



24 March 2023

For release 24 March 2023

Dunedin Enterprise Investment Trust PLC ("the Company")

Year ended 31 December 2022

Dunedin Enterprise Investment Trust PLC, the private equity investment trust, announces its results for the year ended 31 December 2022.

Financial Highlights:

- Share price total return of 18.5% in the year to 31 December 2022
- Net asset value total return of 21.7% in the year to 31 December 2022
- Realisations of £36.9m in the year
- £41m returned via tender offer in November 2022
- Interim dividend paid of 34.0p per share
- Final dividend of 25.0p per share proposed for the year ended 31 December 2022
- Total of £145.1m has been returned to shareholders since the decision to wind-up the Trust in 2016

Comparative Total Return Performance

Year to 31 December 2022	Net Asset value	Share price	FTSE Small Cap (ex Inv Cos) Index
One year	21.7%	18.5%	-17.3%
Three years	60.4%	58.1%	10.3%
Five years	95.2%	113.9%	11.9%
Ten years	148.4%	209.4%	130.3%

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**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

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

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

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 ¹ £'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

¹ 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 to 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

Total return of investments at 31 December 2022

Company name	Original cost of investment £'000	Realised to date*1 £'000	Directors Valuation*2 £'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

*1 - dividends and capital

*2 - excludes carried interest provision of £1.5m

Income Statement

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

The total column of this statement represents the Income Statement of the Group, 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.

Statement of Changes in Equity
for the year ended 31 December 2022

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	Notes
At 31 December 2021	3,284	1,241	19,721	(8,378)	51,001	6,544	
Profit for the year	-	-	14,276	(9,842)	-	4,499	
Purchase and cancellation of shares	(1,908)	1,908	(50)	-	(41,407)	-	(4)
Dividends paid	-	-	-	-	-	(6,371)	
At 31 December 2022	1,376	3,149	33,947	(18,220)	9,594	4,672	

* 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

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	Notes
At 31 December 2020	4,525	49,850	30,600	(16,357)	1,151	5,153	
Profit for the year	-	-	15,356	7,979	-	4,649	
Cancellation of capital redemption reserve	-	(49,850)	-	-	49,850	-	
Purchase and cancellation of shares	(1,241)	1,241	(26,235)	-	-	-	(4)
Dividends paid	-	-	-	-	-	(3,258)	
At 31 December 2021	3,284	1,241	19,721	(8,378)	51,001	6,544	

Balance Sheet
As at 31 December 2022

	31 December 2022 £'000	31 December 2021 £'000
Non-current assets		
Investments held at fair value	28,487	60,588
Current assets		
Trade receivables	1,000	1,000
Prepaid expenses	1,000	1,000
Other receivables	1,000	1,000
Other assets	1,000	1,000
Total assets	31,487	63,588
Equity		
Share capital	1,376	3,284
Reserves	30,111	60,304
Total equity	31,487	63,588

Other receivables	5,375	297
Cash and cash equivalents	778	12,616
	6,153	12,913
Current liabilities		
Other liabilities	(122)	(88)
Net assets	34,518	73,413
Capital and reserves		
Share capital	1,376	3,284
Capital redemption reserve	3,149	1,241
Capital reserve - realised	33,947	19,721
Capital reserve - unrealised	(18,220)	(8,378)
Special distributable reserve	9,594	51,001
Revenue reserve	4,672	6,544
Total equity	34,518	73,413
Net asset value per ordinary share (basic and diluted)	627.1p	558.8p

Cash Flow Statement
for the year ended 31 December 2022

	31 December 2022 £'000	31 December 2021 £'000
Cash flows from operating activities		
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)
Net cash inflow from operating activities	3,394	2,853
Cash flows from investing activities		
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
Net cash inflows from investing activities	32,595	38,805
Tax		
Tax recovered	-	342
Cash flows from financing activities		
Tender offer	(41,456)	(26,235)
Dividends paid	(6,371)	(3,258)
Interest paid	-	(42)
Net cash outflows from financing activities	(47,827)	(29,535)
Net (decrease)/increase in cash and cash equivalents	(11,838)	12,465
Cash and cash equivalents at 1 January	12,616	151
Cash and cash equivalents at 31 December	778	12,616

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 judgments 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 2, 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 includes 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

Notes to the Accounts

1. Preliminary Results

The financial information contained in this report does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021. The financial information for 2021 is derived from the statutory accounts for 2021 which have been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2022 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting.

2. Going Concern

The financial information for 2021 and 2022 has 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. Following the Director's assessment, no adjustments were deemed necessary to the investment valuations or other assets and liabilities included in the financial information as a consequence of the change in the basis of preparation.

3. Dividends

	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
Dividends paid in the year	6,371	3,258

A final dividend of 25.0p per share for the year ended 31 December 2022 is proposed and if approved, will be paid 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.

4. Earnings per share

	Year to 31 December 2022	Year to 31 December 2021
Revenue return per ordinary share (p)	36.46	26.56
Capital return per ordinary share (p)	35.92	133.33
Earnings per ordinary share (p)	72.38	159.89
Weighted average number of shares	12,342,190	17,501,856

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

References to page numbers and notes in the disclosures below are to page numbers and notes to the annual report and accounts of the Company for the year ended 31 December 2022.

5. Principal Risks and Uncertainties (Strategic Report page 19)

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 with a view to ensuring that the orderly realisation process is progressing.

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 changing composition of 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 borrowing on a short-term basis. Accordingly, the Board seeks to ensure that the availability of cash reserves and bank borrowings match 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

6. Related Party Transactions (Notes to the Accounts page 57, note 22)

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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