GRAPHITE ENTERPRISE TRUST PLC

Interim Report

30 June 2005

GRAPHITE CAPITAL

Contents

Company Objective

To provide shareholders with long term capital growth through investment in unquoted companies both directly and through specialist funds.

Highlights

Net assets per share rose by 10.4%.

New commitments to funds totalled £50.7 million.

Realisations from the investment portfolio totalled £33.0 million.

Share buy backs totalled £9.1 million.

Financial Results

Attributable to ordinary shareholders	30 June 2005	31 Dec 2004	Change
Net assets per share	358.5p	324.9p*	+10.4%
Share price	308.0p	283.0p	+8.8%

*Restated for the adoption of International Financial Reporting Standards

Chairman's Statement

Performance

The net asset value per share of Graphite Enterprise increased by 10.4% to 358.5p in the six months to 30 June 2005 and the share price increased by 8.8% to 308.0p. These movements compare with an increase in our benchmark, the FTSE All-Share Index, of 6.2%. At 30 June 2005 shareholders' funds were £310.2 million. The rise in net asset value was primarily the result of a number of profitable disposals in a private equity market that had been unusually strong in 2004 and remained buoyant in the first half of 2005.

Portfolio

In the six months to June a number of important disposals were completed, generating substantial cash proceeds. Additions to the portfolio were at a lower level, but significant new commitments were made to funds. Total proceeds from the investment portfolio were £33.0 million while a total of £15.1 million was invested in the portfolio. New commitments to funds totalled £50.7 million.

In June Wagamama was sold to Lion Capital with completion taking place in July. We received cash proceeds of £7.0 million and re-invested a further £6.9 million in the company formed by Lion Capital to effect the acquisition. The total value of £13.9 million represents a surplus of £9.5 million over the carrying value at the beginning of the year. Including the amount re-invested, total proceeds over the life of the investment in Wagamama represent 4.9 times cost.

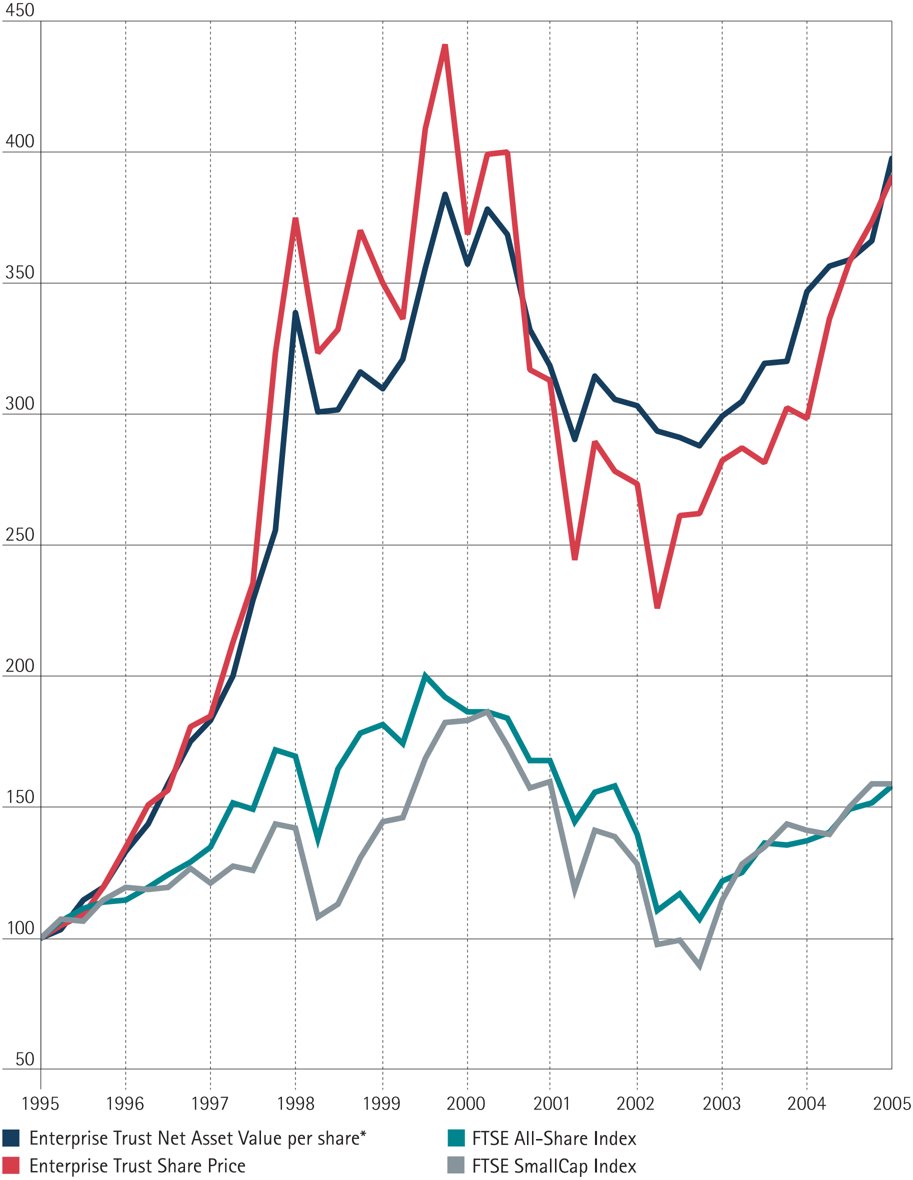
Ridgmont Care Homes was sold in April for £9.4 million, realising a surplus of £4.9 million over the carrying value at December 2004. Total proceeds over the life of the investment were £14.3 million representing 6.4 times cost.

The remaining investment in Leaderflush + Shapland was sold in the period for £5.6 million and the investment in Babcock Borsig, which was held through Deutsche Beteiligungs AG Fund IV, was sold for £4.5 million. In both cases the proceeds significantly exceeded the carrying values at the beginning of the year.

Graphite Enterprise made three commitments to funds in the period. These were to Doughty Hanson & Co IV, Lion Capital I and PAI Europe IV.

The commitment to Doughty Hanson & Co IV was £15.1 million, of which £4.5 million has so far been drawn down to make investments in four companies. The fund invests in leveraged buy-outs of businesses with enterprise values in excess of €250 million, mainly in Europe.

Ten Year Performance to June 2005



All amounts rebased to 100 at 30 June 1995

*Restated for the adoption of International Financial Reporting Standards

The commitment to Lion Capital I was £14.9 million, of which £4.6 million has been drawn down to make investments in three companies. The fund is focused on buy-outs of consumer brand and media businesses across Europe. The manager is the former European arm of Hicks Muse Tate & Furst, the U.S. private equity firm.

The commitment to PAI Europe IV, which invests in large European buy-outs, was £20.7 million. The manager, PAI Partners, is based in France and the fund is likely to have a bias towards the French market.

Valuation movements

The value of the investment portfolio increased by £33.3 million of which £23.8 million was realised and £9.5 million was unrealised. The largest movements were the increases in Wagamama (£9.5 million) reflecting the valuation achieved on its sale, Jane Norman (£6.5 million) to reflect strong trading performance and Ridgmont (£4.9 million). There were no substantial reductions in value in the investment portfolio.

Balance sheet and liquidity

Total net assets were £317.1 million as at 30 June 2005. The investment portfolio was valued at £166.9 million with cash and near cash holdings accounting for the balance of £150.2 million. Undrawn commitments to the portfolio were £125.7 million, bringing the total invested in or committed to the investment portfolio to £292.5 million or 92.2% of net assets.

Uncommitted cash and near-cash was £24.6 million or 7.8% of total net assets. Given the nature of our commitments to funds, which are contractual, long term and binding, we believe that this figure is the best measure of liquidity.

We used £9.1 million for share buy backs in the period. In total 3.2 million shares were purchased and cancelled, equivalent to 3.6% of the shares in issue at 31 December 2004. The buy backs were completed at an average price of 283.2p and at an average discount to net asset value of 14.6%.

Revenue account

Income has been unusually strong in the year to date, primarily as a result of receipts on the disposal of investments. In the six months to 30 June 2005 a total of £6.0 million was received, and more than £3.0 million has been received since the period end.

It is likely that a special dividend will be paid to shareholders later in the year as a result of this exceptionally high level of income.

Events since 30 June

Since 30 June, the investment in Jane Norman has been disposed of for total proceeds of £21.3 million, realising a surplus of £7.3 million over the carrying value at June. This had the effect, in isolation, of increasing the net asset value per share by 7.6p, of which 5.7p was

attributable to the capital account and 1.9p was attributable to the revenue account. The investment achieved a total return representing 2.9 times cost.
A further fund commitment has been made of £10.3 million to CVC European Equity Partners IV, a large European buy-out fund.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") have been applied for the first time in this report. The impact on Graphite Enterprise has not been significant. The main change is in the timing of recognition of dividends payable by the Company, which are now shown in the period in which they are declared. This had the effect of increasing the net asset value per share at 31 December 2004 from 320.6p to 324.9p.

There have been some changes to the format of the financial statements. The statement of total return is now called the income statement, the format of the cash flow statement has changed and a new statement, the statement of changes in equity, has been introduced.

Further explanation of the changes arising from the adoption of IFRS can be found in the notes to the accounts.

Outlook

As we anticipated in the annual report, prices in the UK private equity market have remained high, and conditions for disposals have been favourable.
We continue to believe that the market will fall from this cyclical peak in the short to medium term. We are starting to see signs that banks are taking a more cautious approach to providing debt to leveraged transactions and expect this to feed through to lower prices in due course.

Against this market background, we have continued to dispose of mature investments at the same time as substantially increasing our commitment to funds, which we believe will be investing when conditions are more favourable.

The disposal of Jane Norman has increased the short term liquidity of Graphite Enterprise. While we expect liquidity to fall as our substantial fund commitments are drawn down, we will consider buying back more shares if they are available in reasonable volumes at an attractive discount.

John Sclater
September 2005

The 10 Largest Investments

Value at 30 June 2005	£'000s
1 Jane Norman	13,973
Retailer of women's fashion products	
2 Wagamama	13,864
Chain of Japanese noodle restaurants	
3 Hicks, Muse, Tate & Furst Europe Fund	10,076
Equity investor in large European buy-outs	
4 ICG Mezzanine Fund 2000	9,654
Fund investing in mezzanine finance	
5 Huntress Search	8,211
Recruitment consultancy	
6 U-POL	8,026
Manufacturer of fillers, coatings and other automotive products	
7 Corpfin Capital II	8,015
Fund investing in medium sized buy-outs in Spain	
8 Graphite Capital Partners VI	7,016
Fund investing in mid-market buy-outs in the UK	
9 Intermediate Capital Group*	6,313
Provider of mezzanine finance	
10 Preh	5,226
Manufacturer of automotive components	
Total of ten largest investments	**90,374**
Percentage of portfolio investments	54.2%

* Quoted

Unaudited Consolidated Balance Sheet

for the half year to June 2005

	Notes	2005 £'000s	As at 30 June 2004* £'000s	As at 31 December 2004* £'000s
Non-current assets				
Investments held at fair value				
– Unlisted investments		**152,586**	189,997	133,998
– Listed investments		**14,267**	19,271	17,441
		166,853	209,268	151,439
Current assets				
Cash and cash equivalents		**150,199**	84,213	143,814
Trade and other receivables		**618**	1,281	1,342
		150,817	85,494	145,156
Current liabilities				
Trade and other payables		**545**	1,341	507
Net assets		**317,125**	293,421	296,088
Capital and reserves				
Called up share capital	8	**8,652**	9,080	8,972
Capital redemption reserve	8	**752**	324	432
Share premium	8	**12,936**	12,936	12,936
Capital reserve	8	**276,518**	252,654	257,707
Revenue reserve	8	**11,362**	10,457	11,432
Total equity attributable to equity shareholders	8	**310,220**	285,451	291,479
Minority interests	8	**6,905**	7,970	4,609
		317,125	293,421	296,088
Net asset value per ordinary share (basic and diluted)		**358.5p**	314.4p	324.9p

*Restated for the adoption of International Financial Reporting Standards

Unaudited Consolidated Income Statement

	Notes	Half year to 30 June 2005 Revenue return £'000s	Capital return £'000s	Total £'000s
Gains and losses on investments held at fair value		–	33,266	33,266
Income		6,017	–	6,017
Foreign exchange gains and losses		–	(372)	(372)
		6,017	32,894	38,911
Investment management charges		(651)	(1,944)	(2,595)
Other expenses		(435)	–	(435)
		(1,086)	(1,944)	(3,030)
Profit before tax		4,931	30,950	35,881
Taxation		(1,143)	637	(506)
Profit for the period from continuing operations		3,788	31,587	35,375
Attributable to:				
Equity shareholders		3,788	27,854	31,642
Minority interests		–	3,733	3,733
Basic and diluted earnings per ordinary share	7			35.6p
Dividends declared and paid				
– total paid (£'000s)	6			3,858
– per share (p)				4.3p

The column headed 'capital' includes all items of income and expenses which relate to investments held at fair value. The column headed 'revenue' includes all other items of income and expenses. The column headed 'total' represents the income statement for the relevant period. Further explanation is given in note 2 to the financial statements.

All items in the above statement derive from continuing operations.

*Restated for the adoption of International Financial Reporting Standards

Half year to 30 June 2004*			Year to 31 December 2004*		
Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s
–	28,007	28,007	–	38,256	38,256
6,008	–	6,008	11,681	–	11,681
–	(227)	(227)	–	269	269
6,008	27,780	33,788	11,681	38,525	50,206
(576)	(1,732)	(2,308)	(1,209)	(3,626)	(4,835)
(368)	(54)	(422)	(875)	(88)	(963)
(944)	(1,786)	(2,730)	(2,084)	(3,714)	(5,798)
5,064	25,994	31,058	9,597	34,811	44,408
(818)	818	–	(1,864)	1,864	–
4,246	26,812	31,058	7,733	36,675	44,408
4,246	22,500	26,746	7,733	30,443	38,176
–	4,312	4,312	–	6,232	6,232
		29.5p			42.2p
		3,904			6,417
		4.3p			7.1p

Unaudited Consolidated Cash Flow Statement

	Half year to 30 June		Year to 31 December
	2005	2004*	2004*
	£'000s	£'000s	£'000s
Operating activities			
Sale of portfolio investments	**32,993**	24,287	109,251
Purchase of portfolio investments	**(15,057)**	(12,461)	(29,361)
Income received from investments	**2,934**	3,771	6,745
Other income	**3,173**	1,538	4,318
Investment management charges paid	**(2,029)**	(965)	(3,770)
Other expenses	**(873)**	(951)	(2,173)
Net cash inflow from operating activities	**21,141**	15,219	85,010
Financing			
Investments by minority interests	**99**	90	221
Distributions to minority interests	**(1,499)**	(493)	(5,907)
Purchase of ordinary shares	**(9,126)**	–	(2,890)
Equity dividends paid	**(3,858)**	(3,904)	(6,417)
Net cash outflow from financing activities	**(14,384)**	(4,307)	(14,993)
Net increase in cash and cash equivalents	**6,757**	10,912	70,017
Cash and cash equivalents at beginning of period	**143,814**	73,528	73,528
Net increase in cash and cash equivalents	**6,757**	10,912	70,017
Effect of changes in foreign exchange rates	**(372)**	(227)	269
Cash and cash equivalents at end of period	**150,199**	84,213	143,814

*Restated for the adoption of International Financial Reporting Standards

Unaudited Consolidated Statement of Changes in Equity

	Notes	Half year to 30 June 2005 £'000s	Half year to 30 June 2004 £'000s	Year to 31 December 2004 £'000s
Total equity at beginning of period		296,088	266,719	266,719
Adoption of IAS 39	10	83*	–	–
Profit attributable to equity shareholders		31,642	26,746	38,176
Profit attributable to minority interests		3,733	4,312	6,232
Total profit for the period and total recognised income and expense		35,375	31,058	44,408
Dividends declared	6	(3,858)	(3,904)	(6,417)
Purchase of own shares	5	(9,126)	–	(2,890)
Net distributions to minority interests		(1,437)	(452)	(5,732)
Total equity at end of period		317,125	293,421	296,088

Futher analysis of the above movements is presented in note 8.

* The adoption of IAS 39 increased shareholders' equity by £83,000 and had no impact on minority interests.

Notes to the Interim Accounts

1 GENERAL INFORMATION

Graphite Enterprise Trust PLC (the "Company") and its subsidiaries (together "Graphite Enterprise" or the "Group") are registered in England and Wales and domiciled in England. The Company's registered office is Berkeley Square House, Berkeley Square, London W1J 6BQ. The Company's objective is set out on page 1. These consolidated interim financial statements were approved for issue by the Board of Directors on 14 September 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The consolidated financial information for the six months ended 30 June 2005 has been prepared using the accounting policies expected to be used in the Group's annual financial statements to 31 December 2005. These accounting policies will be based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that will be applicable and adopted for use in the European Union for the Group's year ending 31 December 2005, except as noted below.

As set out in note 2(d) below, the Group has adopted The Fair Value Option amendment to IAS 39 issued by the IASB in June 2005 for these interim financial statements. This amendment has not yet been adopted for use in the European Union. It is anticipated that adoption will take place prior to the publication of the Group's next annual report but there can be no certainty of this.

Due to the continuing work of the IASB and possible amendments to the interpretive guidance, the Group's accounting policies, and consequently the information presented, may change prior to the publication of the Group's first annual financial statements under IFRS.

In order to reflect the activities of an investment trust company, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In analysing total income between capital and revenue returns, the directors have followed the guidance contained in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Trust Companies in January 2003, to the extent that this is not inconsistent with the requirements of IFRS.

In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital return may not be distributed by way of dividend.

Notes to the Interim Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) First time adoption of International Financial Reporting Standards
The date of transition to IFRS for the Group is 1 January 2004. The IFRS accounting policies set out herein have been applied retrospectively to the opening balance sheet as at 1 January 2004 and all subsequent periods, except as noted below. The impact of the transition from UK GAAP to IFRS is disclosed in note 9.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* permits an entity not to apply IAS 32 *Financial instruments: disclosure and presentation* and IAS 39 *Financial instruments: recognition and measurement* to comparative periods and the Group has taken advantage of this exemption. Accordingly, the UK GAAP accounting policies in respect of financial instruments which were applied in the year ended 31 December 2004 have continued to be used for the comparative financial information presented in this report. Had the Group applied IAS 39 to comparative periods, it would have been necessary to make adjustments in respect of transaction costs and the valuation of quoted investments. The effect of these would not have been significant.

(c) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) Investments
All investments are designated upon initial recognition as held at fair value through profit and loss (described in these financial statements as investments held at fair value) and are measured at subsequent reporting dates at fair value. Changes in the value of all investments held at fair value are recognised in the income statement and are presented in the capital column.

The Group has early adopted the amendments to IAS 39 issued by the IASB in June 2005 (The Fair Value Option) and the revised standard has been applied in the six months ended 30 June 2005. In practice, this has had no impact on the Group's accounting policies.

Unquoted investments
Fair value for unquoted investments is established by using various valuation techniques. The primary valuation methodology used is an earnings multiple methodology, with other methodologies used where they are more appropriate. The fair value of direct unquoted investments is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in March 2005. Third party funds are valued at the external manager's valuation where this is consistent with the requirement to use fair value.

Notes to the Interim Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Quoted investments

Quoted investments include both listed investments and those traded on other recognised markets. They are held at the last traded bid price on the balance sheet date. When a purchase or sale is made under contract, the terms of which require delivery within the timeframe of the relevant market, the contract is reflected on the trade date.

Associates

Investments which fall within the definition of an associate under IAS 28 *Investments in associates* are accounted for as investments held at fair value through profit and loss, as permitted by that standard. In the directors' view equity accounting would not give a true and fair view of the Company's interests in these investments which are held as part of an investment portfolio for the purpose of generating capital gains.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(f) Dividend distributions

Dividend distributions to shareholders are recognised as a liability in the period in which they are declared.

(g) Income

Interest income is recognised on a time apportionment basis so as to reflect the effective yield on the investment according to its contractual terms.

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is applicable are brought into account when the Group's right to receive payment is established. UK dividends are accounted for net of any tax credit.

Income distributions from funds are recognised when the right to distributions is established.

Notes to the Interim Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue account in the income statement with the following exceptions:

- Expenses which are incidental to the acquisition of investments are charged to the realised capital account.
- Expenses which are incidental to the disposal of investments are deducted from the disposal proceeds of investments.
- Expenses are charged to the realised capital account where a connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board expects the substantial majority of long term returns from the portfolio to be generated from capital gains. The investment management charges have therefore been allocated 75% to the capital account and 25% to the revenue account, in line with this expectation.

(i) Taxation

Investment trusts which have approval as such under Section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

Tax recognised in the income statement represents the sum of current tax and deferred tax charged or credited in the period. The tax effect of different items of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets are realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Interim Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency translation

The Group's functional currency is sterling since that is the currency of the primary economic environment in which the Group operates. The presentation currency is also sterling.

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, financial assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

Gains and losses arising on the translation of investments held at fair value are included within gains and losses on investments held at fair value in the income statement. Gains and losses arising on the translation of other financial assets and liabilities are included within foreign exchange gains and losses in the income statement.

(k) Revenue and capital reserves

The capital return component of total income is taken to the non-distributable capital reserve within the statement of changes in equity. The revenue return component of total income is taken to the revenue reserve from which dividend distributions are made.

3 UNAUDITED INTERIM REPORT

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the half years ended 30 June 2005 and 30 June 2004 has not been audited.

The information for the year ended 31 December 2004 has been extracted from the latest published audited financial statements, as amended to comply with IFRS (see note 9). The audited financial statements for the year ended 31 December 2004 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 237(2) or (3) of the Companies Act 1985.

4 GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO INVESTMENTS

	UK %	Non-UK %	Total %
Listed	8	–	8
Unlisted	65	27	92
	73	27	100

Notes to the Interim Accounts

4 GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO INVESTMENTS (Continued)

The Group's business operations are managed solely in the UK and are organised into one main business segment, focusing on achieving long term capital growth through investment in unquoted companies. Voluntary disclosure is made of the geographical distribution of portfolio investments.

5 SHARE BUY BACKS

During the six months ended 30 June 2005, the Company bought back 3,200,000 of its own shares in the market at an average price of 283.2p per share. All the shares were subsequently cancelled. The number of shares in issue at 30 June 2005 was 86,525,000. The total cost of these buy backs including related expenses was £9,126,000 and they had the effect of enhancing net asset value per share by 2.7p. There were no share buy backs in the first half of 2004. The number of shares in issue at 30 June 2004 was 90,800,000. During the year ended 31 December 2004, the Company bought back 1,075,000 of its own shares in the market at an average price of 266.9p per share. All the shares were subsequently cancelled. The number of shares in issue at 31 December 2004 was 89,725,000. The total cost of these buy backs including related expenses was £2,890,000 and they had the effect of enhancing net asset value per share by 0.6p.

6 DIVIDENDS

	Half year to 30 June		Year to 31 December
	2005	2004	2004
	£'000s	£'000s	£'000s
Dividends declared in the period	**3,858**	3,904	6,417

7 EARNINGS PER SHARE

	Half year to 30 June		Year to 31 December
	2005	2004	2004
Revenue return per ordinary share	**4.26p**	4.68p	8.54p
Capital return per ordinary share	**31.35p**	24.78p	33.61p
Earnings per ordinary share (basic and diluted)	**35.61p**	29.46p	42.15p
Weighted average number of shares	**88,832,778**	90,800,000	90,574,863

The earnings per share figures are based on the weighted average numbers of shares set out above.

Notes to the Interim Accounts

8 CHANGES IN EQUITY

	Share capital £'000s	Capital redemption reserve £'000s
Six months ended 30 June 2005		
Closing balance at 31 December 2004	**8,972**	**432**
Adoption of IAS 39	–	–
Opening balance at 1 January 2005	**8,972**	**432**
Profit for the period attributable to recognised income and expense	**–**	**–**
Dividends declared	**–**	**–**
Purchase of own shares	**(320)**	**320**
Net distributions to minority interests	**–**	**–**
Closing balance	**8,652**	**752**

	Share capital £'000s	Capital redemption reserve £'000s
Six months ended 30 June 2004		
Opening balance	9,080	324
Profit for the period attributable to recognised income and expense	–	–
Dividends declared	–	–
Purchase of own shares	–	–
Net distributions to minority interests	–	–
Closing balance	9,080	324

	Share capital £'000s	Capital redemption reserve £'000s
Year ended 31 December 2004		
Opening balance	9,080	324
Profit for the period attributable to recognised income and expense	–	–
Dividends declared	–	–
Purchase of own shares	(108)	108
Net distributions to minority interests	–	–
Closing balance	8,972	432

	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Minority interest £'000s	Total equity £'000s
	12,936	**257,707**	**11,432**	**291,479**	**4,609**	**296,088**
	–	**83**	**–**	**83**	**–**	**83**
	12,936	**257,790**	**11,432**	**291,562**	**4,609**	**296,171**
	–	**27,854**	**3,788**	**31,642**	**3,733**	**35,375**
	–	**–**	**(3,858)**	**(3,858)**	**–**	**(3,858)**
	–	**(9,126)**	**–**	**(9,126)**	**–**	**(9,126)**
	–	**–**	**–**	**–**	**(1,437)**	**(1,437)**
	12,936	**276,518**	**11,362**	**310,220**	**6,905**	**317,125**

	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Minority interest £'000s	Total equity £'000s
	12,936	230,154	10,115	262,609	4,110	266,719
	–	22,500	4,246	26,746	4,312	31,058
	–	–	(3,904)	(3,904)	–	(3,904)
	–	–	–	–	–	–
	–	–	–	–	(452)	(452)
	12,936	252,654	10,457	285,451	7,970	293,421

	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Minority interest £'000s	Total equity £'000s
	12,936	230,154	10,115	262,609	4,110	266,719
	–	30,443	7,733	38,176	6,232	44,408
	–	–	(6,416)	(6,416)	–	(6,416)
	–	(2,890)	–	(2,890)	–	(2,890)
	–	–	–	–	(5,732)	(5,732)
	12,936	257,707	11,432	291,479	4,609	296,088

Notes to the Interim Accounts

9 EXPLANATION OF TRANSITION TO IFRS

(a) Income statement

The principal impact of IFRS on reported profit is that the statement of total return is now called the income statement.

There have also been some presentational changes to the income statement and the description of some line items has been changed. Foreign exchange gains and losses are now shown separately on the face of the income statement where previously they were included in other expenses, and dividends are not permitted to be shown on the face of the income statement but are shown instead in the statement of changes in equity.

There have been no other adjustments which affect reported profit in any of the periods presented in this report and none of the changes affect the Company's legal and tax position as an investment trust.

(b) Cash flow statement

Under IFRS, the consolidated cash flow statement reconciles the movements in cash and cash equivalents, whereas under UK GAAP it reconciled movements in cash only. In addition, the presentation of items previously charged to the capital account has changed as some of these amounts are now considered to be part of the income statement following the changes set out in note 9(a) above. Finally the cash flow statement has been re-organised to show three groupings: operating, investing and financing cash flows.

Notes to the Interim Accounts

9 EXPLANATION OF TRANSITION TO IFRS (Continued)

(c) Equity

IFRS requires that dividends are recorded as a liability when declared. This has had the effect of increasing total equity attributable to equity shareholders at both 1 January 2004 and 31 December 2004, whereas under UK GAAP declared but unpaid dividends were accrued in the period to which they related. The impact of this is shown in the tables below.

There have been some minor presentational changes to the balance sheet. Listed investments are now presented in a single line. Items previously included under the headings "cash at bank and short-term deposits" and "investments" within current assets are now presented in the single line "cash and cash equivalents".

There have been no other adjustments which affect equity shareholders' funds for the comparative periods.

As at 1 January 2004	Share capital £'000s	Capital redemption £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
Under UK GAAP	9,080	324	12,936	230,154	6,211	258,705
Dividends	–	–	–	–	3,904	3,904
Under IFRS	9,080	324	12,936	230,154	10,115	262,609

As at 31 December 2004	Share capital £'000s	Capital redemption £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
Under UK GAAP	8,972	432	12,936	257,707	7,574	287,621
Dividends	–	–	–	–	3,858	3,858
Under IFRS	8,972	432	12,936	257,707	11,432	291,479

Notes to the Interim Accounts

10 CHANGE OF ACCOUNTING POLICY

As explained in note 2(b), IAS 39 was not applied to the financial information for the comparative periods presented in this report. As permitted by IFRS 1 it has been applied for the first time for the six months ended 30 June 2005. The impact of this on equity shareholders' funds at 31 December 2004, which is set out in the table below, is not significant.

	Share capital £'000s	Capital redemption £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total equity shareholders' funds £'000s
Closing reserves at 31 December 2004	8,972	432	12,936	257,707	11,432	291,479
Impact of adoption of IAS 39	–	–	–	83	–	83
Opening reserves at 1 January 2005	8,972	432	12,936	257,790	11,432	291,562

The net credit to the capital reserve of £83,000 consists of a credit to the unrealised capital reserve of £257,000 and a debit to the realised capital reserve of £174,000.

Independent Review Report to Graphite Enterprise Trust PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the Consolidated Balance Sheet as at 30 June 2005, Consolidated Income Statement, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 2, the next annual financial statements of the Company will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 2.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 2, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of company management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY
14 September 2005

Notes:

(a) PricewaterhouseCoopers LLP accept no responsibility for any changes that may occur to this interim report when it is presented on any website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Investor Savings Plans

Graphite Enterprise is a member of the F&C Investor Savings Plans. Details of the Plans are set out below.

Private Investor Plan (PIP)

This savings scheme has low dealing costs of 0.2% (plus 0.5% Government Stamp Duty on purchases). Investors can invest a lump sum or make regular monthly payments.

Pension Savings Plan (PSP)

Investors can maximise their tax benefits and save for retirement using this low cost plan, which includes a Personal Pension and freestanding AVCs. Investors can also invest on behalf of a dependant.

Individual Savings Account (ISA)

Investors can invest up to £7,000 capital gains tax free in an ISA. There is a fixed rate administration charging structure. Investors can invest a lump sum or make regular monthly payments.

Child Trust Fund

Parents can invest the Government voucher issued to all children born since 1 September 2002. Parents and Grandparents (or other relatives) can add contributions totalling £1,200 per year. Gains and income are tax free.

Personal Equity Plan (PEP)

PEPs are no longer available for new subscriptions. Investors can, however, continue to hold investments in any existing PEPs and transfer investments from one manager to another, subject to Inland Revenue requirements.

Telephone Services

The Investor Services Team aims to provide clear answers to investors' questions. The team is trained to deal with all aspects of investment trust management and administration. The team provides information on Graphite Enterprise and on investments managed by F&C Asset Management.

Whilst everything reasonable will be done to help investors with queries, F&C Asset Management is not able to offer financial advice.

For further details on the savings schemes and application forms, please contact the Investor Services Team:

Telephone: 0800 136 420
(UK calls charged at the local rate)
E-mail: investor.enquiries@fandc.com
Fax: 0131 243 1330
Address: Investor Service Team,
F&C Asset Management plc, 80 George Street,
Edinburgh EH2 3BU.

There is further information on the website: **www.fandc.com** under Investment Trusts.

The registrars of Graphic Enterprise are Computershare Investor Services PLC:

Telephone: 0870 702 0010
Address: Registrars Department,
PO Box 82, The Pavilions,
Bridgewater Road, Bristol BS99 7NH.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

The information on this page has been issued by Graphite Capital Management Limited and approved by F&C Asset Management plc, both authorised and regulated by the Financial Services Authority.

Graphite Capital Management Limited
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GRAPHITE CAPITAL