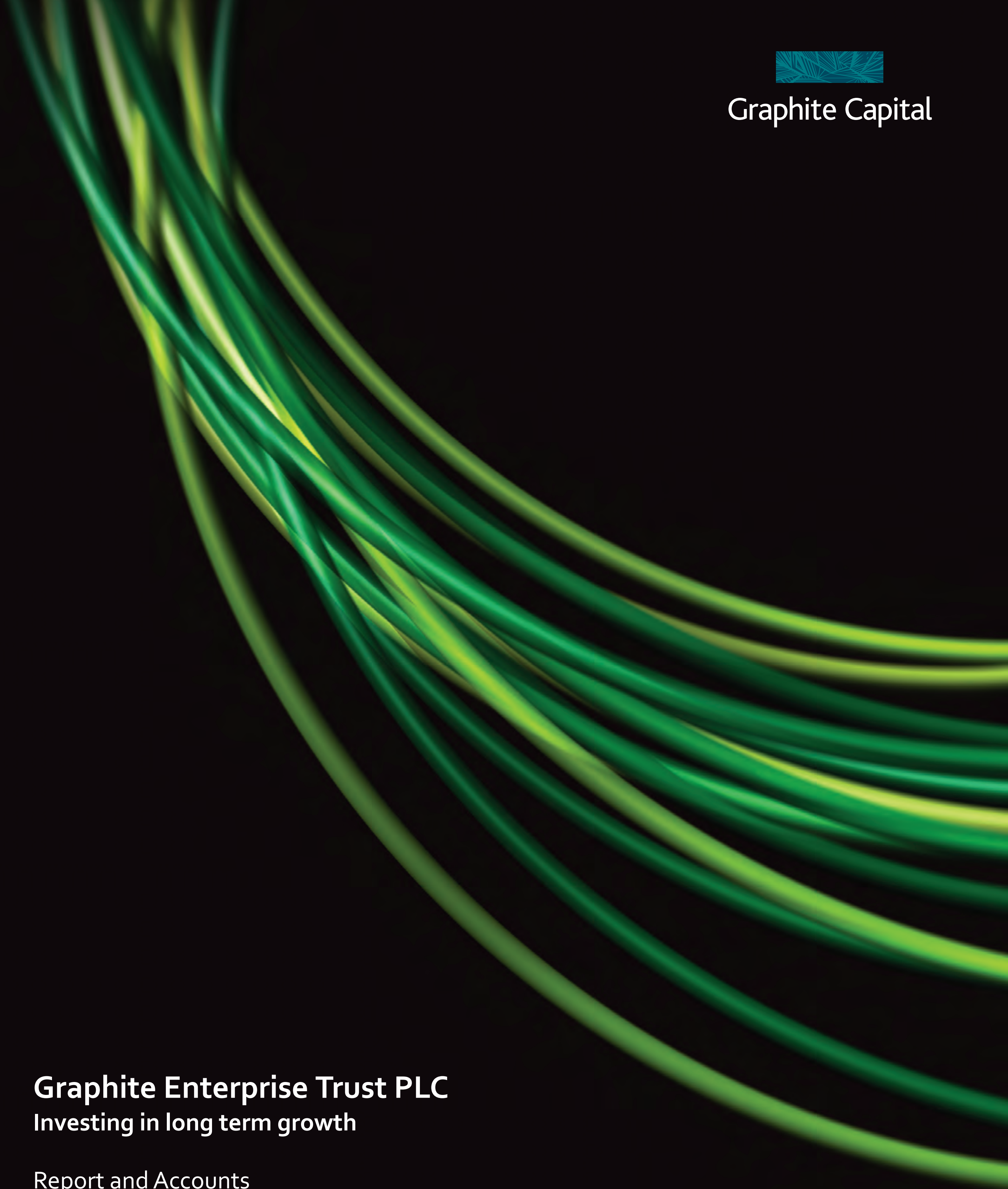
Graphite Capital



Graphite Enterprise Trust PLC

Investing in long term growth

Report and Accounts
31 January 2013

Contents

Summary of the Year

Graphite Enterprise made good progress in the year to 31 January 2013. The portfolio continued to perform well in a difficult economic environment, again demonstrating the strengths of the private equity model. The Company's net asset value grew by over 10% and the share price performed exceptionally well, increasing by over 36% in the year.

While private equity transaction volumes continue to be relatively subdued, we are seeing many attractive opportunities to invest in new funds and to acquire interests in existing funds. Our strong balance sheet leaves us very well placed to participate actively in the current round of new fund raisings and we expect commitments to rise significantly in the next year.

Over both the short and long term, the Company's net asset value has been one of the top performers, not only within the fund of funds sector but also within the wider listed private equity sector. The continued strong performance of the portfolio suggests that the Company is able to make progress even when underlying economies remain weak.

Mark Fane
Chairman

+36.4%

Share price
The share price strongly outperformed the benchmark FTSE All-Share Index which rose by 12.1%

+10.9%

Net asset value per share
The NAV per share has increased by more than a quarter since the end of 2007

+14.3%

Underlying value of the portfolio in local currency
The portfolio grew strongly for the fourth consecutive year in weak economic conditions

£76.9m

Realisation proceeds
20% of the opening portfolio was realised in cash

£100m

Bank facility
After the year end the bank facility was increased by £40 million from £60 million and remains undrawn

+52%

Average uplift in value on realisation
Profitable disposals continued to generate large uplifts in value

Financial summary

	31 January 2013	31 January 2012	Change
Net asset value per share	631.5p	569.4p	+10.9%
Share price	487.0p	357.0p	+36.4%
Dividend per share	5.0p	5.0p	–
FTSE All-Share Index	3,287	2,933	+12.1%

About Graphite Enterprise

Since inception, the Company has generated a return of more than 26 times the amount subscribed

Graphite Enterprise ("the Company") aims to provide shareholders with long term capital growth through investment in unquoted companies. To achieve this, the Company invests in private equity funds and also directly in private companies.

The Company was listed in 1981 and has invested exclusively in private equity and been managed by Graphite Capital throughout its life.

Graphite Enterprise provides access to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets.

The Company invests in UK mid-market companies through funds managed directly by Graphite Capital. Typically these will make up 20-25% of the portfolio. Investments in other UK companies and in overseas markets are made through funds managed by third parties. The Company does not invest in third party funds that invest in start ups or early stage businesses. Direct investments in companies may be made alongside both Graphite Capital and third party funds.

The Board has a conservative approach to portfolio and balance sheet management. As a result the Company has a strong performance record through the recent downturn as well as over its 32 year history.

Experienced and cohesive team

Graphite Capital is one of the longest established and best known UK mid-market buy-out firms. The senior team has worked together for 16 years and has an average of over 20 years of experience in private equity.

In addition to direct buy-out investments, Graphite Capital has been making third party fund investments for more than two decades. Unusually, the team that manages the third party fund portfolio also has extensive direct investing experience which places them in an ideal position to judge other private equity managers. The insight and market knowledge of Graphite Capital's direct investment team is also a significant advantage in assessing co-investment and secondary opportunities.

Distinctive approach where quality of the manager is key

Graphite Capital's approach to fund investing is rigorous and analytical. The choice of funds in which to invest is driven primarily by the quality of the manager. Factors such as coverage of specific geographic areas or sectors of the economy are given less emphasis.

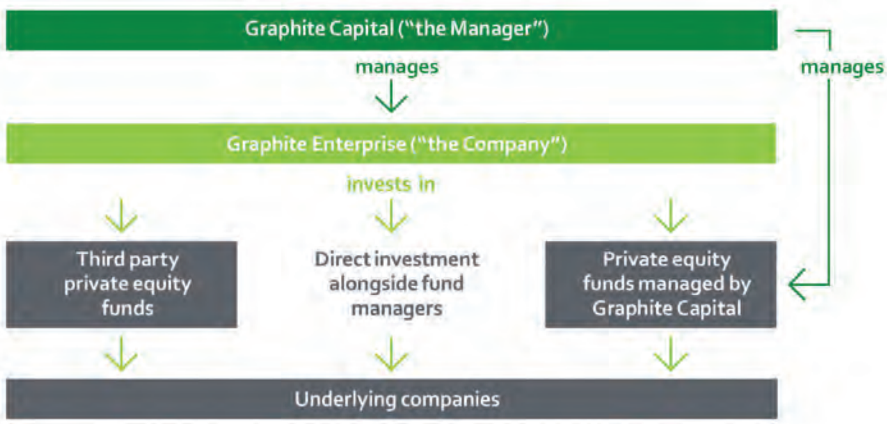
The main focus is whether the manager's current team can produce strong, repeatable investment returns. Graphite Capital's direct investment experience helps it to appraise the companies in which a manager has invested, which we believe is key to evaluating performance.

Diversified, but not diluted

The Company aims to provide exposure to a portfolio which is diversified but where the success of the larger investments can have a noticeable impact on overall performance. The Company is invested in a portfolio of more than 300 underlying companies managed by 28 private equity firms, The largest 30 companies account for 43% of the value.

About Graphite Enterprise

Fig: 1.1



Chairman's Statement

The net asset value increased by 10.9% in the year

Summary

Graphite Enterprise continued to perform well in the year to 31 January 2013, with the net asset value per share increasing by 10.9%. Net assets have now grown for four years in succession despite the prevailing economic uncertainty. Over those four years, the net asset value per share has increased by 45%[1]. At 31 January, the Company had total assets of £471 million and the net asset value per share was 631.5p.

The share price rose very strongly in the year, reaching an all-time high of 490p shortly before the year end[2]. It closed the year up 36.4% at 487p, only marginally below its peak. By comparison, the Company's benchmark, the FTSE All-Share Index, rose by 12.1%.

The increase in the share price led to a significant reduction in the discount to the net asset value, which narrowed from 37.3% to 22.9% over the twelve month period.

The Company's net asset value performance was the result of sustained growth in the portfolio, which increased in value by 14.3% in local currencies. This reflected both gains achieved on realisations and valuation increases. The latter were primarily driven by continued growth in the earnings of underlying portfolio companies.

At year end the portfolio was valued at £415 million. Just under 90% of total assets were held in the investment portfolio with the balance held in cash or cash equivalents. This level of investment was very similar to those at the last two year ends.

Realisation proceeds[3] of £77 million were equivalent to 20% of the opening portfolio. As we anticipated in last year's Annual Report, this was lower than the previous year when the figure was 27%, but both years represent relatively high levels for the period since the financial crisis. Reflecting the generally lower level of activity, new investment was also lower at £54 million compared with £81 million last year.

After the year end, we secured an increase of £40 million in the bank facility to £100 million. The Company now has cash and undrawn facilities of over £150 million. This gives us significant scope both to increase commitments to new funds, which will be drawn down over time, and to acquire secondary fund investments and make co-investments, which absorb cash more quickly.

[1] On a total return basis, which includes the effect of re-invested dividends.
[2] After the year end the share price reached a new high of 511p.
[3] Including income from the portfolio.

Economic environment

The Company's investment programme continues to be focused on the more mature private equity markets, primarily in Western Europe. The performance of these economies was weak in 2012, with concerns over the high levels of debt of some of the Eurozone countries and over the future of the euro itself depressing economic performance. As set out in the Market Review, private equity activity remained relatively subdued as a result.

Graphite Enterprise has benefited from having only limited exposure to those countries in the euro area where concerns over economic problems have been most acute, as in recent years we have chosen not to make commitments to funds focusing on these markets.

The recent strength of equity markets suggests that sentiment is changing. However, this is yet to be reflected in the underlying economic data and we continue to believe that economic growth across our key markets is likely to remain weak.

Despite these problems, the Company's performance has demonstrated that the private equity model can survive and indeed prosper in difficult times. The uncertainty which is depressing economic growth is also creating investment opportunities and we believe that private equity managers are ideally placed to identify and capitalise on these.

Performance

Overview

The investment portfolio increased in value by 14.3% in local currencies, which compares with an increase of 12.0% the previous year. When combined with the favourable impact of the strengthening euro, this led to an increase of 16.0% in the portfolio in sterling terms. After the costs of running the Company, the cost of the bank facility and the payment of the dividend, the overall increase in net asset value per share was 10.9%.

Portfolio

Gains on the realisation of portfolio companies accounted for just over half the total valuation growth of the portfolio during the year. Although somewhat lower than last year, when a number of the largest investments were sold, it was encouraging that these realisations were achieved at well above their carrying values. The remainder of the growth came from increases in the valuations of the unrealised portfolio, driven primarily by continued earnings growth.

As the largest 30 underlying companies accounted for 43% of the portfolio at 31 January 2013, their performance will, to a large extent, determine the future performance of the Company. These investments performed well in 2012, with revenues increasing by 12% and profits by 13%[1]. By comparison, the aggregate revenue of the FTSE 250 fell by 4% in 2012, while the aggregate profits of those companies rose by just 2%[2].

A more detailed analysis of the performance of the investment portfolio is given in the Portfolio Review.

Discount

The substantial rise in the share price in the year to January 2013, most of which occurred in the last quarter, caused the discount to narrow materially from 37.3% to 22.9%. This reflected an improvement in sentiment towards equity markets in general, but the strengthening of the listed private equity sector was particularly marked.

Over the 15 years prior to the start of the downturn, the Company's shares were typically on a discount of between 5% and 25%, while in the period since the discount has generally been between 30% and 40%. Most listed private equity companies have been on similar discounts. The Board has consistently held the view that this widening reflected adverse market sentiment and that discounts would narrow when confidence returned, as demonstrated by recent experience.

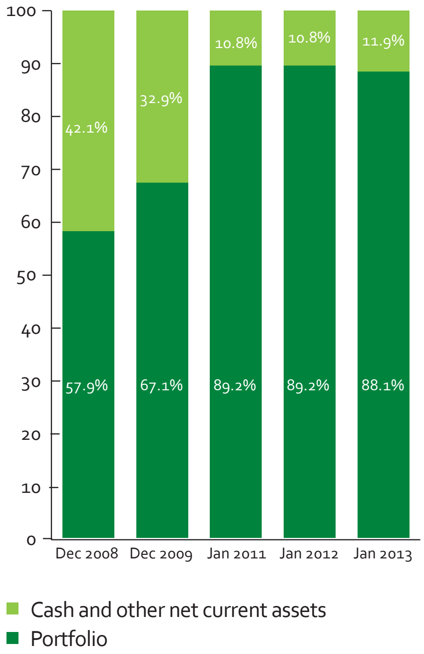
The Board continues to believe that the key to share price performance is to generate demand for the Company's shares through demonstrating consistently strong net asset value growth and through effective communication of performance and strategy. To this end, we will continue to devote significant time to our investor relations programme in 2013 and beyond.

[1] Excludes London Square (immature) where EBITDA is not a meaningful measure of performance.

[2] Source: Bloomberg. Measure of profits used is earnings before interest, tax, depreciation and amortisation.

Chairman's Statement
(continued)

Balance sheet
Fig: 1.2



Long term performance
Over 10 years, both the net asset value and the share price have outperformed the FTSE All-Share by a significant margin. The net asset value has grown by 171.5% and the share price by 178.2%, while the Index returned 146.4% over the same period.

Over both three and five years the net asset value has outperformed the Index, while the share price has outperformed over three. In the five years since December 2007, which covers the period of the economic downturn, the rise in the share price has been limited by the widening of the discount from the very low level of 8.7% to 22.9%.

Over both the short and long term, the Company's net asset value has been one of the top performers, not only within the fund of funds sector but also within the wider listed private equity sector.

Balance sheet and commitments
Over the last four years cash balances have fallen from £140 million to £55 million as the Company has become more fully invested. Over the same period commitments have fallen from £307 million to £127 million. We have not felt under pressure to replace amounts drawn down with new commitments, in the knowledge that our preferred managers would be raising new funds in the next 12 to 18 months.

In 2011 the Company put in place an initial bank facility of £60 million which, as noted earlier, has recently been increased to £100 million[1]. This facility enables the Company to make substantial long term commitments to funds without the need to retain high levels of cash to fund future drawdowns. With the facilities in place, our medium term aim is to be broadly fully invested while still ensuring that the balance sheet is managed conservatively and that we are able to take advantage of attractive investment opportunities as they arise.

To ensure that expected future proceeds from the portfolio are reinvested, we will significantly increase the level of commitments to funds. As a number of high quality funds are likely to be raised in the near future, we aim to make substantial commitments to these funds in the coming months. While acquiring secondary fund interests and making co-investments will remain important elements of our investment programme, commitments to new funds are likely to account for the majority of this programme as they have done to date.

[1] Further details of the increase in the bank facility are given in note 20 to the accounts.

Long term performance*

Years to 31 January 2013†	3	5	10
Net asset value per share	+38.4%	+26.8%	+171.5%
Share price	+64.0%	+9.3%	+178.2%
FTSE All-Share Index	+32.1%	+20.4%	+146.4%

* Total return basis which includes the effect of the reinvested dividends.
† As the Company has changed its year end from December to January, these are 37, 61 and 121 month periods to 31 January 2013.

We expect that Graphite Capital, the Manager of Graphite Enterprise, will be among those managers raising funds during the course of 2013. Both Graphite Capital's current fund and its long term track record show strong performance and the Graphite Capital-managed part of the portfolio made a substantial contribution to the net asset value growth in the year to January 2013.

The Board has therefore decided that the Company will make a significant commitment to the Manager's new fund when launched and the final amount will be decided at that time. The size of the original commitment to the last fund raised by Graphite Capital, in 2007, was £70 million and we would expect to commit at least this amount to the new fund.

Ten year performance[1]

Fig: 1.3

[1] All amounts rebased to 100 at 31 December 2002. Performance to 31 January 2013.

[2] Year end changed from 31 December to 31 January.

Chairman's Statement
(continued)

The Board recommends an unchanged dividend of 5.0p per share

Revenue return and dividend
As we have discussed in recent reports, most of the Company's income is generated when underlying portfolio companies are sold. As realisations in the year to January 2013 were lower than in the previous year, levels of income were also lower, falling from £9.1 million to £6.1 million. Reflecting this fall, the net revenue after tax for the year was £2.3 million or 3.1p per share, as compared with £4.6 million or 6.3p per share in the prior year.

Last year the Board recommended that the dividend should be more than doubled to 5.0p per share, all of which was funded from that year's income. Although revenues were lower in the year to January 2013, the strong underlying performance of the portfolio continued and the Board has therefore decided to recommend that the dividend be maintained at 5.0p per share. This will be paid partly from the brought forward revenue reserve. After this payment, a further £9.0 million or 12.4p per share will be carried forward in revenue reserves.

Board
Michael Cumming will retire from the Board at the end of the forthcoming Annual General Meeting. Throughout his tenure, which began in 1999, he has made a significant contribution to the Company through his incisive analysis and independence of thought. Board meetings have been enlivened by his wit and good humour. I would like to thank him sincerely on behalf of Graphite Enterprise's shareholders and my colleagues on the Board for all his hard work and to wish him the very best for the future.

Sandra Pajarola joined the Board on 27 March. At the end of 2012, Sandra retired from Partners Group, where she had worked for 13 years building its global primary investments business. Partners Group is an investment management firm listed in Switzerland with over €27 billion under management in private equity and other private assets. During her time at Partners Group, Sandra was a member of the Global Investment Committee which was responsible for commitments to more than 500 private equity funds. Sandra brings highly relevant experience of private equity investing to the Board and we are looking forward to working with her.

Two appointments have been made to the Audit Committee during the year, as it was felt to be appropriate for all the non-executive directors other than the Chairman to be members. It is intended that Sandra Pajarola will join the Audit Committee in due course.

The Company intends to make substantial new commitments in the coming year, including to Graphite Capital's next fund

Outlook
The rise in equity markets so far in 2013 suggests that investor confidence has improved – largely, it would seem, because of an absence of significant bad news rather than much good news. This confidence may yet prove to be fragile in the event of economic or political shocks. There are, nonetheless, tentative signs of improvement in the private equity market – particularly in the environment for disposals and also for raising new funds.

Fund raising by private equity managers has increased over the last 12 months, but is still low by historic levels. As a result the Company's commitments are at an unusually low level. However, investors in private equity seem more willing to back new funds now than in recent years. This positive fund raising momentum would obviously be enhanced by stronger exits from existing portfolios.

2013 looks likely to present an unprecedented range of choice for well capitalised investors in private equity funds. Graphite Enterprise remains extremely well placed to take advantage of these market conditions, with significant net cash and the undrawn bank facility, and we expect the Company to make significant new commitments this year. We will also continue to review opportunities to acquire secondary fund interests and co-investments as these would allow us to reinvest proceeds from exits more quickly.

Our portfolio has performed well in recent years and the continued strong performance over the last twelve months suggests that it is able to make progress even when the underlying economy remains weak.

Mark Fane
April 2013

Case study: NES

In October 2012, Graphite Capital sold NES for £234 million, generating a multiple of 4.7 times cost

Graphite Capital Partners VI ("CPVI"), which is managed by Graphite Capital, acquired NES, a leading provider of specialist engineers to the global oil and gas, power and infrastructure industries, in 2006 in a secondary buy-out.

NES places highly skilled contract engineers and project managers with blue chip, multi-national clients, principally in the oil and gas industries, and also in the power and infrastructure sectors.

Under Graphite's ownership, NES grew EBITDA organically every year despite the difficult economic climate. Net fee income more than doubled and EBITDA trebled. The company was transformed from being predominantly UK focused into a global operator, with three-quarters of its profits generated overseas.

NES was the Company's second largest underlying investment at 31 January 2012. The exit price represented a 4.7x multiple of cost and a 64% uplift to the carrying value at 31 January 2012.

64%

Uplift at exit to carrying value at 31 January 2012

Business Review

The Graphite Capital Team

Rod Richards
Managing Partner

Emma Osborne
Senior Partner,
Head of Fund Investment

Stephen Cavell
Senior Partner,
Head of Investor Relations

Tim Spence
Partner,
Finance Director

Simon ffitch
Senior Partner,
Joint Head of Direct Investment

Andy Gray
Senior Partner,
Joint Head of Direct Investment

Markus Golser
Senior Partner

Fiona Bell
Investment Director,
Fund Investment

Andrea Fernandez
Investment Manager,
Fund Investment

Colm Walsh
Investment Manager,
Fund Investment

Graphite Capital

The Company is managed by Graphite Capital Management LLP ("Graphite Capital" or the "Manager"). Graphite Capital is one of the UK's leading mid-market private equity firms with over £1.2 billion of funds under management. It has raised and managed funds for almost 32 years and has been owned by its partners since 2001. The senior management team has worked together for 16 years.

Graphite Capital manages both direct investments in portfolio companies and private equity fund investments. Direct investments are predominantly made through limited life funds which have a global institutional investor base. Fund investments are made exclusively by Graphite Enterprise. Both the direct and fund investments focus on the buy-out sector of the private equity market rather than venture capital or other sectors.

Graphite Capital operates from a single office in London with 21 investment professionals and 21 support staff. Separate teams focus on direct and fund investments and a small number of executives have responsibilities which span both activities. There is a highly collaborative culture which supports the sharing of insights and knowledge between teams.

Direct investments

Direct investments account for almost three-quarters of Graphite Capital's funds under management. The focus of direct investments is on UK mid-market buy-outs of companies valued at between £40 million and £150 million across a range of industry sectors. Most direct investments are in well established companies, although some are at an earlier stage of development. While the focus is primarily on UK head-quartered businesses, many have significant overseas operations.

The investment strategy is to back high quality management teams with strong track records, well formulated strategies and the ambition to grow their companies. The investment approach is open-minded and flexible, centred on building strong partnerships with portfolio companies and providing strategic and operational advice throughout the period of ownership.

Graphite Capital is a highly experienced investor with a strong track record. The team has invested in over 100 portfolio companies since 1991 of which approximately three-quarters have been realised, generating an annualised rate of return of over 35%. Many of the portfolio companies that Graphite Capital has invested in are now household names such as Wagamama, Paperchase and Kurt Geiger.

Graphite Enterprise focuses mainly on investments directly managed by third parties but it is also the largest investor in Graphite Capital's direct investment programme. At 31 January 2013, investments managed by Graphite Capital represented 23% of the portfolio value and 17% of undrawn commitments.

Fund investments

Fund investments focus mainly on European buy-out funds, but there is also some exposure to the USA and to growth capital and mezzanine funds. The investment strategy is to back private equity managers with strong track records operating in mature markets, with the aim of building long term relationships. Fund investments are mostly made at the inception of a new fund but may also be acquired later in the life of a fund through the secondary market.

As well as investing in third party funds Graphite Capital is an active and experienced co-investor alongside the funds in which it invests. Managers tend to view Graphite Capital favourably when selecting co-investors as it is able to respond quickly to opportunities, with the fund investment team drawing on the experience of Graphite Capital's direct investment team.

Graphite Capital has a long history of investing in both third party funds and co-investments. Since 1989 the team has invested in 65 funds and 30 co-investments. The net return on realised funds and co-investments is more than twice the amount invested.

As it has a long experience both of managing its own funds and of investing in third party funds, Graphite Capital has an unusually broad perspective when assessing fund and co-investment opportunities. The Company benefits from both the expertise of a dedicated fund investment team as well as the insights of the Manager's direct investment team.

Market Review

Economic uncertainty and a scarcity of credit continues to hold back investment activity

As Graphite Enterprise invests almost exclusively in European buy-outs, this section focuses principally on developments in the European market.

Investment activity

Continuing economic uncertainty and a lack of available credit led to slightly lower activity levels in 2012. There was a 14% fall in the number of completed buy-outs, to 397. Their combined value was €61 billion, 5% lower than in the previous year.

Prices paid for new investments in 2012 were slightly above those paid the previous year, but remain slightly lower than the peak levels recorded in 2007. However, it is worth bearing in mind that the data on average entry valuations does not capture the quality of the underlying company being acquired. Taking this into account, we consider that the entry pricing remains materially below 2007 levels for companies of comparable quality. Debt levels for new buy-outs remained broadly stable but significantly below the 2007 levels.

Fundraising

In contrast with the slowdown in new investments, fundraising for European buy-out funds continued to rise in 2012. Over €37 billion was raised for 38 funds, which represented more than double the €18 billion raised by 27 funds in 2011. Despite recent growth, fundraising remains significantly below the peak levels seen in 2006–2008, when fundraising averaged over €50 billion per year.

A large number of buy-out managers are planning to raise funds in the next 12–18 months as the investment periods of funds raised in the boom years are due to expire, or have expired. At the same time, for a variety of reasons, many private equity fund investors remain capital-constrained.

The combination of increased demand for capital from managers and a reduced supply from investors is making it difficult for some managers to raise capital in the current market. As an investor in funds we view a scarcity of capital as positive, as it tends to lengthen the time available for due diligence and to improve the terms for investors. Furthermore, when that capital is deployed in new underlying investments, the pricing and terms should be more attractive, reflecting the lower level of competition.

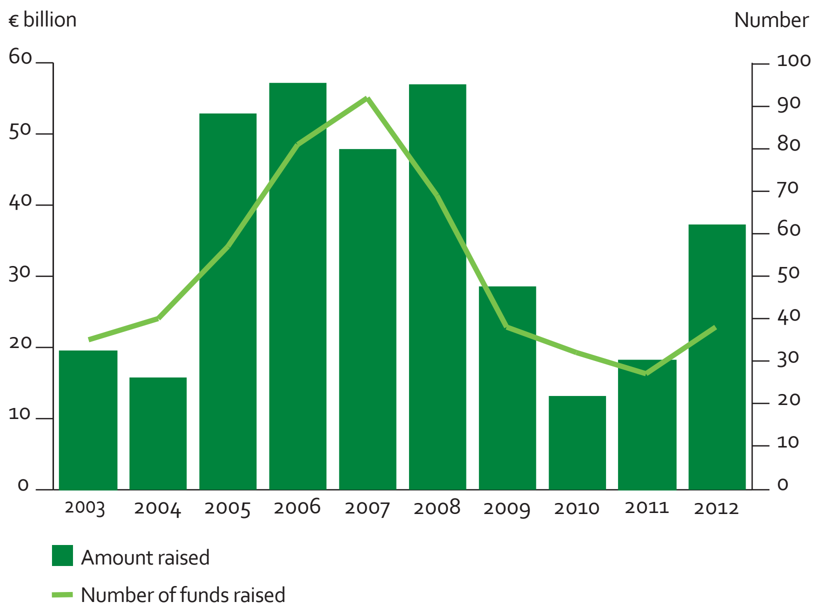
Secondary market

The global market for secondary interests in funds remained strong in 2012 with approximately $24 billion of transactions completed, broadly unchanged from the $25 billion completed in 2011. Volumes are expected to remain high for the near future, primarily because mounting regulatory pressure on financial institutions is expected to encourage banks and insurance companies to sell private equity assets. Pricing remained strong with good funds continuing to trade at relatively low discounts to reported net asset values.

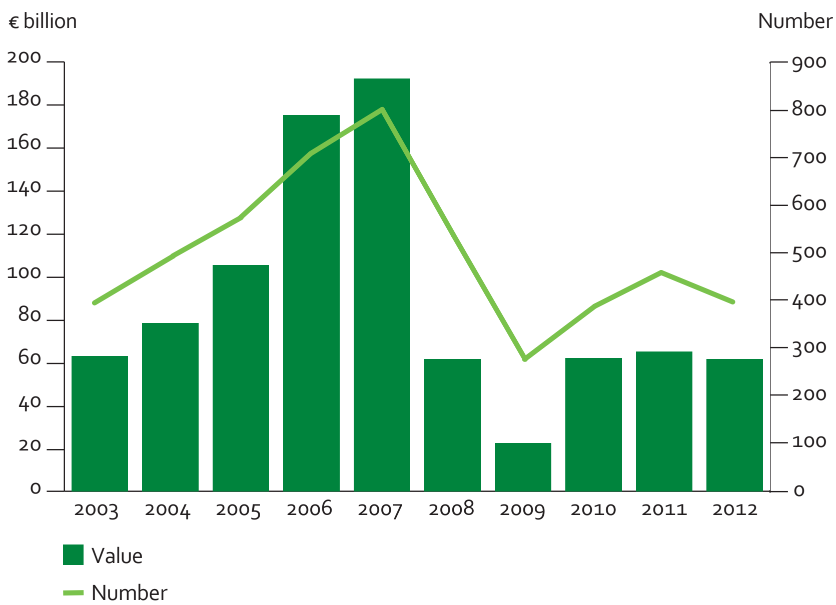
Despite discounts being relatively low, we believe that secondary fund purchases continue to offer attractive opportunities and we will continue to focus on funds with significant long term growth potential rather than on those available on high discounts.

A large number of buy-out managers are planning to raise funds in the next 12–18 months

Fundraising: European buy-out funds
Fig: 2.1



New investments: European buy-outs
Fig: 2.2



Business Review

Case study: Weetabix

In November 2012, a majority holding in Weetabix was sold to Bright Foods, a Chinese trade buyer, generating proceeds of £2.6 million for Graphite Enterprise

Hicks Muse Tate & Furst Europe Fund I ("HMTF") acquired Weetabix in 2004. Graphite Enterprise made a direct co-investment in Weetabix alongside its interest through HMTF.

Weetabix is a leading provider of cereal based foods in the UK and globally. Headquartered in the UK, Weetabix exports to over 80 countries. As well as the iconic Weetabix brand, the company also manages a diverse portfolio of other leading brands including Alpen, the No.1 UK muesli brand.

Under HMTF's ownership, Weetabix generated revenue growth that outpaced the broader cereal market, as a result of innovation, increased investment into the brands and expansion of the product range.

Graphite Enterprise retains a residual direct and indirect holding in Weetabix. Together, the value of this holding and the total proceeds received to date from the investment represent a multiple of cost of 4.2x to the Company.

4.2x

Total proceeds and value of residual holding as a multiple of cost

Portfolio Review

The value of the portfolio increased by 16% in the year

Portfolio performance
The strong performance of recent years continued in the year to January 2013, with the underlying value of the portfolio in local currencies increasing by 14.3%. This was the fourth consecutive year of strong underlying growth in the value of the portfolio which over that period has averaged 18% per annum. After adjusting for the fall in sterling, the value of the portfolio increased by 16.0% in the year.

Gains on disposals accounted for 51% of the £54.1 million valuation increase with the remainder coming from uplifts in the valuations of unrealised investments. These were primarily driven by continued strong earnings growth.

Movement in the portfolio	£m
Opening portfolio	377.7
Additions	54.0
Disposal proceeds	(76.9)
Net cash inflow	(22.9)
Gains on disposals	27.5
Unrealised valuation gains	26.6
Total underlying valuation gains	54.1
Currency	6.3
Closing portfolio	415.2

Investment activity
For the second successive year, the portfolio generated a net cash inflow. Although both realisations and new investment were lower, the net cash inflow for the year of £22.9 million was £7.4 million higher than in the previous year. In total, £76.9 million was realised and £54.0 million invested compared with £96.7 million and £81.2 million respectively in the prior year.

Portfolio Review
(continued)

The average uplift on sale was 52% and the average multiple of original cost was 2.7

Realisations

The portfolio generated proceeds of £74.2 million and the balance of the cash received came from the secondary sale of an interest in a fund for £2.7 million. Realisations, excluding the secondary sale, were equivalent to approximately 20% of the opening value of the portfolio. The rate of realisation remained materially below the Company's long term average of approximately 35% but was significantly above the average of 10% experienced in the three years from 2008 to 2010.

Although proceeds were 20% lower than in the prior year, they were higher than we had anticipated at the start of the year. In last year's Annual Report we predicted that realisations would fall, primarily because a number of our largest underlying holdings had been realised in the previous twelve months. In the event, the number of full realisations fell from 18 to 14 and receipts from full realisations fell from £70.5 million to £47.1 million.

Although it is difficult to draw many conclusions from what was a relatively small number of realisations, there were signs of conditions improving slightly during the course of the year. Total proceeds in the second half were 58% higher than in the first and the number of full realisations increased from five to nine.

Overall we were encouraged both by the level of realisations achieved and by the continued high level of uplifts achieved on sale. The realisations generated an average uplift of 52% on the previous carrying value. The average multiple of original cost was also strong at 2.7.

The largest realised gain was made on Graphite Capital's sale of NES in October. NES is an international technical recruitment business which was acquired in a secondary buy-out in 2006. It was the Company's second largest underlying holding at the start of the year and was sold for a multiple of 4.7 times cost, generating total proceeds of £12.4 million. This was 38% higher than the prior quarter's carrying value and 64% higher than the valuation at the start of the year.

Other notable realisations, all of which were of investments made in 2007, included:

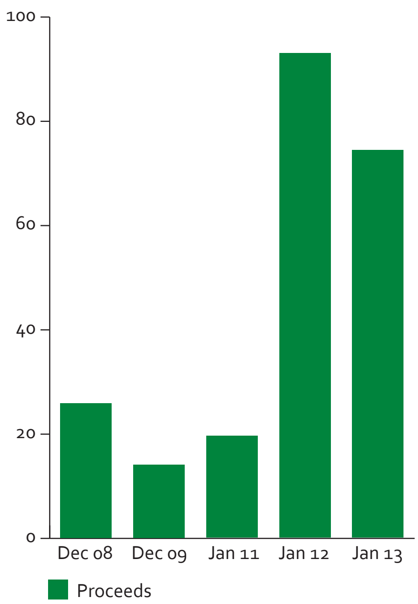
- Data Explorers, a UK-based provider of securities lending data in which we held a direct co-investment alongside an interest through Bowmark Capital Partners III, which generated £8.7 million of proceeds;
- Coperion, a German industrial equipment manufacturer, which was sold by Deutsche Beteiligungs ("DBAG") generating £6.1 million; and
- Norit, a supplier of purification technologies, which was sold by Doughty Hanson, generating £3.1 million.

Trade buyers continued to be active, accounting for 8 of the 14 realisations and for 58% of the total proceeds. Data Explorers, Coperion and Norit were all sold to trade buyers. The other six investments, of which NES was the most important, were sold to financial buyers.

Partial disposals generated £27.1 million of proceeds. These included the sale of DBAG's residual holding in Preh for £5.1 million and the partial sale of CVC's holding in Formula One for £2.9 million. They also included combined proceeds of £8.3 million received from the IPOs of Ziggo and Tumi and from subsequent share sales. We continue to retain an interest in both of these listed companies.

Realisations

Fig: 2.3



New investments

New investments in the year of £54.0 million were markedly lower than the previous year's £81.2 million. This primarily reflected the absence of any secondary fund purchases which totalled £26.8 million in the previous year. The underlying level of activity within the fund portfolio was broadly unchanged.

In contrast with the fall in new investment activity in the market, as discussed in the Market Review, drawdowns by funds were down only marginally at £48.8 million. They were, however, almost 20% lower than the £60 million forecast in last year's report. This reflected a number of extensions to investment periods which relieved some of the short term pressure on managers to invest more mature funds.

Our fund portfolio made 38 new investments in the year, nine fewer than in the prior year. Of these 20 were primary buy-outs while 18 were secondary buy-outs from other private equity managers. Large buy-outs accounted for 19 of the total while small and mid-market buy-outs accounted for 14 and the remaining 5 were mezzanine investments.

The largest new investments included:

- CPA Global – a £5.2 million investment in Cinven's buy-out of the global market leading provider of patent renewal and intellectual property management services. This included a £2.5 million direct co-investment;
- Quirón – a £2.5 million investment in Doughty Hanson's acquisition of a Spanish hospitals operator;
- Spheros – a £2.2 million direct co-investment in DBAG's buy-out of the global market leading provider of climate systems for buses. This was added to a £2.4 million interest made through DBAG's fund at the end of the prior year; and
- Guardian Financial Services – a £1.9 million investment in Cinven's acquisition of a provider of life insurance and pension products.

Two new investments were led by Graphite Capital's direct buy-out team. These were in Explore Learning, an operator of after-school tuition centres in the UK and in Rex Restaurants, a leading London restaurant operator. The Company invested £1.7 million and £1.6 million respectively in these.

Although no secondary fund purchases were made, we reviewed a number of opportunities. Secondaries form a key part of our strategy both in generating returns and in managing the balance sheet. In the prior year, we acquired £26.8 million of secondaries as a means of re-investing a significant proportion of the high level of proceeds received. Realisations were lower in the year to 31 January and the need for secondaries was therefore commensurately lower. However, as a significant net cash inflow was received in the final quarter, we are likely to be more active in the secondary market in the coming year.

New commitments

We made four new fund commitments in the year totalling £27.3 million. Two were to managers with whom we have a longstanding relationship, DBAG and Intermediate Capital Group plc, and two were managers new to the portfolio, Advent International and Egeria.

All of these commitments are in line with our strategy of building long term relationships with top performing managers and of subsequently partnering with them in selective co-investments and secondaries. While many investors have been rationalising manager relationships, in part due to continuing capital constraints, our strategy is to broaden the number of managers. Over the last two years we have added seven new managers to the

Business Review

Portfolio Review
(continued)

Graphite Capital directly manages 23% of the portfolio and six of the top ten investments

portfolio, three of which were added in the two months since the year end. These are described below under Events since the year end. We expect to add further new relationships in the coming year.

Closing portfolio

At the year end, the portfolio was valued at £415.2 million and was broadly diversified with investments in 336 underlying companies across a wide range of sectors in 29 countries.

Achieving a balance between diversification and concentration remains an important element of our strategy. While the level of diversification within the portfolio reduces risk, many individual investments are still large enough to have an impact on overall performance, as demonstrated in the year by the sales of NES, Data Explorers and Coperion.

The top ten underlying companies accounted for 21% of the value of the portfolio while the top 30 accounted for 43%. The performance of these 30 investments is therefore likely to be the main driver of the future performance of the Company. As outlined in the Chairman's Statement, their performance remained strong in the year to December 2012 with revenues growing by an average of 12% and EBITDA by an average of 13%[1].

The top 30 underlying companies were valued on an average multiple of 9.1 times EBITDA at January 2013[2]. We consider this to be reasonable for the level of growth achieved and for the quality of the underlying earnings. The leverage of these companies is generally modest, with net debt averaging 3.5 times EBITDA[2]. The gearing should enhance future equity returns without posing undue financial risk.

Graphite Capital directly manages 23% of the portfolio by value including six of the top ten and ten of the top 30 underlying investments. This gives us a high level of influence over the development of a significant part of the Company's portfolio. It also provides valuable insights which help us to make more informed strategic and short term decisions on the management of the portfolio.

At 31 January, 99% of the portfolio was valued based on December valuations. The portfolio was valued at an average of 1.4 times original cost in local currencies, of which 0.5 times cost had already been returned. At these levels we believe there to be considerable potential for future growth as the portfolio matures. As around half of the portfolio is in investments made in 2007 or before, managers will be looking to realise these investments when market conditions allow.

A detailed analysis of the portfolio is included in the Supplementary Information section of this report.

Commitments and liquidity

At 31 January, the Company had outstanding commitments of £126.5 million and liquid assets of £55.2 million. After taking account of the undrawn bank facility which, as noted in the Chairman's Statement, has increased to £100 million since the year end, undrawn commitments are more than fully covered.

If the rate of investment were to remain constant over the outstanding investment periods of each of the funds, we estimate that approximately £35 million of current commitments would be drawn down over the next twelve months. This rate would be insufficient to keep the Company close to full investment even if we were to resume making secondary fund purchases in the coming year.

[1] Excludes London Square (immature) where EBITDA is not a meaningful measure of performance.
[2] Excludes London Square (immature) and Intermediate Capital Group where those metrics are not meaningful.

The fall in undrawn commitments over the last few years has ensured that the Company has substantial capacity to support funds raised by our preferred managers, many of whom are expected to raise new funds in the coming year.

Currency

The Company's foreign exchange exposure has an impact both on total assets and on the level of outstanding commitments. At the year end, 46% of total assets and 74% of outstanding commitments were denominated in foreign currencies, primarily in euros.

In the year to January 2013, foreign currency movements had a positive impact on performance, adding 1.6% to the net asset value. In the previous year the effect was a reduction in net asset value of 1.7%.

We review the Company's foreign exchange exposure regularly and to date have chosen not to hedge. We will continue to keep this under review. Further details of the exposure are set out in the Supplementary Information section.

Events since the year end

Since 31 January 2013, additions to the portfolio of £12.9 million have exceeded realisations of £9.6 million. We have made three new primary commitments totalling £20.6 million of which two were to new relationships with Towerbook and IK Investment Partners and the third was to an existing manager, Cinven. In March we completed a secondary purchase for £3.5 million of an interest in a fund managed by GCP Capital Partners Europe, another new relationship.

Since the year end, cash has decreased slightly to £54.7 million while commitments have increased to £139.4 million.

Prospects

The pipeline of funds being raised by high quality managers this year is exceptionally strong. We believe it is extremely important for the long term performance of the Company that we support our preferred managers by making primary commitments to their funds. As discussed in the Chairman's Statement, new commitments this year are likely to include a substantial commitment to Graphite Capital Partners VIII which we plan to launch later this year. As we also expect to make commitments to a number of third party funds raised by both existing and new managers, it is likely that commitments will increase substantially by the year end. We believe that this is a good time in the cycle to be making commitments as the funds should be drawn down as the major European economies start to emerge from recession. As in the past, we will manage the overcommitment position prudently and will ensure that sufficient long term resources are available to fund these commitments.

As in previous years, the outlook for realisations remains somewhat uncertain. Despite the continued weakness of European economies and a shortage of bank debt, reasonably high levels of realisations have been achieved in each of the last two years. We see no reason why this should not continue in the year ahead. The recent rise in equity markets may help to stimulate activity levels but confidence remains fragile.

Our investment strategy gives us the flexibility to adapt the mix of investments, cash and commitments to changing market conditions and to deploy the Company's cash where we see the best relative value. The strength of our balance sheet leaves us well placed to capitalise on the opportunities available in the year ahead while the strength of our portfolio should continue to drive the net asset value.

Graphite Capital Management LLP
April 2013

The Board

Each of the members of the Board is an independent non-executive director

[1] Member of Audit Committee

Mark Fane 54 (Chairman), was appointed to the Board in 2000 and was appointed as Chairman of the Board in 2009. He is Chairman and Chief Executive of Crocus.co.uk, an internet-based gardening retailer established in 1999. He is a non-executive director of the commercial arm of the Royal Horticultural Society and was also a non-executive director of Ottakar's, a company in the portfolio of Graphite Enterprise, from 1992 until its takeover by HMV in July 2006.

Peter Dicks[1] 70, was appointed to the Board in 1998. He was co-founder of Abingworth PLC, a venture capital investment company, where he worked from 1973 to 1991. Since then he has been non-executive director or chairman of a number of companies. He is currently Chairman of Private Equity Investor PLC and a director of Polar Capital Technology Trust PLC and Mears Group PLC.

Michael Cumming[1] 72, was appointed to the Board in 1999. He has been involved in private equity for 40 years, having helped found Midland Montagu Industrial Finance and Barclays Private Equity where he was managing director for 14 years. He is currently chairman of the Advisory Committees for Mercia Fund 1 and 2 and a director of other unquoted companies.

Andy Pomfret[1] 52, was appointed to the Board in March 2011. He spent over 13 years with Kleinwort Benson as a corporate financier, venture capitalist and finance director of the investment management and private banking division before joining Rathbone Brothers Plc in 1999 as finance director. He is currently the chief executive of Rathbones and a director of the Association of Private Client Investment Managers and Stockbrokers (APCIMS).

Lucinda Riches[1] 51, was appointed to the Board in July 2011. She worked at UBS and its predecessor firms for 21 years until 2007 where she was a managing director, global head of Equity Capital Markets and a member of the Board of the investment bank. She is a non-executive director of UK Financial Investments Limited, The Diverse Income Trust plc and the British Standards Institution. She is a non-executive member of the Partnership Board of SJ Berwin LLP and a trustee of Sue Ryder.

Jeremy Tigue[1] 53, was appointed to the Board in 2008. He joined F&C Management in 1981 and has been the fund manager of Foreign & Colonial Investment Trust since 1997. He is Chairman of BACIT Limited and a non-executive director of The Mercantile Investment Trust plc.

Sandra Pajarola 49, was appointed to the Board in March 2013. She worked for 13 years at Partners Group until 2012. Partners Group is an investment management firm listed in Switzerland with over €27 billion under management in private equity and other private assets. She was a member of the Global Investment Committee which was responsible for commitments to more than 500 private equity funds.

Supplementary Information

The 30 Largest Fund Investments

The 30 largest funds by value at 31 January 2013 are set out below and on the next page.

1-15

	Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
1	**Graphite Capital Partners VII*†** Mid-market buy-outs	15.9	2007	UK	44.7
2	**Fourth Cinven Fund†** Large buy-outs	2.5	2006	Europe	33.2
3	**Graphite Capital Partners VI†** Mid-market buy-outs	5.1	2003	UK	27.8
4	**ICG European Fund 2006†** Mezzanine loans to buy-outs	2.5	2007	Europe	24.3
5	**Euromezzanine 5** Mezzanine loans to mid-market buy-outs	1.8	2006	France	21.0
6	**Thomas H Lee Parallel Fund VI** Large buy-outs	4.9	2007	USA	18.9
7	**TDR Capital II** Mid-market and large buy-outs	1.9	2006	Europe	17.8
8	**Candover 2005 Fund†** Large buy-outs	1.1	2005	Europe	17.4
9	**CVC European Equity Partners V** Large buy-outs	8.0	2008	Global	15.3
10	**Doughty Hanson & Co IV** Mid-market and large buy-outs	1.1	2005	Europe	14.8
11	**Apax Europe VII** Large buy-outs	0.9	2007	Global	14.2
12	**Activa Capital Fund II** Mid-market buy-outs	2.8	2007	France	14.1
13	**Doughty Hanson & Co V** Mid-market and large buy-outs	4.5	2006	Europe	13.8
14	**CVC European Equity Partners Tandem** Large buy-outs	1.2	2006	Global	7.4
15	**Deutsche Beteiligungs AG Fund V** Mid-market buy-outs	2.1	2006	Germany	6.7
	Total of the 15 largest fund investments	56.3			291.4

16-30

Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
16 **Charterhouse Capital Partners VIII†** Large buy-outs	1.3	2006	Europe	6.5
17 **CVC European Equity Partners IV†** Large buy-outs	1.5	2008	Global	6.0
18 **Bowmark Capital Partners IV** Mid-market buy-outs	4.3	2007	UK	5.9
19 **PAI Europe V** Large buy-outs	1.5	2007	Europe	5.4
20 **Advent Central and Eastern Europe IV** Mid-market buy-outs	2.6	2008	Europe	5.0
21 **Charterhouse Capital Partners VII†** Large buy-outs	1.6	2002	Europe	3.9
22 **Apax Europe VII Sidecar 2** Large buy-outs	1.0	2007	Global	3.5
23 **Vision Capital Partners VII** Secondary portfolios	0.8	2007	Global	3.4
24 **Vision Capital Partners VI** Secondary portfolios	0.5	2006	Europe	3.2
25 **Deutsche Beteiligungs AG Fund IV** Mid-market buy-outs	–	2002	Germany	3.1
26 **BC European Capital IX** Large buy-outs	5.6	2012	Europe	2.9
27 **Piper Private Equity Fund IV** Small buy-outs	1.2	2006	UK	2.9
28 **Corpfin Capital Fund II** Mid-market buy-outs	–	2000	Spain	2.6
29 **Bowmark Capital Partners III** Small buy-outs	0.1	2004	UK	2.6
30 **Steadfast Capital Fund II†** Mid-market buy-outs	0.3	2007	Germany	2.5
Total of the 30 largest fund investments	78.6			350.8
Percentage of total investment portfolio				84.5%

* Includes Graphite Capital Partners VII Top Up Fund and Top Up Fund Plus.

† All or part of interest acquired through a secondary fund purchase.

Supplementary Information

The 30 Largest Underlying Investments

The tables below and on the next page present the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2013. These investments may be held directly or through funds, or in some cases in both ways. The valuations are gross and are shown as a percentage of the total investment portfolio.

1-15

	Company	Manager	Year of investment	Country	Value as a % of investment portfolio
1	**Micheldever** Distributor and retailer of tyres	Graphite Capital	2006	UK	3.6%
2	**Algeco Scotsman*** Supplier and operator of modular buildings	TDR Capital	2007	USA	3.0%
3	**Alexander Mann Solutions** Provider of recruitment process outsourcing	Graphite Capital	2007	UK	2.6%
4	**Park Holidays UK** Operator of caravan parks	Graphite Capital	2006	UK	2.3%
5	**National Fostering Agency** Provider of foster care services	Graphite Capital	2012	UK	2.2%
6	**Education Personnel** Provider of temporary staff for the education sector	Graphite Capital	2010	UK	1.7%
7	**Stork** Provider of technical engineering services	Candover	2008	Netherlands	1.6%
8	**U-POL** Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.6%
9	**HellermannTyton†** Manufacturer of cable management products	Doughty Hanson	2006	UK	1.5%
10	**Avio** Manufacturer of aerospace engine components	Cinven	2007	Italy	1.4%
11	**Dominion Gases** Supplier of specialist gases to the oil and gas industries	Graphite Capital	2007	UK	1.4%
12	**Spire Healthcare** Operator of hospitals	Cinven	2007	UK	1.3%
13	**CEVA** Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.3%
14	**Evonik Industries** Manufacturer of specialty chemicals	CVC	2008	Germany	1.2%
15	**London Square** Developer of residential housing	Graphite Capital	2010	UK	1.2%
	Total of the 15 largest underlying investments				27.9%

16-30

Company	Manager	Year of investment	Country	Value as a % of investment portfolio
16 **Parques Reunidos** Operator of attraction parks	Candover	2007	Spain	1.2%
17 **CPA Global** Provider of patent renewal services	Cinven	2012	UK	1.2%
18 **Willowbrook Healthcare** Operator of care homes for the elderly	Graphite Capital	2008	UK	1.2%
19 **Ceridian** Provider of payment processing services	Thomas H Lee Partners	2007	USA	1.2%
20 **Partnership** Provider of retirement solutions	Cinven	2008	UK	1.1%
21 **Vue Entertainment** Operator of cinemas	Doughty Hanson	2010	UK	1.1%
22 **Tumi**† Manufacturer and retailer of luggage and accessories	Doughty Hanson	2004	USA	1.0%
23 **Stonegate Pub Company** Operator of pubs	TDR Capital	2010	UK	0.9%
24 **Acromas** Provider of financial, motoring, travel and healthcare services	CVC/Charterhouse	2007	UK	0.9%
25 **Intermediate Capital Group**† Provider of mezzanine finance	n/a	1989	UK	0.8%
26 **Spheros** Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	0.8%
27 **Sebia** Provider of in-vitro diagnostics	Cinven	2010	France	0.8%
28 **TMF** Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	0.8%
29 **Ziggo**† Operator of cable TV networks	Cinven	2006	Netherlands	0.8%
30 **InnBrighton** Operator of pubs	Graphite Capital	2001	UK	0.8%
Total of the 30 largest underlying investments				42.5%

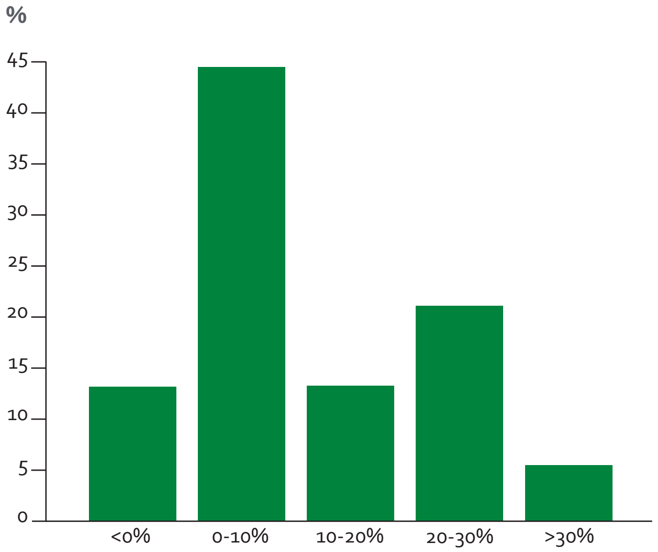
* Algeco Scotsman acquired Ausco Modular, an existing TDR Capital portfolio company, during the year.

† Quoted.

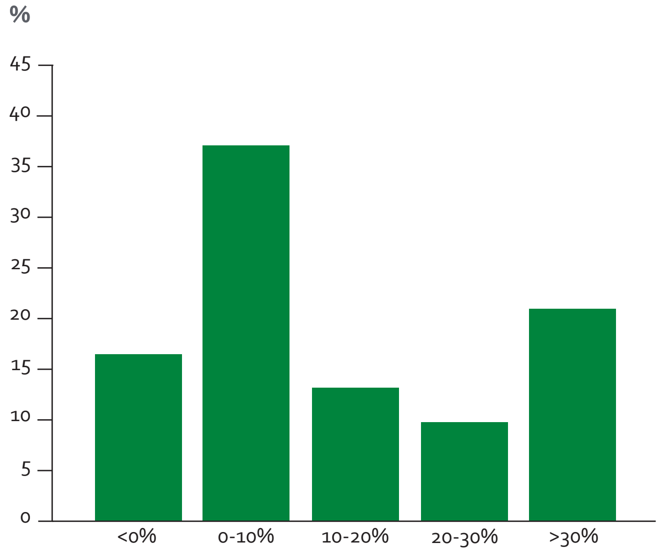
Analysis of the 30 Largest Underlying Investments

The graphs below analyse the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2013. These investments may be held directly or through funds, or in some cases, in both ways.

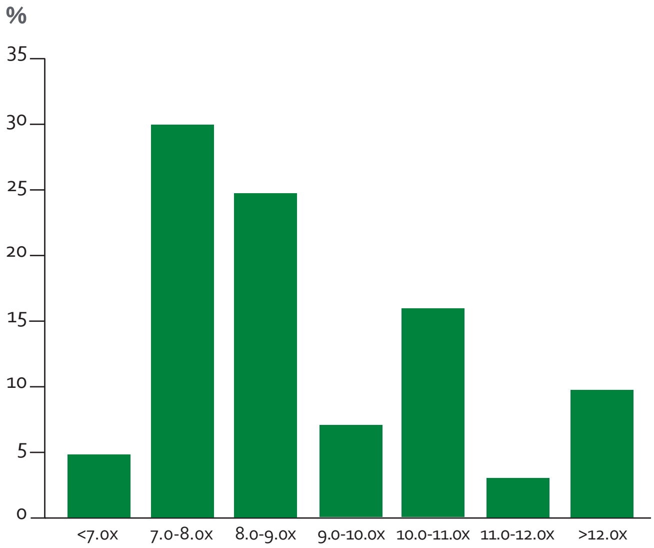
Revenue growth[1]
Fig: 3.1



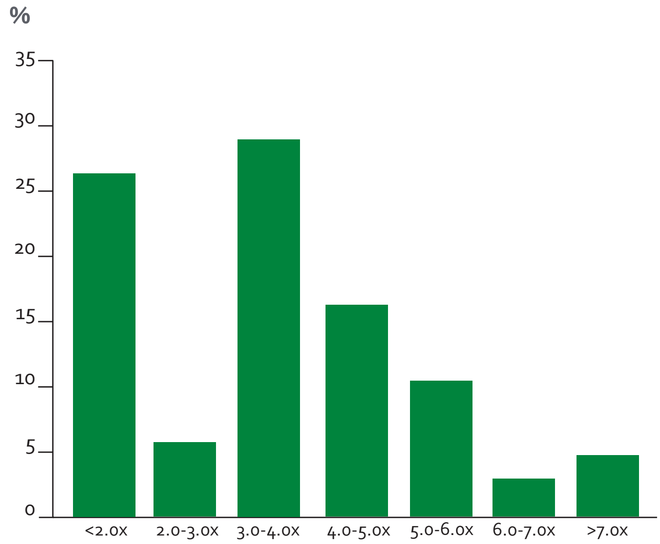
EBITDA growth[1]
Fig: 3.2



Enterprise value as a multiple of EBITDA[2]
Fig: 3.3



Net debt as a multiple of EBITDA[2]
Fig: 3.4

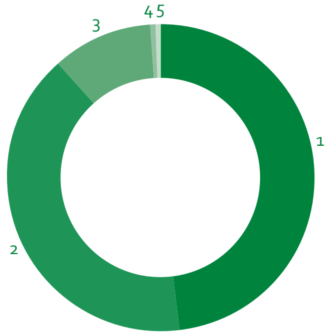


[1] Excludes London Square (immature) where EBITDA is not a meaningful measure of performance.
[2] Excludes London Square (immature) and Intermediate Capital Group where these metrics are not meaningful.

Analysis of Underlying Investments

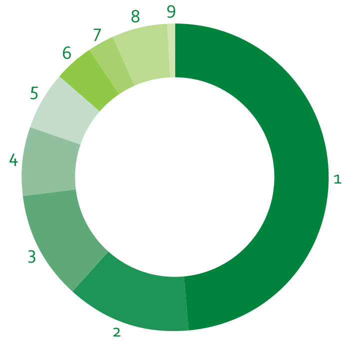
The graphs below analyse the companies in which Graphite Enterprise had investments at 31 January 2013.

Investment type
Fig: 3.5



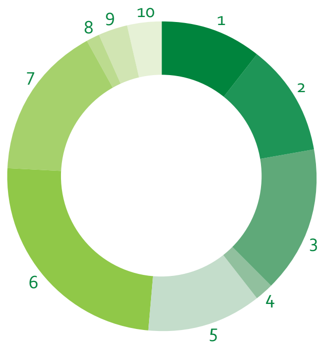
1. Large buy-outs	48.1%
2. Small and mid-market buy-outs	40.4%
3. Mezzanine	10.4%
4. Quoted	0.8%
5. Infrastructure	0.3%

Geographic distribution
Fig: 3.6



1. UK	48.7%	6. Spain	4.4%
2. France	13.2%	7. Scandinavia	2.6%
3. North America	11.2%	8. Other Europe	5.8%
4. Germany	7.2%	9. Rest of the world	0.8%
5. Benelux	6.1%		

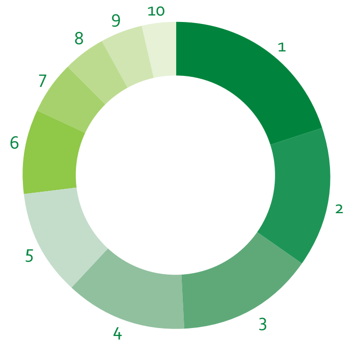
Year of investment and valuation as a multiple of original cost[1]
Fig: 3.7



1. 2012 onwards (1.0x)	10.7%	6. 2007 (1.5x)	24.3%
2. 2011 (1.3x)	11.6%	7. 2006 (1.4x)	16.2%
3. 2010 (1.3x)	15.4%	8. 2005 (1.0x)	1.4%
4. 2009 (1.9x)	2.0%	9. 2004 (2.7x)	2.9%
5. 2008 (1.3x)	11.9%	10. 2003 and before (1.5x)	3.6%

[1] Figures in parentheses represent the valuation of the investments made in each period as a multiple of original cost.

Sector analysis
Fig: 3.8



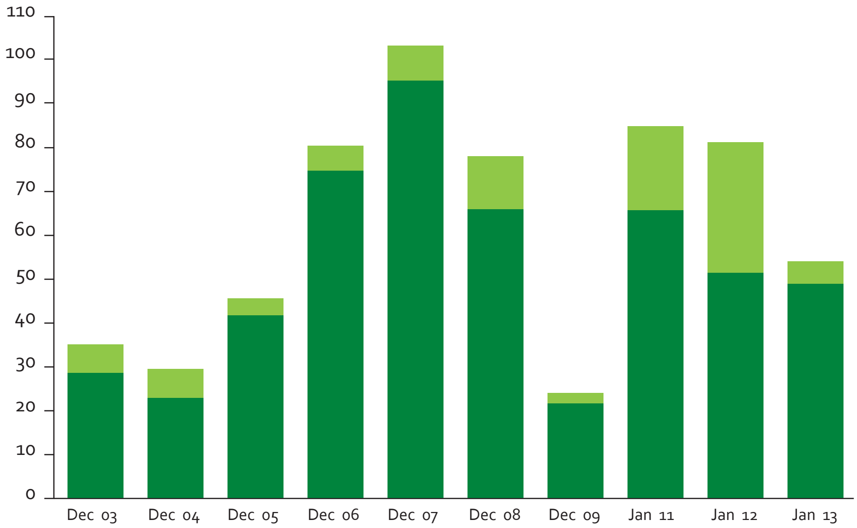
1. Business services	20.0%	6. Financial services	8.8%
2. Healthcare and education	14.9%	7. Automotive supplies	5.6%
3. Industrials	14.5%	8. Media	4.4%
4. Consumer goods and services	12.6%	9. Technology and telecommunications	4.3%
5. Leisure	11.3%	10. Chemicals	3.6%

New Investment Activity

New investments
Key

- Drawdowns
- Co-investments and secondary fund purchases

New investments
Fig: 3.9



Largest underlying investments

Investment	Description	Country	£m
National Fostering Agency*	Provider of foster care services	UK	5.5
CPA Global	Provider of patent renewal services	UK	5.2
Quirón	Operator of hospitals	Spain	2.5
Spheros*	Provider of bus climate control systems	Germany	2.2
Guardian Financial Services	Provider of personal insurance	UK	1.9
Explore Learning	Provider of after-school tuition	UK	1.7
Armatis	Provider of call centre outsourcing	France	1.7
Rex Restaurants	Operator of London restaurants	UK	1.6
Eurofiber	Provider of fibre optic network	Netherlands	1.4
La Maison Bleue	Operator of child care nurseries	France	1.3
Total value of top 10 underlying investments			25.0

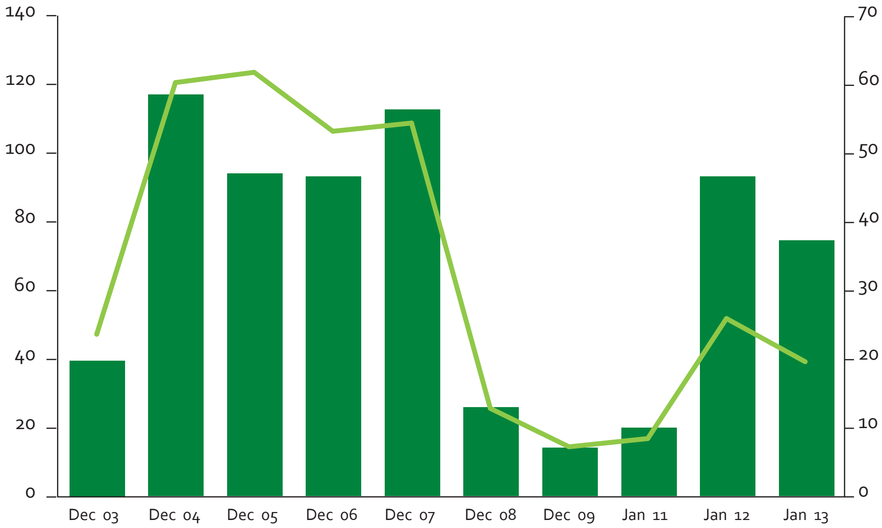
* In addition, in the previous financial year, £3.0 million was invested in National Fostering Agency through Graphite Capital Partners VII and directly and £2.4 million was invested in Spheros through Deutsche Beteiligungs AG Fund V.

Realisation Activity

Realisations
Key

- Value
- Value as a % of opening portfolio

Realisations
Fig: 3.10



Largest realisations

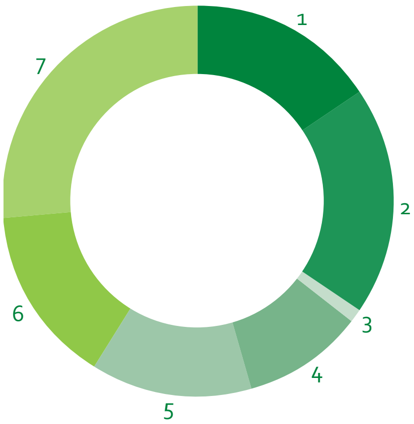
Investment	Manager	Buyer type	£m
NES	Graphite Capital	Private equity	12.4
Data Explorers	Bowmark/Direct	Trade	8.7
Coperion	Deutsche Beteiligungs	Trade	6.1
Preh	Deutsche Beteiligungs/Direct	Trade	5.1
Ziggo*	Cinven	Public offering	4.6
CPA Global	ICG	Private equity	4.1
Tumi*	Doughty Hanson	Public offering	3.7
Norit	Doughty Hanson	Trade	3.1
Starbev	CVC	Trade	2.9
Formula 1*	CVC	Financial	2.9
Total of top 10 realisations			53.6

* Partial disposal.

Supplementary Information

Commitments

Closing commitments – remaining investment period
Fig: 3.11



1. < 1 year	15.8%
2. 1-2 years	18.9%
3. 2-3 years	1.0%
4. 3-4 years	10.1%
5. 4-5 years	13.2%
6. >5 years	14.7%
7. Investment period complete	26.3%

Closing commitments	Original commitment[1] £m	Outstanding commitment £m	Average drawdown percentage	Percentage of commitments
Funds in investment period	230.3	93.2	59.5%	73.7%
Funds post investment period	437.5	33.3	92.4%	26.3%
Total	667.8	126.5	81.1%	100.0%

[1] Original commitments are translated at 31 January 2013 exchange rates.

Movement in commitments	Year to 31 January 2013 £m
Opening	142.8
Drawdowns	(48.7)
New commitments	27.3
Currency	2.6
Other	2.5
Closing	126.5

New primary commitments in the year ended 31 January 2013

Fund	Detail	Commitment £m
Deutsche Beteiligungs AG Fund VI	In May we committed €10 million to a €700 million German mid-market buy-out fund raised by Deutsche Beteiligungs ("DBAG"). DBAG is one of the leading managers in Germany. We have invested successfully with DBAG for more than ten years through two predecessor funds and two direct co-investments.	8.1
ICG Europe V	In September we committed €10 million to a €2.5 billion European mezzanine fund raised by Intermediate Capital Group plc ("ICG"). ICG is one of our most profitable historic relationships dating back to 1989. As credit remains severely limited, we believe that now is an attractive time to be investing in mezzanine.	8.0
Egeria Private Equity Fund IV	In December we committed €10 million to a €600 million Dutch mid-market buy-out fund managed by Egeria. This is the first time we have committed to a fund managed by Egeria which was founded in 1997 and is one of the leading mid-market buy-out groups in the Netherlands.	8.0
Advent Global Private Equity VII	In November we committed €4 million to an €8.5 billion fund raised by Advent International ("Advent"). The fund will focus on upper mid-market and large buy-outs in Europe and the US following the same strategy that has made Advent one of the leading buy-out firms globally.	3.2
Total new primary commitments		27.3

Currency

Currency exposure

	31 January 2013 £m	31 January 2013 %	31 January 2012 £m	31 January 2012 %
Total assets*				
– sterling	256.7	54.5%	216.6	51.1%
– euro	144.7	30.6%	142.2	33.6%
– other	70.1	14.9%	64.8	15.3%
Total	471.5	100.0%	423.6	100.0%

*Currency exposure is calculated using the currency of the location of the underlying portfolio companies' headquarters.

	31 January 2013 £m	31 January 2013 %	31 January 2012 £m	31 January 2012 %
Outstanding commitments				
– sterling	32.9	26.0%	45.5	31.9%
– euro	87.0	68.8%	89.4	62.6%
– other	6.6	5.2%	7.9	5.5%
Total	126.5	100.0%	142.8	100.0%

Dividend and Shareholder Analysis

Historical record

Financial period ended	Earnings per share p	Total dividend per share p	Net asset value per share p	Mid-market price per share p
31 January 2013	3.15	5.0	631.5	487.0
31 January 2012	6.33	5.0	569.4	357.0
31 January 2011	1.51	2.25	534.0	308.0
31 December 2009	-0.11	2.25	464.1	305.0
31 December 2008	5.12	4.5	449.0	187.0
31 December 2007	8.86	8.0	519.4	474.0
31 December 2006	7.44	6.5	454.6	386.0
31 December 2005	10.24	8.8*	398.4	364.3
31 December 2004	8.54	7.1+	324.9	283.0
31 December 2003	4.88	4.3	289.2	222.3

* Includes special dividend of 4.5p per share.
+ Includes special dividend of 2.8p per share.

Analysis of shareholders

	Number of shares held ('000)	Percentage of total
Individuals	43,596	59.8%
Investment companies	15,313	21.0%
Private equity investors	5,202	7.1%
Insurance companies	3,472	4.8%
Pensions and endowments	2,483	3.4%
Banks	2,343	3.2%
Other	504	0.7%
Total at 31 January 2013	72,913	100.0%

Supplementary Information

Case study: Data Explorers

In April 2012, Bowmark sold Data Explorers, generating proceeds of £8.7 million for Graphite Enterprise

Bowmark Capital Partners III ("Bowmark III"), which is managed by Bowmark Capital, acquired Data Explorers in 2007. Graphite Enterprise made a direct co-investment in Data Explorers alongside its interest through Bowmark III.

Data Explorers is the leading provider of securities lending and short interest data to the global financial markets. The information it provides helps clients identify investment opportunities and manage risk.

Under Bowmark Capital's ownership, Data Explorers significantly expanded its operations, opening new offices in the US and Asia. It developed new products to meet the needs of a broader range of institutions including custodians, investment banks, asset managers and hedge funds. Sales and profits grew at a compound annual growth rate of over 30% and 40% respectively. Staff numbers increased from 35 to 100.

Data Explorers was sold to Markit, a UK financial information group. The exit price is not public information but represented a substantial multiple of cost to Graphite Enterprise and a 56% uplift to the carrying value at 31 January 2012.

56%

Uplift at exit to carrying value at 31 January 2012

Financial Information

Consolidated Income Statement

	Notes	Year ended 31 January 2013 Revenue return £'000s	Year ended 31 January 2013 Capital return £'000s	Year ended 31 January 2013 Total £'000s	Year ended 31 January 2012 Revenue return £'000s	Year ended 31 January 2012 Capital return £'000s	Year ended 31 January 2012 Total £'000s
Investment returns							
Gains and losses on investments held at fair value	2, 10	5,988	54,555	60,543	8,365	28,376	36,741
Income from cash and cash equivalents	2	39	–	39	127	–	127
Return from current asset investments		74	–	74	527	–	527
Other income	2	4	(8)	(4)	44	–	44
Foreign exchange gains and losses		–	418	418	–	(498)	(498)
		6,105	54,965	61,070	9,063	27,878	36,941
Expenses							
Investment management charges	3	(1,337)	(4,010)	(5,347)	(1,301)	(3,904)	(5,205)
Other expenses	4	(1,772)	(1,607)	(3,379)	(1,510)	(809)	(2,319)
		(3,109)	(5,617)	(8,726)	(2,811)	(4,713)	(7,524)
Profit before taxation		2,996	49,348	52,344	6,252	23,165	29,417
Taxation	6	(701)	701	–	(1,633)	1,633	–
Profit for the year		2,295	50,049	52,344	4,619	24,798	29,417
Attributable to:							
Equity shareholders		2,295	46,597	48,892	4,619	22,857	27,476
Non-controlling interest		–	3,452	3,452	–	1,941	1,941
Basic and diluted earnings per share	7			67.1p			37.7p

The columns headed 'Total' represent the income statement for the relevant years and the columns headed 'Revenue return' and 'Capital return' are supplementary information. See note 1. There is no Other Comprehensive Income.

The notes on pages 45 to 69 form an integral part of the financial statements.

Consolidated Balance Sheet

	Notes	31 January 2013 £'000s	31 January 2013 £'000s	31 January 2012 £'000s	31 January 2012 £'000s
Non-current assets					
Investments held at fair value					
— Unquoted investments	10, 18	411,606		374,915	
— Quoted investments	10, 18	3,559		2,768	
			415,165		377,683
Current assets					
Cash and cash equivalents	11	28,778		9,218	
Current asset investments held at fair value	11	26,398		34,946	
Receivables	12	1,672		2,739	
		56,848		46,903	
Current liabilities					
Payables	13	550		1,021	
Net current assets			56,298		45,882
Total assets less current liabilities			471,463		423,565
Capital and reserves					
Share capital	14		7,292		7,292
Capital redemption reserve			2,112		2,112
Share premium			12,936		12,936
Capital reserve			425,410		378,813
Revenue reserve			12,665		14,016
Equity attributable to equity holders			460,415		415,169
Non-controlling interest	17		11,048		8,396
Total equity			471,463		423,565
Net asset value per share (basic and diluted)	15		631.5p		569.4p

The financial statements were approved by the Board of directors on 17 April 2013 and signed on its behalf by:

Directors M. Fane J. Tigue

The notes on pages 45 to 69 form an integral part of the financial statements.

Financials

Consolidated Cash Flow Statement

	Notes	Year ended 31 January 2013 £'000s	Year ended 31 January 2012 £'000s
Operating activities			
Sale of portfolio investments		70,922	88,385
Purchase of portfolio investments		(54,017)	(81,132)
Net sale/(purchase) of current asset investments held at fair value		8,615	(19,170)
Interest income received from portfolio investments		4,670	7,650
Dividend income received from portfolio investments		1,276	512
Other income received		43	170
Investment management charges paid		(5,407)	(5,279)
Taxation received/(paid)		54	(55)
Other expenses paid		(815)	(1,491)
Net cash inflow/(outflow) from operating activities		25,341	(10,410)
Financing activities			
Investments by non-controlling interests		432	290
Distributions to non-controlling interests		(1,724)	(3,976)
Bank facility fee		(1,260)	(2,853)
Equity dividends paid		(3,646)	(1,641)
Net cash outflow from financing activities		(6,198)	(8,180)
Net increase/(decrease) in cash and cash equivalents		19,143	(18,590)
Cash and cash equivalents at beginning of year		9,218	28,306
Net increase/(decrease) in cash and cash equivalents		19,143	(18,590)
Effect of changes in foreign exchange rates		417	(498)
Cash and cash equivalents at end of year	11	28,778	9,218

The notes on pages 45 to 69 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

Group	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Year ended 31 January 2013									
Opening balance at 1 February 2012	7,292	2,112	12,936	334,539	44,274	14,016	415,169	8,396	423,565
Profit attributable to equity shareholders	–	–	–	10,671	35,926	2,295	48,892	–	48,892
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	3,452	3,452
Profit for the year and total comprehensive income	–	–	–	10,671	35,926	2,295	48,892	3,452	52,344
Transfer on disposal of investments	–	–	–	(27)	27	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(3,646)	(3,646)	–	(3,646)
Contributions by non-controlling interests	–	–	–	–	–	–	–	418	418
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,218)	(1,218)
Closing balance at 31 January 2013	7,292	2,112	12,936	345,183	80,227	12,665	460,415	11,048	471,463

Group	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Year ended 31 January 2012									
Opening balance at 1 February 2011	7,292	2,112	12,936	316,855	39,101	11,038	389,334	10,149	399,483
(Loss)/profit attributable to equity shareholders	–	–	–	(5,596)	28,453	4,619	27,476	–	27,476
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	1,941	1,941
(Loss)/profit for the year and total comprehensive income	–	–	–	(5,596)	28,453	4,619	27,476	1,941	29,417
Transfer on disposal of investments	–	–	–	23,280	(23,280)	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(1,641)	(1,641)	–	(1,641)
Contributions by non-controlling interests	–	–	–	–	–	–	–	282	282
Distributions to non-controlling interests	–	–	–	–	–	–	–	(3,976)	(3,976)
Closing balance at 31 January 2012	7,292	2,112	12,936	334,539	44,274	14,016	415,169	8,396	423,565

The notes on pages 45 to 69 form an integral part of the financial statements.

Parent Company Balance Sheet

	Notes	31 January 2013 £'000s	31 January 2013 £'000s	31 January 2012 £'000s	31 January 2012 £'000s
Non-current assets					
Investments held at fair value					
— Unquoted investments	10, 18	343,151		310,495	
— Quoted investments	10, 18	3,559		2,768	
— Subsidiary undertakings	10	60,626		57,270	
			407,336		370,533
Current assets					
Cash and cash equivalents	11	24,551		6,096	
Current asset investments held at fair value	11	26,398		34,946	
Receivables	12	2,680		4,115	
		53,629		45,157	
Current liabilities					
Payables	13	550		521	
Net current assets			53,079		44,636
Net assets			460,415		415,169
Capital and reserves					
Share capital	14		7,292		7,292
Capital redemption reserve			2,112		2,112
Share premium			12,936		12,936
Capital reserve			425,410		378,813
Revenue reserve			12,665		14,016
Equity attributable to equity holders			460,415		415,169
Net asset value per share (basic and diluted)	15		631.5p		569.4p

The financial statements were approved by the Board of directors on 17 April 2013 and signed on its behalf by:

Directors M. Fane J. Tigue

The notes on pages 45 to 69 form an integral part of the financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 January 2013 £'000s	Year ended 31 January 2012 £'000s
Operating activities			
Sale of portfolio investments		59,843	66,932
Purchase of portfolio investments		(45,465)	(64,529)
Net sale/(purchase) of current asset investments held at fair value		8,615	(19,170)
Interest income received from portfolio investments		5,174	6,790
Dividend income received from portfolio investments		1,147	450
Other income received		45	165
Investment management charges paid		(5,407)	(5,279)
Taxation received/(paid)		54	(55)
Other expenses paid		(950)	(1,479)
Net cash inflow/(outflow) from operating activities		23,056	(16,175)
Financing activities			
Bank facility fee		(1,260)	(2,853)
Equity dividends paid		(3,646)	(1,641)
Net cash outflow from financing activities		(4,906)	(4,494)
Net increase/(decrease) in cash and cash equivalents		18,150	(20,669)
Cash and cash equivalents at beginning of the year		6,096	27,177
Net increase/(decrease) in cash and cash equivalents		18,150	(20,669)
Effect of changes in foreign exchange rates		305	(412)
Cash and cash equivalents at end of year	11	24,551	6,096

Financials

The notes on pages 45 to 69 form an integral part of the financial statements.

Parent Company Statement of Changes in Equity

Parent	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s
Year to 31 January 2013							
Opening balance at 1 February 2012	7,292	2,112	12,936	316,747	62,066	14,016	415,169
Profit for the year and total comprehensive income	–	–	–	8,314	38,283	2,295	48,892
Transfer on disposal of investments	–	–	–	202	(202)	–	–
Dividends paid or approved	–	–	–	–	–	(3,646)	(3,646)
Closing balance at 31 January 2013	7,292	2,112	12,936	325,263	100,147	12,665	460,415

Parent	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s
Year to 31 January 2012							
Opening balance at 1 February 2011	7,292	2,112	12,936	300,600	55,356	11,038	389,334
(Loss)/profit for the year and total comprehensive income	–	–	–	(2,111)	24,968	4,619	27,476
Transfer on disposal of investments	–	–	–	18,599	(18,599)	–	–
Transfer from realised to unrealised	–	–	–	(341)	341	–	–
Dividends paid or approved	–	–	–	–	–	(1,641)	(1,641)
Closing balance at 31 January 2012	7,292	2,112	12,936	316,747	62,066	14,016	415,169

The notes on pages 45 to 69 form an integral part of the financial statements.

Notes to the Accounts

Notes to the Accounts

1 Accounting policies

These financial statements relate to Graphite Enterprise Trust PLC ("the Company") and its subsidiaries, Graphite Enterprise Trust Limited Partnership and Graphite Enterprise Trust (2) Limited Partnership ("the Partnerships"), together the "Group". The registered address and principal place of business of the Company and the Partnerships is Berkeley Square House, Berkeley Square, London W1J 6BQ.

(a) Basis of preparation

The consolidated financial information for the year ended 31 January 2013 has been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 31 January 2013. These financial statements have been prepared on a going concern basis and on the historical cost basis of accounting, modified for the revaluation of certain assets.

The directors have at the time of approving the financial statements a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Report of the Directors on page 74.

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 Companies in January 2009 (the "SORP"). The following SORP requirements have been followed:

- Capital gains and losses on investments sold and on investments held arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the income statement.
- Returns on any share or debt security for a fixed amount (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the income statement. If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

The accounting policy regarding the allocation of expenses is set out in note 1(i).

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and accordingly has not presented a separate parent company income statement. The profit after taxation of the parent company was £48,892,000 (2012: £27,476,000).

At the balance sheet date the Company had adopted all standards and interpretations that were either issued or which had become effective by the year end.

The following new and amended standards and interpretations were issued but not effective for the financial year under review:

- IFRS 9 – 'Financial instruments' (effective for financial years starting after 1 January 2015).
- IFRS 10 – 'Consolidated financial statements' (1 January 2013).
- IFRS 12 – 'Disclosure of interests in other entities' (1 January 2013).
- IFRS 13 – 'Fair value measurement' (1 January 2013).

(b) 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. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The classification of financial assets is determined at initial recognition.

Financial assets at fair value through profit or loss
The Group classifies its quoted and unquoted investments as financial assets at fair value through profit or loss. These assets are measured at subsequent reporting dates at fair value and further details of the accounting policy are disclosed in note 1(d).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets and measured at amortised cost using the effective interest method. The Group's loan and receivables comprise cash and cash equivalents and trade and other receivables in the balance sheet.

(d) Investments
All investments are designated upon initial recognition as held at fair value through profit or 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, which include returns on those investments such as dividends and interest, are recognised in the income statement and are allocated to the revenue column or the capital column in accordance with the SORP (see note 1(a)). More detail on certain categories of investment is set out below, and this accounting policy also applies to subsidiaries in the Parent Company Balance Sheet.

Unquoted investments
Fair value for unquoted investments is established by using various valuation techniques.

Funds are valued at the underlying investment manager's valuation where this is consistent with the requirement to use fair value. Where this is not the case adjustments are made or alternative methods are used as appropriate. The most common reason for adjustments is to take account of events occurring after the date of the manager's valuation, such as realisations.

The fair value of direct unquoted investments is calculated in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines issued in October 2006 and updated in September 2009. The primary valuation methodology used is an earnings multiple methodology, with other methodologies used where they are more appropriate.

Quoted investments
Quoted investments 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.

Subsidiary undertakings
The investments in the subsidiaries are recognised at fair value through profit and loss in the financial statements of the parent company.

Current asset investments held at fair value
Current asset investment may include investments in fixed income funds or instruments. These are valued based on the redemption price as at the balance sheet date, which is based on the value of the underlying investments.

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 or loss, as permitted by that standard.

IAS 28 requires certain disclosures to be made about associates, including summary historical financial information, even where these associates have been accounted for in accordance with IAS 39 and held at fair value. Graphite Enterprise has a small number of investments which fall within the definition of an associate, all of which are held at fair value.

Notes to the Accounts
(continued)

1 Accounting policies (continued)
The disclosures required by IAS 28 have not been made. It is considered that, in the context of the investment portfolio, such information would not be useful to users of the accounts. Information is considered useful if it helps users assess the net asset value of the Group or the future growth therein. Many factors are taken into account in determining the fair value of individual investments, of which historical financial information is only one. Taken alone, this information would not be useful in making such an assessment and would be misleading in some instances.

(e) Receivables
Receivables include unamortised fees which were incurred directly in relation to the agreement of a financing facility. These fees will be amortised over the life of the facility on a straight line basis.

(f) Cash and cash equivalents
Cash comprises cash in hand and on-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.

(g) Dividend distributions
Dividend distributions to shareholders are recognised in the period in which they are paid or approved.

(h) Income
When it is probable that economic benefits will flow to the Group and the amount can be measured reliably, interest is recognised using the effective interest method.

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.

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

(i) Expenses
All expenses are accounted for on an accruals basis. Expenses are allocated to the revenue column in the income statement with the following exceptions:

- Expenses which are incidental to the acquisition of investments (transaction costs) are allocated to the capital column.
- Expenses which are incidental to the disposal of investments are deducted from the disposal proceeds of investments and therefore also effectively allocated to the capital column.
- The Board expects the substantial majority of long term returns from the portfolio to be generated from capital gains. The investment management and bank facility charges have therefore been allocated 75% to the capital column and 25% to the revenue column in line with this expectation.
- Other expenses are allocated to the capital column where a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

All expenses allocated to the capital column are treated as realised capital losses (see note 1(l)).

(j) Taxation
Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 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 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 assets are not recognised in respect of tax losses carried forward to future periods.

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.

(k) Foreign currency translation
The functional currency of each of the entities in the Group is sterling since that is the currency of the primary economic environment in which the Group operates. The presentation currency for the Group and each entity in it 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.

(l) Revenue and capital reserves
The revenue return component of total income is taken to the distributable revenue reserve within the Statement of Changes in Equity. The capital return component of total income is taken to the non-distributable capital reserve within the Statement of Changes in Equity.

Gains and losses on the realisation of investments including realised exchange gains and losses and expenses of a capital nature are taken to the realised capital reserve (see note 1(i)). Changes in the valuations of investments which are held at the period end and unrealised exchange differences are accounted for in the unrealised capital reserve.

(m) Key estimates and assumptions
Estimates and judgements used in preparing the financial information are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unquoted investments which may be managed directly by the Manager, Graphite Capital, or third party private equity firms selected by the Manager. Note 1(d) sets out the accounting policy for unquoted investments.

Judgement is required in order to determine appropriate valuation methodologies and subsequently in determining the inputs into the valuation models used. These judgements include making assessments of the maintainable earnings of portfolio companies and appropriate earnings multiples to apply. Although the judgements are significant, the valuation guidelines are clear, well established and supported by a large part of the global private equity industry. Any adjustments to third party manager's valuations may also require the exercise of a significant level of judgement depending on the nature of adjustments.

(n) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the segments has been identified as the Board. It is considered that the Group's operations comprise a single operating segment.

(o) Non-controlling interests
Non-controlling interests represent the interest of the Co-investors in the assets of the Partnerships (see note 9).

Notes to the Accounts
(continued)

2 Gains and losses on investments held at fair value – revenue return

Group and Parent Company	Year ended 31 January 2013 £'000s	Year ended 31 January 2012 £'000s
Income from investments		
Dividends from UK companies#	338	241
UK unfranked investment income#	1,857	1,866
Overseas interest and dividends#	3,652	3,984
Income from cash equivalents*	–	113
Other income from investments#	141	2,274
	5,988	8,478
Other income		
Deposit interest on cash*	39	14
Income from current asset investments	74	527
Other	4	44
	117	585
Total income	6,105	9,063
Analysis of income from investments		
Quoted in the United Kingdom	338	241
Unquoted	5,650	8,237
	5,988	8,478

These items make up income from the investment portfolio of £5,988,000 (2012: £8,365,000).
* These items make up income from cash and cash equivalents of £39,000 (2012: £127,000).

3 Investment management charges

	Year ended 31 January 2013			Year ended 31 January 2012		
Group and Parent Company	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Investment management fee	1,319	3,957	5,276	1,290	3,870	5,160
Irrecoverable VAT	18	53	71	11	34	45
	1,337	4,010	5,347	1,301	3,904	5,205

The allocation of the total investment management charges was unchanged in the year to 31 January 2013 with 75% of the total allocated to capital and 25% allocated to income.

The Company has borne a management charge of £513,000 (2012: £482,000) in respect of Graphite Capital Partners VI and £855,000 (2012: £822,000) in respect of Graphite Capital Partners VII and Graphite Capital Partners Top Up Fund and Graphite Capital Partners Top Up Fund Plus. These charges are at the same level as those paid by third party investors. The Company does not pay any additional fees to the Manager on these investments. The total investment management charges payable by the Group to the Manager (excluding VAT), including the amounts set out in the table above, were therefore £6,715,000 (2012: £6,509,000).

3 Investment management charges (continued)
Graphite Capital Management LLP was a related party of Graphite Enterprise Trust PLC during the year. The amounts payable during the year are set out above. There was an accrued amount outstanding of £63,000 (excluding VAT) as at 31 January 2013 (2012: £123,000).

4 Other expenses
The Group did not directly employ any staff in year to 31 January 2013 (2012: none).

		Year ended 31 January 2013		Year ended 31 January 2012
Group	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Directors' fees (see note 5)		202		195
Auditors' remuneration:				
Fees payable for the statutory audit of the Company	71		66	
Additional fees payable for the prior year statutory audit	3		3	
Fees payable for audit-related assurance services:				
Auditing of accounts of the subsidiaries of the Company required by legislation	35		35	
Interim review required by legislation	22		25	
Fees payable for other assurance services	11		16	
Total audit and non-audit fees		142		145
Administrative expenses*		1,428		1,170
Other expenses allocated to revenue		1,772		1,510
Other expenses allocated to capital*		1,607		809
		3,379		2,319

* These expenses include bank facility costs of £1,942,000, of which £486,000 was allocated to revenue and £1,456,000 to capital.

5 Directors' remuneration and interests
The amounts paid by the Company as directors' fees are shown in the Directors' Remuneration Report on page 82. No income was received or receivable by the directors from any other entity in the Group. The directors' interests in the share capital of the Company are shown in the Report of the Directors on page 76.

Notes to the Accounts
(continued)

6 Taxation

In both the current and prior years the tax charge was lower than the standard rate of corporation tax, principally due to the Company's status as an investment trust, which means that capital gains are not subject to corporation tax. The effect of this and other items affecting the tax charge is shown in note 6(b) below.

Group	Year ended 31 January 2013 £'000s	Year ended 31 January 2012 £'000s
a) Analysis of charge in year		
Tax charge on items allocated to revenue	701	1,633
Tax credit on items allocated to capital	(701)	(1,633)
UK corporation tax at 24.33% (2012 - 26.33%)	–	–
b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	52,344	29,417
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.33% (2012: 26.33%)	12,737	7,745
Effect of:		
– net investment returns not subject to corporation tax	(13,375)	(7,340)
– UK dividends not subject to corporation tax	(82)	(63)
– expenses not deductible for tax purposes	90	64
– excess management expenses generated/(utilised) in the year	630	(406)
Total tax charge	–	–

Graphite Enterprise has carried forward excess management expenses of £5,218,000 (2012: £1,690,000). Deferred tax assets of £1,200,000 (2012: £406,000) are not recognised in respect of tax losses carried forward to future periods. There are no other carried forward deferred tax assets or liabilities (2012: nil). Due to the Company's status as an investment trust, and the 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 disposal of investments. For all investments the tax base is equal to the carrying amount.

The market value of the Company's ordinary shares at 31 March 1982 was 16.0p.

7 Earnings per share

	Year ended 31 January 2013	Year ended 31 January 2012
Revenue return per ordinary share	3.15p	**6.33p**
Capital return per ordinary share	63.91p	**31.35p**
Earnings per ordinary share (basic and diluted)	67.06p	**37.68p**

Revenue return per ordinary share is calculated by dividing the revenue return attributable to equity shareholders of £2,295,000 (2012: £4,619,000) by the weighted average number of ordinary shares outstanding during the period.

Capital return per ordinary share is calculated by dividing the capital return attributable to equity shareholders of £46,597,000 (2012: return of £22,857,000) by the weighted average number of ordinary shares outstanding during the period.

Basic and diluted earnings per ordinary share are calculated by dividing the earnings attributable to equity shareholders of £48,892,000 (2012: £27,476,000) by the weighted average number of ordinary shares outstanding during the period.

The weighted average of ordinary shares outstanding during the year was 72,913,000 (2012: 72,913,000). There were no potentially dilutive shares, such as options or warrants, in either period.

8 Dividends

Group and Parent company	Year ended 31 January 2013 £'000s	Year ended 31 January 2012 £'000s
Final paid: 5.00p (2012: 2.25p) per share	3,646	1,641

The Board has proposed a final dividend of 5.00p per share in respect of the period ended 31 January 2013 which, if approved by shareholders, will be paid on 19 June 2013, to shareholders on the register of members at the close of business on 31 May 2013.

9 Subsidiary undertakings

Graphite Enterprise Trust Limited Partnership and Graphite Enterprise Trust (2) Limited Partnership (the "Partnerships"), which are registered in England, were subsidiary undertakings at 31 January 2013.

The Company makes investments through the Partnerships, as well as directly. The Co-investors invest alongside the Company in the Partnerships under the co-investment arrangements described in the Report of the Directors on page 77. Contributions by the Company and the Co-investors take the form of loans to the Partnerships. The Partnerships are subsidiary undertakings of the Company and accordingly consolidated accounts have been prepared.

Notes to the Accounts
(continued)

10 Investments

Group	Quoted £'000s	Unquoted £'000s	Total £'000s
Cost at 1 February 2012	1,978	323,035	325,013
Unrealised appreciation at 1 February 2012	790	51,880	52,670
Valuation at 1 February 2012	2,768	374,915	377,683
Movements in the year:			
Purchases at cost	–	53,850	53,850
Sales – proceeds	–	(70,923)	(70,923)
– realised gains and losses based on carrying value at previous balance sheet date	–	15,977	15,977
Movement in unrealised appreciation	791	37,787	38,578
Valuation at 31 January 2013	3,559	411,606	415,165
Cost at 31 January 2013	1,890	322,000	323,890
Unrealised appreciation at 31 January 2013	1,669	89,606	91,275
Valuation at 31 January 2013	3,559	411,606	415,165

Group	Quoted £'000s	Unquoted £'000s	Total £'000s
Cost at 1 February 2011	1,978	305,332	307,310
Unrealised appreciation at 1 February 2011	1,441	47,808	49,249
Valuation at 1 February 2011	3,419	353,140	356,559
Movements in the year:			
Purchases at cost	–	81,132	81,132
Sales – proceeds	–	(88,385)	(88,385)
– realised gains and losses based on carrying value at previous balance sheet date	–	1,675	1,675
Movement in unrealised appreciation	(651)	27,353	26,702
Valuation at 31 January 2012	2,768	374,915	377,683
Cost at 31 January 2012	1,978	323,035	325,013
Unrealised appreciation at 31 January 2012	790	51,880	52,670
Valuation at 31 January 2012	2,768	374,915	377,683

10 Investments (continued)

Group	31 January 2013 £'000s	31 January 2012 £'000s
Realised gains and losses based on cost	15,950	24,955
Amounts recognised as unrealised in previous years	27	(23,280)
Realised gains and losses based on carrying values at previous balance sheet date	15,977	1,675
Increase in unrealised appreciation	38,578	26,701
Gains on investments	54,555	28,376

Parent	Quoted £'000s	Unquoted £'000s	Subsidiary undertakings £'000s	Total £'000s
Cost at 1 February 2012	1,960	268,338	38,169	308,467
Unrealised appreciation at 1 February 2012	808	42,157	19,101	62,066
Valuation at 1 February 2012	2,768	310,495	57,270	370,533
Movements in the year:				
Purchases at cost	–	45,586	(594)	44,992
Sales – proceeds	–	(59,250)	–	(59,250)
– realised gains and losses based on carrying value at previous balance sheet date	–	12,778	–	12,778
Movement in unrealised appreciation	791	33,542	3,950	38,283
Valuation at 31 January 2013	3,559	343,151	60,626	407,336
Cost at 31 January 2013	1,890	267,724	37,575	307,189
Unrealised appreciation at 31 January 2013	1,669	75,427	23,051	100,147
Valuation at 31 January 2013	3,559	343,151	60,626	407,336

Notes to the Accounts
(continued)

10 Investments (continued)

Parent	Quoted £'000s	Unquoted £'000s	Subsidiary undertakings £'000s	Total £'000s
Cost at 1 February 2011	1,960	255,264	34,017	291,241
Unrealised appreciation at 1 February 2011	1,459	37,172	16,725	55,356
Valuation at 1 February 2011	3,419	292,436	50,742	346,597
Movements in the year:				
Purchases at cost	–	64,529	4,151	68,680
Sales – proceeds	–	(71,084)	–	(71,084)
– realised gains and losses based on carrying value at previous balance sheet date	–	1,372	–	1,372
Movement in unrealised (depreciation)/appreciation	(651)	23,242	2,377	24,968
Valuation at 31 January 2012	2,768	310,495	57,270	370,533
Cost at 31 January 2012	1,960	268,338	38,169	308,467
Unrealised appreciation at 31 January 2012	808	42,157	19,101	62,066
Valuation at 31 January 2012	2,768	310,495	57,270	370,533

Parent	31 January 2013 £'000s	31 January 2012 £'000s
Realised gains and losses based on cost	12,980	19,971
Amounts recognised as unrealised in previous years	(202)	(18,599)
Realised gains and losses based on carrying values at previous balance sheet date	12,778	1,372
Increase in unrealised appreciation	38,283	24,968
Gains on investments	51,061	26,340

10 Investments (continued)

Significant interests in investee undertakings

The Group has no interest of more than 20% of a class of share capital of any investee undertaking which represents more than 1% by value of the quoted and unquoted investments of the Group.

The Group had an interest that was material to the Group in the following entities:

Fund	Percentage interest
Graphite Capital Partners VI	12.0%
Graphite Capital Partners VII	9.0%
Activa Capital Fund II	6.2%
Deutsche Beteiligungs AG Fund V	4.8%
Bowmark Capital Partners IV	3.8%
Euromezzanine 5	3.0%

Notes to the Accounts
(continued)

11 Cash and liquid investments

	31 January 2013		31 January 2012	
	Group £'000s	Parent £'000s	Group £'000s	Parent £'000s
Cash at bank and in hand	28,778	24,551	9,218	6,096
Current asset investments	26,398	26,398	34,946	34,946
Total cash and liquid investments	55,176	50,949	44,164	41,042

Current asset investments at 31 January 2013 were liquid investments in gilts.

12 Receivables – current

As at 31 January 2013, prepayments and accrued income included £1,304,000 of unamortised costs in relation to the bank facility. Of this amount £602,000 is expected to be amortised in less than one year.

	31 January 2013		31 January 2012	
	Group £'000s	Parent £'000s	Group £'000s	Parent £'000s
Prepayments and accrued income	1,672	1,672	2,739	2,733
Subsidiary undertakings	–	1,008	–	1,382
	1,672	2,680	2,739	4,115

13 Payables – current

	31 January 2013		31 January 2012	
	Group £'000s	Parent £'000s	Group £'000s	Parent £'000s
Accruals	545	550	521	521
Other creditors	5	–	500	–
	550	550	1,021	521

14 Share capital

Equity share capital	Authorised Number	Nominal £'000s	Number	Issued and fully paid Nominal £'000s
Ordinary shares of 10p each				
Balance at 31 January 2012 and 31 January 2013	120,000,000	12,000	72,913,000	7,292

All ordinary shares have equal voting rights.

15 Net asset value per share – Group and Company

The net asset value per share is calculated on equity attributable to equity holders of £460,415,000 (2012: £415,269,000) and on 72,913,000 (2012: 72,913,000) ordinary shares in issue at the year end. There were no potentially dilutive ordinary shares, such as options or warrants, at either year end. Calculated on both the basic and diluted basis the net asset value per share was 631.5p (2012: 569.4p).

Notes to the Accounts
(continued)

16 Capital commitments and contingencies

The Group had uncalled commitments in relation to the following portfolio investments.

	31 January 2013 Group £'000s	31 January 2013 Parent £'000s	31 January 2012 Group £'000s	31 January 2012 Parent £'000s
Graphite Capital Partners VII	11,506	11,506	19,143	19,143
Graphite Capital Partners VII Top Up Fund	2,219	2,219	4,411	4,411
Graphite Capital Partners VII Top Up Fund Plus	2,142	2,142	2,229	2,229
Total Graphite Capital Partners VII	15,867	15,867	25,783	25,783
Graphite Capital Partners VI	5,133	5,020	4,966	4,853
Graphite Capital Partners V	796	637	796	637
Total Graphite funds	21,796	21,524	31,545	31,273
Egeria Private Equity Fund IV	8,560	6,848	–	–
Deutsche Beteiligungs AG Fund VI	8,560	6,848	–	–
Fifth Cinven Fund	8,077	6,461	8,299	6,639
CVC European Equity Partners V	8,034	6,427	9,430	7,544
ICG Europe Fund V	7,175	5,740	–	–
BC European Capital IX	5,589	4,471	7,491	5,993
Thomas H Lee Parallel Fund VI	4,874	3,899	6,161	4,929
Doughty Hanson & Co V	4,493	3,595	7,587	6,070
Bowmark Capital Partners IV	4,320	3,456	5,743	4,595
Piper Private Equity Fund V	3,653	2,922	4,503	3,602
Steadfast Capital III	3,531	2,825	4,069	3,256
Advent Global Private Equity VII	2,895	2,316	–	–
Activa Capital Fund II	2,846	2,277	7,007	5,605
Advent Central and Eastern Europe IV	2,611	2,089	3,867	3,094
Fourth Cinven Fund	2,530	2,024	7,748	6,198
ICG European Fund 2006	2,514	2,011	2,699	2,159
Deutsche Beteiligungs AG Fund V	2,053	1,642	4,650	3,720
TDR Capital II	1,858	1,486	5,286	4,229
Euromezzanine 5	1,840	1,472	1,784	1,427
Segulah IV	1,676	1,341	1,704	1,363
Charterhouse Capital Partners VII	1,566	1,253	1,586	1,269
CVC European Equity Partners IV	1,545	1,236	1,559	1,247
PAI Europe V	1,513	1,210	1,950	1,560
Trident Private Equity III	1,322	1,057	1,691	1,353
Charterhouse Capital Partners VIII	1,284	1,027	1,335	1,068
CVC European Equity Partners Tandem	1,205	964	1,457	1,165
Piper Private Equity Fund IV	1,198	958	1,198	958
Candover 2005 Fund	1,129	895	1,298	1,039
Doughty Hanson & Co IV	1,076	861	1,044	835
Apax Europe VII Sidecar 2	1,004	803	932	745
Apax Europe VII	854	682	2,210	1,767
Vision Capital Partners VII	844	670	4,127	3,292
Activa Capital Fund	566	452	747	597
Euromezzanine 4	527	422	511	409
Other	1,399	1,119	1,547	1,238
	104,721	83,759	111,221	88,965
Total	126,517	105,283	142,766	120,238

In addition, the Company has issued a €3 million (2012: €3 million) guarantee to a bank in respect of a portfolio company.

17 Non-controlling interests

Non-controlling interests represent the interests of the Co-investors in the assets of the Partnerships at the year end (see note 9).

During the year ended 31 January 2013 the Co-investors subscribed an amount of £418,000 (2012 £282,000) and received cash payments totalling £1,218,000 (2012: £3,976,000).

The non-controlling interest shown in the consolidated balance sheet represents Co-investors' potential share of the gains on investments calculated on the assumption that all investments are realised for cash at their valuation at the year end.

18 Financial instruments and risk management

The Company is an investment company as defined by section 833 of the Companies Act 2006 and conducts its affairs so as to qualify as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010 ("Section 1158").

The Group's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly. Investments in funds have anticipated lives of approximately ten years. Direct investments are made with an anticipated holding period of between three and five years. Investment agreements will, however, usually provide that any loans advanced to investee companies are for a longer period than this. The agreements will usually provide for repayments to be made by instalments with provision for full repayment on sale or flotation.

Notes to the Accounts
(continued)

18 Financial instruments and risk management (continued)

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (comprising currency risk, interest rate risk and price risk), investment risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Manager has overall responsibility for managing the risks and the framework for monitoring and coordinating these risks. This is monitored by the Board. The Group's financial risk management objectives and processes used to manage these risks have not changed from the previous period and the policies are set out below:

Market risk

(i) Currency risk

The Group's investments are principally in the UK and continental Europe and are primarily denominated in sterling and in euros. There are also smaller amounts in US dollars and in other European currencies. The Group is exposed to currency risk in that movements in the value of sterling against these foreign currencies will affect the net asset value and the cash required to fund undrawn commitments. The Board regularly reviews the level of foreign currency denominated assets and outstanding commitments in the context of current market conditions and may decide to buy or sell currency or put into place currency hedging arrangements.

The composition of the net assets of the Group by currency at the year end is set out below:

31 January 2013	Sterling £'000s	Euro £'000s	Other £'000s	Total £'000s
Group				
Investments	205,035	141,599	68,531	415,165
Cash and cash equivalents and other net current assets	51,685	3,022	1,591	56,298
	256,720	144,621	70,122	471,463
Parent				
Investments	239,233	113,279	54,824	407,336
Cash and cash equivalents and other assets and liabilities	49,836	1,997	1,246	53,079
	289,069	115,276	56,070	460,415

18 Financial instruments and risk management (continued)

31 January 2012	Sterling £'000s	Euro £'000s	Other £'000s	Total £'000s
Group				
Investments	176,884	136,244	64,555	377,683
Cash and cash equivalents and other net current assets	39,720	5,960	202	45,882
	216,604	142,204	64,757	423,565
Parent				
Investments	209,895	108,995	51,643	370,533
Cash and cash equivalents and other assets and liabilities	39,324	5,108	204	44,636
	249,219	114,103	51,847	415,169

These figures are based on the currency of the location of the underlying portfolio companies' headquarters.

The effect of a 25% increase or decrease in the value of sterling against the euro would be a fall and a rise of £31.9 million and £32.8 million in the value of shareholders' equity at 31 January 2013 respectively (2012: £30.9 million and £30.3 million based on 25% increase or decrease). The effect of a 25% increase or decrease in the value of sterling against the euro on profit after tax would be a fall and a rise of £35.2 million and £35.2 million (2012: £33.8 million and £33.8 million based on 25% increase or decrease). The percentages applied are based on market volatility in exchange rates over recent periods.

Notes to the Accounts
(continued)

18 Financial instruments and risk management (continued)

(ii) Interest rate risk
The fair value of the Group's investments and cash balances are not directly affected by changes in interest rates. The fair value of UK government bonds ("gilts") classified as current assets will vary with changes in interest rates but the impact of a rise in interest rates is not material to the Company as the gilts are short dated.

(iii) Price 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 Group's objective, which is to provide long term capital growth through investment in unquoted companies. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Group's objective. No hedging of this risk is undertaken.

The Group is exposed to the risk of change in value of its private equity investments. For all investments, the market risk variable is deemed to be the price itself. The impacts on loss after tax and on shareholders' equity, in absolute terms and as a percentage of those figures, of movements in this variable are set out in the table below. The percentages applied are based on market volatility in prices.

	31 January 2013		31 January 2012	
	Increase in variable £'000s	Decrease in variable £'000s	Increase in variable £'000s	Decrease in variable £'000s
30% (2012: 30%) movement in the price of investments				
Impact on profit after tax	124,165	(124,165)	112,940	(112,940)
Impact as a percentage of profit after tax	237.2%	(237.2%)	383.9%	(383.9%)
Impact on shareholders' equity	115,582	(117,277)	104,121	(107,834)
Impact as a percentage of shareholders' equity	25.1%	(25.5%)	25.1%	(26.0%)

18 Financial instruments and risk management (continued)

Credit and investment risk

(i) Investment risk

Investment risk is the risk that the financial performance of the companies in which the Group invests either improves or deteriorates, thereby affecting the value of that investment. Investments in unquoted companies whether indirectly or directly are by their nature subject to potential investment losses. The investment portfolio is highly diversified. The investment policy restricts the size of the Group's largest investment to 15% of the portfolio.

(ii) Credit risk

The Group's exposure to credit risk arises principally from its investment in gilts and its cash deposits. The Group aims to invest the majority of its liquid portfolio in assets which have low credit risk. The Group's policy is to limit exposure to any one investment to 15% of gross assets. This is regularly monitored by the Manager as a part of its cash management process.

Cash was held on deposit principally with one UK bank and totalled £28,778,000 (2012: £9,218,000). This represents the maximum exposure to credit risk at the balance sheet date. No collateral is held by the Group in respect of these amounts. None of the Group's cash deposits were past due or impaired at 31 January 2013 (2012: nil).

Liquidity risk

The Group has significant investments in unquoted companies which are inherently illiquid. The Group also has substantial undrawn commitments to funds, the great majority of which are likely to be called over the next five years. The Group aims to manage its affairs to ensure sufficient cash, other liquid assets and undrawn borrowing facilities will be available to meet contractual commitments when they are called and also seeks to have cash generally available to meet other short term financial needs. All cash and cash equivalents are available on demand. The Group's liquidity management policy involves projecting cash flows and considering the level of liquidity necessary to meet these.

The Group has power to enter into borrowing arrangements, both short and long term. After year end, the Group has agreed an additional £40 million of committed bank facilities which means the Group has access to total bank facilities of £100 million (see note 20 for further details).

As at 31 January 2013 the Group's financial liabilities amounted to £550,000 of trade and other payables (2012: £1,021,000) which were due in less than one year.

Notes to the Accounts
(continued)

18 Financial instruments and risk management (continued)

Capital risk management

The Company's capital is represented by its net assets, which are managed to achieve the Group's investment objective, set out on page 84. The main risks to the Company's investments are set out in note 18. The Company currently has no debt.

The Board can manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy back shares and it also determines dividend payments. The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Section 1159 Corporation Tax Act 2010 and by the Companies Act 2006, respectively.

Total equity at 31 January 2013, the composition of which is shown on the Balance Sheet on page 39, was £471,463,000 (2012: £423,565,000).

Fair values estimation

IFRS 7 requires disclosure of fair value measurements of financial instruments categorised according to the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

18 Financial instruments and risk management (continued)

The following tables present the assets that are measured at fair value at 31 January 2013. Neither the Group, nor the parent company, had any financial liabilities measured at fair value at that date.

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	367,764
Unquoted investments – direct	–	–	43,842
Quoted investments – direct	3,559	–	–
Current asset investment	26,398	–	–
Total investments held at fair value	29,957	–	411,606

Parent	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	309,500
Unquoted investments – direct	–	–	33,651
Quoted investments – direct	3,559	–	–
Current asset investment	26,398	–	
Subsidiary undertaking	–	–	60,626
Total investments held at fair value	29,957	–	403,777

The following tables present the assets that are measured at fair value at 31 January 2012. Neither the Group, nor the parent company, had any financial liabilities measured at fair value at that date.

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	328,982
Unquoted investments – direct	–	–	45,933
Quoted investments – direct	2,768	–	–
Current asset investment	34,946	–	–
Total investments held at fair value	37,714	–	374,915

Notes to the Accounts

(continued)

18 Financial instruments and risk management (continued)

Parent	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	273,749
Unquoted investments – direct	–	–	36,746
Quoted investments – direct	2,768	–	–
Current asset investment	34,946	–	–
Subsidiary undertaking	–	–	57,270
Total investments held at fair value	37,714	–	367,765

All private equity and quoted investments are valued at fair value in accordance with IAS 39.

The following tables present the changes in level 3 instruments for the year to 31 January 2013.

Group	Unquoted investments (indirect) at fair value through profit or loss £'000s	Unquoted investments (direct) at fair value through profit or loss £'000s	Total £'000s
Opening balances	328,982	45,933	374,915
Additions	48,672	5,179	53,851
Disposals	(61,146)	(15,571)	(76,717)
Gains and losses recognised in profit or loss	51,256	8,301	59,557
Closing balance	367,764	43,842	411,606
Total gains for the year included in income statement for assets held at the end of the reporting period	51,256	8,301	59,557

18 Financial instruments and risk management (continued)

Parent	Unquoted investments (indirect) at fair value through profit or loss £'000s	Unquoted investments (direct) at fair value through profit or loss £'000s	Subsidiary undertaking £'000s	Total
Opening balances	273,749	36,746	57,270	367,765
Additions	43,183	2,403	(594)	44,992
Disposals	(51,566)	(12,648)	–	(64,214)
Gains and losses recognised in profit or loss	44,134	7,150	3,950	55,234
Closing balance	309,500	33,651	60,626	403,777
Total gains for the year included in income statement for assets held at the end of the reporting period	44,134	7,150	3,950	55,234

19 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the Company and the Manager are disclosed in note 3. Significant transactions between the parent company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	31 January 2013 £'000s	31 January 2012 £'000s
Graphite Enterprise Trust Limited Partnership	Decrease in loan balance	(864)	(1,717)
	Income allocated	688	1,322
Graphite Enterprise Trust (2) Limited Partnership	Increase in loan balance	270	5,868
	Income allocated	343	101

Subsidiary	Amounts owed by subsidiaries 31 January 2013 £'000s	Amounts owed by subsidiaries 31 January 2012 £'000s	Amounts owed to subsidiaries 31 January 2013 £'000s	Amounts owed to subsidiaries 31 January 2012 £'000s
Graphite Enterprise Trust Limited Partnership	3,006	3,870	–	–
Graphite Enterprise Trust (2) Limited Partnership	16,691	16,421	–	–

Amounts owed by subsidiaries represents funding provided by the parent to the subsidiary partnerships to allow them to make investments. The balances will be repaid out of proceeds from their portfolios.

20 Post balance sheet event

On 27 March 2013, the Group entered into an agreement with The Royal Bank of Scotland ("RBS") and Lloyds Bank Corporate Markets ("Lloyds") to increase its bank facilities by £40 million to £100 million. The increase has a term of four years and expires in March 2017, two years after the current £60 million facility which expires in April 2015. Like the existing facility, the increase is structured as parallel sterling and euro facilities of £20 million and €23.6 million respectively. RBS and Lloyds continue to participate equally in the facilities.

The terms of the increase are a substantial improvement on those of the original facility. The arrangement fee is 1.75% and the non-utilisation fee is 1.05% per annum. The interest margin over LIBOR/EURIBOR on drawn amounts is 3.00% subject to certain covenants. As part of this agreement, the terms of the original £60 million facility have also been improved. The non-utilisation fee has been reduced from 2.00% to 1.90% and the interest margin over LIBOR/EURIBOR has been reduced from 3.50% to 3.00% subject to certain covenants.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the 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 the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Chairman's Statement, Market Review and Portfolio Review and Report of the Directors include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

M. Fane, Chairman
17 April 2013

Independent Auditors' Report

to the shareholders of Graphite Enterprise Trust PLC

We have audited the financial statements of Graphite Enterprise Trust PLC for the year ended 31 January 2013 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 70, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2013 and of the Group's profit and Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

Independent Auditors' Report
to the shareholders of Graphite Enterprise Trust PLC (continued)

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion 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; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 81, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Parwinder Purewal
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London

17 April 2013

Governance

Report of the Directors
For the year ended 31 January 2013

This report should be read in conjunction with the Chairman's Statement on pages 4 to 9 and the Market and Portfolio Reviews on pages 14 to 21.

Status of the Company
Graphite Enterprise Trust PLC ("Graphite Enterprise", the "Company" or the "Group") is an investment company as defined by section 833 of the Companies Act 2006 and is registered and domiciled in England (number 1571089).

During the year under review the Company carried on the business of an investment trust. The last accounting period for which the Company has been approved by HM Revenue & Customs in accordance with the provisions of Section 1158 of the Corporation Tax Act 2010 is the year ended 31 January 2012. In accordance with the self assessment of corporation tax this approval is based on the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue & Customs may make. The Company has subsequently directed its affairs with the objective of retaining such approval.

The Company's shares are eligible for inclusion in Individual Savings Accounts (ISAs), Junior ISAs, and Child Trust Funds (CTFs).

The Company makes investments both directly and through its subsidiary limited partnerships Graphite Enterprise Trust Limited Partnership and Graphite Enterprise Trust (2) Limited Partnership. These three entities together form the group (the "Group").

Reporting period
This Annual Report has been prepared for the year to 31 January 2013.

Investment policy
The Group's investment policy is set out on pages 84 and 85. There have been no changes to it since last year. There will be no material change to the investment policy without prior shareholder approval.

Business review
The investment strategy, key performance indicators and the progress of the Group are discussed in the Overview and Business Review sections.

The Company's key performance indicators are net asset value per share performance over one, three, five and ten years.

Risks
The risks and uncertainties facing the Group are regularly reviewed by the Board, the Audit Committee and the Manager. The main risks are set out below and more detailed risk disclosures are provided in note 18 to the accounts. The Board believes that the Group's principal business risks are:

Overcommitment risk – the Group has commitments to funds which may exceed its liquid resources. This is to enable the Group to become more fully invested. There is a risk that the Group may not be able to fulfil its commitments when they are drawn down. The Manager monitors the Group's liquidity on a frequent basis and provides regular updates to the Board. The Group uses a range of forecast scenarios to determine the likely rate of draw downs and the likely rate at which realisations will generate cash from the portfolio, in order to manage its overcommitment risk.

Currency risk – a significant proportion of the Group's investments and commitments are denominated in currencies other than sterling. The Group's main currency exposure is to the euro. Net asset value could be reduced or commitments increased by currency movements. The Board regularly reviews the Group's exposure to currency risk and considers the impact of currency movements when considering the Group's strategy.

Exposure to European economies – the Group's underlying investments are exposed to the UK and other European economies. The Group is not globally diversified and its performance could therefore be severely affected by a prolonged economic downturn in the major European economies. The Group seeks to mitigate the risk of under performance through effective investment allocation and manager selection.

Exposure to the banking system and debt market – private equity transactions and therefore the performance of the Group are to some extent dependent on the availability of debt financing. This risk is pervasive across the industry. Nevertheless, the Group seeks to mitigate this risk through regular review of its investment allocation and strategy.

Investment trust status – the Company operates as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Taxes Act 2010. This status exempts the Company from corporation tax on capital gains realised from the sale of its investments. The loss of investment trust status would represent a significant risk to the Company and to the Group. The Manager monitors adherence to the conditions required to maintain this status. The Manager also uses forecasts to identify risks of breaches in future periods. The results are reported to the Board at each meeting.

Corporate social responsibility

In carrying out its activities and in relationships with suppliers and the community, the Group aims to conduct itself responsibly, ethically and fairly. The Group has no employees and the Board is comprised entirely of non-executive directors. The Group has minimal direct impact on the environment.

Dividend

The final dividend in respect of the period ended 31 January 2013 of 5.0p per share will, if approved, be paid on 19 June 2013 to holders of ordinary shares on the register at the close of business on 31 May 2013.

Directors

All of the directors listed on page 22 held office throughout the year, except for Ms Pajarola who was appointed director on 27 March 2013. Ms Pajarola is resident in Switzerland. All of the other directors of the Company are resident in the UK. The directors' biographical details on page 22 demonstrate the wide range of skills and experience that they bring to the Board.

In addition to the requirement of the Company's Articles of Association that one third of the Board is subject to retirement each year, all directors are required to submit themselves for re-election at least every three years.

Mr Dicks and Mr Fane have served on the Board for more than nine years and accordingly stand for re-election for a further year. The Board believes that Mr Dicks and Mr Fane each make a relevant and significant contribution and bring considerable knowledge and experience to the Board. Their re-election is recommended to shareholders.

The directors have each signed a letter of appointment setting out the terms of their engagement as non-executive directors. Copies of these letters are available for inspection at the Company's registered office during normal business hours and will also be available at the AGM. No director has a service contract with the Company or has an interest in contracts and agreements entered into by the Company.

The interests of the directors in the share capital of the Company, which are beneficial unless otherwise noted, are noted in Figure 5.1 on the next page.

Report of the Directors
(continued)

Fig: 5.1

Ordinary shares	31 January 2013	31 January 2012
M. Fane	138,950	128,950
J. Tigue	91,038	89,867
P. Dicks	7,000	7,000
M. Cumming	10,000	10,000
A. Pomfret	10,000	10,000
L. Riches	10,000	10,000
	266,988	255,817

Since 31 January 2013, Sandra Pajarola has purchased 6,000 shares.

Directors' remuneration

The Company has no employees or executive directors and consequently does not have a remuneration committee. A Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on page 82. The directors' remuneration is not conditional upon the resolution being passed.

Manager

Under the terms of the Company's management agreement (the "Management Agreement"), Graphite Capital Management LLP ("Graphite Capital" or the "Manager"), which is authorised and regulated by the Financial Conduct Authority, provides investment management, company secretarial and general administrative services to the Group. The Management Agreement can be terminated by either party giving not less than one year's notice.

The investment management charge is calculated as 1.5% of the investment portfolio, excluding investments in Graphite Capital funds and 0.5% of outstanding commitments to funds in their investment periods, excluding those to Graphite Capital funds. The Company also pays a charge to the Manager on its investments in Graphite Capital funds. These charges are at the same level as those paid by third party investors, as described below.

A summary of the Company's investments in funds managed by Graphite Capital is set out in Figure 5.2.

Other than for the Top Up Fund and Top Up Fund Plus, the terms of the investments in these funds specify that annual management charges are 2.0%, calculated by reference to total commitments for the first five years of the fund life, and thereafter by reference to the cost of unrealised investments.

For the Top Up Fund and Top Up Fund Plus, annual management charges are 1.0%, calculated by reference to amounts drawn down and invested. The co-investment arrangements within these funds are similar to those that are in place in the Group's Co-investment scheme (see page 77).

The directors review the activities and performance of the Manager on an ongoing basis. In addition, the Audit Committee carries out a formal annual review of the Manager's internal controls and risk management systems and the Board annually reviews the Manager's investment strategy and performance. Such reviews were carried out during the period under review. The Board reviewed the Group's investment record over short and long term periods, taking into account factors including the net asset value per share and the share price as well as the performance and competence of the Manager. The Board is satisfied with the past performance and with the way the Company and Group is managed. Based on this it is the Board's opinion that the continuing appointment of Graphite Capital Management LLP as Manager on the agreed terms is in the best interests of shareholders as a whole.

Capital

There were no movements in the number of outstanding ordinary shares during the year ended 31 January 2013.

The directors' authority to buy back shares was renewed at the 2012 AGM and will expire unless renewed at the forthcoming AGM. Although no shares were bought back during the period, the directors are proposing to renew the authority at the forthcoming AGM, and are seeking authority to purchase up to 10,929,658 ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 10. The authority will be used where the directors consider it to be in the best

Fig: 5.2

Total commitment	31 January 2013 £'000	31 January 2012 £'000
Graphite Capital Partners VII	42,800	42,800
Graphite Capital Partners VII Top Up Fund	10,000	10,000
Graphite Capital Partners VII Top Up Fund Plus	6,000	6,000
Graphite Capital Partners VI	44,988	44,988
Graphite Capital Partners V	12,000	12,000
	115,788	115,788

interest of shareholders. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority, the maximum price that can be paid for each ordinary share is the higher of: (a) 105% of the average of the middle market quotations of the ordinary shares in the Trust for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the last price of the independent trade and the highest current independent bid (as stipulated by Article 5(1) of Commission Regulation (EC) No.2273/2003). The minimum price that may be paid will be 10.0p per share (being the nominal value of a share). Any shares purchased under this authority will be cancelled or held in treasury. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The directors' authority to allot up to a maximum of 3,646,560 ordinary shares of 10p each, representing 5% of the Company's issued share capital, was renewed at the AGM.

An additional resolution passed at the AGM gave the directors the authority to disapply pre-emption rights on up to 5% of the issued share capital to enable the Board to re-issue any ordinary shares held in treasury without having first to offer them to all existing shareholders. No shares have been held in treasury during the year or since the year end. This authority, together with the directors' authority to allot shares, will expire unless renewed at the next AGM and therefore the same resolutions are to be submitted to the forthcoming AGM.

Substantial share interests

At 16 April 2013, the Company had received notification of the following disclosable interests in its issued share capital: Legal and General Investment Management Limited, 2,913,999 ordinary shares, representing 3.99% of issued share capital at that date, Henderson Global Investors Limited, 3,710,003 ordinary shares, representing 5.09% of issued share capital at that date and Red Rocks Capital LLC, 3,637,042 ordinary shares, representing 4.99% of issued share capital at that date.

Co-investment scheme

There are co-investment arrangements in place under which the executives of the Manager (or their nominees) and an associate of the Manager (together the "Co-investors") co-invest with the Company through Graphite Enterprise Trust Limited Partnership ("Partnership 1") and Graphite Enterprise Trust (2) Limited Partnership ("Partnership 2"). Investments made through Partnership 1 relate to fund commitments and direct investments made before 24 May 2007 and investments made through Partnership 2 relate to those made after 24 May 2007.

For as long as Graphite Capital is the manager of the Group, the Co-investors are required to subscribe 0.5% of the Group's cost of each new private equity investment (other than those in Graphite funds, which are subject to a separate arrangement – see above). If an investment made by either partnership achieves at least an 8% per annum compound return (the "Threshold"), the Co-investors are entitled to a payment representing 10% of the total of the Group's gross income and capital gains (the "Share") from that investment.

Report of the Directors
(continued)

Co-investment scheme (continued)
In Partnership 1, if the Threshold is not achieved on any individual investment, the Co-investors receive no payment. If the Threshold is achieved, the Share is paid on the cash receipt by Partnership 1 of gross income and capital proceeds from investments in excess of the Threshold or on the flotation of portfolio companies when it may be satisfied in specie.

In Partnership 2 the cost of the Co-investors' investment is returned to Co-investors at the same time as the Company recovers its cost of investment. The balance of the Share, if any, is paid on the cash receipt by Partnership 2 of gross income and capital proceeds from investments in excess of the Threshold or on the flotation of portfolio companies when it may be satisfied in specie.

Transfer of shares and voting rights
All ordinary shares have equal voting rights. There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreement which the Company is party to that affects its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for the loss of office.

Policy on payments to suppliers
The Company's principal supplier, the Manager, is paid for its services in accordance with the terms and conditions of the Management Agreement. Payment terms are negotiated with other suppliers on an individual basis. At 31 January 2013 the Company had no outstanding trade creditors (2012: nil) However, there was an accrued balance for £63,000 in relation to management fees payable to the Manager (2012: £123,000).

Stewardship
The Group seeks to make investments in funds and companies which are well managed with high standards of corporate governance. The directors believe this creates the proper conditions to enhance long term shareholder value. The exercise of voting rights attached to the Company's portfolio has been delegated to the Manager. However, the Board will be informed of any sensitive voting issues involving the Group's investments.

Corporate governance
The Group is committed to appropriate standards of corporate governance. The Board complied with the principles set out in the current UK Corporate Governance Code issued by the Financial Reporting Council in May 2010 (the "Governance Code") during the year ended 31 January 2013. A copy of the Governance Code can be obtained from the website of the Financial Reporting Council (www.frc.org.uk).

The Board is currently comprised of seven non-executive directors. There is no Chief Executive position within the Company as day-to-day management of the Company's affairs has been delegated to the Manager. The Board regularly reviews the independence of its members and, having due regard to the definitions and current guidelines on independence under the Governance Code, considers all directors to be independent. There are no relationships or circumstances relating to the Company that are likely to affect their judgement. Mr Dicks has been appointed as the Senior Independent Director.

Number of meetings attended/ eligible to attend in the year ended 31 January 2013

	Board	Audit
M. Fane	4/4	–
M. Cumming	4/4	3/3
P. Dicks	4/4	3/3
J. Tigue	4/4	3/3
A. Pomfret	4/4	2/2
L. Riches	4/4	–
S. Pajarola	–	–

Mr Dicks and Mr Fane have served on the Board for more than nine years. The Board considers them to be independent as it is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment trust, where continuity and experience can add significantly to the strength of the Board. Given the long term nature of the Group's investments the Board considers the long service of Mr Dicks and Mr Fane as an asset.

It is the responsibility of the Board to ensure that there is effective stewardship of the Group's affairs. Strategic issues are determined by the Board and a formal schedule of operational matters reserved for the Board has been adopted. In order to enable them to discharge their responsibilities, directors have full and timely access to relevant information. The Board, which meets at least four times each year, reviews the Group's investment portfolio and investment performance and considers financial reports. There is also contact with the directors between meetings where this is necessary for the Group's business.

There is an agreed procedure under which directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense. The directors have access to the advice and services of the company secretary.

The quorum for any Board meeting is two directors but attendance by all directors at each meeting is strongly encouraged. During the year under review, four regular meetings were held and each of the directors in office at that time attended them all. A number of additional telephone meetings regarding routine matters were also held.

During the year under review, the Board has maintained appropriate insurance cover in respect of legal action against the directors. The policy does not cover dishonest or fraudulent actions by the directors.

The Board has contractually delegated responsibility for management of the investment portfolio, the operation of custodial services for unquoted securities and the provision of accounting and company secretarial services to the Manager. Custody of quoted securities has been contractually delegated to an FCA regulated third party custodian.

Performance evaluation

The Board has a formal process by which to evaluate its own performance and that of the Chairman on an annual basis. This process is based on an open discussion and assesment of the Board and its committees, with the Chairman making recommendations to improve performance where necessary.

Audit Committee

The Audit Committee of the Group operates within written terms of reference clearly setting out its authority and duties. It is comprised of five independent directors: Mr Dicks, Mr Cumming, Mr Pomfret, Ms Riches and Mr Tigue. Mr Pomfret joined the Audit Committee on 10 July 2012. Ms Riches was appointed to the Audit Committee on 19 December 2012. There is a range of recent and relevant financial experience among the members.

The primary role of the Committee is to review the accounting policies, the contents of the interim and annual financial statements, the adequacy and scope of the external audit, the risks to which the Group is exposed, the controls in place to mitigate those risks and compliance with regulatory and financial reporting requirements.

The Committee meets at least three times a year. In both the prior and current financial periods the Committee met three times with the Group's auditors, PricewaterhouseCoopers LLP. The Committee also has direct access to the auditors as necessary at other times and the opportunity to meet the auditors without the Manager being present. The Committee has met in this financial year to consider the Group's audit process, its financial statements, the report of the auditors and auditor independence.

The quorum for the Audit Committee is any two of the members comprising the Committee but attendance at each meeting is strongly encouraged. There were three meetings during the period (2012: three). All the meetings were fully attended.

Report of the Directors
(continued)

The Audit Committee has carried out a full risk and control assessment, including reviewing the Manager's internal controls and risk management arrangements, the results of which were satisfactory.

The directors have overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. The purpose of the controls is to ensure that the assets of the Group are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. The identification, control and evaluation of risk is assisted by a series of quarterly investment performance reports, Manager's reports and the Manager's annual Statement of Internal Controls. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Manager has set out in a Statement of Internal Controls for the year to 31 January 2013 its control policies and procedures with respect to the administration of the Group's investments which contains a report from the external auditors. The Statement of Internal Controls includes controls which specifically relate to the financial reporting process. The effectiveness of these controls is monitored by the Manager. The Audit Committee has received and reviewed the Statement of Internal Controls.

By means of the procedures set out above, and in accordance with the Governance Code, the directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and have reviewed the effectiveness of the internal control systems during the year ended 31 January 2013. This process has been in place throughout the year under review and up to the date of this report and will be reviewed by the Board on a regular basis going forward. This process accords with the revised Turnbull guidance.

In common with most investment trusts, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager which has its own internal control and risk monitoring arrangements. The need for an internal audit function is reviewed annually by the Audit Committee.

PricewaterhouseCoopers LLP have been the Group's auditors for many years. The Committee remains satisfied with their independence and effectiveness and has therefore not considered it necessary to require an independent tender process. A new audit partner was appointed in 2009 in line with guidance issued by the Auditing Practices Board requiring rotation after five years for listed companies.

The Audit Committee has reviewed the provision of non-audit services and believes them to be cost effective and not an impediment to the auditors' objectivity and independence. The non-audit services are the provision of training for the directors, review of the payments under the co-investment schemes and occasional tax advice. It has been agreed that all non-audit work to be carried out by the external auditors must be ratified by the Audit Committee. Any special projects would be approved by the Audit Committee in advance. The cost of non-audit services for the year ended 31 January 2013 was £11,000 (2012: £16,000) and is not of a material nature.

Nominations Committee

All of the directors serve on the Nominations Committee which meets at least once a year and when necessary to select and propose suitable candidates for appointment or re-appointment to the Board. There was one meeting of the Committee during the year (2012: one) which was attended by each of the six eligible directors (2012: six). The Committee is chaired by Mr Fane. When making an appointment, the Board considers the existing composition of the Board to determine areas which require strengthening. External consultants may be used if required.

The Board's tenure and succession policy seeks to ensure that the Board is well balanced by the appointment of directors with a range of skills and experience. Candidates for the Board are assessed as to the appropriateness of their skills and experience prior to their appointment. New directors are given a detailed briefing on the workings of the Group by the Chairman and by executives of the Manager.

Going concern

Having reviewed the balance sheet and current activities of the Group, the directors believe that it is appropriate to continue to adopt the going concern basis of preparation of the Group's financial statements. The Group's business activities, together with factors likely to affect its future development, performance, position and cash flow requirement are set out in the Chairman's Statement and Business Review on pages 4 to 21.

Investor relations

Both the Group's Annual Report and Accounts, containing a detailed review of performance and of changes made to the investment portfolio, and Interim Report, containing updated information in a more abbreviated form, are made available to investors either by post or accessed through the Company's website. A copy of the latest investor presentation is available on the Company's website. At the AGM, investors are given an opportunity to question the Chairman, the other directors and the Manager. The Manager holds regular discussions with shareholders and values the feedback obtained in this manner. In addition, the Board are available to enter into dialogue with shareholders on any relevant matter.

Charitable and political donations

The Company has a covenant with the Charities Aid Foundation for £12,000 per annum (2012: £10,000). No political donations were made in the year (2012: nil).

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and

(2) each director has taken all the steps that he or she ought to have taken as a director in order to become aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the directors to determine their remuneration will be submitted at the AGM.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Westbury Hotel, Bond Street, London, W1S 2YF at 3.30pm on 13 June 2013. The resolutions are set out in the Notice of Meeting on pages 87 and 88.

By order of the Board,

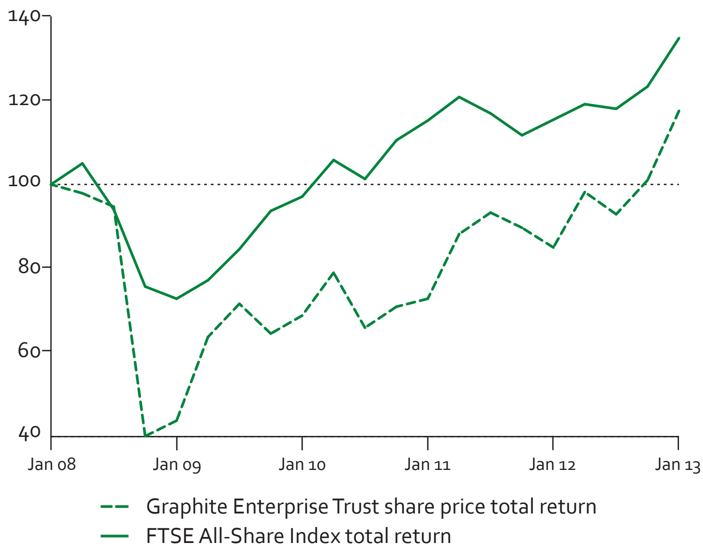
Company Secretary
Graphite Capital Management LLP
17 April 2013

Directors' Remuneration Report

The directors submit this report in accordance with the requirements of the Companies Act 2006. An ordinary resolution will be put to the members to approve this Report at the forthcoming Annual General Meeting.

Remuneration committee

As the Board is comprised solely of non-executive directors, the Company does not have a remuneration committee. The determination of the directors' fees is a matter dealt with by the whole Board. The level of fees for non-executive directors is reviewed annually by the whole Board. The Company's Articles of Association currently limit the aggregate fees payable to the Board to a total of £250,000 per annum. Subject to this overall limit and any amendment to the Articles of Association, it is the Company's policy to determine the level of directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfil, and the time committed to the Company's affairs. It is not the Company's policy to include an element of performance related pay. It is not the Company's policy to enter into service contracts with its non-executive directors and no non-executive director has a service contract with the Company. The Company's performance is measured against the FTSE All-Share Index as this is considered to be the most appropriate benchmark.



Source: Bloomberg

Remuneration for qualifying services

Name	Salary and fees £'000s	Bonus £'000s	Taxable expense allowance £'000s	Compensation for loss of office £'000s	Estimated value of non-cash benefits £'000s	Year ended 31 January 2013 Total £'000s	Year ended 31 January 2012 Total £'000s
Mark Fane	44	–	–	–	–	44	49
Michael Cumming	32	–	–	–	–	32	31
Peter Dicks	33	–	–	–	–	33	33
Jeremy Tigue	32	–	–	–	–	32	31
Andy Pomfret	31	–	–	–	–	31	25
Lucinda Riches	30	–	–	–	–	30	16
	202	–	–	–	–	202	185

The fees payable to Mr Tigue and Mr Pomfret were paid to F&C Management Limited and Rathbone Brothers Plc respectively for making their services available as directors of the Company.

No director had any share options or any long term incentives in the year ended 31 January 2013 or in the prior year. The information in the above table has been audited – see Independent Auditors' Report on page 71. This Directors' Remuneration Report was approved by the Board of directors on 17 April 2013 and signed on its behalf by:

Mark Fane, Chairman
17 April 2013

Governance

Investment Policy

The objective of Graphite Enterprise is to provide shareholders with long term capital growth through investment in unquoted companies, mainly through specialist funds but also directly.

Asset allocation

Graphite Enterprise invests principally in unquoted companies either indirectly through a fund or directly in a company. Where investments are made through a fund, that fund may itself be either unquoted or quoted. Unquoted companies in which Graphite Enterprise has an interest may from time to time obtain a quotation and the Company may continue to hold its interest in quoted form. Investments in unquoted companies and quoted companies held post-flotation will typically comprise between 50% and 100% of the Company's gross assets.

The Company makes a significant majority of its investments through funds. It also invests directly, mainly in the form of co-investments alongside funds.

The Company expects the largest part of its investment portfolio to be in well established companies. The Company may also invest in infrastructure projects, early stage companies and other unquoted investments.

Underlying investments will mostly be in equity, or equivalent risk instruments. A minority of investments may also be in lower risk instruments such as mezzanine debt.

The Company may from time to time make investments which provide exposure to other asset classes or which provide exposure to unquoted companies in other forms. These investments (including the market exposure provided by them) may comprise up to 40% of the Company's gross assets.

Risk diversification

Graphite Enterprise's policy is to maintain an investment portfolio which provides exposure to unquoted companies across a broad range of sizes, with the greatest emphasis on medium sized and large companies. The aim is for the portfolio to be diversified by geography, industry sector and year of investment. The expectation is that the portfolio will include investments in the order of 200 underlying companies at any given point.

The Company will ensure that its interest in any one portfolio company, taking into account direct and indirect holdings, will not exceed 15% of the Company's total investments at the time of initial acquisition or subsequent addition.

It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies.

Borrowings

The companies in which Graphite Enterprise invests often use borrowings to enhance the returns to equity investors. It is also possible for the funds through which the Company invests to use borrowings.

The Company does not expect to take on long term borrowings but may have long term facilities. Short to medium term borrowings may be required from time to time.

Overcommitment

Overcommitment is the practice of making commitments to funds which exceed the cash available for immediate investment.

The Company may be overcommited in order to ensure that it is more fully invested. The level of overcommitment will be monitored regularly by the Board and the Manager, taking into account uninvested cash, the projected timing of cash flows to and from the portfolio, and market conditions.

Surplus cash

The Company holds surplus cash on deposit with UK banks or invests it in debt instruments or funds which themselves invest in such instruments. These investments are typically very liquid, with high credit quality, low capital risk and low maturity. The Company will invest surplus cash only in low risk assets and will limit exposure to any one fund or issuer to 15% of gross assets.

Benchmark

The Company's benchmark is the FTSE All-Share Index, which measures the share price performance of quoted companies of all sizes in the UK. The Board considers that this provides the most appropriate comparator for the Company's shareholders.

Currency risk

The Company holds investments in currencies other than sterling and is exposed to the risk of movements in the exchange rate of these currencies. From time to time the Company may put in place hedging arrangements in order to manage currency risk.

The Annual General Meeting

The notice convening the Annual General Meeting (pages 87 and 88) sets out in full the resolutions to be voted on at the Meeting. The effect of each proposed resolution, if passed by the shareholders, is summarised below:

Resolution 1
Approves the audited accounts for the year ended 31 January 2013 (pages 38–69) together with the Independent Auditors' Report (pages 71–72) and the Report of the Directors (pages 74–81).

Resolution 2
Approves the recommended final dividend of 5.0p per ordinary share for the year ended 31 January 2013.

Resolutions 3 to 5
Approve the election of Sandra Pajarola as a new director, and the re-election of Peter Dicks and Mark Fane, the Chairman. Mr Dicks and Mr Fane have each served on the Board for more than nine years and therefore, as recommended by the UK Corporate Governance Code and the AIC Code of Corporate Governance, retire annually and offer themselves for re-election. The directors' biographies are on page 22.

Resolution 6
Re-appoints the auditors, PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office.

Resolution 7
Approves the Directors' Remuneration Report for the year ended 31 January 2013.

Resolutions 8 and 9
Renew the authority of the Board to increase the share capital of the Company by issuing shares subject to certain conditions (the "Share Issue Authorities").

Resolution 8 gives the Board the ability to issue shares equivalent to 33% of current share capital. In this situation, the Companies Act requires that existing shareholders are given the opportunity to participate before new shareholders ("pre-emption"). Resolution 9 gives the Board the ability to issue shares equivalent to 5% of current share capital without pre-emption applying.

The Listing Rules do not permit the Company to issue shares at a discount to NAV per share unless they are offered to existing shareholders first. This would be unchanged by these resolutions.

The Share Issue Authorities expire at the conclusion of the Annual General Meeting of the Company to be held in 2014, or if earlier, 31 July 2014.

Resolution 10
Renews the authority of the Company to make market purchases of up to 14.99% of the issued ordinary shares (the "Buy-back Authority").

The price paid for a share under the Buy-back Authority will be at least 10p (the nominal value of a share) and no more than the highest of a) 5% above the average share price over the five business days preceding the date of the market purchase, b) the price of the last independent trade in the Company's shares and (c) the highest amount bid. These limits are a result of company law and the Listing Rules.

The Buy-back Authority expires at the conclusion of the Annual General Meeting of the Company to be held in 2014, or if earlier, 31 July 2014.

Resolution 11
Allows the calling of a general meeting (unless it is an Annual General Meeting) on at least 14 days' notice.

Notice of Meeting

Notice is hereby given that the thirty-second Annual General Meeting of Graphite Enterprise Trust PLC will be held at the Westbury Hotel, Bond Street, London W1S 2YF on 13 June 2013 at 3.30 p.m. for the following purposes.

Resolutions 9 to 11 inclusive will be proposed as special resolutions, requiring 75% of votes cast to be in favour in order to be passed.

All other resolutions will be proposed as ordinary resolutions, requiring more than 50% of votes cast to be in favour.

Ordinary business

1. To receive and adopt the reports of the directors and auditors and the Company's accounts for the year ended 31 January 2013.

2. To declare a dividend of 5.0p on the ordinary shares.

3. To elect S. Pajarola as a director.

4. To re-elect P. Dicks as a director.

5. To re-elect M. Fane as a director.

6. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to fix the remuneration of the auditors.

7. To consider, and if thought fit, to approve the Directors' Remuneration Report for the year ended 31 January 2013.

Authority to allot shares

8. THAT:

a. the directors be generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,406,129 (representing 24,061,290 ordinary shares of 10p each, such amount being equivalent to 33% of the present share capital) during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2014; and

b. all authorities and powers previously conferred under section 551 of the Act are hereby revoked, provided that such revocation shall not have retrospective effect.

Governance

Notice of Meeting
(continued)

Special business
Disapplication of pre-emption rights (see note 1)

9. THAT:

a. subject to the passing of resolution 8 above the directors be empowered to allot equity securities as defined in section 560(1) or section 560(3) of the Act wholly for cash during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2014. In connection with an allotment of shares pursuant to the authority referred to in resolution 8 above or the sale of treasury shares, up to an aggregate nominal amount of £364,565; as if section 561 of the Act did not apply to any such allotment or sale; and

b. by such power the directors may make offers or agreements which would or might require equity securities to be allotted after the expiry of such period.

Authority to purchase shares
10. THAT:

the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act 2006 to make market purchases (as defined in section 693 of that Act) of ordinary shares of 10p each in the capital of the Company on such terms and in such manner as the directors may determine, provided that:

a. the maximum number of shares which may be purchased is 10,929,658 (being 14.99% of the issued ordinary share capital);

b. the minimum price which may be paid for each ordinary share is 10p;

c. the maximum price which may be paid for a share is an amount equal to the highest of (a) 105% of the average of the closing price of the Company's Ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased, and (b) the price of the last independent trade or (c) the highest current bid, as stipulated by Article 5(I) of Commission Regulation (EC) 22 December 2003 (number 2273/2003); and

d. this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2014 or, if earlier, on 31 July 2014 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is varied, revoked or renewed prior to such time.

11. That a general meeting other than an Annual General Meeting may be called on not less than 14 days' notice.

By order of the Board

Company Secretary
Graphite Capital Management LLP
17 April 2013

Registered office:
Berkeley Square House,
Berkeley Square,
London
W1J 6BQ

Notice of Meeting: Notes

Note 1: In accordance with Listing Rule 15.4.11, unless authorised by shareholders, the Company may not issue shares at a discount to net asset value unless they are first offered to existing shareholders pro-rata to their existing holdings.

Note 2: A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Computershare Investor Services PLC, the Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours before the time of the meeting. In view of this requirement, investors holding shares in the Company through the F&C Private Investor, Personal Equity or Pension Savings Plans, an F&C Child Trust Fund, an F&C Junior ISA or in a F&C Individual Savings Accounts should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for the meeting. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder. Holders of Subscription shares are not entitled to attend and vote at this meeting.

To appoint more than one proxy, members will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.

Note 3: A 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. The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

Note 4: As at 16 April 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital and total voting rights amounted to 72,913,000 ordinary shares carrying one vote each.

Note 5: Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Register of Members of the Company as at 3.30 p.m. on 11 June 2013 (or in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at 6.00 p.m. on the day which is two days prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 6: CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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.

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's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or to 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 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as

Notice of Meeting: Notes
(continued)

determined by the timestamp applied to the message by the CREST Applications 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. 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(s), 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

Note 7: In accordance with section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the AGM put by a shareholder attending the meeting to be answered. No such answer need be given if:

a. to do so would:

   i. interfere unduly with the preparation for the AGM, or

   ii. involve the disclosure of confidential information;

b. the answer has already been given on a website in the form of an answer to a question; or

c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Note 8: Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Note 9: A copy of this Notice of Annual General Meeting is incorporated in the Annual Report for the year ended 31 January 2013 available on the Company's website: www.graphite-enterprise.com

Note 10: The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting: (a) the terms and conditions of appointment of non-executive directors; and (b) a copy of the Current Articles of Association. None of the directors has a contract of service with the Company.

If you are in any doubt as to the content or action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in the Company, please send this document, together with the accompanying Form of Proxy and Attendance Card, 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.

General Information

Understanding Private Equity

Private equity has an attractive operating model. Listed private equity provides access to the asset class for the price of a share

What is private equity?

Private equity is a term used to describe investment in private, unquoted companies; it is an alternative ownership model to a public market listing. One of its principal features is a stronger alignment of interests between investors in companies and their managers, which can lead to higher returns.

Private equity covers a wide spectrum of investments, from start-up companies capitalised at less than £1 million to acquisitions of large established companies of all sizes. The main sub-sectors of the private equity market are buy-outs, which covers management buy-outs (MBOs), buy-ins (MBIs) and similar transactions, and venture capital, which covers early stage investing. Graphite Enterprise focuses on buy-out investments.

A buy-out generally involves the purchase of a majority or a significant minority of the equity of a well established, profitable company by one or more private equity funds, which invest alongside the existing management team (an MBO) or a new management team (MBI). The sellers may be the founders or other individuals, or they may be larger companies seeking to divest subsidiaries. Quoted companies may also be acquired by private equity investors in public to private transactions.

When companies are ready for disposal, they may be sold to a trade buyer (a company in the same sector) or to a financial buyer (including other private equity funds – known as a secondary buy-out), or they may be floated on the stock market, also known as an initial public offering or IPO.

Private equity managers provide focused strategic and operational guidance to the companies in their portfolio, which contrasts with public ownership where a company may have to deal with the competing demands of a diverse range of shareholders. There is also less short term performance pressure on private equity owned companies than in the public markets, making it possible to adopt a longer term approach.

Alignment of interest
Both company management teams and private equity managers are incentivised to maximise returns for the ultimate investors in the private equity funds.

Careful use of leverage
Buy-out investments may use higher levels of debt than similar quoted companies, as the ownership model increases the confidence of lenders. This normally includes bank debt (referred to as senior debt) and sometimes mezzanine debt. Mezzanine debt is junior debt with a higher return than senior debt to compensate for the greater risk.

How a private equity fund works
The most common model for a private equity fund is for institutional investors to make commitments to a private equity manager to fund an investment programme.

Once these commitments are in place, the private equity manager then identifies and makes investments in companies over a period of years, drawing down investors' cash only when an investment has been completed.

The manager then works to develop those companies and seeks to achieve their profitable disposal, again over a period of years. When investments are sold, cash is returned to investors.

Private equity funds are generally structured with a life of ten years. Most of the cash is typically drawn down over a period of four to six years and may begin to be returned in the fourth or fifth year, reflecting the underlying buying and selling of companies in the fund. As a result, the maximum net amount drawn down by an individual fund is often considerably less than the total amount committed to it.

Fund investing
A private equity fund-of-funds invests primarily in funds managed by private equity managers. The task of the fund of funds manager is to select high quality managers, gain access to their funds and construct a diversified, balanced portfolio for investors.

Overcommitment
In order to achieve full or near full investment from a portfolio of funds, it is usual to make commitments exceeding the amount of cash available for investment. This is described as overcommitment.

To decide on the right level of overcommitment, careful consideration needs to be given to the rate at which commitments will be drawn down (as noted above, this is typically over a period of years) and the rate at which realisations will generate cash from the existing portfolio to fund new investment.

Primary and secondary fund investments
A commitment to a private equity fund which is made at the beginning of its life is known as a primary commitment.

It may also be possible to acquire an interest in a fund which is part way through its life, from an existing investor, and this is known as a secondary investment. Secondary investments may be made at a premium or a discount to the most recent reported net asset value of the fund in question.

Co-investments
When private equity managers are considering investments that are too large for their funds to make alone (for example, because of diversification limits), they often invite their fund investors to participate. An investment made alongside a fund to which a commitment has been made is known as a co-investment. Typically no additional fees are paid to the private equity manager in respect of a co-investment. Co-investments can improve the overall returns from a fund investment programme.

Investor access to private equity
Traditional private equity funds are difficult for most private investors to access, as minimum commitment sizes are typically £5 million or more. It can also be difficult for investors in these funds to sell their investments, as secondary market liquidity can be limited.

Investors take on a long term obligation to fund a manager's investment programme, which requires careful management of cash resources in order to ensure that all commitments can be met. Private equity managers only report their fund's valuation to investors at most once a quarter.

Listed private equity
Investing in listed private equity removes many of these barriers to investment. Investors can gain exposure to a diversified private equity portfolio for the price of a share, there is daily liquidity in those shares and the value of the shareholding is known at any point in time. There is no obligation to fund future commitments. In addition, the manager of a listed private equity fund deals with the complex legal structuring that is common to private equity transactions.

For these reasons, listed private equity is an attractive way to gain access to the asset class for many types of investors, but particularly for private shareholders and small institutions.

How to Invest in Graphite Enterprise

Graphite Enterprise is listed on the London Stock Exchange and its shares can be bought and sold just as those of any other listed company.

A straightforward way for individuals to purchase and hold shares in the Company is to contact a stockbroker or savings plan provider.

You may be able to find a stockbroker using the website of the independent Association of Private Client Investment Managers and Stockbrokers (APCIMS) at:

www.apcims.co.uk

You may also be able to purchase shares via your bank account provider.

For a small fee a stockbroker or bank can usually:

- purchase shares on your behalf, and
- arrange for the shares to be held in your name in an account, or in a tax-efficient wrapper such as an Individual Savings Account ("ISA") or a Self Invested Personal Pension ("SIPP").

Information about ISAs and SIPPs, as well as general advice on saving and investing, can be found on the government's free and independent service at:

www.moneyadviceservice.org.uk

As with any investment into a company listed on the stock market, you should remember that:

- the value of your investment and the income you get from it can fall as well as rise, so you may not get back the amount you invested; and
- past performance is no guarantee of future performance.

This is a medium to long term investment so you should be prepared to invest your money for at least five years.

If you are uncertain about any aspect of your decision to invest, you should consider seeking independent financial advice.

Details of the Company's website and contact information for potential and existing shareholders can be found in the Useful Information section on page 96.

F&C Investment Plans

As explained on the opposite page, investors can hold shares directly in Graphite Enterprise or through a savings plan such as the F&C Investment Plans (see important note below), details of which are set out below.

Private Investor Plan (PIP)

Investors can invest a lump sum from £500 or regular savings from £50 a month. Investors can also make additional lump sum top-ups at anytime from £250.

Investment Trust Individual Savings Account (ISA)

Investors can make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year in an ISA. Investors can invest a lump sum, make regular monthly payments or transfer existing ISAs while maintaining all the tax benefits.

Child Trust Fund (CTF)

CTFs are closed to new investors, however it is easy to transfer an existing CTF to F&C. Additional contributions of up to £3,720 for the 2013/14 tax year can be made.

Children's Investment Plan

Parents, grandparents and other relatives can invest on behalf of a child by setting up a designated account or bare trust. Investment can be made from a £250 lump sum or £25 a month. Lump sum top-ups of £100 or over can be made at any time. There is no maximum contribution.

Junior ISA (JISA)

A JISA can be opened for children who did not qualify for a CTF. Investors can invest up to £3,720 for the 2013/14 tax year.

Potential investors are reminded that the value of investments and the income from them may fall as well as rise and investors may not receive back the full amount invested. Tax rates and reliefs may vary as a result of individual circumstances. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan. The charges for PIPs and CTFs were increased by F&C as of 6 April 2013. For full details please see F&C's website at the address below.

The information on this page has been issued by Graphite Capital Management LLP and approved by F&C Management Limited, both of which are authorised and regulated in the UK by the Financial Conduct Authority (FCA).

Existing investors can contact the Investor Services Team on:

Telephone: 0845 600 3030
(UK calls charged at local rate)
9.00am – 5.00pm, weekdays,
calls may be recorded

Email: investor.enquiries@fandc.com

Address: F&C Plan Administration
PO Box 11114
Chelmsford
CM99 2DG

New investors can contact the Investor Services Team on:

Telephone: 0800 136 420
8.30am – 5.30pm, weekdays,
calls may be recorded

Email: info@fandc.com

Apply online: www.fandc.co.uk

Further information is available on F&C's website at www.fandc.co.uk

Important note

Graphite Capital Management LLP and Graphite Enterprise make no recommendation as to the suitability of investment through the F&C Investment Plans rather than through a stock broker or by some other means. Information on the F&C Investment Plans is presented here as they are the largest savings plans currently investing in Graphite Enterprise.

Useful Information

Address
Berkeley Square House
Berkeley Square
London W1J 6BQ
020 7825 5300

Registered number: 01571089
Place of registration: England

Website
www.graphite-enterprise.com

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
www-uk.computershare.com/investor
0870 707 1037

Financial calendar
The announcement and publication of the Company's results may normally be expected in the months shown below:

March/April	Final results for year announced, Annual Report and financial statements published
June	Annual General Meeting
September	Interim figures announced and half-yearly report published

In accordance with the Disclosure and Transparency Rules, the Company will also release Interim Management Statements ('IMS'). These will normally be released to the Stock Exchange in June and December. All announcements may be viewed at the Company website, www.graphite-enterprise.com

Manager
Graphite Capital Management LLP
Berkeley Square House
Berkeley Square
London W1J 6BQ

Authorised and regulated by the Financial Conduct Authority.

Dividend – 2013
The final dividend proposed in respect of the year ended 31 January 2013 is 5.0p per share.

Ex-dividend date (shares trade without rights to the dividend)	29 May 2013
Record date (last date for registering transfers to receive the dividend)	31 May 2013
Dividend payment date	19 June 2013

The final dividend is subject to approval of the shareholders in the forthcoming AGM.

Payment of dividends
Cash dividends will be sent by cheque to the first-named shareholder at their registered address, together with a tax voucher, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account via Bankers' Automated Clearing Service ('BACS'). This may be arranged by contacting the Trust's registrar, Computershare Investor Services PLC on 0870 707 1037.

Share price
The Company's mid-market ordinary share price is published daily in the Financial Times and Daily Telegraph under the section 'Investment Companies'. In the Financial Times the ordinary share price and the subscription share price are listed in the sub-section 'Conventional-Private Equity'.

ISIN/SEDOL numbers
The ISIN/SEDOL numbers and code for the Trust's ordinary shares are:

ISIN	GB0003292009
SEDOL	0329200
Reuters code	GPE.L

LPEQ
The Company is a member of LPEQ, the industry association of listed private equity companies. LPEQ's goal is to improve levels of knowledge and understanding about listed private equity among market particpants and commentators. www.lpeq.com

AIC
The Company is a member of the Association of Investment Companies. www.theaic.co.uk

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Graphite Enterprise

www.graphite-enterprise.com