Graphite Capital

Graphite Enterprise Trust PLC
Investing in long term growth

Report and Accounts
31 January 2014

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Highlights of the Year

Overview

Graphite Enterprise made solid progress in the year to January 2014 with the net asset value per share increasing by 7%, despite the adverse effect of currency movements. The performance of the portfolio was strong, driven by continued growth in underlying profits and by a number of successful realisations.

We have been very active both in realising and in making investments, with £118 million generated by the portfolio during the year, a record level, and more than £90 million re-invested. Our strong balance sheet leaves us very well placed to take advantage of further opportunities.

The Company has been one of the top performers in the listed private equity sector over recent years. Our flexible investment strategy and the strong performance of the largest investments position Graphite Enterprise very well for future growth.

+15.7%

Share price
The share price materially outperformed the FTSE All-Share Index and has increased by 88% over three years

+7.2%

Net asset value per share
The NAV per share increased to 677p, outperforming the FTSE All-Share Index which increased by 6.4% in the year

+13.8%

Underlying value of the portfolio in local currencies
The portfolio grew strongly, driven by underlying earnings growth and realisations

15.5p

Record dividend
The dividend will increase to 15.5p of which 7.5p is a final dividend and 8.0p a special dividend

£118m

Realisation proceeds
28% of the opening portfolio was realised; in cash terms this was the highest ever

£91m

Investment in the portfolio
The rate of investment was two thirds higher than in the previous year

Financial summary

	31 January 2014	31 January 2013	Change
Net asset value per share	677.2p	631.5p	+7.2%
Share price	563.5p	487.0p	+15.7%
Final dividend per share	7.5p	5.0p	+50.0%
Special dividend per share	8.0p	–	n/a
FTSE All-Share Index	3,497	3,287	+6.4%

About Graphite Enterprise

Since inception, the Company has generated a return of almost 28 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.

As an investment trust, the Company does not pay corporation tax on capital gains realised from the sale of its investments.

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.

Graphite Capital's direct investing experience is a significant advantage in assessing primary, co-investment and secondary opportunities

Experienced and cohesive team
Graphite Capital is one of the most long established and best known UK mid-market buy-out firms. The senior team has worked together for 17 years and has an average of over 20 years of experience in private equity.

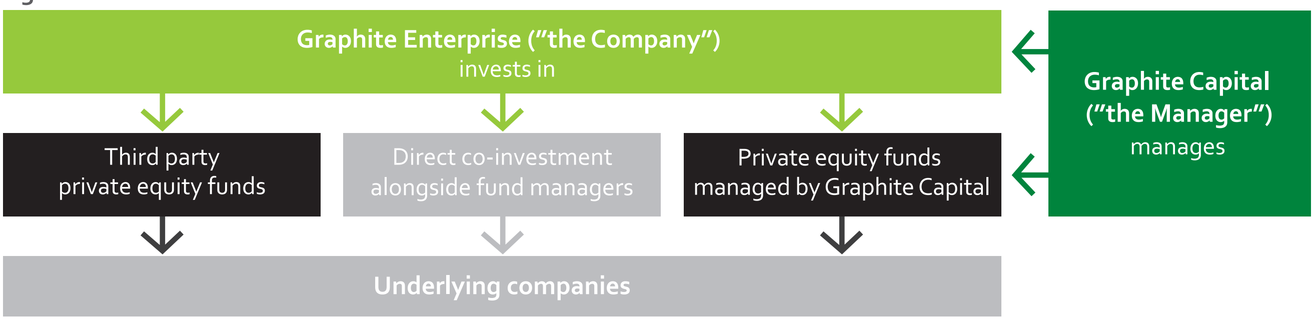
In addition to direct buy-out investments, Graphite Capital has been making third party fund investments for more than two decades. Unusually, the team that manages the third party fund portfolio also has extensive direct investing experience which places them in an ideal position to judge other private 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 in determining whether to invest with a third party fund manager is whether its 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.

Balanced between diversification and concentration
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 350 underlying companies managed by 32 private equity firms. The largest 30 companies account for 43% of the value.

About Graphite Enterprise
Fig: 1.1



Chairman's Statement

Both the net asset value and the share price outperformed the FTSE All-Share Index

Summary

Graphite Enterprise made solid progress in the year to 31 January 2014, with the net asset value per share increasing by 7.2%. This continued the recent strong performance with the net asset value increasing by nearly 30% over three years and by well over 50% over five years[1].

The share price performed strongly during the year, rising by 15.7% to 563.5p and materially outperforming the Company's benchmark, the FTSE All-Share Index, which rose by 6.4%. Over three years the share price had increased by 88.4%, compared with a rise of 27.7% in the FTSE All-Share Index[1]. Reflecting the rise in the share price, the discount to the net asset value per share narrowed from 22.9% to 16.8% during the year. The share price has been stronger since the year end, reaching a new all-time high in March.

The growth in net asset value reflected a 13.8% increase in the value of the investment portfolio in local currencies. This was partially offset by a rise in sterling against the euro which reduced the sterling value of our euro-denominated investments and limited the overall portfolio rise in sterling terms to 11.0%. After adjusting for the effect of holding cash, costs and for the payment of the last year's dividend, the overall increase in the net asset value per share was 7.2%.

At 31 January, total assets had risen to £503 million of which 86% was invested in the portfolio. The balance was held in cash and liquid assets which rose to £68 million, driven by the high level of realisations. When the cash balance is added to the undrawn bank facility, the Company has over £150 million of liquidity. This allowed us to materially increase the level of commitments to funds, with over £200 million of new commitments made in the year. The largest of these, of £100 million, was to Graphite Capital's latest buy-out fund.

[1] Throughout the report, one year performance figures are stated on a capital return basis; longer term performance figures are stated on a total return basis (i.e. including the effect of re-invested dividends).

Economic environment

The Company's investment programme continues to be focused on the more mature private equity markets in Western Europe. At the year end, the largest exposures were to the UK, which accounted for 45% of the portfolio and to continental Europe which accounted for a further 40%.

The outlook for the UK has improved substantially over the past year, with the economic recovery appearing to gather strength in the second half. The performance of the major continental European economies has remained subdued. However, concerns over the stability of the euro seem to have abated and a consensus is emerging that the major economies are now more likely to move forward rather than backward, although progress may be relatively slow in certain cases.

The performance of the investment portfolio in recent years has demonstrated that the private equity model can survive and often prosper in times of low or negative growth. Indeed, economic uncertainty can often benefit the sector as new investments can be made at relatively attractive prices. A more favourable economic environment may make the sourcing of new investments more competitive but should prove to be very positive for the development of the current portfolio.

Performance

Overview

The investment portfolio performed strongly in the year, increasing in value by 13.8% in local currencies, having increased by 14.3% in the previous year. However, as the euro fell by 4.1% against sterling during the period, the increase in the sterling value of the portfolio was restricted to 11.0%. As the investment portfolio accounted for just under 90% of net assets at the start of the year, the rise in the portfolio increased the net asset value by 9.8%. After adjusting for costs, the increase in the net asset value per share was 8.0%. The dividend paid in the year represented 0.8% of net asset value and the net increase was therefore 7.2%.

Portfolio

Nearly 60% of the underlying growth in the portfolio was generated by full and partial realisations. It is pleasing that full realisations continued to be achieved at values significantly above their carrying amounts.

Increases in the valuations of the unrealised portfolio accounted for just over 40% of the growth. This was driven by continued earnings growth and by debt pay-down, rather than by an increase in valuation multiples.

As the largest 30 underlying companies accounted for 43% of the portfolio at 31 January, their performance will have a substantial impact on that of the Company. These investments performed strongly, with EBITDA[1] increasing on average by 13.6% in the 12 months to December 2013. By comparison, the aggregate EBITDA of the FTSE 250 increased by 4.8% in the same period.

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

Discount

The share price rose strongly in the year, with the result that the discount to the net asset value per share narrowed from 22.9% at the start of the year to 16.8% at the end.

The Board has consistently believed that the key to narrowing the discount is to generate demand for the shares though strong long term performance and clear communication of the Company's strategy. It has therefore been pleasing to see the discount narrow as the net asset value has continued to rise and as our active investor relations programme has continued to develop. We will continue to devote significant time to investor relations in 2014 and beyond.

Long term performance[2]

We have always measured performance against the benchmark of the FTSE All-Share Index as we believe that this is the most relevant index for most of our shareholders, over 60% of whom are private individuals. We aim to outperform this index over the medium to long term.

Over ten years, both the net asset value per share and the share price have outperformed the FTSE All-Share, with the net asset value increasing by 164% and the share price by 196%, compared with a rise of 125% in the Index. Similarly, over three years both the share price and the net asset value have outperformed the Index.

1 Earnings before interest, tax, depreciation and amortisation.

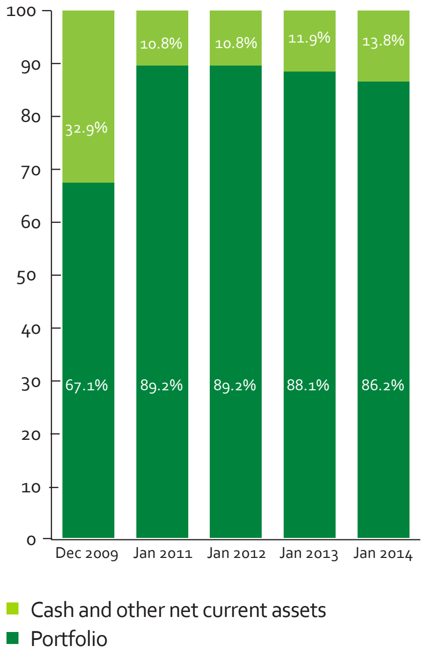
2 Total return basis, including the effect of reinvested dividends. As the Company changed its year end in 2010, the five and ten year figures are for the 61 and 121 month periods to 31 January 2014.

Chairman's Statement

(continued)

Balance sheet

Fig: 1.2



The five year relative performance figures are distorted by the timing and severity of the financial crisis with the result that the share price very substantially outperformed the Index and the net asset value underperformed. As our net asset value fell by far less than the share price or the Index in 2008, it has been recovering from a much higher base. As a result, although it has performed strongly, rising by 56.2%, this has been less than the 217.7% achieved by the share price and the 89.2% achieved by the Index.

The Company's performance against the listed private equity sector continues to be strong. Over each of three, five and ten years, both our share price and net asset value total return have substantially outperformed the peer group average.

Balance sheet and commitments

The Company had cash balances at January 2014 of £68 million, an increase of £13 million over the year, reflecting the high level of net cash inflows from the portfolio, particularly in the second half of the year. A record level of £118 million of cash was generated by the portfolio, of which £91 million was reinvested (see Portfolio Review for further details).

Since the year end, the cash balance has fallen to £59 million as a result of strong new investment activity. When this cash balance is added to the undrawn bank facility of £98 million, this provides Graphite Enterprise with the capacity to fund substantial new investment over the coming years. Our medium term aim is to be broadly fully invested while ensuring that we have sufficient liquidity to be able to take advantage of any attractive investment opportunities that might arise.

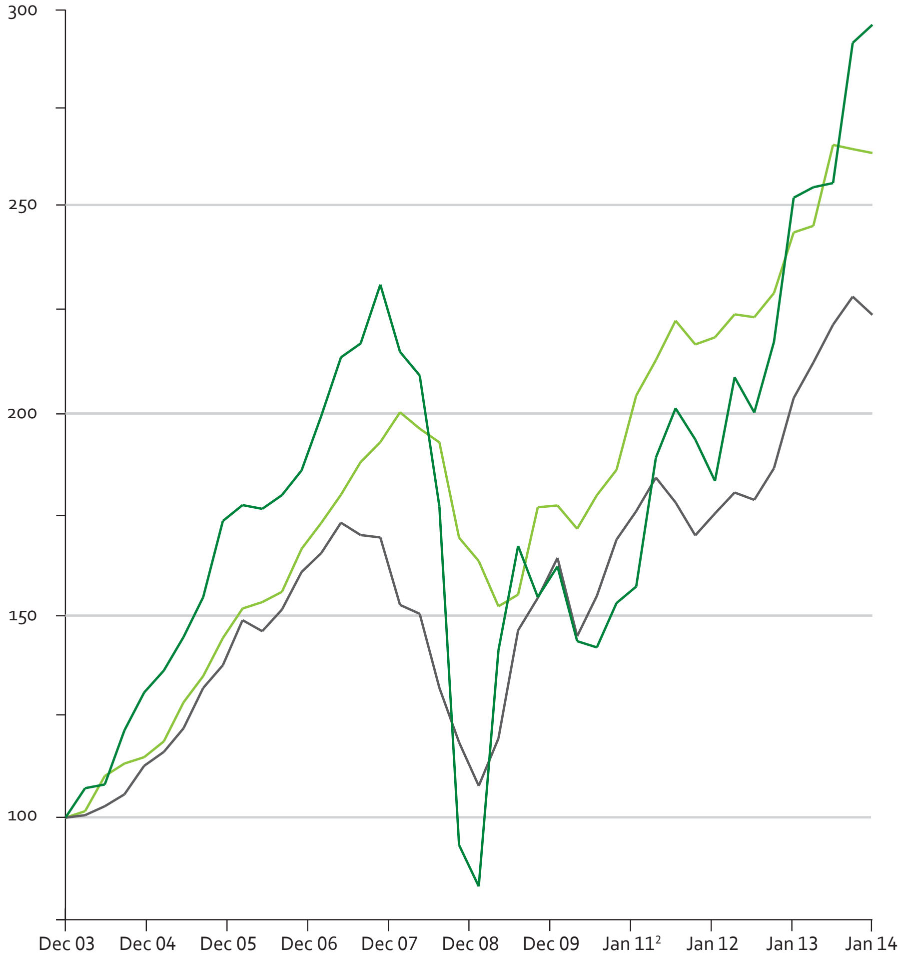
Years to 31 January 2014	3	5	10
Net asset value per share	+29.4%	+56.2%	+164.4%
Share price	+88.4%	+217.7%	+196.1%
FTSE All-Share Index	+27.7%	+89.2%	+124.5%
Peer group average*	+19.9%	+21.0%	+127.8%

* Peer group comprises: Aberdeen Private Equity, F&C Private Equity, HarbourVest, JPMorgan Private Equity, Pantheon International Participations, Princess Private Equity, Private Equity Holding, Standard Life European Private Equity (funds-of-funds); 3i, Candover, Dunedin Enterprise, Electra, HgCapital, NB Private Equity Partners, SVG Capital (direct funds).

In order to generate a core level of new investment in the medium term, we made substantial commitments to new funds in the year totalling £201 million. This included a commitment of £100 million to Graphite Capital's latest buy-out fund. The Board's decision to make this substantial commitment reflects both the strong performance of Graphite Capital's previous fund and our aim of maintaining the Company's exposure to Graphite Capital's buy-outs at between 20% and 25% of the portfolio.

Ten year performance[1]

Fig: 1.3



- Graphite Enterprise share price
- Graphite Enterprise net asset value per share
- FTSE All-Share Index

[1] All amounts rebased to 100 at 31 December 2003. Performance to 31 January 2014.

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

Chairman's Statement
(continued)

The Board recommends a final dividend of 7.5p and a special dividend of 8.0p per share

We expect outstanding commitments to be drawn down at a rate of approximately £55-65 million per annum, depending on the speed at which funds make new investments.

While we are likely to make further commitments to new funds, a greater level of investment activity in the coming year is expected to be focused on the acquisition of secondary interests in funds and on co-investments alongside funds. By increasing secondary purchases and co-investments we aim to deploy our cash balance more quickly and enhance short term returns.

Revenue return and dividend

As we have highlighted in previous reports, most of our income is accounted for when underlying portfolio companies are sold and the accumulated interest on yield bearing instruments is paid. This makes the level of income in each year very difficult to predict.

The record level of realisations in the year to January 2014 generated an exceptionally high level of income, which at £19.0 million was more than three times that of the previous year. As a result, the net revenue after tax for the year was £13.9 million or 19.0p per share, compared with just £2.3 million or 3.1p per share in the prior year.

In order to maintain investment trust status, the Company can retain no more than 15% of its total income. As a result of the unusually high level of income noted above, the Board is recommending that the total dividend should be increased from 5.0p to 15.5p. This will take the form of a final dividend of 7.5p and a special dividend of 8.0p.

The final dividend of 7.5p represents an increase of 50% over last year and is based on the level of income likely to be generated by the portfolio over the next few years. The special dividend of 8.0p reflects the exceptional level of income received in the year to January 2014.

If approved by shareholders, the total dividend will represent a yield of 2.75% on the share price at 31 January and will result in a total payment to shareholders of £11.3 million. Both the final and special dividends will be paid on 18 June 2014.

The strong performance of the larger investments in our portfolio should continue to drive the net asset value performance

Outlook

In recent years we have highlighted the sensitivity of discounts in the private equity sector to broader economic factors, observing that discounts were usually particularly wide when the markets were weak and narrow when the markets were strong. In March 2011, we commented that if history continued to be a guide to the future, discounts would narrow and private equity share prices would rise as the economy recovered. We have therefore been pleased to see that since then, the discount has narrowed to below its long term average and the share price has risen by more than 60%, recently reaching a record high. During the last three financial years, the portfolio has generated over 75% of its opening value in cash and the net asset value has risen sharply, demonstrating the underlying strength of our model.

As we have noted before, future performance is likely to be driven primarily by the level of realisations. The rate of realisations accelerated steadily last year and we see no reason why this level of disposals should not continue in the coming year. As realisations are almost invariably achieved at substantial uplifts to holding valuations, a continued flow of realisations would almost certainly have a positive impact on the future performance of the portfolio. The strong performance of the largest investments will ensure they are well placed for exit at the appropriate time.

The environment for new investment, while more challenging than that for realisations, is continuing to offer attractive opportunities for private equity managers who understand their markets and have a clearly defined investment strategy. Prices for new investments invariably rise when the economic outlook improves but as they did not fall as far as many had expected during the downturn, the rise may not be as great in the upturn. Private equity has historically achieved strong returns from investments made in the early stages of a recovery and there is no reason to believe that returns in this recovery will be any different.

Our investment strategy gives us the flexibility to adapt the mix of investments, cash and commitments to changing market conditions and to deploy our cash where we see the best relative value. The strength of our balance sheet leaves us well placed to take advantage of any opportunities which become available while the strong performance of the larger investments in our portfolio should continue to drive the net asset value performance.

Mark Fane
16 April 2014

Strategic Report

Business model

Graphite Enterprise 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 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.

Further details of the Company's business model and strategy are set out in About Graphite Enterprise on pages 2 to 3.

Performance and outlook

Graphite Enterprise made solid progress in the year to 31 January 2014, with the net asset value per share increasing by 7.2%. This continued the recent strong performance with the net asset value increasing by nearly 30% over three years and by well over 50% over five years.

The share price performed strongly during the year, rising by 15.7% to 563.5p and materially outperforming the Company's benchmark, the FTSE All-Share Index, which rose by 6.4%. Over three years the share price had increased by 88.4%, compared with a rise of 27.7% in the FTSE All-Share Index. Reflecting the rise in the share price, the discount to the net asset value per share narrowed from 22.9% to 16.8% during the year.

The environment for new investment, while more challenging than that for realisations, is continuing to offer attractive opportunities for private equity managers who understand their markets and have a clearly defined investment strategy. Prices for new investments invariably rise when the economic outlook improves but as they did not fall as far as many had expected during the downturn, the rise may not be as great in the upturn. Private equity has historically achieved strong returns from investments made in the early stages of a recovery and there is no reason to believe that returns in this recovery will be any different.

Our investment strategy gives us the flexibility to adapt the mix of investments, cash and commitments to changing market conditions and to deploy our cash where we see the best relative value. The strength of our balance sheet leaves us well placed to take advantage of any opportunities which become available while the strong performance of the larger investments in our portfolio should continue to drive the net asset value performance.

Further details regarding the performance of the Company and its outlook are discussed in the Chairman's Statement on pages 4 to 9 and in the Business Review on pages 14 to 25.

The key performance indicators used by the Board and Manager are the net asset value per share returns over the short and long term. These are detailed on pages 1 and 6.

Risk management

The risks and uncertainties facing the Company are regularly reviewed by the Board, the Audit Committee and the Manager. The Board believes that the Company's principal business risks are:

Overcommitment risk

The Company has commitments to funds which may exceed its liquid resources. There is a risk that the Company may not be able to fulfil its commitments when they are drawn down ("overcommitment risk").

The Company is conservative in its approach to overcommitment. The Company uses a range of forecast scenarios to determine the likely rate of drawdowns and the likely rate at which realisations will generate cash from the portfolio. The Manager monitors the Company's liquidity on a frequent basis and provides regular updates to the Board. If necessary the Company can reduce the level of secondary purchases and co-investments, which are discretionary, to preserve liquidity to fund its commitments.

Investment risks

The Company's strategy is to invest in established European private equity markets, both through private equity funds and directly. This gives rise to the following risks:

- The Company's underlying investments are exposed to the UK and other European economies. The Company is not globally diversified and its performance could therefore be severely affected by a prolonged economic downturn in the major European economies. The Company seeks to mitigate the risk of underperformance through effective investment allocation and the selection of quality managers with strong track records.
- The main foreign currency exposure is to the euro. Net asset value could be reduced or commitments increased by currency movements. The Board regularly reviews the Company's exposure to currency risk and considers possible hedging strategies. At present the Company does not hedge its currency exposures.

- Private equity transactions are to some extent dependent on the availability of debt financing. If the funds in which the Company invests find it hard to obtain debt financing, the Company's performance may suffer. The Company seeks to mitigate this risk through effective investment allocation and the selection of quality managers with strong track records, who are more likely to be able to access debt financing even in adverse economic conditions.

Investment trust status
The Company operates as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010. This status exempts the Company from corporation tax on capital gains realised from the sale of its investments.

HM Revenue & Customs has accepted the Company as an investment trust for the accounting period to 31 January 2013. The Company will retain its investment trust status with effect from 1 February 2013 provided it continues to satisfy the conditions of Section 1158 of the Corporation Tax Act 2010.

The Company has directed its affairs with the objective of retaining such approval. However the loss of investment trust status would significantly impact the Company. 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.

Operational risk
All of the Company's management functions are delegated to the Manager. Therefore the Company is exposed to operational risks at the Manager. The Audit Committee formally assesses the internal controls of the Manager every year. The assessment in respect of the current year is discussed in the Report of the Audit Committee on page 95.

Corporate social responsibility
In carrying out its activities and in relationships with suppliers and the community, the Company aims to conduct itself responsibly, ethically and fairly.

Stewardship
The Company 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 Company's investments.

Board diversity
There are currently two female and four male directors on the Board. As discussed in the Report of the Directors on page 88, 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. The Company has no other employees.

The Strategic Report was approved by the Board of Directors on 16 April 2014 and signed on its behalf by:

Mark Fane
16 April 2014

Case Study: Alexander Mann Solutions

In December 2013, Graphite Capital sold Alexander Mann Solutions for £260 million at an uplift of 48% to its previous carrying value

3.6x

Multiple of original cost of investment achieved on disposal

Alexander Mann Solutions ("AMS") is a leading provider of talent acquisition and management services including recruitment process outsourcing ("RPO"), working closely with blue-chip corporate clients to manage their entire process for the recruitment of new staff.

The business was acquired by Graphite Capital Partners VII in December 2007, in a transaction valuing it at £100 million. Graphite Enterprise invested £6.3 million in the transaction. We were attracted by AMS's strong management team, its record of winning new clients, its leading position in the RPO market and the scope for overseas expansion.

The onset of the financial crisis, while anticipated at the time of the acquisition, adversely affected the Company's trading as clients' recruitment volumes fell, sometimes sharply. As Manager, Graphite Capital took action to focus the business on working capital management and on improving the efficiency of its business model to increase its margin. We enhanced the management team, ensuring that it had the right skill set for the difficult environment.

The changes we made ensured that AMS was able to recover strongly when recruitment volumes returned. It was also able to expand its range of services and continue to add new clients.

We decided to sell AMS in 2013 while its profits were growing strongly. A competitive sales process saw the business acquired by a US private equity house in a transaction that valued it at £260 million and achieved a return of 3.6 times the cost of investment.

Business Review

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Market Review

The Company's portfolio is focused on the mid-market and large buy-out segments of the market, where activity increased in 2013

This section focuses on developments in the European buy-out market in which Graphite Enterprise invests almost exclusively.

Investment activity

The value of buy-outs completed in the European market rose marginally from €72 billion to €75 billion in 2013 while the volume of completed deals fell by 8% to 459[1]. The volume figures tend to be distorted by the relatively large number of smaller buy-outs completed each year, which typically account for approximately half of the volume but only a very small share of the value. Therefore, the fall in market volume was because the number under €50 million fell by 24% to 225. In contrast, the number of completed buy-outs of over €50 million increased by 15% to 234, while their value rose by 4% to €69 billion.

Graphite Enterprise's portfolio is focused primarily on larger buy-outs, with approximately 40% in the mid-market (€50-250 million) and almost 50% in the large buy-out (>€250 million) segments of the market. In both these markets, activity levels were higher in the year. In the mid-market the volume rose 12% to 160 completed deals with a value 5% higher at €18 billion. In the large buy-out market the volume of deals increased 21% to 74 representing a 4% rise in value to €51 billion.

We believe that the variation in activity levels between small, mid and large buy-outs reflects the continuing difficulty of raising financing for small businesses. In contrast, debt levels in the mid-market were slightly higher in 2013 than in 2012, while in the large buy-out market they were markedly higher[2]. It is worth noting, however, that in both segments debt levels, which were typically in the range of 4-5 times EBITDA, were significantly below those at the peak of the market in 2007 of 5-7 times EBITDA.

Industry data[2] suggests that prices paid for new investments were mainly in the range of 8-9 times EBITDA. This is significantly below the reported levels in 2007, which were generally in the range of 9-10 times EBITDA. In general the market in 2013 seemed to be more favourable for sellers than for buyers and prices paid for high quality companies remained high. More relevant for the comparison with 2007 is that the prices in that year were paid immediately prior to a recession while those paid in 2013 were potentially in advance of a sustained economic upturn.

[1] Unquote Data: all European buy-outs 2013.
[2] Standard & Poors: LCD European Leveraged Buy-out Review 4Q13.

Fewer managers are raising funds and many are failing to reach their targets – this presents opportunities for the Company

Fundraising
Fundraising for European buy-outs rose sharply in 2013 with 49 funds reaching final closings of over €51 billion. This was almost double the €27 billion raised for the 32 funds closed in 2012[3]. The data, like that for new investments, is dominated by a small number of large funds and a high number of small funds. Funds of less than €250 million accounted for almost half the number of funds closed but only 5% of their value, while funds over €1 billion accounted for 80% of the value and only 24% by number.

Graphite Enterprise's portfolio is focused primarily on mid-sized and large funds, with over 90% invested in funds of more than €250 million. In the mid-sized range (€250 million to €1 billion) the number of funds raised rose by 25% to 15 with a combined value of €7 billion, while the rise in large funds (>€1 billion) was more pronounced, more than tripling in number to 12 and more than doubling in total value to €41 billion.

In value terms the fundraising market has returned to the peak levels of 2007 and 2008 when an average of €48 billion was raised for funds over €250 million. However, the number of funds raised remains more than 40% below the peak of 48 funds in 2007.

A broadly similar amount of capital is therefore being concentrated on a far smaller number of managers and we are seeing many managers failing to reach their targets, while others are achieving theirs relatively quickly.

As an investor in funds, this bifurcation of the fundraising market presents certain opportunities for Graphite Enterprise. We are not afraid to back managers that do not reach their fundraising target where we see value in their more recent investments, whereas the market tends to focus more on longer term historical track records. Undersubscribed funds are more likely to generate co-investment and, potentially, secondary opportunities in which we are keen to invest. The failure of certain managers to raise funds could lower competition for underlying investments which would be favourable for pricing in the medium term.

[3] Preqin private equity fundraising database.

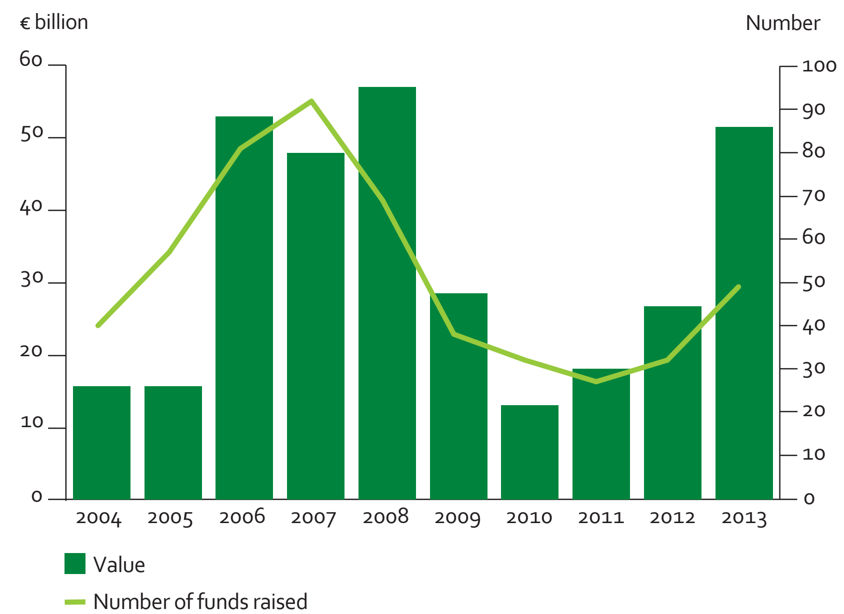
Market Review
(continued)

The value of European buy-outs increased marginally in 2013

New investments: European buy-outs
Fig: 2.1

Both the value and number of fundraisings rose sharply in 2013

Fundraising: European buy-out funds
Fig: 2.2



Secondaries continue to provide opportunities to buy in to maturing portfolios at reasonable valuations

Secondary market
The market for secondary interests in funds remained strong in 2013 with approximately $28 billion of transactions completed globally compared with $25 billion completed in 2012[4]. The reported value of the secondary market tends to be dominated by a few very large portfolios that only a small number of dedicated secondary funds have the scale to acquire. These sales are expected to continue in the near future primarily because continuing regulatory pressure on financial institutions is likely to encourage banks and insurance companies to sell private equity assets.

We operate in a smaller part of the market characterised less by strategic shifts by financial institutions and more by specific portfolio management objectives of a wide range of investor types. In the last twelve months we have acquired fund interests from public pension funds in North America and the UK, a US bank and a US charitable foundation. We believe that selling investments in the secondary market is becoming an increasingly common way for investors to manage their overall portfolios. We therefore expect to continue to see a strong flow of opportunities to acquire single fund interests and small portfolios in 2014.

Secondary market pricing rose in the year for buy-out funds from an average of 89% of net asset value to an average of 92% of net asset value[4]. High quality funds continued to trade at around net asset value or, in some cases, even a premium.

Despite the high headline prices, we believe that secondaries continue to provide opportunities to buy in to maturing portfolios at reasonable valuations. We believe that the insights into portfolios that we gain from being a primary investor in funds enable us to identify and acquire those funds with significant long-term growth potential.

[4] Cogent Partners: Secondary Market Trends and Outlook, January 2014.

Case Study:
Vue Entertainment

In June 2013 Doughty Hanson sold Vue, generating total proceeds of £8.2 million for Graphite Enterprise

64%

Valuation uplift achieved on disposal

Vue Entertainment ("Vue") is the UK's third largest cinema chain. It was acquired by Doughty Hanson for £450 million in December 2010.

Graphite Enterprise invested in Vue through its commitment to Doughty Hanson & Co Fund V ("the Fund") and also in a direct co-investment alongside the Fund. We were one of only three co-investors in the transaction.

During the period of Doughty Hanson's ownership Vue was transformed from the third largest operator in the UK into a pan-European market leader and one of the largest cinema operators in the world. It doubled the number of cinemas operated from 70 to 146 and the number of screens from 678 to 1,321.

This growth was achieved principally through the execution of three accretive acquisitions (in the UK, Germany and Poland). Doughty Hanson also supported the company rolling out state-of-the-art digital technology across the estate, opening new sites and utilising cinemas for the screening of sport, opera and other live events.

In June 2013 Graphite Enterprise increased its exposure to the company through a secondary purchase of a further interest in the Fund. This completed two weeks before the sale of Vue was announced at a significant uplift to the prior valuation.

Doughty Hanson sold Vue for £935 million to two financial investors in June 2013 generating a return of 2.1 times cost for initial investors and an IRR of 32%. The valuation achieved represented a 64% uplift to the prior carrying value of the investment. Graphite Enterprise received proceeds of £8.2 million.

Portfolio Review

The value of the portfolio increased by 11% in the year, despite adverse currency movements

Portfolio performance overview

The portfolio continued to perform well in the year to January 2014, with the underlying value in local currencies increasing by 13.8%. After adjusting for the depreciation of the euro, the sterling value of the portfolio increased by 11.0% in the year.

At the end of the year the portfolio was valued at £433.3 million, £18.1 million higher than at the start. Valuation gains of £57.3 million were partially offset by adverse currency movements of £11.5 million and a net cash inflow of £27.7 million. The net inflow masks a high level of underlying activity, with realisations of £118.3 million and new investment of £90.6 million.

Movement in the portfolio	£m
Opening portfolio	415.2
Additions	90.6
Disposal proceeds	(118.3)
Net cash inflow	(27.7)
Gains on disposals	32.8
Unrealised valuation gains	24.5
Total underlying valuation gains	57.3
Currency	(11.5)
Closing portfolio	433.3

Investment activity

Gains generated by realisation activity accounted for 57% of the underlying valuation increase while uplifts in unrealised valuations accounted for the remainder. Valuation gains were primarily driven by strong earnings growth while multiples remained broadly stable.

Portfolio Review
(continued)

Realisations

Proceeds generated by the portfolio in the year reached a record high of £118.3 million and were 54% higher than in the previous year. Over 28% of the value of the opening portfolio was converted into cash, the highest conversion rate for six years. The pace of inflows accelerated as the year progressed, almost doubling in the second half compared with the first. This reflected a steady improvement in market conditions for realisations over the course of the year.

Thirty-three investments were fully realised in the year, more than twice the number sold in the previous year. The proceeds of £78.8 million from these full realisations were almost 70% ahead of the previous year's figure. Realisations continue to generate substantial uplifts over the prior carrying values, averaging 36% in the year. The average multiple of original cost also remained reasonably strong at 2.1 times.

The most significant realisation was Graphite Capital VII's sale of Alexander Mann Solutions ("AMS"), the leading global provider of recruitment process outsourcing services. This generated £14.4 million of cash and an uplift in value of £6.0 million, both of which were the highest achieved in the year. Over its six year holding period, the investment in AMS generated a return of 3.6 times cost.

AMS was one of five sales made from the Graphite Capital portfolio in the year. The others were Park Holidays, Dominion Gas, Willowbrook Healthcare and Optimum Care which together generated a further £30.8 million of proceeds. In total the Graphite Capital portfolio accounted for 41% of proceeds in the year. These sales bring the total number of disposals from the Graphite Capital portfolio to seven in fifteen months.

In the third party portfolio Doughty Hanson's sale of Vue Entertainment, the UK cinema chain, was the largest realisation, generating cash proceeds of £8.2 million. The investment was held through Doughty Hanson's fund and in a co-investment alongside it, and generated a return of 2.1 times cost and an IRR of over 30%.

Sales to trade buyers represented 16 of the 33 full realisations, with private equity buyers accounting for 11. The remainder were mezzanine repayments and the sale of a listed holding from an IPO in the prior year.

Most of the realisations were of investments made prior to the financial crisis, with those made in 2006 and 2007 representing 17 of the 33 realisations. As these were made immediately prior to the downturn, they were seen as the most vulnerable. It is therefore encouraging to see that they are now generating good returns.

Further details of the ten largest underlying realisations are set out in the Supplementary Information section on page 36.

The portfolio generated a further £39.5 million from partial realisations, most of which came from IPOs and refinancings. In a recovering IPO market, eight portfolio companies achieved flotations, the largest of which were HellermannTyton and Partnership. The Company received proceeds of £16.8 million from these IPOs and at the year end continued to hold listed shares in these investments. Details of the Company's listed holdings are set out in the Supplementary Information section on pages 28 to 44.

The refinancing market has also recovered, following an improvement in the availability of credit, with the result that a number of portfolio companies were successfully refinanced generating £11.9 million of cash.

New investments

The level of new investment increased by 68% to £90.6 million in the year, primarily because we substantially increased secondary purchases of fund interests ("secondaries") and made more co-investments. The combined investment in secondaries and co-investments rose from £5.2 million to £36.5 million.

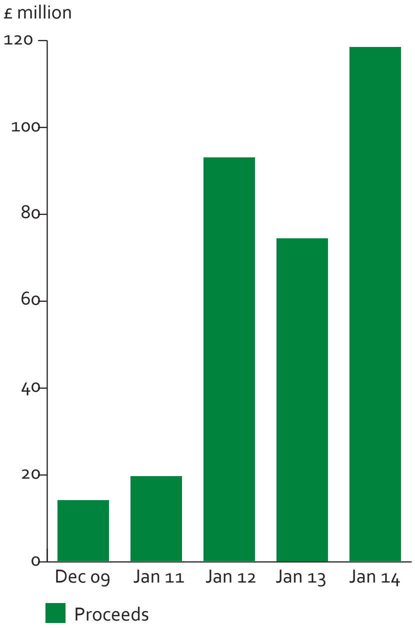
We completed six secondaries in the year totalling £24.3 million. Five of the six were in funds managed by firms with whom the Company had already invested, of which three were in funds already in the portfolio. The sixth was a new relationship where we also committed to invest in the manager's new fund.

We invested a further £12.2 million in three direct co-investments alongside managers in our fund portfolio. These were in TDR Capital's acquisition of David Lloyd Leisure, Kester Capital's acquisition of Frontier Medical and PAI Partners' acquisition of R&R Ice Cream.

Secondaries and co-investments are an increasingly important part of our overall strategy. Both are ways of quickly re-investing realisation proceeds and offer an attractive balance of risk versus reward. We believe we are well placed to execute these investments as we have many years of experience of making direct investments and of managing our own buy-out funds.

Realisations

Fig: 2.3



Drawdowns by the fund portfolio increased by 11% to £54.2 million, with a sharp rise in drawdowns by the Graphite Capital portfolio being partially offset by a small fall in drawdowns by third party funds.

Graphite Capital funds drew down £17.6 million in the year, an 84% increase on last year's figure. Most of this was to finance two new investments led by our buy-out team. These were in City & County Healthcare, the UK's fourth largest homecare provider, and in Hawksmoor, an operator of restaurants in London. The Company invested £14.2 million in the former and £1.7 million in the latter.

Third party funds drew down £36.6 million in the year, marginally below the £39.1 million drawn down in the previous year. These drawdowns represented only 40% of total new investment in the year. The remaining 60% was either invested by our buy-out team or was invested in secondaries or co-investments. As we are able to analyse the underlying companies before deciding whether to invest in a secondary or a co-investment, and the buy-out team has full control over the Graphite Capital investments, we effectively had full discretion over the majority of new investments made in the year. This is in contrast to a conventional investor in private equity funds which will not be involved in the selection of any of the companies in its underlying portfolio.

Further details of the ten largest underlying new investments and of the secondaries are set out in the Supplementary Information section on page 35 and on page 42.

New commitments

We made twelve new fund commitments in the year totalling £201.1 million. The most significant of these by some margin was the £100.0 million committed to Graphite Capital Partners VIII which closed in September 2013 with total commitments of over £500 million.

We are pleased that the Board chose to continue to support our buy-out team for the next four to five years with such a substantial commitment. Graphite Capital Partners VIII will continue the successful strategy of its predecessor of investing in UK management buy-outs valued primarily at between £40 million and £150 million.

Of the eleven commitments made to third party managers, seven were to managers with whom we have long-standing relationships. The other four were to managers that are new to the portfolio. All of the new relationships are with well established firms investing their fourth or subsequent fund. Established firms are the main focus of the Company's investment strategy as we believe they are generally lower risk than firms with newer, less experienced, teams. Further details of each of these new funds are set out in the Supplementary Information section on pages 39 to 41.

All of the new commitments are in line with our strategy of building long term relationships with our preferred managers by investing in their new funds. By so doing we believe we put ourselves in the best possible position to acquire secondaries in their funds and to invest alongside them in co-investments. While many private equity fund investors have been rationalising manager relationships, we have chosen to broaden the number of active relationships in order to give us greater access to these follow-on investments.

Portfolio Review
(continued)

Graphite Capital directly manages 21% of the portfolio and six of the top ten underlying companies

In the last three years we have added nine new managers to the portfolio, and at the year end had 32 active manager relationships.

We believe that this will prove to have been a good time in the cycle to have made commitments to new funds as they should be drawn down as the major European economies are emerging from recession.

Closing portfolio

At 31 January, the portfolio was valued at £433.3 million and was broadly diversified with investments in 387 underlying companies across a wide range of sectors, geographies and years of investment.

We believe our portfolio strikes an attractive balance between diversification and concentration. While the level of diversification within the portfolio reduces risk, many individual investments are large enough to have an impact on overall performance, as demonstrated this year by the sales of AMS, Dominion and Vue Entertainment.

The top ten underlying companies accounted for 24% of the value of the portfolio at the year end, while the top 30 accounted for 43%. The performance of these 30 investments is therefore likely to be a key driver of future performance. As outlined in the Chairman's Statement, their performance remained strong in the year to 31 December 2013 with revenues and EBITDA growing by an average of 7.4% and 13.6% respectively.

The top 30 underlying companies were valued on an average multiple of 9.2 times EBITDA at December 2013. We consider this to be reasonable for the level of growth being achieved and for the quality of the underlying earnings. In comparison, the FTSE 250 Index was valued at 9.3 times EBITDA at the year end, while the EBITDA of its component companies increased by only 4.8% in the year.

The leverage of the top 30 companies is generally modest, with net debt averaging 3.6 times EBITDA. This level of gearing should enhance future equity returns without posing undue financial risk.

Graphite Capital directly managed 21% of the portfolio including six of the top ten underlying investments and seven of the top 30. 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 as a whole.

The third party portfolio accounted for 79% of value at the year end, of which 14% was in secondaries and 8% in co-investments.

In these accounts, 98% of the portfolio was valued using December 2013 valuations. The portfolio was valued at an average of 1.4 times original cost in local currency, of which 0.4 times cost had already been realised. At these levels we believe there to be potential for future growth as the portfolio matures. As almost 45% of the portfolio is in investments made more than five years ago, managers will be looking to realise many of these investments while market conditions remain favourable.

A detailed analysis of the portfolio is included in the Supplementary Information section on pages 28 to 34.

Commitments and liquidity

At 31 January, the Company had outstanding commitments of £277.3 million and total liquidity of £165.9 million, of which £68.2 million was in cash and £97.7 million in the undrawn bank facility. Commitments therefore exceeded total liquidity by £111.4 million or by 22.6% of the net asset value.

As the vast majority of commitments are to funds raised in the last 12 months, relatively few are likely to be drawn down in the short term. Funds are typically drawn down over a period of three to five years and 10-20% of commitments are usually retained at the end of the investment period to fund follow-on investments and expenses. If outstanding commitments to each of the funds were to be drawn down at a constant rate over their remaining investment periods, approximately £55 million of commitments would be drawn down over the next 12 months.

The Company therefore should have sufficient resources in cash and undrawn facilities to fund drawdowns for more than three years, even if no realisations were achieved. In reality we would expect to receive substantial cash inflows from the portfolio during this period.

Currency

Foreign exchange exposure has an impact both on the net asset value and on the level of outstanding commitments. At the year end, 44% of the net asset value and 58% of outstanding commitments were denominated in foreign currencies, primarily in euros.

In the year to January 2014, foreign currency movements had a negative impact on performance, reducing the net asset value by 2.6%. In contrast, currency movements increased the net asset value by 1.6% in the previous year.

The Board regularly reviews foreign exchange exposure and to date has chosen not to hedge as the cost has been considered prohibitive. We continue to keep this under review. Further details of the foreign currency exposure are set out in the Supplementary Information section on page 43.

Events since the year end

In the period since the year end, additions to the portfolio of £18.1 million have exceeded realisations of £10.1 million. The largest investment was made by our buy-out team which earlier this month completed the acquisition of ICR, a provider of maintenance services to the oil and gas industry in which the Company invested £10.9 million.

After taking account of the £9.5 million net cash outflow since the year end, the cash balance has fallen to £58.7 million while outstanding commitments have fallen to £261.9 million.

Prospects

After remaining subdued during the downturn, the realisation market started to recover in 2012 and this recovery accelerated in 2013. The environment for realisations is now as favourable as it has been for many years, with a range of exit options currently available. With the portfolio generating record levels of cash, our main challenge is to re-invest these proceeds and thereby maintain, or ideally increase, the level of investment.

When the realisation market picks up, the market for new buy-outs inevitably becomes more challenging as pricing tends to rise. To balance this, the flow of opportunities also increases, presenting our managers with a wider range of potential investments from which to choose. The more experienced managers are able to adapt to this environment and, while recognising that prices may be higher than during the downturn, are able to select investments which justify this premium. Perhaps more importantly, these investments will be made at a time when there is widespread agreement that the European economy is recovering and is unlikely to move backwards.

Many of our preferred managers have raised new funds over the last 18 months and we made substantial commitments to these in order to secure the core of the investment programme for the next few years. As fewer new funds are being raised that meet our criteria, this year we will focus more on acquiring secondary interests and on making co-investments. These should enable us to deploy cash resources more quickly alongside the core investment programme of primary funds.

The Company's current portfolio continues to mature and the profit growth of the larger investments remains strong. The valuations of these investments should therefore continue to rise even if multiples remain unchanged. In the current market, we would expect a number of them to be realised over the next twelve months and that such realisations would be achieved at significant uplifts to carrying values.

At this point in the cycle, the Company has the benefit of a strong balance sheet. With a flexible investment approach and long experience of investing both directly and through funds, we should be well placed to take advantage of the opportunities which will doubtless arise as the economic recovery continues.

Graphite Capital Management LLP
16 April 2014

Graphite Capital Team

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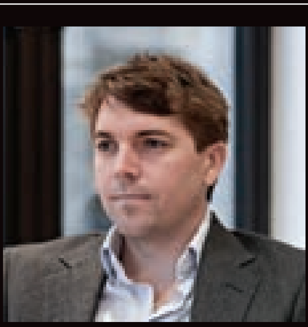
Managing Partner

Emma Osborne
Senior Partner,
Head of Fund Investment



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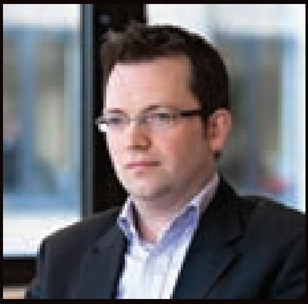

Colm Walsh
Investment Manager,
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Graphite Capital

Graphite Enterprise 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 £1.5 billion of funds under management. It has raised and managed funds for 33 years and has been owned by its partners since 2001. The senior management team has worked together for 17 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 19 investment professionals and 20 support staff. Separate teams focus on buy-outs and on 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 £200 million across a range of industry sectors. Most buy-outs are of well established companies, although some are at an earlier stage of development. While the focus is primarily on UK headquartered 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 over three-quarters have been realised, generating an annualised rate of return of 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 managed by third parties but it is also the largest investor in Graphite Capital's buy-out funds. At 31 January 2014, investments managed by Graphite Capital represented 21% of the portfolio value and 35% 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 made at the inception of a new fund ("primaries") and 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 81 funds and 33 co-investments. The net return on realised funds and co-investments is more than twice the amount invested.

As it has 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 buy-out team.

Case Study: Ziggo

In March 2012, Cinven listed Ziggo. Through a series of share placements, Cinven returned total net proceeds of £8.3 million to Graphite Enterprise

2.8x

Multiple of original cost of investment achieved on disposal

Graphite Enterprise invested in Ziggo through its commitment to the Fourth Cinven Fund ("the Fund") in 2006. In 2011, Graphite Enterprise increased its exposure to the company via a secondary purchase of the Fund.

Ziggo is a cable operator in the Netherlands, providing television, broadband and telephony services across its network, which passes approximately 55% of all Dutch households.

Ziggo was formed by Cinven through the merger of three separate cable businesses: Kabelcom, Casema and Multikabel. The businesses were acquired by the Fund in September 2006 and January 2007, with a combined transaction value of €5.5 billion.

Cinven's strategy was to consolidate the Dutch market by creating a leading cable operator with a 'multi-play' offering of digital TV, broadband and telephony, focused on up-selling from the traditional television customer base. The creation of Ziggo realised substantial synergies from integrating multiple businesses of scale and enabled significant operational improvements through sharing 'best practice' across each business.

During Cinven's ownership, the company almost doubled its average revenue per user, driven by the increased bundling of services. Ziggo also introduced new systems to improve operations, yielding annual savings of approximately €55 million. Over the course of Cinven's investment, EBITDA increased by approximately 75%.

In March 2012, Cinven listed Ziggo on the Amsterdam Stock Exchange at €18.50 per share and completed four further share placements. Cinven ultimately sold its holding at a weighted average price €23.23 per share, resulting in an aggregate return of 2.8x cost.

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The 30 Largest Fund Investments

The table below summarises the 30 largest funds by value at 31 January 2014.

1-15

	Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
1	**Graphite Capital Partners VII*/**** Mid-market buy-outs	7.6	2007	UK	37.5
2	**Fourth Cinven Fund**** Large buy-outs	4.1	2006	Europe	28.1
3	**Euromezzanine 5** Mezzanine loans to mid-market buy-outs	1.8	2006	France	21.2
4	**CVC European Equity Partners V**** Large buy-outs	6.0	2008	Global	21.0
5	**Thomas H Lee Parallel Fund VI** Large buy-outs	3.9	2007	USA	19.6
6	**Doughty Hanson & Co V**** Mid-market and large buy-outs	6.2	2006	Europe	18.2
7	**ICG European Fund 2006** Mezzanine loans to buy-outs	2.7	2007	Europe	17.4
8	**TDR Capital II** Mid-market and large buy-outs	0.8	2006	Europe	17.4
9	**Candover 2005 Fund**** Large buy-outs	0.1	2005	Europe	17.0
10	**Graphite Capital Partners VI**** Mid-market buy-outs	3.2	2003	UK	16.3
11	**Graphite Capital Partners VIII*** Mid-market buy-outs	84.1	2013	UK	15.2
12	**Apax Europe VII** Large buy-outs	0.2	2007	Global	15.2
13	**Activa Capital Fund II** Mid-market buy-outs	0.9	2007	France	15.0
14	**Deutsche Beteiligungs AG Fund V** Mid-market buy-outs	1.3	2006	Germany	9.7
15	**Doughty Hanson & Co IV** Mid-market and large buy-outs	0.4	2005	Europe	9.3
	Total of the 15 largest fund investments	123.3			278.1

16-30

Fund		Outstanding commitment £m	Year of commitment	Country/ region	Value £m
16	**Bowmark Capital Partners IV** Mid-market buy-outs	1.4	2007	UK	8.6
17	**PAI Europe V** Large buy-outs	0.4	2007	Europe	6.4
18	**CVC European Equity Partners Tandem** Large buy-outs	0.9	2006	Global	5.1
19	**Charterhouse Capital Partners IX**** Large buy-outs	3.1	2008	Europe	5.0
20	**Advent Central and Eastern Europe IV** Mid-market buy-outs	1.3	2008	Europe	4.7
21	**CVC European Equity Partners IV**** Large buy-outs	1.4	2005	Global	4.3
22	**Permira IV**** Large buy-outs	0.3	2006	Europe	4.2
23	**BC European Capital IX** Large buy-outs	4.2	2011	Europe	4.2
24	**Fifth Cinven Fund** Large buy-outs	12.8	2012	Europe	3.7
25	**Charterhouse Capital Partners VIII**** Large buy-outs	1.2	2006	Europe	3.6
26	**Piper Private Equity Fund IV** Small buy-outs	1.1	2006	UK	3.2
27	**Deutsche Beteiligungs AG Fund IV** Mid-market buy-outs	0.3	2002	Germany	3.2
28	**Segulah IV** Mid-market buy-outs	1.2	2008	Nordic	3.2
29	**Apax Europe VII Sidecar 2** Large buy-outs	0.9	2007	Global	3.2
30	**CSP Secondary Opportunities Fund II** Secondary portfolios	–	2008	Global	3.2
Total of the 30 largest fund investments		153.8			343.9
Percentage of total investment portfolio					79.4%

* Includes the associated Top Up funds.

** All or part of interest acquired through a secondary purchase.

The 30 Largest Underlying Investments

The tables below present the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2014. 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/ region	Value as % of investment portfolio
1	**Micheldever** Distributor and retailer of tyres	Graphite Capital	2006	UK	3.9%
2	**City & County Healthcare Group** Provider of home care	Graphite Capital	2013	UK	3.3%
3	**CEVA** Manufacturer and distributor of animal health products	Euromezzanine	2007	France	3.2%
4	**National Fostering Agency** Provider of foster care services	Graphite Capital	2012	UK	2.7%
5	**Algeco Scotsman** Supplier and operator of modular buildings	TDR Capital	2007	USA	2.4%
6	**Education Personnel** Provider of temporary staff for the education sector	Graphite Capital	2010	UK	2.0%
7	**U-POL** Manufacturer and distributor of automotive refinish products	Graphite Capital	2010	UK	1.8%
8	**London Square** Developer of residential housing	Graphite Capital	2010	UK	1.5%
9	**David Lloyd Leisure** Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.4%
10	**TMF** Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.4%
11	**Quiron** Operator of private hospitals	Doughty Hanson	2012	Spain	1.3%
12	**CPA Global** Provider of patent and legal services	Cinven	2012	UK	1.2%
13	**Parques Reunidos** Operator of attraction parks	Arle	2007	Spain	1.1%
14	**Spire Healthcare** Operator of hospitals	Cinven	2007	UK	1.1%
15	**Frontier Medical** Manufacturer of medical devices	Kester Capital	2013	UK	1.1%
	Total of the 15 largest underlying investments				29.4%

16-30

Company	Manager	Year of investment	Country/ region	Value as % of investment portfolio
16 **Spheros** Provider of bus climate control systems	Deustche Beteiligungs	2011	Germany	1.1%
17 **Ceridian** Provider of payment processing services	Thomas H Lee Partners	2007	North America	1.0%
18 **Stonegate Pub Company** Operator of pubs	TDR Capital	2010	UK	1.0%
19 **Stork** Provider of technical engineering services	Arle	2008	Netherlands	1.0%
20 **Acromas** Provider of financial, motoring, travel and healthcare services	Charterhouse / CVC	2007	UK	1.0%
21 **Intermediate Capital Group*** Provider of mezzanine finance	ICG	1989	UK	1.0%
22 **Evonik Industries*** Manufacturer of specialty chemicals	CVC	2008	Germany	1.0%
23 **InnBrighton** Operator of pubs and bars	Graphite Capital	2001	UK	0.9%
24 **Partnership*** Provider of enhanced annuities	Cinven	2008	UK	0.9%
25 **Gerflor** Manufacturer of PVC flooring	ICG	2011	France	0.9%
26 **Eurofiber** Provider of fibre optic network	Doughty Hanson	2012	Netherlands	0.8%
27 **Sebia** Provider of protein testing equipment	Cinven	2010	France	0.8%
28 **Guardian Financial Services** Provider of insured life and pension products	Cinven	2011	UK	0.8%
29 **Abertis*** Provider of private transport and communications	CVC	2010	Spain	0.8%
30 **Gondola** Operator of casual dining restaurants	Cinven	2006	UK	0.7%
Total of 30 largest underlying investments				43.1%

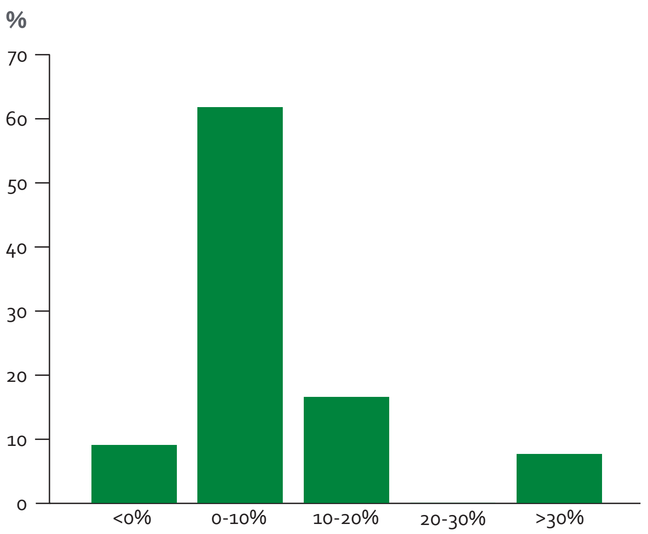
* Quoted.

Supplementary Information

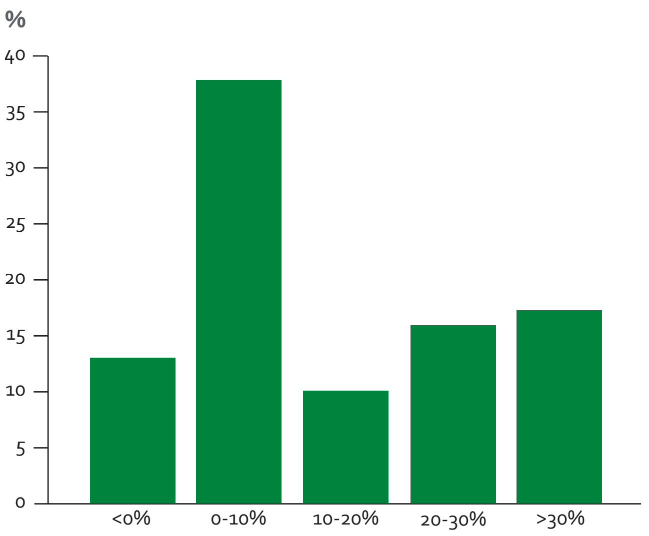
Analysis of the 30 Largest Underlying Investments

The graphs below analyse the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2014. These investments may be held directly or through funds, or in some cases, in both ways.

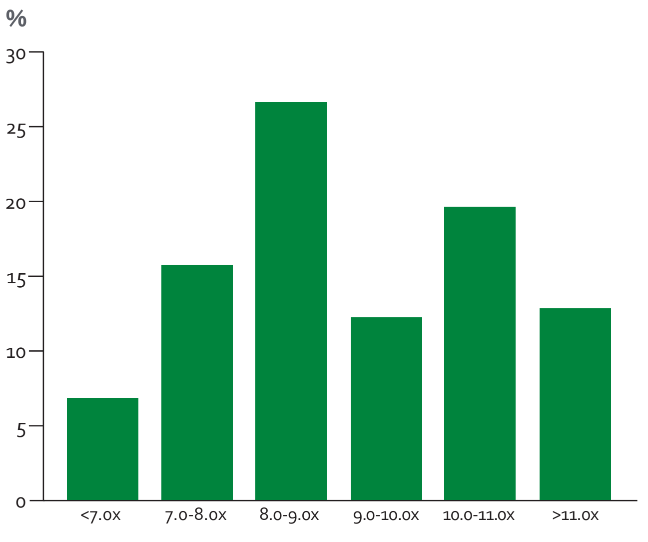
Revenue growth*
Fig: 3.1



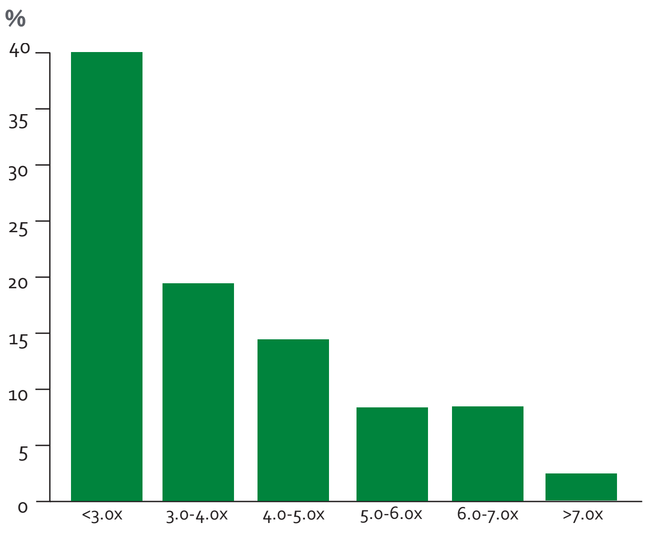
EBITDA growth**
Fig: 3.2



Enterprise value as a multiple of EBITDA***
Fig: 3.3



Net debt as a multiple of EBITDA***
Fig: 3.4



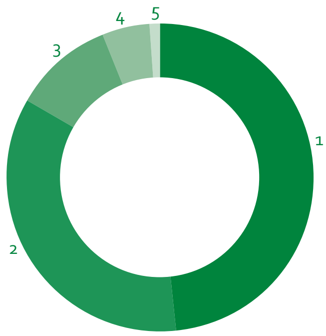
* Excludes London Square (immature) and Guardian Financial Services where revenue is not a meaningful measure of performance.
** Excludes London Square (immature) where EBITDA is not a meaningful measure of performance.
*** Excludes Intermediate Capital Group, Partnership and Guardian Financial Services where metrics are not relevant.

Portfolio Analysis

The following four graphs analyse the companies in which Graphite Enterprise had investments at 31 January 2014.

Investment type

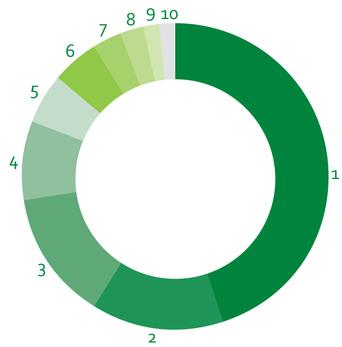
Fig: 3.5



1.	Large buy-outs	48.5%
2.	Mid-market buy-outs	34.9%
3.	Mezzanine	10.6%
4.	Small buy-outs	5.1%
5.	Quoted	0.9%

Geographic distribution*

Fig: 3.6

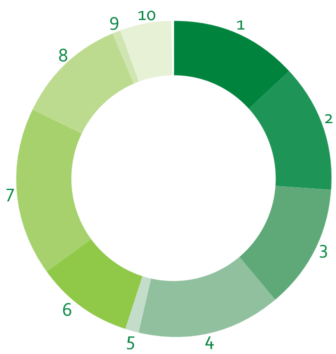


1.	UK	45.1%
2.	France	13.8%
3.	North America	13.6%
4.	Germany	8.5%
5.	Benelux	5.3%
6.	Spain	4.9%
7.	Scandinavia	3.0%
8.	Greece, Ireland, Italy, Portugal	2.7%
9.	Other Europe	1.5%
10.	Rest of world	1.6%

* Location of headquarters of underlying companies in the portfolio.

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

Fig: 3.7

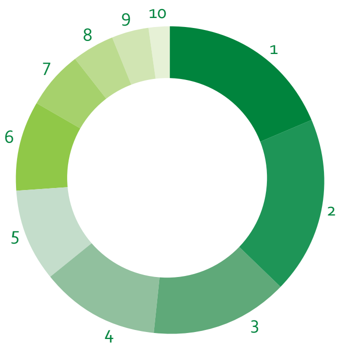


1.	2013 onwards (1.0x)	13.3%
2.	2012 (1.3x)	13.0%
3.	2011 (1.3x)	12.6%
4.	2010 (1.6x)	14.8%
5.	2009 (2.2x)	1.5%
6.	2008 (1.1x)	10.0%
7.	2007 (1.6x)	17.1%
8.	2006 (1.3x)	11.4%
9.	2005 (0.9x)	0.9%
10.	2004 and before (1.5x)	5.4%

[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	18.7%
2.	Healthcare and education	18.6%
3.	Industrials	14.4%
4.	Consumer goods and services	12.6%
5.	Leisure	9.7%
6.	Financials	9.5%
7.	Automotive supplies	6.2%
8.	Technology and telecommunications	4.2%
9.	Media	4.0%
10.	Chemicals	2.1%

Supplementary Information

Portfolio Analysis
(continued)

Quoted equity holdings at 31 January 2014

Underlying company	Ticker	£m	% of investment portfolio
Intermediate Capital Group	ICP	4.2	1.0%
Evonik Industries	EVK	4.0	0.9%
Partnership	PA.	4.0	0.8%
Abertis	ABE	3.3	0.8%
Aramark Corporation	ARMK	2.7	0.6%
Homag Group	HG1	2.6	0.6%
Tumi	TUMI	2.0	0.5%
HellermannTyton	HTY	1.9	0.4%
MoneyGram International	MGI	1.7	0.4%
West Corporation	WSTC	1.7	0.4%
The Nielsen Company	NLSN	1.5	0.4%
Merlin	MERL	1.4	0.3%
Bankrate	RATE	1.3	0.3%
Sterling Financial Corporation	STSA	1.2	0.3%
Hugo Boss	BOSS	1.0	0.2%
Atos	ATOS	0.9	0.2%
SouFun	SFUN	0.9	0.2%
First BanCorp	FBP	0.5	0.1%
Just Retirement	JRG	0.5	0.1%
ProSiebenSat.1	PSM	0.3	0.1%
Freescale	FSL	0.2	0.1%
Total		**37.8**	**8.7%**

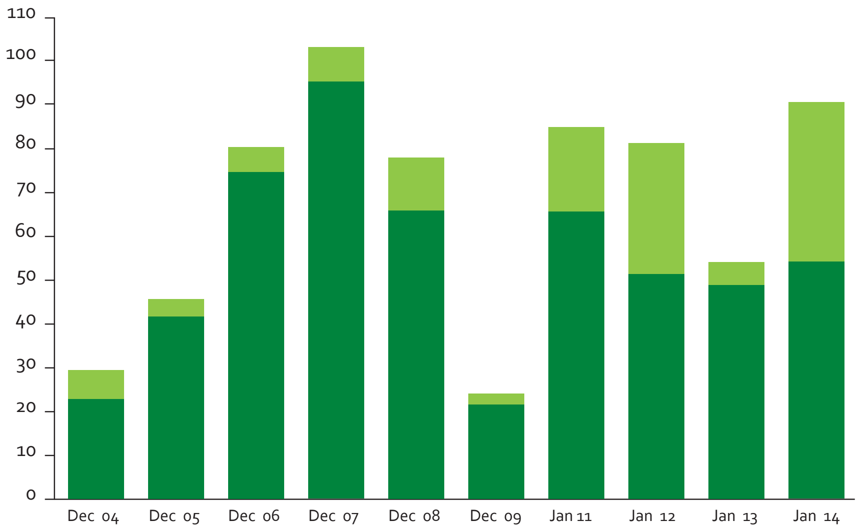
Investment Activity

New investments

■ Drawdowns
■ Co-investments and secondary fund purchases

Investments into the portfolio

Fig: 3.9



Supplementary Information

Largest new underlying investments in the year ended 31 January 2014

Investment	Description	Manager	Country	£m
City & County Healthcare Group	Provider of home care	Graphite Capital	UK	14.2
David Lloyd Leisure	Operator of premium health and fitness clubs	TDR Capital	UK	6.2
Frontier Medical	Manufacturer of medical devices	Kester Capital	UK	5.1
R&R Ice Cream	Manufacturer and distributor of ice cream products	PAI Partners	UK	3.0
Hawksmoor	Operator of steak restaurants	Graphite Capital	UK	1.7
Formel D	Provider of services to automobile manufacturers and suppliers	Deutsche Beteiligungs	Germany	1.7
Ista*	Provider of consumption-dependent billing of energy costs	CVC	Germany	1.6
AMco	Distributor of niche generic pharmaceuticals	Cinven	UK	1.2
Host Europe Group	Provider of hosting and internet domain services	Cinven	UK	1.1
Law Business Research	Publisher of specialist information for the legal industry	Bowmark	UK	1.1
Total of 10 largest new investments				**36.9**

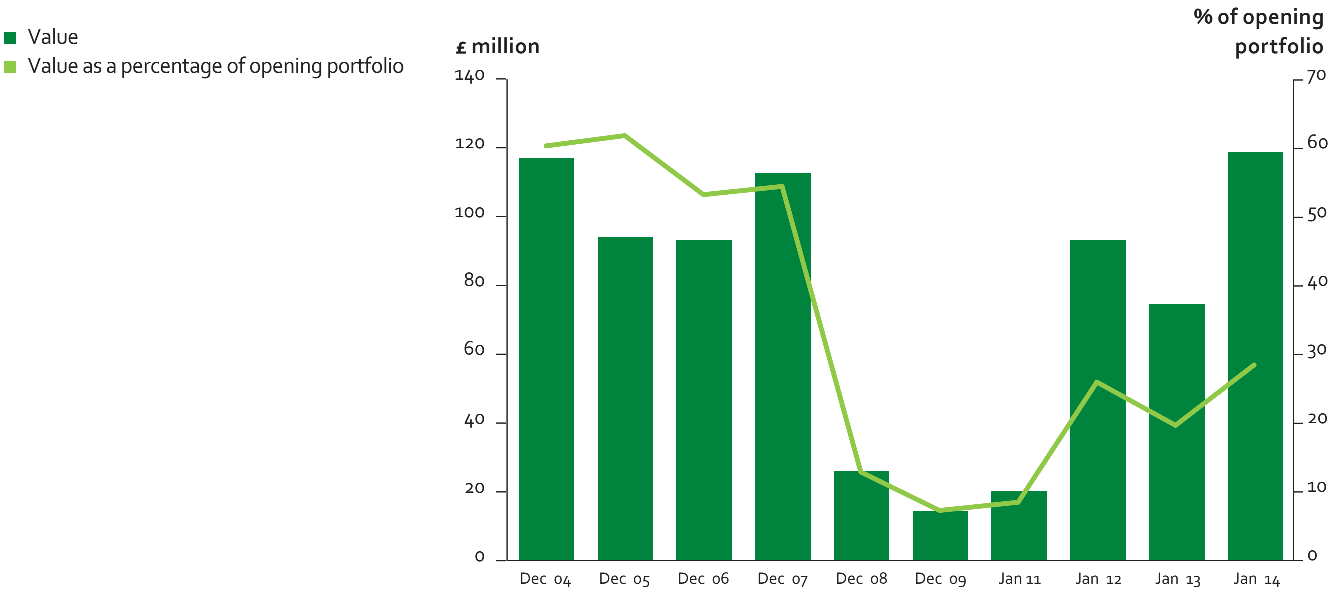
* Acquired from a current fund investment of the Company and therefore also a disposal in the year.

Realisation Activity

Realisations

Realisations from the portfolio*

Fig: 3.10



* Excluding secondary sales of fund interests.

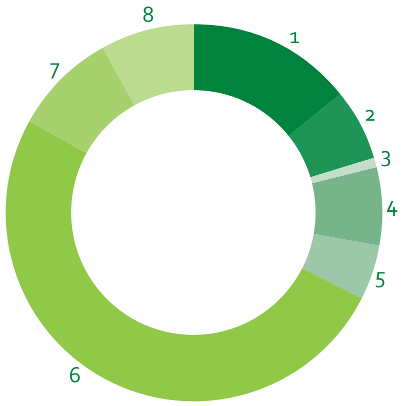
Largest underlying realisations in the year ended 31 January 2014

Investment	Manager	Year of investment	Buyer type	Proceeds £m
Alexander Mann Solutions	Graphite Capital	2007	Private equity	16.1
Park Holidays UK	Graphite Capital	2006	Financial	12.4
Vue Entertainment	Doughty Hanson	2010	Financial	8.2
Dominion Technology Gases	Graphite Capital	2007	Trade	7.9
Willowbrook Healthcare	Graphite Capital	2008	Trade	6.8
HellermannTyton	Doughty Hanson	2006	Public offering	4.2
Optimum Care	Graphite Capital	2007	Trade	3.7
Ziggo	Cinven	2006	Public offering	3.7
Avanza Group	Doughty Hanson	2007	Trade	3.1
Ista*	Charterhouse/CVC	2007	Private equity	2.7
Total of 10 largest realisations				**68.8**

*Sold to an existing fund investment of the Company and therefore also a new investment in the year.

Commitments Analysis

Commitments at 31 January 2014 – remaining investment period
Fig: 3.11



1. Investment period complete	14.2%
2. <1 year	6.3%
3. 1-2 years	0.8%
4. 2-3 years	6.6%
5. 3-4 years	4.6%
6. 4-5 years	50.8%
7. >5 years	8.7%
8. Investment period not started	8.0%

Commitments at 31 January 2014	Original commitment[1] £m	Outstanding commitment £m	Average drawdown percentage	Percentage of commitments
Investment period not started	22.3	22.3	–	8.0%
Funds in investment period	354.8	215.6	39.2%	77.8%
Funds post investment period	488.9	39.4	91.9%	14.2%
Total	866.0	277.3	68.0%	100.0%

[1] Original commitments are at 31 January 2014 exchange rates.

Movement in commitments	Year ended 31 January 2014 £m
Opening	126.5
Drawdowns*	(53.7)
New primary commitments	201.1
New commitments arising through secondary purchases	9.5
New commitments arising through co-investments	2.1
Currency	(6.3)
Other	(1.9)
Closing	277.3

* Excludes legal fees in respect of new investments.

Supplementary Information

Commitments Analysis
(continued)

New commitments during the year to 31 January 2014

Fund	Strategy	Geography	£m
Primary commitments			
Graphite Capital Partners VIII*	Mid-market buy-outs	UK	100.0
CVC Capital Partners VI	Large buy-outs	Europe	17.1
Activa Capital Fund III	Mid-market buy-outs	France	12.6
PAI Europe VI	Mid-market and large buy-outs	Europe	12.5
Bowmark Capital Partners V	Mid-market buy-outs	UK	10.0
Fifth Cinven Fund	Large buy-outs	Europe	8.7
IK VII Fund	Mid-market and large buy-outs	Europe	8.7
Nordic Capital Fund VIII	Mid-market and large buy-outs	Europe	8.5
TDR Capital III	Mid-market and large buy-outs	Europe	8.4
Permira V	Large buy-outs	Global	8.4
TowerBrook Investors IV	Mid-market and large buy-outs	US/Europe	3.2
Hollyport Secondary Opportunities IV	Secondary portfolios	Global	3.0
Total primary commitments			201.1
Commitments arising from secondary purchases			
Charterhouse Capital Partners IX	Large buy-outs	Europe	3.3
CVC European Equity Partners V	Large buy-outs	Global	2.0
Doughty Hanson & Co V	Mid-market and large buy-outs	Europe	1.9
GCP Capital Partners Europe II	Small buy-outs	UK	1.8
Permira IV	Large buy-outs	Global	0.4
Graphite Capital Partners V	Mid-market buy-outs	UK	0.1
Total commitments arising from secondary purchases			9.5
Commitments arising from co-investments			
David Lloyd Leisure	Large buy-outs	UK	1.4
R&R Ice Cream	Large buy-outs	UK	0.6
Frontier Medical	Small buy-outs	UK	0.1
Total commitments arising from co-investments			2.1
Total new commitments			212.7

*Includes Graphite Capital Partners VIII Top Up Fund.

Description of new primary commitments

Fund	Description	Commitment £m
Graphite Capital Partners VIII	In September 2013 the Board decided to commit £100 million to Graphite Capital Partners VIII, a £500 million fund managed by our direct buy-out team. Further information on Graphite Capital's direct buy-out team can be found on page 15. Graphite VIII will maintain the mid-market focus of the previous fund, investing primarily in UK headquartered companies with high growth potential valued at between £40 million and £150 million. It will also invest in smaller companies with the potential to expand through the roll-out of new sites. The fund is likely to make eight to twelve investments across a wide range of investment sizes and industry sectors. Sectors in which Graphite Capital has a particular focus include: retail & consumer, services & distribution, health & care, leisure & property, industrials & engineering and financial services.	£100.0
CVC Capital Partners VI	In July 2013 we committed €20 million to CVC VI, a €10.5 billion pan-European large buy-out fund raised by CVC Capital Partners ("CVC"). CVC was founded in 1981 and is one of the most highly regarded buy-out firms in Europe. We have invested with CVC since 2005 in three prior funds and have acquired secondary interests in two funds. As with its predecessor funds, CVC VI will focus on large buy-outs with a target minimum equity investment of over €100 million. CVC invests in a cross-section of global industrial and service businesses, predominantly headquartered in Europe.	£17.1
Activa Capital Fund III	In December 2013 we committed €15 million to Activa III, a French mid-market buy-out fund being raised by Activa Capital ("Activa"). The Fund has a target size of €320 million. Activa was founded in 2000 and is a leading French mid-market buy-out firm. We have invested with Activa since 2003 in its two previous funds. Activa III will invest in buy-outs with enterprise values in the range €30 million to €200 million. Activa has a focus on the following sectors: consumer goods, distribution, business services healthcare/pharmaceutical, media and information technology.	£12.6
PAI Europe VI	In December 2013 we committed €15 million to PAI VI, a pan-European mid-market and large buy-out fund being raised by PAI Partners. The fund has a target size of €3.0 billion. PAI raised its first third party fund in 1998, having previously been the captive buy-out operation of Paribas Bank. The firm became independent from BNP Paribas in 2002. We first invested with PAI in 2005 and have invested in two prior funds as well as in two co-investments alongside the funds. PAI VI will invest in businesses with enterprise values of more than €300 million that are leaders in their markets. PAI focuses on five core sectors: business services, food & consumer goods, general industrials, healthcare and retail & distribution.	£12.5

Commitments Analysis
(continued)

Fund	Description	Commitment £m
Bowmark Capital Partners V	In December 2013 we committed £10 million to Bowmark V, a £375 million UK mid-market buy-out fund raised by Bowmark Capital ("Bowmark"). We have invested with Bowmark since their first fund opened to external investors, Bowmark III, in 2004 and in Bowmark IV in 2008. We have also invested in two co-investments alongside the funds. Bowmark V will focus on UK buy-outs with enterprise values of between £20 million and £100 million and equity requirements of between £10 million and £40 million. Bowmark focuses on investments in the outsourced services, healthcare, leisure, media and IT services sectors.	£10.0
Fifth Cinven Fund	In March 2013 we committed €10 million to a €5.3 billion pan-European large buy-out fund raised by Cinven. We had already committed €10 million in December 2011 and took the opportunity to increase our commitment before the final closing of the fund. Cinven was founded in 1977 and is a leading European buy-out manager. We have a longstanding relationship dating back to 1994. We invested in the predecessor fund, the Fourth Cinven Fund, in 2006 and subsequently acquired a secondary interest in that fund as well as co-investing alongside it in CPA Global. The Fifth Cinven Fund will focus on large buy-outs in which it can invest more than €100 million of equity. Cinven focuses on six sectors across Europe: business services, consumer, financial services, healthcare, industrials and TMT.	£8.7
IK VII Fund	In March 2013 we committed €10 million to IK VII, a €1.3 billion Northern European mid-market and large buy-out fund raised by IK Investment Partners ("IK"). IK was formerly known as Industri Kapital and was founded in 1989. This is our first commitment to a fund managed by IK. IK VII will invest between €50 million and €150 million in mid-market companies with the potential to achieve leading and defensible positions in their respective industry sectors. IK invests in five core markets: Benelux, Denmark & Norway, France, Germany & CEE and Sweden & Finland.	£8.7
Nordic Capital Fund VIII	In October 2013 we committed €10 million to Nordic Capital VIII, a €3.5 billion mid-market and large buy-out fund raised by Nordic Capital ("Nordic"). This is our first commitment to a fund managed by Nordic, which was founded in 1989. Nordic invests in companies in a range of industry sectors in the Nordic region and Germany and in the healthcare sector on a pan-European basis. The fund will invest in a wide range of sizes of business from mid-sized to large companies. Nordic targets investments which have scope for structural transformation, operational improvement, industry consolidation or international expansion.	£8.5

Fund	Description	Commitment £m
TDR Capital III	In November 2013 we committed €10 million to TDR III, a mid-market and large buy-out fund raised by TDR Capital ("TDR") which closed in April 2014 with total commitments of €2 billion. TDR was founded in 2002 by two senior executives from DB Capital Partners. We invested in the predecessor fund, TDR II, in 2006, which had a similar strategy to TDR III. TDR III will invest in businesses with enterprise values from €300 million to €1.5 billion. TDR focuses on companies with market-leading positions or with potential to make add-on acquisitions to create leading positions. The manager looks for companies with strong assets or underlying business models that may have been historically under-invested or where value may have been obscured by prior strategic choices. TDR's strategy is to invest in a limited number of companies which allows for a highly operationally focused and resource intensive approach to adding value to investments.	£8.4
Permira V	In November 2013 we committed €10 million to Permira V, a €4.5 billion pan-European buy-out fund raised by Permira. This is the first time we have committed to a fund managed by Permira but we have known the principals for over a decade. Permira was founded in 1985 as a number of country specific separate businesses under the Schroder Ventures brand. These businesses came together to form a pan-European buy-out manager in 1997 and in 2001 became independent from Schroders and renamed Permira. Permira V will invest in buy-outs of companies with enterprise values of between €500 million and €3.0 billion. The core sectors on which Permira focuses are: consumer, telecom & media, industrials, financial services and healthcare. Permira focuses primarily on European businesses but also invests in the US and Asia, making it one of the few European private equity firms with a global reach.	£8.4
TowerBrook Investors IV	In February 2013 we committed $5 million to TowerBrook IV, a $3.5 billion mid-market and large US and European fund raised by TowerBrook Capital Partners ("TowerBrook"). TowerBrook was established in 2001 initially as Soros Private Equity and became independent in 2005. The manager has offices in New York and London but operates as a single integrated team. This is our first investment with the manager. TowerBrook pursues control-oriented investments in large and middle market companies, partnering with highly capable management teams and seeking situations characterised by complexity. TowerBrook aims to invest first to transform and then to build businesses.	£3.2
Hollyport Secondary Opportunities IV	In October 2013 we committed £3 million to Hollyport IV, a £75 million private equity secondaries fund managed by Hollyport Capital ("Hollyport"). Hollyport was established in 2006 and we have invested with the manager in each of the three prior funds, all executing the same strategy as for Hollyport IV. Hollyport IV will focus on acquiring tail-end portfolios of mature private equity assets. Hollyport enables longstanding investors to realise non-core private equity investments covering the full range of private equity strategies globally.	£3.0

Secondary Purchases of Fund Interests

Fund	Description	Consideration £m
CVC European Equity Partners V	In September 2013 we acquired a secondary interest in CVC European Equity Partners V, a €10.8 billion pan-European large buy-out fund raised in 2008. We have a primary commitment of €27 million, having first invested in funds managed by CVC in 2005. We invested €7.0 million to acquire the secondary fund interest with a further €2.4 million undrawn commitment. At the time of acquisition the fund was 75% drawn and had investments in 20 underlying portfolio companies, including Merlin, Brit Insurance, Evonik and Bpost all of which have subsequently been taken public.	£5.9
Doughty Hanson & Co V	In June 2013 we acquired a secondary interest in Doughty Hanson & Co V, a €3 billion fund to which we made a €25 million commitment in 2007. We first invested with Doughty Hanson & Co in its fourth fund, raised in 2005. We invested €6.4 million to acquire the interest which had investments in seven underlying portfolio companies. Two of these, Vue Entertainment and Avanza, were realised within two months of our secondary purchase, returning 39% of the cost of the portfolio. These realisations have ensured that our secondary investment is off to a good start.	£5.5
Charterhouse Capital Partners IX	In September 2013 we acquired a secondary interest in Charterhouse Capital Partners IX, a €4 billion pan-European mid-market and large buy-out fund. We have invested with Charterhouse Capital Partners since 1989 in five prior funds and in six co-investments alongside the funds. Charterhouse IX was raised during the financial crisis and we did not commit to it on a primary basis. We are therefore pleased to have been able to access the fund through a secondary acquisition. We invested €6.3 million with a further €3.9 million undrawn commitment. The fund was approximately half drawn and had investments in seven underlying companies including Card Factory, Bartec and Bureau van Dijk.	£5.3
Permira IV	In January 2014 we acquired a secondary interest in Permira IV, a €9.4 billion pan-European buy-out fund raised in 2006. We committed to its successor fund, Permira V, earlier in the financial year. A detailed review of Permira IV formed a key part of our due diligence on Permira V and we have therefore followed the progress of this portfolio for some time. We invested €4.8 million to acquire the secondary interest. Permira IV has completed its investment programme and at the time of our acquisition had investments in 17 underlying portfolio companies, the largest of which are Hugo Boss, Arysta, Just Retirement and Genesys. Since completing the secondary Permira has announced the full or partial realisation of Just Retirement, Renaissance and Odigeo.	£3.9
GCP Capital Partners Europe Fund II	In March 2013 we invested £3.5 million in an £87 million fund managed by Kester Capital ("Kester", formerly known as GCP Capital Europe). The fund is focused on the UK lower mid-market and was set up to acquire a portfolio of seven companies from exiting investors of the predecessor fund, primarily the manager's former parent company Greenhill Bank. We invested £3.5 million in the portfolio with a further £1.75 million undrawn commitment. This was our first investment with Kester and we subsequently co-invested alongside the fund in the buy-out of Frontier Medical in December 2013.	£3.5
Graphite Capital Partners V	In December 2013, we acquired a secondary interest in Graphite V.	£0.2

Currency

Currency exposure

	31 January 2014 £m	31 January 2014 %
Portfolio*		
– sterling	203.2	46.9%
– euro	144.7	33.4%
– other	85.4	19.7%
Total	433.3	100.0%

*Currency exposure is calculated by reference to the location of the underlying portfolio companies' headquarters.

	31 January 2014 £m	31 January 2014 %
Outstanding commitments		
– sterling	117.5	42.4%
– euro	151.6	54.7%
– other	8.2	2.9%
Total	277.3	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 2014	19.02	15.5#	677.2	563.5
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

Includes special dividend of 8.0p per share.
* 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	44,711	61.3%
Investment companies	18,778	25.8%
Insurance companies	3,062	4.2%
Pensions and endowments	2,732	3.7%
Banks	1,874	2.6%
Private equity investors	928	1.3%
Other	828	1.1%
Total at 31 January 2014	72,913	100.0%

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Consolidated Income Statement

	Notes	Year ended 31 January 2014 Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 January 2013 Revenue return £'000	Capital return £'000	Total £'000
Investment returns							
Gains and losses on investments held at fair value	2, 10	18,809	27,475	46,284	5,988	54,555	60,543
Income from cash and cash equivalents	2	172	–	172	39	–	39
Return from current asset investments		5	(342)	(337)	74	–	74
Other income	2	58	–	58	4	(8)	(4)
Foreign exchange gains and losses		–	(371)	(371)	–	418	418
		19,044	26,762	45,806	6,105	54,965	61,070
Expenses							
Investment management charges	3	(1,490)	(4,470)	(5,960)	(1,337)	(4,010)	(5,347)
Other expenses	4	(1,723)	(2,188)	(3,911)	(1,772)	(1,607)	(3,379)
		(3,213)	(6,658)	(9,871)	(3,109)	(5,617)	(8,726)
Profit before tax		15,831	20,104	35,935	2,996	49,348	52,344
Taxation	6	(1,965)	1,965	–	(701)	701	–
Profit for the year		13,866	22,069	35,935	2,295	50,049	52,344
Attributable to:							
Equity shareholders		13,866	23,127	36,993	2,295	46,597	48,892
Non-controlling interests		–	(1,058)	(1,058)	–	3,452	3,452
Basic and diluted earnings per share	7			50.7p			67.1p

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

The notes on pages 54 to 75 form an integral part of the financial statements.

Consolidated Balance Sheet

	Notes	As at 31 January 2014 £'000	As at 31 January 2013 £'000
Non-current assets			
Investments held at fair value			
– Unquoted investments	10, 17	429,186	411,606
– Quoted investments	10, 17	4,163	3,559
		433,349	415,165
Current assets			
Cash and cash equivalents	11	68,239	28,778
Current asset investments held at fair value	11	–	26,398
Receivables	12	1,351	1,672
		69,590	56,848
Current liabilities			
Payables	13	262	550
Net current assets		69,328	56,298
Total assets less current liabilities		502,677	471,463
Capital and reserves			
Called up share capital	14	7,292	7,292
Capital redemption reserve		2,112	2,112
Share premium		12,936	12,936
Capital reserve		448,537	425,410
Revenue reserve		22,885	12,665
Equity attributable to equity holders		493,762	460,415
Non-controlling interests	9	8,915	11,048
Total equity		502,677	471,463
Net asset value per share (basic and diluted)	15	677.2p	631.5p

The financial statements on pages 46 to 75 were approved by the Board of directors on 16 April 2014 and signed on its behalf by:

Directors M. Fane P. Dicks

The notes on pages 54 to 75 form an integral part of the financial statements.

Financial Information

Consolidated Cash Flow Statement

	Notes	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
Operating activities			
Sale of portfolio investments		99,492	70,922
Purchase of portfolio investments		(90,201)	(54,017)
Net sale of current asset investments held at fair value		26,061	8,615
Interest income received from portfolio investments		8,504	4,670
Dividend income received from portfolio investments		10,357	1,276
Other income received		230	43
Investment management charges paid		(5,947)	(5,407)
Taxation received		1	54
Other expenses paid		(1,644)	(815)
Net cash inflow from operating activities		46,853	25,341
Financing activities			
Investments by non-controlling interests		309	432
Distributions to non-controlling interests		(1,385)	(1,724)
Bank facility fee		(2,301)	(1,260)
Equity dividends paid		(3,646)	(3,646)
Net cash outflow from financing activities		(7,023)	(6,198)
Net increase in cash and cash equivalents		39,830	19,143
Cash and cash equivalents at beginning of year		28,778	9,218
Net increase in cash and cash equivalents		39,830	19,143
Effect of changes in foreign exchange rates		(369)	417
Cash and cash equivalents at end of year	11	68,239	28,778

The notes on pages 54 to 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total shareholders' equity £'000	Non-controlling interests £'000	Total equity £'000
Year ended 31 January 2014									
Opening balance at 1 February 2013	7,292	2,112	12,936	345,183	80,227	12,665	460,415	11,048	471,463
(Loss)/profit attributable to equity shareholders	–	–	–	(3,192)	26,319	13,866	36,993	–	36,993
Loss attributable to non-controlling interests	–	–	–	–	–	–	–	(1,058)	(1,058)
Profit for the year and total comprehensive income	–	–	–	(3,192)	26,319	13,866	36,993	(1,058)	35,935
Transfer on disposal of investments	–	–	–	9,424	(9,424)	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(3,646)	(3,646)	–	(3,646)
Contributions by non-controlling interests	–	–	–	–	–	–	–	310	310
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,385)	(1,385)
Closing balance at 31 January 2014	7,292	2,112	12,936	351,415	97,122	22,885	493,762	8,915	502,677

Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total shareholders' equity £'000	Non-controlling interests £'000	Total equity £'000
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

The notes on pages 54 to 75 form an integral part of the financial statements.

Parent Company Balance Sheet

	Notes	31 January 2014 £'000	31 January 2014 £'000	31 January 2013 £'000	31 January 2013 £'000
Non-current assets					
Investments held at fair value					
— Unquoted investments	10, 17	356,790		343,151	
— Quoted investments	10, 17	4,163		3,559	
— Subsidiary undertakings	10, 17	64,030		60,626	
			424,983		407,336
Current assets					
Cash and cash equivalents	11	65,390		24,551	
Current asset investments held at fair value	11	–		26,398	
Receivables	12	3,651		2,680	
		69,041		53,629	
Current liabilities					
Payables	13	262		550	
Net current assets			68,779		53,079
Net assets			493,762		460,415
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			448,537		425,410
Revenue reserve			22,885		12,665
Equity attributable to equity holders			493,762		460,415
Net asset value per share (basic and diluted)	15		677.2p		631.5p

The financial statements on pages 46 to 75 were approved by the Board of directors on 16 April 2014 and signed on its behalf by:

Directors M. Fane P. Dicks

The notes on pages 54 to 75 form an integral part of the financial statements.

Parent Company Cash Flow Statement

	Notes	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
Operating activities			
Sale of portfolio investments		86,359	59,843
Purchase of portfolio investments		(75,680)	(45,465)
Net sale of current asset investments held at fair value		26,061	8,615
Interest income received from portfolio investments		8,117	5,174
Dividend income received from portfolio investments		9,449	1,147
Other income received		227	45
Investment management charges paid		(5,947)	(5,407)
Taxation received		1	54
Other expenses paid		(1,555)	(950)
Net cash inflow from operating activities		47,032	23,056
Financing activities			
Bank facility fee		(2,301)	(1,260)
Equity dividends paid		(3,646)	(3,646)
Net cash outflow from financing activities		(5,947)	(4,906)
Net increase in cash and cash equivalents		41,085	18,150
Cash and cash equivalents at beginning of year		24,551	6,096
Net increase in cash and cash equivalents		41,085	18,150
Effect of changes in foreign exchange rates		(246)	305
Cash and cash equivalents at end of year	11	65,390	24,551

The notes on pages 54 to 75 form an integral part of the financial statements.

Parent Company Statement of Changes in Equity

Parent Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total shareholders' equity £'000
Year to 31 January 2014							
Opening balance at 1 February 2013	7,292	2,112	12,936	325,263	100,147	12,665	460,415
(Loss)/profit for the year and total comprehensive income	–	–	–	(2,566)	25,693	13,866	36,993
Transfer on disposal of investments	–	–	–	7,540	(7,540)	–	–
Dividends paid or approved	–	–	–	–	–	(3,646)	(3,646)
Closing balance at 31 January 2014	7,292	2,112	12,936	330,237	118,300	22,885	493,762

Parent Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total shareholders' equity £'000
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

The notes on pages 54 to 75 form an integral part of the financial statements.

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Notes to the Accounts (continued)

1 Accounting policies

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

(a) Basis of preparation

The consolidated financial information for the year ended 31 January 2014 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 2014. 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 Parent Company and the Company have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Report of the Directors on page 88.

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 £36,993,000 (2013: £48,892,000).

At the balance sheet date the Company had adopted all standards and interpretations that had become effective by the year end.

The following standards and amendments have been published and will be mandatory for the Company in the year to 31 January 2015 and thereafter.

- IFRS 10 (including Amendments) – Consolidated Financial Statements (mandatory for periods beginning after 1 January 2014)
- IFRS 11 – Joint Arrangements (1 January 2014)
- IFRS 12 – Disclosure of interests in other entities (1 January 2014)
- IAS 27 – Separate Financial Statements (1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (1 January 2014)

The directors do not anticipate that the adoption of these standards will have a material impact on the financial statements.

(b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. Control is achieved where the Parent 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 Company.

(c) Financial assets
The Company 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 Company 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 Company'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 and co-investments 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. 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.

Notes to the Accounts
(continued)

1 Accounting policies (continued)
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.

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 Company 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 Company 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 Company'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 year. 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 Company is sterling since that is the currency of the primary economic environment in which the Company operates. The presentation currency for the Company 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 year 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 Company's operations comprise a single operating segment.

(o) Non-controlling interests

Co-investment incentive arrangements are in place under which the executives of the Manager and a previous owner of the Manager (together the "Co-investors") co-invest with the Company in return for a share of investment profits if certain performance hurdles are met. These arrangements are described in detail in the Report of the Directors on page 87.

The non-controlling interest shown in the consolidated balance sheet represents an estimate of the commercial value of Co-investors' share of gains on investments at their year end valuations. The methodology includes a discount of 25% to the share of gains on fund investments implied by the terms of the arrangements, to reflect the illiquid and long term nature of such investments. This is the first year in which such a discount has been applied. In the consolidated income statement, the profit or loss attributable to non-controlling interests represents the increase or decrease in the valuation of the Co-investors' interests in the year. The consolidated statement of changes in equity shows both this change in valuation and the amounts paid to and/or from Co-investors during the year (see also note 9).

Notes to the Accounts
(continued)

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

Company and Parent Company	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
Income from investments		
Dividends from UK companies#	7,517	338
UK unfranked investment income#	3,377	1,857
Overseas interest and dividends#	7,915	3,652
Other income from investments#	–	141
	18,809	5,988
Other income		
Deposit interest on cash*	172	39
Income from current asset investments	5	74
Other	58	4
	235	117
Total income	19,044	6,105
Analysis of income from investments		
Quoted in the United Kingdom	7,517	338
Unquoted	11,292	5,650
	18,809	5,988

These items make up income from the investment portfolio of £18,809,000 (2013: £5,988,000).
* These items make up income from cash and cash equivalents of £172,000 (2013: £39,000).

3 Investment management charges

	Year ended 31 January 2014			Year ended 31 January 2013		
Company and Parent Company	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,478	4,434	5,912	1,319	3,957	5,276
Irrecoverable VAT	12	36	48	18	53	71
	1,490	4,470	5,960	1,337	4,010	5,347

The allocation of the total investment management charges was unchanged in the year to 31 January 2014 with 75% of the total allocated to capital and 25% allocated to revenue.

The Company has borne a management charge of £311,000 (2013: £513,000) in respect of Graphite Capital Partners VI, £581,000 (2013: £855,000) in respect of Graphite Capital Partners VII, Graphite Capital Partners VII Top Up Fund and Graphite Capital Partners VII Top Up Fund Plus, and £422,000 (2013: nil) in respect of Graphite Capital Partners VIII and Graphite Capital Partners VIII Top Up Fund.

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 Company to the Manager (excluding VAT), including the amounts set out in the table above, were therefore £7,274,000 (2013: £6,715,000).

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 £76,000 as at 31 January 2014 (2013: £63,000).

4 Other expenses
The Company did not directly employ any staff in the year to 31 January 2014 (2013: none).

Company	Year ended 31 January 2014 £'000	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000	Year ended 31 January 2013 £'000
Directors' fees (see note 5)		232		202
Auditors' remuneration:				
Fees payable for the statutory audit of the Company	66		71	
Additional fees payable for the prior year statutory audit	–		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		22	
Fees payable for other assurance services	5		11	
Total audit and non-audit fees		128		142
Administrative expenses*		1,363		1,428
Other expenses allocated to revenue		1,723		1,772
Other expenses allocated to capital*		2,188		1,607
		3,911		3,379

* These expenses include bank facility costs of £2,339,000, of which £585,000 was allocated to revenue and £1,754,000 to capital.

5 Directors' remuneration and interests
The fees paid by the Company to the directors are shown in the Directors' Remuneration section on page 92. No income was received or receivable by the directors from any other entity in the Company. The directors' interests in the share capital of the Company are shown in the Report of the Directors on page 93.

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 standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the Company's profits for the year ended 31 January 2014 are taxed at an effective rate of 23.17%. The effect of this and other items affecting the tax charge is shown in note 6(b) below.

Notes to the Accounts
(continued)

6 Taxation (continued)

Company	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
a) Analysis of charge in the year		
Tax charge on items allocated to revenue	1,965	701
Tax credit on items allocated to capital	(1,965)	(701)
UK corporation tax at 23.17% (2013: 24.33%)	–	–
b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	35,935	52,344
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.17% (2013: 24.33%)	8,325	12,737
Effect of:		
– net investment returns not subject to corporation tax	(6,200)	(13,375)
– UK dividends not subject to corporation tax	(1,741)	(82)
– expenses not deductible for tax purposes	139	90
– excess management expenses (utilised)/generated in the year	(523)	630
Total tax charge	–	–

The Company has carried forward excess management expenses of £1,211,000 (2013: £5,218,000). Deferred tax assets of £242,000 (2013: £1,200,000) are not recognised in respect of tax losses carried forward to future periods. There are no other carried forward deferred tax assets or liabilities (2013: 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 2014	Year ended 31 January 2013
Revenue return per ordinary share	19.02p	**3.15p**
Capital return per ordinary share	31.72p	**63.91p**
Earnings per ordinary share (basic and diluted)	50.74p	**67.06p**

Revenue return per ordinary share is calculated by dividing the revenue return attributable to equity shareholders of £13,866,000 (2013: £2,295,000) by the weighted average number of ordinary shares outstanding during the year.

Capital return per ordinary share is calculated by dividing the capital return attributable to equity shareholders of £23,127,000 (2013: return of £46,597,000) by the weighted average number of ordinary shares outstanding during the year.

7 Earnings per share (continued)

Basic and diluted earnings per ordinary share are calculated by dividing the earnings attributable to equity shareholders of £36,993,000 (2013: £48,892,000) by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year was 72,913,000 (2013: 72,913,000). There were no potentially dilutive shares, such as options or warrants, in either year.

8 Dividends

Company and Parent Company	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
Final paid: 5.00p (2013: 5.00p) per share	3,646	3,646

The Board has proposed a final dividend of 7.50p per share and a special dividend of 8.00p per share in respect of the year ended 31 January 2014 which, if approved by shareholders, will both be paid on 18 June 2014, to shareholders on the register of members at the close of business on 30 May 2014.

9 Subsidiary undertakings and non-controlling interests

Subsidiary undertakings

Graphite Enterprise Trust Limited Partnership and Graphite Enterprise Trust (2) Limited Partnership which are registered in England, were subsidiary undertakings at 31 January 2014. Therefore these entities have been consolidated into the Company's accounts.

The Parent Company makes investments through its subsidiaries as well as directly. The Co-investors invest alongside the Parent Company in its subsidiaries under the co-investment incentive arrangements described in the Report of the Directors on page 87.

The interests of the Co-investors in the subsidiaries are accounted for as non-controlling interests (see note 1(o)).

Non-controlling interests

During the year ended 31 January 2014 the Co-investors invested £310,000 (2013: £418,000) in respect of new investments made by the Company in the year and received cash incentive payments totalling £1,385,000 (2013: £1,218,000). The payments to Co-investors in the year related to investments originally made between 1999 and 2011 which had achieved the required cash performance hurdle under the co-investment incentive arrangements. More than 80% of payments related to investments made before 2006.

In the consolidated income statement, the loss attributable to non-controlling interests represents a decrease in the valuation of the Co-investors' interests in the year.

See page 87 for further details of the operation of the arrangements.

Notes to the Accounts
(continued)

10 Investments

The tables below analyse the movement in the carrying value of the investment portfolio in the year. In accordance with accounting standards, this note has been prepared on a fund-level basis rather than an underlying investment basis.

A fund is considered to generate realised gains if it is more than 85% drawn and has returned at least the amount invested by the Company. All gains and losses arising from the underlying investments of such funds are presented as realised. All gains and losses in respect of other funds are presented as unrealised.

Direct investments are considered realised when they are sold.

An analysis of gains and losses on a look-through underlying investment basis is presented on page 21 of the Portfolio Review.

Company	Quoted £'000	Unquoted £'000	Total £'000
Cost at 1 February 2013	1,890	322,000	323,890
Unrealised appreciation at 1 February 2013	1,669	89,606	91,275
Valuation at 1 February 2013	3,559	411,606	415,165
Movements in the year:			
Purchases at cost	–	90,201	90,201
Sales – proceeds	–	(99,492)	(99,492)
– realised gains and losses based on carrying value at previous balance sheet date	–	3,289	3,289
Movement in unrealised appreciation	604	23,582	24,186
Valuation at 31 January 2014	4,163	429,186	433,349
Cost at 31 January 2014	1,890	325,422	327,312
Unrealised appreciation at 31 January 2014	2,273	103,764	106,037
Valuation at 31 January 2014	4,163	429,186	433,349

10 Investments (continued)

Company	Quoted £'000	Unquoted £'000	Total £'000
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

Notes to the Accounts
(continued)

10 Investments (continued)

Company	31 January 2014 £'000	31 January 2013 £'000
Realised gains and losses based on cost	12,713	15,950
Amounts recognised as unrealised in previous years	(9,424)	27
Realised gains and losses based on carrying values at previous balance sheet date	3,289	15,977
Increase in unrealised appreciation	24,186	38,578
Gains on investments	27,475	54,555

Parent Company	Quoted £'000	Unquoted £'000	Subsidiary undertakings £'000	Total £'000
Cost at 1 February 2013	1,890	267,724	37,575	307,189
Unrealised appreciation at 1 February 2013	1,669	75,427	23,051	100,147
Valuation at 1 February 2013	3,559	343,151	60,626	407,336
Movements in the year:				
Purchases at cost	–	75,682	(202)	75,480
Sales – proceeds	–	(86,158)	–	(86,158)
– realised gains and losses based on carrying value at previous balance sheet date	–	2,632	–	2,632
Movement in unrealised appreciation	604	21,483	3,606	25,693
Valuation at 31 January 2014	4,163	356,790	64,030	424,983
Cost at 31 January 2014	1,890	267,420	37,373	306,683
Unrealised appreciation at 31 January 2014	2,273	89,370	26,657	118,300
Valuation at 31 January 2014	4,163	356,790	64,030	424,983

10 Investments (continued)

Parent Company	Quoted £'000	Unquoted £'000	Subsidiary undertakings £'000	Total £'000
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

Parent Company	31 January 2014 £'000	31 January 2013 £'000
Realised gains and losses based on cost	10,172	12,980
Amounts recognised as unrealised in previous years	(7,540)	(202)
Realised gains and losses based on carrying values at previous balance sheet date	2,632	12,778
Increase in unrealised appreciation	25,693	38,283
Gains on investments	28,325	51,061

Notes to the Accounts (continued)

10 Investments (continued)

Significant interests in investee undertakings

The Company 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 Company.

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

Investment	Percentage interest
Graphite Capital Partners VIII Top Up	41.1%
Graphite Capital Partners VII Top Up Plus	20.0%
Graphite Capital Partners VIII	17.8%
Graphite Capital Partners VII Top Up	12.4%
Graphite Capital Partners VI	12.0%
Graphite Capital Partners VII	9.0%
Micheldever	8.9%
Activa Capital Fund II	6.2%
Deutsche Beteiligungs AG Fund V	4.8%
Bowmark Capital Partners IV	3.8%
David Lloyd Leisure	3.5%
Euromezzanine 5	3.0%

11 Cash and liquid investments

	31 January 2014		31 January 2013	
	Company £'000	Parent Company £'000	Company £'000	Parent Company £'000
Cash at bank and in hand	68,239	65,390	28,778	24,551
Current asset investments	–	–	26,398	26,398
Total cash and liquid investments	68,239	65,390	55,176	50,949

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

12 Receivables – current

As at 31 January 2014, prepayments and accrued income included £1,234,000 of unamortised costs in relation to the bank facility. Of this amount £839,000 is expected to be amortised in less than one year.

	31 January 2014		31 January 2013	
	Company £'000	Parent Company £'000	Company £'000	Parent Company £'000
Prepayments and accrued income	1,351	1,344	1,672	1,672
Subsidiary undertakings	–	2,307	–	1,008
	1,351	3,651	1,672	2,680

13 Payables – current

	31 January 2014		31 January 2013	
	Company £'000	Parent Company £'000	Company £'000	Parent Company £'000
Accruals	257	257	545	550
Other creditors	5	5	5	–
	262	262	550	550

14 Share capital

	Authorised		Issued and fully paid	
Equity share capital	Number	Nominal £'000	Number	Nominal £'000
Balance at 31 January 2013 and 31 January 2014	120,000,000	12,000	72,913,000	7,292

All ordinary shares have equal voting rights.

15 Net asset value per share – Company and Parent Company

The net asset value per share is calculated on equity attributable to equity holders of £493,762,000 (2013: £460,415,000) and on 72,913,000 (2013: 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 677.2p (2013: 631.5p).

Notes to the Accounts (continued)

16 Capital commitments and contingencies

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

	31 January 2014		31 January 2013	
	Company £'000	Parent Company £'000	Company £'000	Parent Company £'000
Graphite Capital Partners VIII*	84,130	84,130	–	–
Graphite Capital Partners VII**	7,644	7,644	15,867	15,867
Graphite Capital Partners VI	3,162	3,095	5,133	5,020
Graphite Capital Partners V	873	698	796	637
Total Graphite funds	95,809	95,567	21,796	21,524
CVC Capital Partners VI	16,411	13,129	–	–
Fifth Cinven Fund	12,768	10,215	8,077	6,461
Activa Capital Fund III	12,308	9,847	–	–
PAI Europe VI	12,308	9,847	–	–
Bowmark Capital Partners V	10,000	8,000	–	–
Egeria Private Equity Fund IV	8,206	6,564	8,560	6,848
TDR Capital III	8,206	6,564	–	–
Permira V	7,631	6,105	–	–
Nordic Capital Fund VIII	7,548	6,039	–	–
Deutsche Beteiligungs AG Fund VI	7,425	5,940	8,560	6,848
IK VII Fund	6,441	5,153	–	–
Doughty Hanson & Co V	6,246	4,997	4,493	3,595
CVC European Equity Partners V	5,981	4,785	8,034	6,427
ICG Europe Fund V	5,342	4,273	7,175	5,740
BC European Capital IX	4,167	3,333	5,589	4,471
Fourth Cinven Fund	4,121	3,297	2,530	2,024
Thomas H Lee Parallel Fund VI	3,896	3,117	4,874	3,899
Charterhouse Capital Partners IX	3,148	2,518	–	–
TowerBrook Investors IV	3,024	2,419	–	–
Piper Private Equity Fund V	2,845	2,276	3,653	2,922
Steadfast Capital III	2,714	2,172	3,531	2,825
ICG European Fund 2006	2,703	2,163	2,514	2,011
Hollyport Secondary Opportunities IV	2,550	2,040	–	–
Advent Global Private Equity VII	2,335	1,868	2,895	2,316
Euromezzanine 5	1,764	1,411	1,840	1,472
GCP Capital Partners Europe II	1,570	1,256	–	–
CVC European Equity Partners IV	1,443	1,154	1,545	1,236
David Lloyd Leisure	1,400	1,120	–	–
Bowmark Capital Partners IV	1,376	1,101	4,320	3,456
Advent Central and Eastern Europe IV	1,346	1,077	2,611	2,089
Deutsche Beteiligungs AG Fund V	1,309	1,047	2,053	1,642
Segulah IV	1,236	989	1,676	1,341
Charterhouse Capital Partners VIII	1,165	932	1,284	1,027
Piper Private Equity Fund IV	1,123	898	1,198	958
Other commitments of less then £1,000,000 at 31 January 2014	9,482	7,582	17,709	14,151
	181,538	145,228	104,721	83,759
Total	277,347	240,795	126,517	105,283

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

In addition, the Company has issued a €3 million (2013: €3 million) guarantee to a bank in respect of a portfolio company.

17 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 Company'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.

Financial risk management

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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 Company's financial risk management objectives and processes used to manage these risks have not changed from the previous year and the policies are set out below:

Market risk

(i) Currency risk

The Company'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 Company 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 Company by currency at the year end is set out below:

31 January 2014	Sterling £'000	Euro £'000	Other £'000	Total £'000
Company				
Investments	203,202	144,714	85,433	433,349
Cash and cash equivalents and other net current assets	66,576	753	1,999	69,328
	269,778	145,467	87,432	502,677
Parent Company				
Investments	241,219	125,539	58,225	424,983
Cash and cash equivalents and other assets and liabilities	67,339	1,390	50	68,779
	308,558	126,929	58,275	493,762

Financial Information

Notes to the Accounts
(continued)

17 Financial instruments and risk management (continued)

31 January 2013	Sterling £'000	Euro £'000	Other £'000	Total £'000
Company				
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 Company				
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

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 £33.8 million and £33.8 million in the value of shareholders' equity at 31 January 2014 respectively (2013: £31.9 million and £32.8 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 £36.4 million and £36.4 million (2013: £35.2 million and £35.2 million based on 25% increase or decrease). The percentages applied are based on market volatility in exchange rates over recent periods.

(ii) Interest rate risk
The fair value of the Company's investments and cash balances are not directly affected by changes in interest rates.

(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 Company'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 Company's objective. No hedging of this risk is undertaken.

The Company is exposed to the risk of change in value of its investments. For all investments, the market risk variable is deemed to be the price itself. The impacts on profit 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.

17 Financial instruments and risk management (continued)

	31 January 2014 Increase in variable £'000	31 January 2014 Decrease in variable £'000	31 January 2013 Increase in variable £'000	31 January 2013 Decrease in variable £'000
30% (2013: 30%) movement in the price of investments				
Impact on profit after tax	129,596	(129,596)	124,165	(124,165)
Impact as a percentage of profit after tax	360.6%	(360.6%)	237.2%	(237.2%)
Impact on shareholders' equity	120,585	(124,358)	115,582	(117,277)
Impact as a percentage of shareholders' equity	24.4%	(25.2%)	25.1%	(25.5%)

Credit and investment risk

(i) Investment risk

Investment risk is the risk that the financial performance of the companies in which the Company 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.

(ii) Credit risk

The Company's exposure to credit risk arises principally from its cash deposits. The Company aims to invest the majority of its liquid portfolio in assets which have low credit risk. The Company'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 is held on deposit with three UK banks and totalled £68,239,000 (2013: £28,778,000). Of this amount £27,788,000 was deposited at The Royal Bank of Scotland ("RBS") and this represents the maximum exposure to credit risk at the balance sheet date. No collateral is held by the Company in respect of these amounts. None of the Company's cash deposits were past due or impaired at 31 January 2014 (2013: nil).

Liquidity risk

The Company has significant investments in unquoted companies which are inherently illiquid. The Company also has substantial undrawn commitments to funds, the great majority of which are likely to be called over the next five years. The Company 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 Company's liquidity management policy involves projecting cash flows and considering the level of liquidity necessary to meet these.

Notes to the Accounts
(continued)

17 Financial instruments and risk management (continued)

The Company has access to committed bank facilities of £98 million, which are structured as parallel sterling and euro facilities of £50 million and €58.1 million. The facilities are provided jointly by RBS and Lloyds Bank Corporate Markets ("Lloyds"). Of the total facilities, £30 million and €34.5 million will expire in April 2015 if they are not renewed. The balance of £20 million and €23.6 million will expire in March 2017.

As at 31 January 2014 the Company's financial liabilities amounted to £262,000 of payables (2013: £550,000) which were due in less than one year.

Capital risk management

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on page 96. The main risks to the Company's investments are set out in note 17. 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 2014, the composition of which is shown on the Balance Sheet on page 47, was £502,677,000 (2013: £471,463,000).

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).

The valuation techniques applied to level 1 and level 3 assets are described in note 1(d). There were no level 2 assets.

Level 3 assets constitute the majority of the Company's investments. The sensitivity of the Company's investments to a change in value is discussed on page 70. As most of the Company's assets are fund investments and co-investments valued on the basis of underlying investment managers' valuations, no further sensitivity analysis is presented.

17 Financial instruments and risk management (continued)

The following tables present the assets that are measured at fair value at 31 January 2014. Neither the Company nor the Parent Company had any financial liabilities measured at fair value at that date.

Company	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments held at fair value			
Unquoted investments – indirect	–	–	378,754
Unquoted investments – direct	–	–	50,432
Quoted investments – direct	4,163	–	–
Total investments held at fair value	4,163	–	429,186

Parent Company	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments held at fair value			
Unquoted investments – indirect	–	–	316,444
Unquoted investments – direct	–	–	40,346
Quoted investments – direct	4,163	–	–
Subsidiary undertaking	–	–	64,030
Total investments held at fair value	4,163	–	420,820

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

Company	Level 1 £'000	Level 2 £'000	Level 3 £'000
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

Notes to the Accounts
(continued)

17 Financial instruments and risk management (continued)

Parent Company	Level 1 £'000	Level 2 £'000	Level 3 £'000
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

All unquoted 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 2014.

Company	Unquoted investments (indirect) at fair value through profit or loss £'000	Unquoted investments (direct) at fair value through profit or loss £'000	Total £'000
Opening balances	367,764	43,842	411,606
Additions	78,008	12,193	90,201
Disposals	(88,989)	(10,503)	(99,492)
Gains and losses recognised in profit or loss	21,971	4,900	26,871
Closing balance	378,754	50,432	429,186
Total gains for the year included in income statement for assets held at the end of the reporting period	21,971	4,900	26,871

17 Financial instruments and risk management (continued)

Parent Company	Unquoted investments (indirect) at fair value through profit or loss £'000	Unquoted investments (direct) at fair value through profit or loss £'000	Subsidiary undertaking £'000	Total
Opening balances	309,500	33,651	60,626	403,777
Additions	65,927	9,755	(202)	75,480
Disposals	(77,755)	(8,403)	–	(86,158)
Gains and losses recognised in profit or loss	18,772	5,343	3,606	27,721
Closing balance	316,444	40,346	64,030	420,820
Total gains for the year included in income statement for assets held at the end of the reporting period	18,772	5,343	3,606	27,721

18 Related party transactions

Transactions between the Parent 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 2014 £'000	31 January 2013 £'000
Graphite Enterprise Trust Limited Partnership	Decrease in loan balance	(7,273)	(864)
	Income allocated	1,501	688
Graphite Enterprise Trust (2) Limited Partnership	Increase in loan balance	7,071	270
	Income allocated	820	343

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	31 January 2014 £'000	31 January 2013 £'000	31 January 2014 £'000	31 January 2013 £'000
Graphite Enterprise Trust Limited Partnership	–	3,006	4,267	–
Graphite Enterprise Trust (2) Limited Partnership	23,762	16,691	–	–

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

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 Company 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 Company and the Parent Company and of the profit or loss of the Company 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 Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Parent Company and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 Company 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 Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Parent Company and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

M. Fane
16 April 2014

Independent Auditors' Report
to the members of Graphite Enterprise Trust PLC

Report on the financial statements

Our opinion
In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Company's and of the Parent Company's affairs as at 31 January 2014 and of the Company's profit and of the Company's and Parent Company's cash flows for the year then ended;
- The Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Company financial statements and Parent Company financial statements (the "financial statements"), which are prepared by Graphite Enterprise Trust plc, comprise:

- the Consolidated and Parent Company Balance sheets as at 31 January 2014;
- the Consolidated Income Statement for the year then ended;
- the Consolidated and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the Company Accounting Policies and the notes to the financial statements.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Company's and 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 Report and Accounts ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based

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

on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Company financial statements as a whole to be £3.7 million. In determining our materiality, we have considered financial metrics which we believe to be relevant and concluded that net assets was the relevant benchmark, and the materiality represents 1% of net assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £502,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company has one predominant line of business being investment in the private equity sector. The Company comprises the Parent Company and two subsidiaries which are limited partnerships managed by an independent investment manager, Graphite Capital Management LLP ("the Manager").

In establishing the overall approach to the Company audit, we determined the type of work that needed to be performed by us as the Company engagement team and as subsidiary auditors, to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Company financial statements as a whole.

We audited the financial information of the two limited partnership subsidiaries and the Parent Company and this, together with the procedures we performed at the Company level, including procedures over the consolidation, gave us the evidence we needed as a basis for our opinion on the Company financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 94.

Valuation of unquoted investments

We focused on this area because unquoted investments represent a material balance in the financial statements and the valuation of unquoted investments requires estimates and significant judgements to be applied by the Manager.

The investment portfolio comprises direct private equity investments and investments in private equity funds.

For the majority of investments in private equity funds, we checked the audited financial statements to substantiate the valuations applied and understood the accounting policies of the underlying fund managers to assess whether they are in accordance with International Accounting Standards 39 "Financial Instruments: Recognition and Measurement" and the International Private Equity and Venture Capital Valuation guidelines. For those investments in private equity funds without audited financial statements, we checked the latest fund manager reports that supported the valuations applied and understood the accounting policies of the underlying fund managers.

In addition to the above, we also checked the accuracy of prior year valuations which were based on estimates and unaudited reports, to their respective audited financial statements to assess the historical accuracy of the Manager's estimates.

For investments in direct private equity investments, we understood and evaluated the methodology applied, and tested the techniques used by the Manager in determining the fair value of these investments. This included comparing valuations based on recent transactions and using models that applied comparable company earnings multiples and investee company unaudited management accounts and/or forecasts which are the key inputs.

We also discussed the valuations with the Manager to challenge the appropriateness of the methodology and the valuations themselves, with reference to the International Private Equity and Venture Capital Valuation guidelines and our knowledge of the investee entities.

Fraud in revenue recognition

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. Due to the potential for manipulation of net gains on investments, we focussed on judgements made by the Manager relating to investment valuations and income recognition.

We assessed the accounting policy for revenue recognition for compliance with accounting standards and performed testing to evaluate that income had been accounted for in accordance with this stated accounting policy.

We tested whether the allocation and presentation of income between the revenue and capital return columns of the consolidated income statements was in accordance with the requirements set out in the Association of Investment Companies Statement of Recommended Practice for investment trusts.

The gains/losses on portfolio investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains/losses, we tested the calculation of these gains/losses based on the valuations tested as outlined above. For realised gains/losses, we checked disposal proceeds to bank statements and sale agreements and re-performed the calculation of a sample of realised gains.

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

Risk of management override of internal controls

ISAs (UK & Ireland) require that we consider management override of controls.

We examined the significant accounting estimates and judgements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We tested journal entries to determine whether adjustments were appropriately authorised and documented.

We built an element of "unpredictability" into our audit by testing items which would have ordinarily been out of the scope of our work.

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 88, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Company's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company and Parent Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's and the Parent Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 76 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 94, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 76, the directors are responsible for the preparation of the Company and Parent Company 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 Company and Parent Company financial statements in accordance with applicable law and ISAs (UK & 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 Parent 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.

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

London

16 April 2014

Governance

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The Board

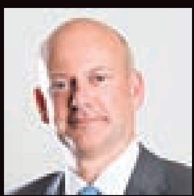
Each of the members of the Board is an independent non-executive director

[1] Chairman of Audit Committee and Senior Independent Director
[2] Member of Audit Committee

Mark Fane 55 (Chairman), was appointed to the Board in 2000 and became 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] 71, 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 Mears Group PLC.

Jeremy Tigue[2] 54, 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.



Andy Pomfret[2] 54, 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. In 1999 he joined Rathbone Brothers Plc as finance director, and served as chief executive from 2004 until February 2014. He is currently a director of the Wealth Management Association.

Lucinda Riches[2] 52, 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 King & Wood Mallesons LLP and a trustee of the charity Sue Ryder.

Sandra Pajarola 50, was appointed to the Board in March 2013. She worked for 13 years at Partners Group, a very large global investor in private equity and other private assets, until 2012. She was a member of the Global Investment Committee which was responsible for commitments to more than 500 private equity funds.

Report of the Directors

For the year ended 31 January 2014

This report should be read in conjunction with the Chairman's Statement, Strategic Report and Market and Portfolio Reviews on pages 4 to 23.

The directors present their report and the audited financial statements for the year ended 31 January 2014.

This is the first year for which, in accordance with the new requirements of the Companies Act, the directors have prepared a Strategic Report and an enhanced Directors' Remuneration Report. Some of the information in these new reports was previously included in the Report of the Directors. The Strategic Report (pages 10 to 11) gives details of the business model, performance and outlook, principal risks and uncertainties, and approach to corporate social responsibility. The Directors' Remuneration Report (pages 90 to 93) gives details of the Graphite Enterprise's remuneration policy and its implementation in the year ended 31 January 2014, and information on the directors' shareholdings in Graphite Enterprise.

Status of the Company

Graphite Enterprise Trust PLC ("the Parent Company") 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 Parent Company carried on the business of an investment trust. The last accounting period for which the Parent 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 2013. The Parent Company will retain its investment trust status with effect from 1 February 2013 provided it continues to satisfy the conditions of Section 1158 of the Corporation Taxes Act 2010. The Parent Company has subsequently directed its affairs with the objective of retaining such approval.

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

The Parent Company makes investments both directly and through its subsidiary limited partnerships Graphite Enterprise Trust Limited Partnership and Graphite Enterprise Trust (2) Limited Partnership (together, "the Company").

Reporting period

This Annual Report has been prepared for the year to 31 January 2014.

Investment policy

The Company's investment policy is set out on pages 96 and 97. There have been no material changes to it since last year. No material change will be made to the investment policy without prior shareholder approval.

Dividend

The final dividend in respect of the year ended 31 January 2014 of 7.5p per share and a special dividend of 8.0p per share will, if approved, be paid on 18 June 2014 to holders of ordinary shares on the register at the close of business on 30 May 2014.

Directors

All of the directors listed on page 84 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 84 demonstrate the wide range of skills and experience that they bring to the Board. In addition to the requirement of the 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. Mr Pomfret and Mr Tigue have served on the Board for three years since they last stood for election/re-election, and accordingly stand for re-election for a further three years. The Board believes that Mr Dicks, Mr Fane, Mr Pomfret and Mr Tigue each make a relevant and significant contribution and bring considerable knowledge and experience to the Board. Their re-election is recommended to shareholders.

Directors' remuneration

The Company has no employees or executive directors and consequently does not have a remuneration committee.

The Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on pages 92 and 93.

As referred to in the Directors' Remuneration section, a resolution to increase the limit on aggregate fees that can be paid to the Directors to £300,000 per annum will be put to the shareholders at the forthcoming Annual General Meeting (see resolution 10 on page 99).

Manager

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 Company under a management agreement. This agreement can be terminated by either party giving not less than one year's notice.

The Manager is paid an investment management fee, which includes all administrative and other services. Executives of the Manager participate in a co-investment incentive scheme (see page 87).

The investment management fee is calculated as 1.5% of the investment portfolio and 0.5% of outstanding commitments to funds in their investment periods, excluding in both cases the funds managed directly by Graphite Capital (see Figure 4.1) which are subject to separate arrangements.

For the main funds, the annual management charge is 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 Funds and Top Up Fund Plus, the annual management charge is 1.0%, calculated by reference to amounts drawn down and invested. These charges are at the same levels as those paid by third party investors in Graphite Capital funds. The incentive arrangements within these funds are comparable to those that are in place in the Company's co-investment incentive scheme (see page 87).

The Board reviews the activities and performance of the Manager on an ongoing basis, and reviews the investment strategy annually. The Board has reviewed the Company'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 general competence of the Manager. The Board has also considered the performance of the Manager in carrying out its company secretarial and general administrative functions. The Board is satisfied with the performance of the Manager and with the way the Parent Company and subsidiaries are managed.

In addition, the Audit Committee carries out a formal assessment of the Manager's internal controls and risk management systems every year. The result of this year's assessment was satisfactory (see page 95).

Based on the above, it is the Board's opinion that the continuing appointment of Graphite Capital Management LLP

Graphite Capital Funds
Fig: 4.1

	31 January 2014			31 January 2013		
Fund	Original commitment £'000	Remaining commitment £'000	Value £'000	Original commitment £'000	Remaining commitment £'000	Value £'000
Graphite Capital Partners VIII	80,000	69,254	10,172	–	–	–
Graphite Capital Partners VIII Top Up Fund	20,000	14,876	5,048	–	–	–
Graphite Capital Partners VII	42,800	5,280	26,833	42,800	11,506	32,934
Graphite Capital Partners VII Top Up Fund	10,000	1,322	5,934	10,000	2,219	7,756
Graphite Capital Partners VII Top Up Fund Plus	6,000	1,042	4,764	6,000	2,142	3,960
Graphite Capital Partners VI	44,988	3,162	16,254	44,988	5,133	27,759
Graphite Capital Partners V	15,000	873	1,266	12,000	796	1,019
Total	**218,788**	**95,809**	**70,271**	**115,788**	**21,796**	**73,428**

as manager of the Company on the agreed terms is in the best interests of shareholders as a whole.

Co-investment incentive scheme
For as long as Graphite Capital is the Manager, its executives and a previous owner of Graphite Capital (together "the Co-investors") are required to co-invest alongside the Company for which they are entitled to a share of investment profits if certain performance hurdles are met, as set out below.

The Co-investors are required to contribute 0.5% of the cost of every new fund investment (excluding those by Graphite Capital funds which have separate comparable arrangements, see page 86) or direct investment made by the Company.

If such an investment has generated at least an 8% per annum compound return in cash to the Company (the "Threshold"), the Co-investors are entitled to receive 10% of the total of the Company's gross gains from that investment, out of future cash receipts from the investment or, very rarely, in specie on the flotation of underlying portfolio companies.

For investments made before 24 May 2007, if the Threshold is not achieved the Co-investors do not recover their contribution. For investments made after 24 May 2007, the Co-investors recover their contribution at the same rate as the Company recovers the cost of its investment.

Further details of the co-investment incentive arrangements can be found in notes 1(o) and 9 to the accounts.

Capital
No shares were allotted or bought back during the year ended 31 January 2014.

Resolutions will be proposed to renew the directors' authorities:

- to allot up to a maximum of 3,646,560 ordinary shares of 10p each, representing 5% of the Parent Company's issued share capital (resolution 11 on page 99);
- 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 (resolution 12 on page 99). No shares have been held in treasury during the year or since the year end; and
- to renew the directors' authority to buy back up to 10,929,658 ordinary shares (being 14.99% of the issued share capital) subject to the constraints set out in the resolution (resolution 13 on page 100). The authority will be used where the directors consider it to be in the best interest of shareholders.

If not renewed at the forthcoming AGM, these authorities will expire.

Substantial share interests
At 16 April 2014, the Company had received notification of the following disclosable interest in its issued share capital: Henderson Global Investors Limited, 3,710,003 ordinary shares, representing 5.09% of issued share capital at that date.

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

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

Corporate governance
The Company 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 2012 (the "Governance Code") during the year ended 31 January 2014. 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 six 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.

Report of the Directors
For the year ended 31 January 2014
(continued)

Number of meetings attended/ eligible to attend in the year ended 31 January 2014
Fig: 4.2

	Board	Audit
M. Fane	4/4	–
M. Cumming	1/1	1/1
P. Dicks	4/4	3/3
S. Pajarola	3/3	–
A. Pomfret	4/4	3/3
L. Riches	4/4	3/3
J. Tigue	4/4	3/3

It is the responsibility of the Board to ensure that there is effective stewardship of the Company'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 Company'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 Company'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 assessment of the Board and its committees, with the Chairman making recommendations to improve performance where necessary.

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. 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 are typically used to help identify a shortlist of candidates.

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 Company by the Chairman and by executives of the Manager.

There was one meeting of the Committee during the year (2013: one) which was attended by each of the six eligible directors (2013: six). In March 2013, Sandra Pajarola was appointed as a non-executive director following a selection process during which the Company was advised by Trust Associates, a firm specialising in non-executive director searches which is independent of the Company.

Going concern
Having reviewed the balance sheet and current activities of the Company, the directors believe that it is appropriate to continue to adopt the going concern basis of preparation of the Company's financial statements. The Company's business activities, together with factors likely to affect its future development, performance, position and cash flows are set out in the Chairman's Statement, Strategic Report and Market and Portfolio Reviews on pages 4 to 23.

Investor relations

Both the Company's Annual Report and Accounts, containing a detailed review of performance and of changes 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 analyst 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. The Board is kept informed of all material discussions with investors. In addition, the Board is available to enter into dialogue with shareholders on any relevant matter.

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 Company'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 Company'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 11 June 2014. The resolutions are set out in the Notice of Meeting on pages 99 and 100.

By order of the Board,

Company Secretary
Graphite Capital Management LLP
16 April 2014

Governance

Directors' Remuneration

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 dealt with by the whole Board.

Statement by Chairman of the Board

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which apply to the Company for the first time, the Company is presenting its Remuneration Policy and Remuneration Report separately.

The remuneration policy sets out how the Company proposes to pay the directors, including each element of remuneration that the directors are entitled to and how this supports the Company's long term strategy and performance.

The remuneration report sets out how the remuneration policy has been implemented in the year.

In accordance with the remuneration policy set out below, the Board performed an annual review of directors' fees. The fees payable to the directors were adjusted to reflect the growth of the Company and the remuneration levels of other comparable investment trusts.

Components of remuneration package

	Year ended 31 January 2014 £	Year ended 31 January 2013 £
Basic director's fee	31,500	29,300
Additional fee for chairman	18,500	16,900
Additional fee for chairman of the Audit Committee	5,000	4,000
Additional fee for other members of the Audit Committee	3,250	3,000

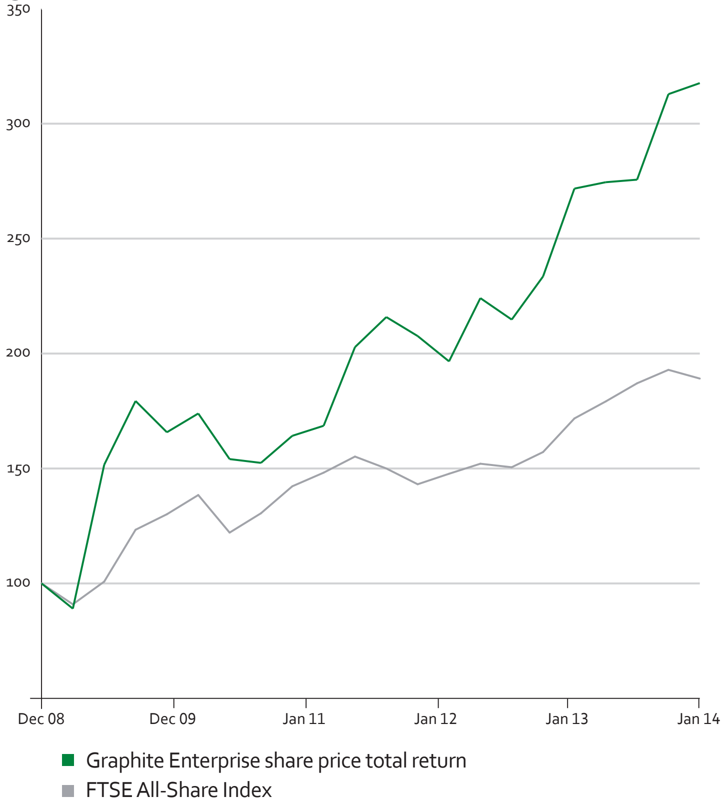
Remuneration Policy

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, the time committed to the Company's affairs and the limits stated by the Company's Articles of Association. It is not the Company's policy to include an element of performance related pay. The remuneration policy is unchanged from the prior year.

The Company's performance is measured against the FTSE All-Share Index as this is considered to be the most appropriate benchmark.

Five year share price performance

Fig: 5.1



The level of fees for directors is reviewed annually, in arrears, by the Board and any adjustment back-dated to the start of the financial year. For example, the level of fees for the year ending 31 January 2015 will be determined towards the end of that financial year. Until the review is completed, the directors will be remunerated at levels for the year to 31 January 2014 set out above.

The Articles of Association currently limit the aggregate fees payable to the directors to a total of £250,000 per annum. Aggregate fees of £232,000 were payable to the directors in the year ended 31 January 2014 which is close to this limit. To provide sufficient flexibility in the medium term, a resolution to increase the limit to £300,000 per annum will be put to the shareholders at the forthcoming Annual General Meeting (see resolution 10 on page 99).

The Board considers the remuneration policy as described above to be effective in supporting the short and long term strategic objectives of the Company by ensuring that the Company continues to be able to recruit and retain non-executive directors who are suitably qualified and experienced to supervise the Company's affairs.

Service contracts

It is not the Company's policy to enter into service contracts with its directors. No director has a service contract with the Company. The directors each serve under a letter of appointment.

Directors' Remuneration

Notice period and loss of office payment policy

The directors are subject to a notice period of one month unless removed by a resolution at a General Meeting or pursuant to any provision of the Articles of Association. It is not the Company's policy to enter into arrangements that entitle any of the directors to compensation for loss of office. No director is entitled to any such compensation.

Statement of consideration of conditions elsewhere in the Company

The Company has no employees. Therefore the Company cannot take into account the pay and employment conditions of its employees when setting and implementing the remuneration policy.

Statement of consideration of shareholder views

The Company places great importance on communication with its shareholders. The Company has had regular dialogue with shareholders throughout the year to 31 January 2014 and can confirm that no negative views were expressed in relation to its remuneration policy.

Resolution to approve remuneration policy

A resolution to approve this remuneration policy will be put to the members at the forthcoming Annual General Meeting and will be binding on the Company (see resolution 8 on page 99). The remuneration policy must be put to a shareholder resolution at least every three years. All provisions of this policy are expected to remain in effect until the Annual General Meeting in 2017 when the Company is next required to submit its policy on the remuneration of its directors to the members.

Directors' Remuneration Report

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, this is indicated below.

Remuneration in the year (audited)

Name	Fees Year ended 31 January 2014 £'000	Total Year ended 31 January 2014 £'000	Fees Year ended 31 January 2013 £'000	Total Year ended 31 January 2013 £'000
Mark Fane	50	50	44	44
Michael Cumming*	13	13	32	32
Peter Dicks	37	37	33	33
Sandra Pajarola**	27	27	–	–
Andy Pomfret	35	35	31	31
Lucinda Riches	35	35	30	30
Jeremy Tigue	35	35	32	32
Total	**232**	**232**	**202**	**202**

* Retired 13 June 2013
** Appointed 27 March 2013

The directors were not entitled to any loss of office payments, taxable benefits, pension benefits, share options or other incentives in the year ended 31 January 2014 (2013: £nil).

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

Relative importance of spend on pay

The following table compares the remuneration paid to the directors with aggregate distributions to shareholders in the year to 31 January 2014 and the prior year. This disclosure is a statutory requirement. However the directors consider that this comparison is not meaningful as its objective is to provide shareholders with long term capital growth and the dividend forms only a small part of shareholders' returns.

	Year ended 31 January 2014 £'000	Year ended 31 January 2013 £'000
Directors' fees	232	202
Shareholder distributions	3,646	3,646

Directors' shareholdings and share interests (audited)

The beneficial interests of the directors in the shares of the Company are shown below. There is no requirement for the directors to own securities of the Company. Save as disclosed, no director had any notifiable interest in the securities of the Company.

Name	31 January 2014	31 January 2013
Mark Fane	142,650	138,950
Michael Cumming	n/a	10,000
Peter Dicks	7,000	7,000
Sandra Pajarola	6,000	n/a
Andy Pomfret	20,000	10,000
Lucinda Riches	20,000	10,000
Jeremy Tigue	91,954	91,038
Total	**287,604**	**266,988**

On 7 April 2014, Mr Fane purchased 700 shares, which are registered in the name of his children. There have been no other transactions by the directors or connected persons since 31 January 2014.

Statement of shareholder voting

At the Annual General Meeting held on 13 June 2013, a resolution to approve the directors' remuneration report for the year ended 31 January 2013 was passed on a poll with the following votes cast:

Votes	Number	%
For	24,579,607	98.5%
Against	383,966	1.5%
Withheld	231,862	

The Board does not consider the numbers of votes against the resolution to be significant.

Resolution to approve directors' remuneration report

A resolution to approve the remuneration report for the year ended 31 January 2014 will be put to the members at the forthcoming Annual General Meeting (see resolution 9 on page 99).

On behalf of the Board

M. Fane
Chairman
16 April 2014

Report of the Audit Committee

Audit Committee

The Audit Committee is comprised of four non-executive directors: Mr Dicks (Chairman of the Committee), Mr Pomfret, Ms Riches and Mr Tigue. As set out on page 84 the members of the Committee have a range of recent and relevant financial experience.

The Committee operates within written terms of reference clearly setting out its authority and duties. The primary role of the Committee is to review the interim and annual financial statements, the effectiveness and scope of the external audit, the risks to which the Company is exposed and mitigating controls, compliance with regulatory and financial reporting requirements. The Committee also provides advice to the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable.

The Committee meets at least three times a year. A quorum is any two of the members of the Committee but attendance at each meeting is strongly encouraged.

Three meetings were held in the financial year, all of which were fully attended. The Company's auditors, PricewaterhouseCoopers LLP, attended all three meetings. 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 main matters discussed at these meetings were the review of the Company's internal controls, the annual plan of the auditors, the report of the auditors following their audit, the effectiveness of the audit process and the independence of the auditor, and the annual and interim financial statements. In addition, this year the Audit Committee undertook a tender process for the Company's audit (see page 95).

Significant issues in relation to the financial statements

In its review of the financial statements, the Committee considers in particular whether the investment portfolio is fairly valued. Before the year end, the Committee discussed the valuation process in detail with the Manager and reviewed the plan of the external auditors to ensure that it was appropriately designed to provide assurance over the valuation of the portfolio. After the year end, the Manager reported the results of the valuation process, including the sources of valuation information and the methodologies used. The auditors separately reported the results of their audit work to the Committee. The Committee concluded that the valuation process had been properly carried out and that the investment portfolio has been fairly valued.

Auditing standards require the auditors to consider the risks of fraud in revenue recognition and of management override of internal controls. The principal area of potential material impact from these risks is the valuation of the investment portfolio, which is discussed above.

Following a thorough review, and discussion with the Manager and the auditors, the Committee has advised the Board that the Annual Report and accounts for the year ended 31 January 2014, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Internal controls and need for an internal audit function

The Board has 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 Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. All of the Company's management functions are delegated to the Manager which has its own internal control and risk monitoring arrangements.

The Audit Committee has performed an assessment of these arrangements, including a review of a Statement of Internal Controls for the year to 31 January 2014 provided by the Manager which sets out the key internal controls over the administration of the Company's investments. As in previous years the auditors were engaged to carry out agreed upon procedures to test these controls, and the results were satisfactory. The Committee considers, therefore, that an internal audit function specific to the Company is unnecessary.

Audit independence and effectiveness

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. In the year ended 31 January 2014, £11,500 (2013: £11,000) was payable for the provision of training for the directors and the review of payments under the co-investment incentive schemes. 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 Committee reviews the performance of the auditors each year. The Committee considers a range of factors including the quality of service, their expertise and the level of audit fee. The Committee remains satisfied with the performance of the auditors.

Audit tender

PricewaterhouseCoopers LLP and its predecessor firms have been the Company's auditors since its inception in 1981. Prior to the year ended 31 January 2014, the audit had not been put out to tender, as performance had always been satisfactory and no concerns about independence had arisen.

In line with the guidance issued by the Auditing Practices Board requiring audit partner rotation after five years of service to listed companies, the current audit partner will retire from the audit after the Annual General Meeting in June 2014. The Committee decided that the introduction of the proposed new audit partner would be an appropriate point at which to undertake a formal tender process for the audit, for the year ending 31 January 2015 onwards.

The Committee invited PricewaterhouseCoopers LLP and three other large audit firms to compete for the tender, based on an assessment of the capabilities of various firms and the specialist nature of the Company's operations. Following careful consideration of the detailed proposals, qualifications, expertise and resources of each of the participants, the Committee decided unanimously to recommend to the Board that PricewaterhouseCoopers LLP be reappointed auditor for the year ending 31 January 2015.

P. Dicks

Chairman of the Audit Committee
16 April 2014

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 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. The funds through which the Company invests may also 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 in the future. The level of overcommitment is monitored regularly by the Board and the Manager, taking into account uninvested cash, the availability of bank facilities, 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 bank, 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 99 and 100) 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 2014 (pages 46 to 75) together with the Independent Auditors' Report (pages 77 to 82) and the Report of the Directors (pages 85 to 89).

Resolution 2

Approves the recommended final dividend of 7.5p per ordinary share and a special dividend of 8.0p for the year ended 31 January 2014.

Resolutions 3, 4, 5 and 6

Approve the re-election of Peter Dicks, Mark Fane, Andy Pomfret and Jeremy Tigue. 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, retire annually and offer themselves for re-election. Mr Tigue and Mr Pomfret stand for re-election as they have each served three years since they last stood for election/re-election. The directors' biographies are on page 84.

Resolution 7

Re-appoints the auditors, PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office. This is recommended by the Audit Committee following a formal tender process (see page 95).

Resolution 8

Approves the remuneration policy as set out in the Directors' Remuneration section for the year ended 31 January 2014.

Resolution 9

Approves the remuneration report as set out in the Directors' Remuneration section for the year ended 31 January 2014.

Resolution 10

Increases the limit on the aggregate amount that can be paid to the directors from £250,000 to £300,000. This is discussed in the Directors' Remuneration section on page 91.

Resolutions 11 and 12

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

Resolution 11 gives the Board the ability to issue shares equivalent to 33% of current share capital. In such circumstances, the Companies Act requires that existing shareholders are given the opportunity to participate before new shareholders ("pre-emption"). Resolution 12 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 Parent 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 will expire at the conclusion of the Annual General Meeting of the Parent Company to be held in 2015, or if earlier, 31 July 2015.

Resolution 13

Renews the authority of the Parent 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 in accordance with company law and the Listing Rules.

The Buy-back Authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2015, or if earlier, 31 July 2015.

Resolution 14

Allows the calling of a general meeting (unless it is an Annual General Meeting) on not less than 14 days' notice.

Notice of Meeting

Notice is hereby given that the thirty-third Annual General Meeting of Graphite Enterprise Trust PLC will be held at the Westbury Hotel, Bond Street, London W1S 2YF on 11 June 2014 at 3.30p.m. for the following purposes.

Resolutions 12 to 14 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 2014.

2. To declare a final dividend of 7.5p and a special dividend of 8.0p on the ordinary shares.

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

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

5. To re-elect A. Pomfret as a director.

6. To re-elect J. Tigue as a director.

7. 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.

8. To consider, and if thought fit, to approve the remuneration policy set out in the Directors' Remuneration section of the Annual Report for the year ended 31 January 2014.

9. To consider, and if thought fit, to approve the remuneration report set out in the Directors' Remuneration section of the Annual Report for the year ended 31 January 2014.

10. To consider, and if thought fit, to approve an increase in the maximum aggregate amount of fees payable to the directors for their services from £250,000 to £300,000.

Authority to allot shares

11. 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 Parent Company to allot shares in the Parent Company or to grant rights to subscribe for or to convert any security into shares in the Parent 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 2015, or, if earlier, on 31 July 2015; 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.

Special business

Disapplication of pre-emption rights (see note 1)

12. THAT:

a. subject to the passing of resolution 11 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 2015, or, if earlier, on 31 July 2015. In connection with an allotment of shares pursuant to the authority referred to in resolution 11 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.

Notice of Meeting
(continued)

Authority to purchase shares

13. THAT:

    the Parent Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (as defined in section 693 of that Act) of ordinary shares of 10p each in the capital of the Parent 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 Parent 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(1) 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 2015 or, if earlier, on 31 July 2015 (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.

General Meeting on a minimum 14 days' notice

14. 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
16 April 2014

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 120 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 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 15 April 2014 (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 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 determined by the timestamp applied

Governance

Notice of Meeting Notes
(continued)

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 2014 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.

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Understanding Private Equity

Listed private equity provides access to an asset class with an attractive operating model 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. The private equity model has many attractions and these can generate 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 cover 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 larger companies seeking to divest subsidiaries or sell an investment on the secondary market. 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
As the ownership model increases the confidence of lenders, buy-out investments may use higher levels of debt than similar quoted companies to increase equity returns. 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 interests in funds, 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 investor, 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 Wealth Management Association (WMA) at:

www.thewma.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 108.

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 £15,000 for the 2014/15 tax year in an ISA (from 1 July 2014) . 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 £4,000 can be made for the 2014/15 tax year (from 1 July 2014).

Children's Investment Plan

A flexible way to save for a child. Investments 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 tax-efficient savings plan for children who did not qualify for a CTF. Investors can invest up to £4,000 for the 2014/15 tax year (from 1 July 2014) with all the tax benefits of a CTF.

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. 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 through F&C can contact the Investor Services Team on:

Telephone: 0845 600 3030
(UK calls charged at a 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
8:00am – 5:30pm, weekdays,
calls may be recorded

Email: info@fandc.co.uk

Apply online: www.fandc.co.uk

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

General Information

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 an alternative savings scheme or platform, 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 889 4091

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 in June and December. All announcements may be viewed at the Company's 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 – 2014
A final dividend of 7.5p and a special dividend of 8.0p are proposed in respect of the year ended 31 January 2014, both payable as follows:

Ex-dividend date 28 May 2014
(shares trade without rights to the dividend)

Record date 30 May 2014
(last date for registering transfers to receive the dividend)

Dividend payment date 18 June 2014

The final and special dividends are subject to approval of the shareholders at 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 (see contact details above).

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	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 participants and commentators. www.lpeq.com

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

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