At 31 December 2022</b>	<b>1,376</b>	<b>3,149</b>	<b>33,947</b>	<b>(18,220)</b>	<b>9,594</b>	<b>4,672</b>	<b>29,993</b>	<b>34,518</b>

For the year ended 31 December 2021	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 2020	4,525	49,850	30,600	(16,357)	1,151	5,153	20,547	74,922
Profit for the year	–	–	15,356	7,979	–	4,649	27,984	27,984
Cancellation of capital redemption reserve	–	(49,850)	–	–	49,850	–	49,850	–
Purchase and cancellation of shares	(1,241)	1,241	(26,235)	–	–	–	(26,235)	(26,235)
Dividends paid	–	–	–	–	–	(3,258)	(3,258)	(3,258)
<b>At 31 December 2021</b>	<b>3,284</b>	<b>1,241</b>	<b>19,721</b>	<b>(8,378)</b>	<b>51,001</b>	<b>6,544</b>	<b>68,888</b>	<b>73,413</b>

\* – included in the profit for the year is £4.0m relating to the deferred consideration on the sale of RED which will not qualify as distributable profit until receipt.

The notes on pages 43 to 57 form part of the financial statements.

## 1. General information and basis of preparation

Dunedin Enterprise Investment Trust PLC ('the Company') is a public company limited by shares incorporated and registered in Scotland with company number SC052844. Its registered address is at Easter Dalry House, 3 Distillery Lane, Edinburgh, EH11 2BD. The principal activity of the Company is that of a closed-ended investment trust within the meaning of Section 1158 of the Corporation Tax Act 2010 and its investment objective and policy is detailed in the Strategic Report.

On 31 December 2020, International Financial Reporting Standards (IFRS) as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its financial statements with effect from 1 January 2021. There was no impact or changes in accounting policies from the transition.

The annual financial statements have also been prepared in accordance with the AIC Statement of Recommended Practice for the Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in April 2022 ('the SORP'). Where presentation guidance set out in the SORP is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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

### Going concern

The financial statements have not been prepared on a going concern basis, since the Company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders. As the Company is committed to and can fund an orderly realisation of its investments over an extended period of time, no adjustments were deemed necessary to the investment valuations or the recognition and measurement of other assets and liabilities included in the financial statements as a consequence of the basis of preparation.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making 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 period if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the Financial Statements and significant estimates are disclosed in note 4.

## 2. Accounting Policies

### a. Consolidation

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 to the Company having power over an entity.

As at 31 December 2022 the Company has one subsidiary, a 100% controlling interest in Dunedin Funds of Fund LP ('FoF LP'). Under IFRS 10 'Consolidated Financial Statements', qualifying entities that meet the definition of an investment entity are not required to prepare consolidated financial statements and instead account for subsidiaries at fair value through profit or loss. The Directors deem the Company to be an investment entity and therefore the Company does not consolidate its subsidiary but instead carries it at fair value through profit or loss.

To qualify as an investment entity, the following criteria must be met by the entity:-

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

However, the absence of one or more of these characteristics does not prevent the entity from qualifying as an investment entity, provided all other characteristics are met and the entity otherwise meets the definition of an investment entity:

- it obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
- it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- it measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets all of the defined criteria of an investment entity and consequently the Directors deem that the Company is an investment entity.

## 2. Accounting Policies continued

FoF LP does not meet all the defined criteria of an investment entity as it is 100% owned by the Company. However, the Directors deem it is nevertheless an intermediate investment entity as the Company (which holds 100% of the interests in each entity) has a number of investors.

Therefore, as the Company meets the requirements of an investment entity, the Company accounts for its subsidiary at fair value through profit or loss in accordance with IFRS 9. The Investments at fair value through profit or loss carried in the Balance Sheet include the Company's investment in FoF LP. See note 12 for more detail on the investments held at fair value through profit or loss.

Accounting standards require that if an investment entity is the parent of another investment entity, the parent shall also provide the additional disclosures required by IFRS 12 'Disclosure of Interests in Other Entities'. These disclosures are set out in note 21.

### b. Investments in Dunedin managed limited partnership funds

The Company indirectly holds investments via Dunedin managed limited partnership funds. These are accounted for on a look through basis in the Balance Sheet in "Investments at fair value through profit or loss". The Company's share of the current assets and current liabilities of each Dunedin managed limited partnership fund is accounted for in the Balance Sheet in "Other receivables" and "Other liabilities". Management fees paid by the Company to Dunedin managed limited partnership funds are included in the "Gains on investments" in the Income Statement accounted for through the "Capital reserve – realised".

### c. Associated Undertakings

The Company 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 Company's portfolio with a view to the ultimate realisation of capital gains. These investments are accounted for at fair value through profit and loss rather than being consolidated.

### d. 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.

### e. 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 Company's right to receive payment is established.

Interest on loans made to portfolio companies is only recognised as revenue when the limited partnership in which the portfolio company is held makes a distribution of that interest income to the Company. Prior to a distribution being made, the Company

has no right to the income and therefore the revenue recognition criteria of IFRS 15 and the SORP are not met.

Prior to receipt, and where the valuation of the portfolio company supports it, the Company's share of accrued interest on loans to a portfolio company is effectively reflected in "Investments at fair value through profit or loss", as accrued interest on loans to investee companies directly impacts Dunedin Enterprise Investment Trust PLC's share of the net asset value of the limited partnerships which hold the investments in the underlying portfolio companies. As a result, on receipt of a distribution of interest income from the limited partnership funds which hold the portfolio companies, to the extent that loan interest accruals previously impacted the value of "Investments at fair value through profit or loss" there is a transfer from "Gains on investments" in the capital column of the income statement to "Investment Income" in the revenue column of the income statement.

The valuation methodology adopted by the Company is detailed in note 4.

### f. 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 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 Company.

### g. 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. Cash balances on term deposits for three months or longer are classified as investments.

### h. Financial assets and liabilities

#### (i) Classification

The Company classifies its financial assets and liabilities in the following categories: at fair value through profit or loss; and financial assets and liabilities at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition by management.

#### Financial assets at fair value through profit or loss

The financial assets comprise private equity investments, money market funds, money on deposit and an investment in Dunedin Fund of Funds LP. The assets in this category are classified as non-current and are managed and evaluated on a fair value basis in accordance with the Company's Investment Strategy and Business Model.

## 2. Accounting Policies continued

### Financial assets and liabilities at amortised cost

These assets and liabilities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise other receivables, cash and cash equivalents and other payables.

Other receivables comprise prepayments and accrued income and are classified as current assets if receipt is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Cash and cash equivalents comprise demand deposits with banks and are subject to an insignificant risk of changes in value.

Other payables comprise accruals and are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### (ii) Recognition and measurement

Purchases and sales of financial assets are recognised on the date of the transaction (the date on which the Company commits to purchase or sell the asset). Investments are initially recognised at fair value, being the consideration paid and are subsequently measured at fair value as determined by the Directors.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The Directors based the fair value of investments on information received from the Manager. The Manager's assessment of fair value of investments is determined in accordance with IFRS 13 'Fair Value Measurement'.

Gains or losses arising from changes in the fair value for the 'investments at fair value through profit or loss' are presented in the Income Statement within 'gains/(losses) on investments' in the period in which they arise.

Financial liabilities at amortised cost consist of other payables. Other payables are initially recognised at fair value net of transaction costs incurred and classified as current. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

### i. 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 Company's tax liability.

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 trust, 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.

### j. 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.

### k. 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.

### l. Segmental analysis

The Directors are of the opinion that the Company is engaged in a single segment business, being investing in a portfolio of private equity funds or companies.

### m. Reserves

Under the Company's articles of association, the Directors may, having obtained the relevant authority of Shareholders pursuant to the implementation of the B share scheme, capitalise any sum standing to the credit of any reserve of the Company for the purposes of paying up, allotting and issuing B Shares to Shareholders. Please note that the Company currently does not have sufficient distributable reserves to issue B Shares under the B share scheme.

- (i) *Capital Redemption Reserve* – the nominal value of Ordinary Shares if bought back and cancelled and the nominal value of B Shares redeemed and subsequently cancelled are added to this reserve. This reserve is non-distributable.
- (ii) *Capital Reserve – realised* – gains and losses on the disposal of investments are taken to the Capital Reserve – realised together with the proportion of management fees, finance costs and taxation allocated to capital. This reserve is distributable.
- (iii) *Capital Reserve – unrealised* – unrealised gains and losses on investments are taken to the Capital Reserve – unrealised. This reserve is non-distributable.
- (iv) *Special Distributable Reserve* – the special distributable reserve is available for the Company to return capital to shareholders and for buy-back of Ordinary Shares or redemption of B Shares.
- (v) *Revenue Reserve* – the net profit/loss arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends paid during the year are deducted from this reserve.

### 3. Accounting standards

In the current financial year the Company has applied a number of new IFRS amendments to standards and interpretations that are mandatorily effective for the accounting period that began on or at 1 January 2022. Their adoption has not had a material impact on the disclosure or on the amounts reported in the Financial Statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

### 4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unlisted investments.

#### Judgements

It is the Company's judgement that it meets the definition of an investment entity within IFRS 10. The criteria which define an investment entity are as follows:

- (i) an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (ii) an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- (iii) an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board has agreed with the recommendations of the Audit Committee that the Company meets the definition of an investment entity as it satisfies each of the criteria above and that this accounting treatment better reflects the Company's activities as an investment trust. Specifically, as an investment trust, the Company's principal activity is portfolio investment and the investment objective of the Company (stated in the Strategic Report on page 18) is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to Shareholders.

The key judgements in the fair valuation process are:-

- (i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines to each unlisted investment; and

- (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge.

The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

#### Estimates

The key estimate in the financial statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Market Risk Sensitivity in note 20 on pages 54 to 56 to illustrate the effect on the financial statements of an over or under estimation of fair values. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

#### Assumptions

The determination of fair value by the Manager involves key assumptions dependent upon the valuation methodology used. As explained below, the primary methodologies applied are i) Earnings Multiple, ii) Revenue Multiple, iii) Net Assets and iv) Price of Recent Investment. The multiples approach involves more subjective inputs than the other approaches and therefore presents a greater risk of over or under estimation.

The key assumptions for the Earnings and Revenue Multiple approach are that the selection of comparable companies (chosen on the basis of their business characteristics) and using either historic or forecast revenues provide a reasonable basis for identifying the enterprise value of an investment in determining its fair value. Other assumptions include the appropriateness of the discount applied to the earnings and revenue multiple in recognition of the reduced liquidity of the investment.

The key assumption for the Price of Recent Investment method is that the prices used remain a reasonable proxy for fair value typically for a period of up to six months from the date of the relevant transaction. As the time from the reference transaction increases, the valuation is cross-checked to an Earnings Multiple based method to ensure reasonableness.

The key assumption for a Net Asset method is that for certain businesses the value of its net assets is a more appropriate method to determine its fair value. A discount will be applied to the net assets depending upon the nature of the underlying assets. The discount applied to assets has been cross-checked to independent valuers or external transactions.

#### 4. Significant accounting judgements, estimates and assumptions continued

##### Investments

##### Unlisted Investments

Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the IPEV guidelines. The principal methodologies applied are market-based approaches and are follows:-

- Earnings Multiple;
- Revenue Multiple;
- Price of Recent Investment; and
- Net Assets.

The nature of the unlisted portfolio currently will influence the valuation methodology applied.

- the Price of a Recent Investment will be applied only for a limited period (typically up to six months) after the date of acquisition. Generally, after this limited period investments will be valued on the Earnings Multiple basis;
- when valuing on an Earnings Multiple basis, the maintainable earnings of a company (EBITDA) are multiplied by an appropriate multiple. An appropriate multiple is sense checked against a basket of recent market transactions. The multiple may be discounted when compared to recent market transactions to reflect the relative size, growth and market segment of the comparable companies;
- when valuing on a Revenue Multiple basis, the maintainable revenue of a company is multiplied by an appropriate multiple. An appropriate multiple is sense checked against a basket of recent market transactions. The multiple may be discounted when compared to recent market transactions to reflect the relative size, growth and market segment of the comparable companies;

- 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 earnings. In certain circumstances a discount will be applied to those assets depending on their nature;
- 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. This applies where the exit was in process at the valuation date;
- accrued interest on loans to portfolio companies is included in valuations where there is an expectation that the interest will be received;
- the fair value of the Company's investment in Dunedin Fund of Funds LP is deemed to be the net assets of the LP as it is the Directors' opinion that the net assets is derived from the fair value of the underlying investments as at the measurement date; and
- investments are valued net of carried interest which has arisen in the underlying funds. Carried interest is recognised at the point in time that the underlying fund achieves its hurdle rate of return.

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.

#### 5. Investment income

	2022 £'000	2021 £'000
Limited partnership income – UK	4,722	4,788
'AAA' rated money market funds	166	1
	4,888	4,789
Deposit interest*	63	11
<b>Total income</b>	<b>4,951</b>	<b>4,800</b>

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

## 6. Investment management fee

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Investment management fee	35	105	140	29	88	117

Dunedin provides investment management and general administration services to the Company. The terms of the management fee arrangements are detailed on page 58.

## 7. Other expenses

Profit on ordinary activities before taxation is shown after charging the following amounts:

	2022 £'000	2021 £'000
Auditor's remuneration	38	35
Director fees	86	86
Legal fees	11	16
Printing and postage	32	31
Broker fees	10	10
Registrar fees	17	15
Regulatory fees	45	51
Depository fees	22	21
Other	80	78
Irrecoverable VAT	39	41
	<b>380</b>	<b>384</b>

In addition £13,118 of other expenses were charged to capital.

The Company does not directly employ any staff. The expense disclosed above relating to auditor's remuneration is the total for the Company. A breakdown of auditor's remuneration between audit and non-audit services provided to the Company and subsidiaries is included below.

	2022 £'000	2021 £'000
<b>Fees payable to the auditor:</b>		
Fees payable to the Company's auditor for the audit of the Company's financial statements	38	35
<b>Fees payable for other services:</b>		
The audit of the Company's subsidiaries pursuant to legislation	4	3
<b>Total audit fees</b>	<b>42</b>	<b>38</b>
<b>Non-audit services</b>		
Audit related assurance services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>-</b>
<b>Total fees payable to the auditor by the Company and its subsidiaries</b>	<b>42</b>	<b>38</b>

## 8. Finance costs

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
On bank loans and overdraft:						
Repayable in less than 5 years	-	-	-	10	32	42
	-	-	-	10	32	42

## 9. Taxation on profit on ordinary activities

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
<b>(a) Analysis of charge/(credit) for the year:</b>						
UK corporation tax at 19% (2021: 19%)	37	(37)	-	70	(70)	-
Prior year adjustment	-	-	-	(342)	-	(342)
	37	(37)	-	(272)	(70)	(342)

The UK corporation tax rate was 19% from 1 April 2017 giving an effective tax rate of 19% (2021 – effective tax rate of 19%).

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

In the Spring Budget 2020, it was announced that the corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17%. This was substantially enacted on 17 March 2020.

Further changes to the UK corporation tax rates were substantially enacted as part of Finance Bill 2021 (on 24 May 2021). These include increases to the rate to 25% from 1 April 2023.

The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below.

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

	2022 £'000	2021 £'000
Total return on ordinary activities before tax	8,932	27,642
UK Corporation Tax at 19% (2021: 19%)	1,697	5,252
Effects of:		
Capital (gain) not subject to corporation tax	(858)	(4,448)
Expenses not deductible	2	4
Non-taxable partnership income and expenses	(825)	(626)
Excess management expenses carried forward	(16)	(182)
Prior year tax charge/(credit)	-	(342)
	-	(342)

At 31 December 2022, the Company had net surplus management expenses of £4,764,937 (2021: £5,555,999) 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.

## 10. Dividends

Amounts recognised as distributions to equity holders in the year:

	2022 £'000	2021 £'000
Interim dividend for the year ended 31 December 2022 – 34.0p paid 24 November 2022	4,466	-
Final dividend for the year ended 31 December 2021 – 1.9p paid 13 May 2022	250	-
Second Interim dividend for the year ended 31 December 2021 – 12.6p paid 25 March 2022	1,655	-
Interim dividend for the year ended 31 December 2021 – 16.0p paid 18 November 2021	-	2,896
Final dividend for the year ended 31 December 2020 – 2.0p paid 19 May 2021	-	362
	6,371	3,258

###### 10. Dividends (continued)

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.

	2022 £'000	2021 £'000
Final dividend for the year ended 31 December 2022 – 25.0p to be paid on 19 May 2023	1,376	–
Interim dividend for the year ended 31 December 2022 – 34.0p paid on 24 November 2022	4,466	–
Final dividend for the year ended 31 December 2021 – 1.9p paid on 13 May 2022	–	250
Second interim dividend for the year ended 31 December 2021 – 12.6p paid on 25 March 2022	–	1,655
Interim dividend for the year ended 31 December 2021 – 16.0p paid 18 November 2021	–	2,896
	<b>5,842</b>	<b>4,801</b>

###### 11. Return per ordinary share

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

	2022 £'000	2021 £'000
Revenue return	4,499	4,649
Capital return	4,433	23,335
	<b>8,932</b>	<b>27,984</b>
Weighted average number of shares in issue	<b>12,342,190</b>	<b>17,501,856</b>

###### 12. 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 table below details Dunedin Enterprise's investment holdings by fund entity in which it is a limited partner.

	2022 £'000	2021 £'000
Dunedin Buyout Fund II LP	9,529	30,836
Dunedin Buyout Fund III LP	4,566	12,741
Dunedin Fund of Funds LP	2,773	5,199
	<b>16,868</b>	<b>48,776</b>
'AAA' rated money market funds and cash deposits	<b>11,619</b>	<b>11,812</b>
	<b>28,487</b>	<b>60,588</b>

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

	2022 £'000	2021 £'000
Unlisted UK investments	14,095	43,577
Unlisted European investments	2,773	5,199
'AAA' rated money market funds and cash deposits	11,619	11,812
	<b>28,487</b>	<b>60,588</b>

## 12. Investments (continued)

### Valuation of financial instruments

The Company 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.

There have been no changes made to the valuation techniques used during the year.

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:

	2022 £'000	2021 £'000
<b>Level 1</b>		
'AAA' rated money market funds and cash deposits	11,619	11,812
<b>Level 2</b>	–	–
<b>Level 3</b>		
Unlisted investments	16,868	48,776
	<b>28,487</b>	<b>60,588</b>

### Significant unobservable inputs for Level 3 valuations

The Company's unlisted investments are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally by reference to earnings multiples, revenue multiples and net asset values, with adjustments made as appropriate to reflect matters such as the sizes of the holdings and liquidity. The weighted average earnings multiple for the portfolio as at 31 December 2022 was 8.3 times EBITDA (2021: 9.7 times). The weighted average revenue multiple for the portfolio as at 31 December 2022 was 4.5 times revenue (2021: 11.4 times).

The significant unobservable input used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are shown below:

	Sensitivity used*	Effect on fair value	
		2022 £'000	2021 £'000
Earnings multiple	1x	1,941	4,225
Revenue multiple	1x	–	423
Net assets	10%	2,311	2,347

\* the sensitivity analysis refers to an amount added or deducted from the input and the effect this has on the Company's unlisted investments

The fair value of the Company's unlisted investments is sensitive to changes in the assumed earnings/revenue multiple and net asset value. An increase in the earnings/revenue multiple used would lead to an increase in the fair value of the investment portfolio and a decrease in the earnings/revenue multiple would lead to a decrease in the fair value. An increase in the net asset value used would lead to an increase in the fair value of the investment portfolio and a decrease in the net asset value would lead to a decrease in the fair value.

## 12. Investments (continued)

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.

	Level 3 UK Unlisted £'000	Level 3 European Unlisted £'000	Level 1 'AAA rated money market funds £'000	Total £'000
Cost at 31 December 2021	52,887	4,267	11,812	68,966
Unrealised (depreciation)/appreciation	(9,310)	932	–	(8,378)
Valuation at 31 December 2021	43,577	5,199	11,812	60,588
Purchases	430	75	28,422	28,927
Sales	(34,027)	(2,900)	(28,615)	(65,542)
Realised gain on sales	12,079	2,277	–	14,356
Increase in unrealised (depreciation)/appreciation	(7,964)	(1,878)	–	(9,842)
Valuation at 31 December 2022	14,095	2,773	11,619	28,487
Cost at 31 December 2022	31,369	3,719	11,619	46,707
Unrealised (depreciation)/appreciation	(17,274)	(946)	–	(18,220)

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

The Company recognised proceeds of £65.5m (2021: £46.6m) from investments sold in the year. This includes £4.0m which has not yet been received from the RED earn-out. The book cost of these investments when they were purchased was £51.2m (2021: £31.2m). These investments have been revalued over time and until they are sold any unrealised gains/losses were included in the fair value of the investments.

	Level 3 UK Unlisted £'000	Level 3 European Unlisted £'000	Level 1 'AAA rated money market funds £'000	Total £'000
Cost at 31 December 2020	74,455	4,188	13,699	92,342
Unrealised (depreciation)/appreciation	(16,499)	142	–	(16,357)
Valuation at 31 December 2020	57,956	4,330	13,699	75,985
Purchases	1,550	79	6,213	7,842
Sales	(38,547)	–	(8,100)	(46,647)
Realised gain on sales	15,429	–	–	15,429
Increase in unrealised (depreciation)/appreciation	7,189	790	–	7,979
Valuation at 31 December 2021	43,577	5,199	11,812	60,588
Cost at 31 December 2021	52,887	4,267	11,812	68,966
Unrealised (depreciation)/appreciation	(9,310)	932	–	(8,378)

	2022 £'000	2021 £'000
Realised gains on sales	14,356	15,429
Unrealised (appreciation) recognised in prior years	(9,090)	(4,190)
	5,266	11,239
(Decrease)/increase in unrealised appreciation	(752)	12,169
Gains on investments	4,514	23,408

Included within unlisted investments are investments valued at £13.5m (2021: £30.7m) 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(c).

## 12. Investments (continued)

### Significant interests

(a) At 31 December 2022, 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
Dunedin Buyout Fund II LP	Scotland	29.7	29.7	31.12.22	n/a	n/a
Premier Hytemp Topco Limited	Scotland	–	23.0	30.09.21	(21,471)	646

(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
Dunedin Buyout Fund III LP	Scotland	19.6	19.6
EV Holdings Limited	England	–	10.6
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.

## 13. Other receivables

	2022 £'000	2021 £'000
Prepayments	31	54
Other debtors	5,344	243
	5,375	297

Other debtors consist of the Company's share of current assets of the Dunedin managed limited partnership funds in which it has an interest and £4.0m relating to the RED earn-out.

## 14. Other liabilities

	2022 £'000	2021 £'000
Accruals	122	88
	122	88

## 15. Called-up share capital

	Nominal No. '000	31 December 2022 £'000	Nominal No. '000	31 December 2021 £'000
Allotted, called-up and fully paid Ordinary shares:				
At 1 January 2022	13,137	3,284	18,100	4,525
Repurchased during the year	(7,633)	(1,908)	(4,963)	(1,241)
At 31 December 2022	5,504	1,376	13,137	3,284

The capital of the Company is managed in accordance with its investment policy and objectives which are detailed in the Strategic Report on page 18.

The Company repurchased and cancelled 7,632,536 ordinary shares in the year to 31 December 2022 at a cost of £41,407,212. The costs associated with undertaking the tender offer amounted to £407,212. The nominal value of these shares was £1,908,134 and represented 58.1% of the issued share capital.

At 24 March 2023 no ordinary shares have been repurchased since 31 December 2022. 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.

## 16. Net asset value per share

The net asset value per share is calculated on shareholders' funds of £34,517,770 (2021: £73,412,693) and on 5,504,274 ordinary shares in issue at the year end (2021: 13,136,810).

## 17. Capital commitments

There were outstanding capital commitments of £9.6m (2021: £9.8m) in respect of investments at the end of the year.

Outstanding capital commitments are as noted below:-

	2022 £'000	2021 £'000
Dunedin Buyout Fund II LP	1,358	1,510
Dunedin Buyout Fund III LP	7,461	7,540
Realza Capital FCR	745	706
	9,564	9,756

## 19. Contingencies

There were no contingent liabilities at the year end (2021: £nil).

## 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 9 to 16. The Company's overall market positions are monitored by the Manager on an ongoing basis and by the Board quarterly.

**20. Financial instruments and associated risks (continued)****Market risk sensitivity**

49% (2021: 66%) of the Company's net assets are invested in unquoted companies. The fair value of the unlisted companies is influenced by estimates, assumptions and judgements made in the fair valuation process (see note 4 on pages 46 to 47). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs.

**As at 31 December 2022**

	Fair value of investments £'000	Variable Input Sensitivity (%)	Impact £'000	% of Net Assets
Earnings multiple	6,053	±10	±1,321	±3.8
Revenue multiple	–	±10	–	–
Net assets	9,530	±20	±4,560	±13.2

**As at 31 December 2021**

	Fair value of investments £'000	Variable Input Sensitivity (%)	Impact £'000	% of Net Assets
Earnings multiple	32,061	±10	±4,064	±5.5
Revenue multiple	5,863	±10	±482	±0.7
Net assets	8,431	±20	±4,581	±6.2

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 Company****31 December 2022**

Currency	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Sterling	14,095	11,619	–	25,714
Euro	1,331	–	1,442	2,773
Total	15,426	11,619	1,442	28,487

**31 December 2021**

Currency	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Sterling	29,469	24,427	14,108	68,004
Euro	2,496	–	2,703	5,199
Total	31,965	24,427	16,811	73,203

The fixed rate assets comprise fixed rate lendings to investee companies. Fixed rate lendings have a weighted average interest rate of 9% per annum (2020: 9%) and a weighted average life to maturity of 1.7 years (2021: 2.2 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.

## 20. Financial instruments and associated risks (continued)

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:

	2022 £'000	2021 £'000
Unquoted debt	15,426	31,955
AAA rated cash OEICs	11,619	11,812
Cash deposits	778	12,616
<b>Total</b>	<b>27,823</b>	<b>56,383</b>

Investment in the debt of 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 quickly liquidate 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. 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.

### Currency Rate Sensitivity

At 31 December 2022, if Sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis for 2021.

	2022 £'000	2021 £'000
Euro	145	274
<b>Total</b>	<b>145</b>	<b>274</b>

## 21. Investments in unconsolidated entities

Details of the undertakings which were unconsolidated subsidiaries held at 31 December 2022 and 31 December 2021 are listed below:

Name:	Dunedin Fund of Funds LP
Direct or indirect holding:	Direct
Country of incorporation:	Scotland
Principal activity:	Private equity fund of funds
Proportion of share:	100%

	Dunedin Fund of Funds LP £'000
Valuation at 31 December 2021	5,199
Net capital movements	(2,825)
Valuation movements	399
<b>Valuation at 31 December 2022</b>	<b>2,773</b>

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**22. Related party transactions**

The Company has investments in Dunedin Buyout Fund II LP, Dunedin Buyout Fund III LP and Dunedin Fund of Funds LP. Each of these limited partnerships are managed by Dunedin. The Company has paid a management fee of £0.4m (2021: £0.6m) in respect of these limited partnerships. The total investment management fee payable by the Company to the Manager is therefore £0.6m (2021: £0.7m).

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 2022 there is a provision made within Investments for carried interest of £1.4m (2021: £4.3m) relating to Dunedin Buyout Fund III LP. Current executives of the Manager are entitled to 42% of the carried interest in Dunedin Buyout Fund III LP.

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#### Management Fees (unaudited)

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
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-seventh Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at 12 noon on 10 May 2023 at the offices of Dickson Minto WS, 16 Charlotte Square, Edinburgh, EH2 4DF for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 11 will be proposed as special resolutions.

### Ordinary Business

1. To receive and adopt the report of the Directors and auditor's and the audited accounts for the year ended 31 December 2022.
2. To approve the Directors' remuneration policy.
3. To approve the Directors' remuneration report for the year ended 31 December 2022.
4. To declare a final dividend of 25.0p per share for the year ended 31 December 2022 to be paid on 19 May 2023.
5. To re-elect Angela Lane as a Director.
6. To re-elect Duncan Budge as a Director.
7. To re-elect Brian Finlayson as a Director.
8. To re-appoint Johnston Carmichael LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
9. To authorise the Directors to fix the remuneration of the auditors.

### Special Business

10. That, in substitution for any existing authority, the Company be and is hereby generally and unconditionally authorised pursuant to and 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 fully paid ordinary shares of 25 pence each in the capital of the Company provided that:

- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 825,090;
  - (ii) the minimum price which may be paid for an ordinary share shall be 25 pence (excluding expenses);
  - (iii) the maximum price (exclusive of expenses) which shall be paid for an ordinary share shall be not more than the higher of: (i) 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; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue.
  - (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.
11. 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  
31 March 2023

Registered Office:  
Easter Dalry House, 3 Distillery Lane, Edinburgh, EH11 2BD

**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 adviser 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 adviser.
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 by 12 noon on 5 May 2023 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. 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 6.30 pm on 5 May 2023. 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. In the case of joint holders, the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holder(s). Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
6. 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.
7. 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.
8. As at 31 March 2023 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 5,504,274 ordinary shares of 25 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 31 March 2023 are 5,504,274.
9. Any member attending the AGM has the right to ask questions. Pursuant to section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member 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, the response has already been given on a website in the form of an answer to a question or if to do so would involve the disclosure of confidential information or interfere unduly with the preparation for the meeting.
10. In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares and shares of each class 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).
11. Shareholders may require the Company to place on its website a statement, made available also to the Company's auditor, 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. A request (i) must identify the statement to which it relates; (ii) must be authenticated by the person making it; (iii) must be received by the Company at least one week before the AGM. Members seeking to do this should write to the Company at its registered office providing their full name and address.

12. 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.
  13. 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.
  14. 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 & International 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 12 noon on 5 May 2023 (excluding any parts of the day that is not a business day), or in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. 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.
  15. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and International 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.
16. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12 noon on 5 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
  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 log onto your portfolio using your usual ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. 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 12 noon on 5 May 2023 (excluding any parts of the day that is not a business day).
  19. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 11, 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 request must identify the resolution to which notice is to be given; (iv) the resolution must be received by the Company not later than 6 weeks before the Annual General Meeting; (v) the resolution must be authenticated by the person making it; and (vi) 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 11, 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 will be available for inspection at the offices of Dickson Minto WS, 16 Charlotte Square, Edinburgh, EH2 4DF and at the Company's registered office from the date of this notice until the conclusion of the Annual General Meeting and at the Annual General Meeting itself for at least 15 minutes prior to the beginning of the meeting until the end of the meeting.

22. In addition to completing the enclosed Form of Proxy and returning it to Equiniti as per the instructions on the form shareholders can submit proxies online by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy. Full details of the procedure are given on the website. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint a proxy by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using their usual user ID and password. Once logged in simply click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. Any such votes need to be cast by no later than 12 noon on 5 May 2023.

The Board would also welcome questions from shareholders in advance of the AGM. Please submit all questions to [info@dunedinenterprise.com](mailto:info@dunedinenterprise.com) by 5 May 2023. The Board will provide answers to these questions after the AGM.

If it is necessary to provide you with further information about the Annual General Meeting, or notify you about any alternative arrangements, we will do so on our website ([www.dunedinenterprise.com](http://www.dunedinenterprise.com)) and by RNS.

## 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 should be directed to Dunedin at Easter Dalry House, 3 Distillery Lane, Edinburgh, EH11 2BD or [info@dunedinenterprise.com](mailto:info@dunedinenterprise.com).

The Company's share price is available on the Company website [www.dunedinenterprise.com](http://www.dunedinenterprise.com) 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. An investment trust should be considered only as part of a balanced portfolio.

**Registrar**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

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

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## Glossary of Terms and Definitions and Alternative Performance Measures

### Buy-out fund

A fund which acquires stakes in established unquoted companies.

### Commitment

The amount committed by the Company to a fund investment, whether or not such amount has been advanced in whole or in part by or repaid in whole or in part to the Company.

### Distribution

A return that an investor in a private equity fund receives.

### Draw down

A portion of a commitment which is called to pay for an investment.

### EBITDA

Earnings before interest expense, taxes, depreciation and amortisation.

### Enterprise value ("EV")

The value of the financial instruments representing ownership interests in a company plus the net financial debt of the company.

### Net Asset Value ("NAV") per Ordinary Share

The value of the Company's assets and cash held less any liabilities for which the Company is responsible divided by the number of shares in issue.

### NAV Total Return

The NAV total return is calculated by adding dividends and capital returned in the period to the increase or decrease in the net asset value. The dividends or capital returned are assumed to be re-invested in the quarter that the dividend or capital return is paid.

	2022	2021
NAV per share at start of year (pence)	558.8	413.9
NAV per share at end of year (pence)	627.1	558.8
Change in year	+12.2%	+35.0%
Impact of dividend reinvestments	+9.5%	+4.5%
Total NAV return for the year	+21.7%	+39.5%

### Ongoing Charges

Management fees and all other recurring operating expenses that are payable by the Company excluding the costs of purchasing and selling investments, finance costs, taxation, non-recurring costs and costs of returning capital to shareholders, expressed as a percentage of the average net asset value during the period.

	2022	2021
Investment management fee (£'000)	140	117
Investment management fee – FoF LP (£'000)	85	73
Other expenses (£'000)	379	384
Limited partnership ongoing expenses (£'000)	328	529
Ongoing charges (£'000)	932	1,104
Ongoing charges as a percentage of average net assets:	1.4%	1.3%
Average net assets (£'000)	67,276	82,911

### Premium/Discount

The amount by which the market price per share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

		2022	2021
Net Asset Value per share (pence)	(a)	627.1	558.8
Ordinary share price per share (pence)	(b)	509.0	473.0
Discount (c=(b-a)/a)	(c)	18.8%	15.4%

### Secondary transaction

The purchase or sale of an investment and its undrawn commitment (if any) to a fund or collection of fund interests in the market.

### Share buy-back transaction

The repurchase by the Company of its own shares which will reduce the number of shares on the market.

### Share price total return

The share price total return is calculated by adding dividends and capital returned in the period to the increase or decrease in the share price. The dividends or capital returned are assumed to be re-invested on the day the share price goes ex-dividend.

	2022	2021
Share price per share at start of year (pence)	473.0	336.0
Share price per share at end of year (pence)	509.0	473.0
Change in year	+7.6%	+40.8%
Impact of dividend reinvestments	+10.9%	+5.5%
Total share price return for the year	+18.5%	+46.3%

See page 20 for details of the Company's key performance indicators ("KPI's") and how the Directors assess some of these Alternative Performance Measures.

## AIFMD Disclosures (unaudited)

Dunedin is required to make certain periodic disclosures to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the [www.dunedinenterprise.com](http://www.dunedinenterprise.com). There have been no material changes to the disclosures contained within the PIDD since first publication on 6 March 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- None of the Company's assets are subject to special arrangements arising from their illiquid nature;
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity risk management systems of Dunedin;
- The current risk profile of the Company and the risk management systems employed by Dunedin to manage those risks are found in the PIDD. The risk limits set by Dunedin have not been exceeded; and
- In accordance with the requirements of AIFMD, Dunedin has put in place a compliant remuneration policy, which is available from the Company Secretary on request. The Company Secretary can be contacted at Dunedin LLP, Easter Dalry House, 3 Distillery Lane, Edinburgh, EH11 2BD. All remuneration disclosures required will be included in the annual report of Dunedin for the year ending 31 March 2023.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company.

	Gross Method	Commitment Method
Maximum level of leverage	1.2:1	1.2:1
Actual level as at 31 December 2022	1:1	1:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information required to be disclosed to investors under AIFMD will be notified via a regulatory news service without undue delay.

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## Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports for the year ended 31 December 2022 and half year end 30 June 2023 can be expected in the months shown below:

**March**

Year end results and final dividend for the year announced.

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**April**

Report and accounts published.

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**May**

Annual General Meeting held and payment of final dividend.

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**September**

Interim report for half year to 30 June published.

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A preliminary announcement of unaudited net asset value for each quarter will be made around one month following the quarter end.

## Corporate Information

**Directors**

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

**Website**

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**Manager, Secretary & Registered Office**

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Registered No. 52844 Scotland

**Registrar**

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Tel 0371 384 2440

**Bankers**

Lloyds TSB Bank plc

**Solicitors**

Dickson Minto WS

**Auditor**

Johnston Carmichael LLP

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