GraphiteCapital

Graphite Enterprise Trust PLC

Investing in
long term growth

Interim Report
31 July 2015

Contents

Summary of the Period

Graphite Enterprise continued to make good progress in the six months to July 2015, with the net asset value per share, after taking account of the dividend, rising by 3%. The portfolio performed well, rising by 8%, driven by the continued strong profit growth of the underlying companies. The increase in the net asset value would have been higher had the fall in the euro not reduced the value of our euro-denominated investments.

Realisations remained very strong with the portfolio generating £73 million of cash, with the result that cash balances closed £11 million higher at £101 million. We began a programme of share buy-backs to return cash to shareholders and will pay an interim dividend in October.

The strong underlying performance of the portfolio, our investment discipline and our balance sheet strength position Graphite Enterprise well for future growth in an uncertain environment.

Mark Fane
Chairman

+3.0%

Net asset value per share
The NAV per share increased to 700p, extending its period of growth to six years. Net assets were £506 million.

+5.4%

Share price
The share price increased to 590p in the period and has increased by 130% over 5 years, more than double the growth of the FTSE All-Share Index over that period.

+7.8%

Underlying value of the portfolio in local currencies
The portfolio grew strongly, driven by valuation increases and realisations.

£15m

Dividends
The total dividend paid in June was maintained at the record level of 15.5p per share, or £11.2 million. An interim dividend of 5.0p per share, or £3.6 million, will be paid in October.

£73m

Realisation proceeds
Proceeds remained at the very high level of the prior year with 17% of the opening portfolio being realised in the six months.

£33m

Investment in the portfolio
New investments were made selectively in competitive markets.

Financial summary

	31 July 2015	31 January 2015	Total return
Net asset value per share	700.3p	695.2p	+3.0%
Share price	590.0p	575.0p	+5.4%
FTSE All-Share Index	3,653	3,622	+2.8%

About Graphite Enterprise

Since inception, the Company has generated a return of over 29 times the amount subscribed

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

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

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

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

The Company has a conservative approach to portfolio and balance sheet management. As a result the Company has a strong performance record over its 34 year history.

What is private equity?
See page 48.

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 a long-established and well known UK mid-market buy-out firm. The senior team has worked together for 18 years and has an average of over 21 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.

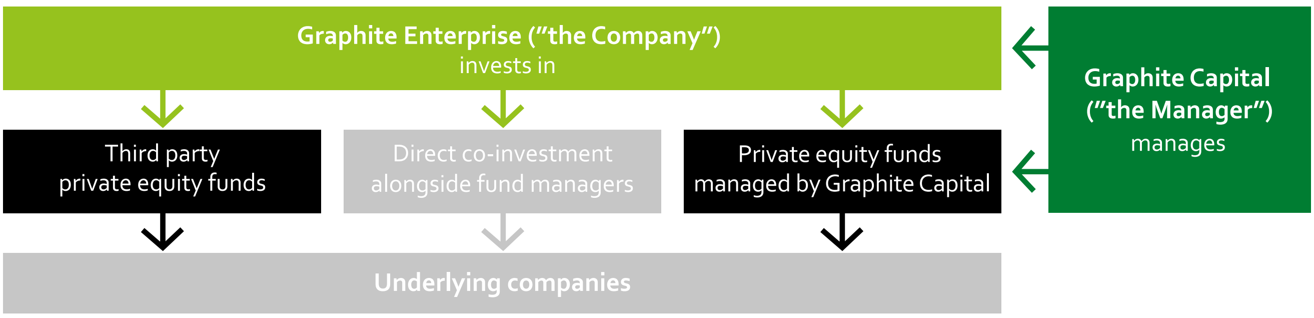
The main focus in determining whether to invest with a third party fund manager is whether its current team can produce strong, repeatable investment returns. Graphite Capital's direct investment experience helps it to appraise the companies in which a manager has invested, which we believe is key to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

Balance 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 nearly 400 underlying companies managed by 32 private equity firms. The largest 30 companies account for over 48% of the value.

Access to the private equity asset class for the price of a share
Investors can gain exposure to this diversified private equity portfolio for the price of a share. As the shares are listed, there is daily liquidity and the value of the shares is known at any point in time.

For these reasons, purchasing shares in the Company may be an attractive way to gain access to the private equity asset class for many types of investor, and particularly for private shareholders and small institutions.

About Graphite Enterprise
Fig: 1.1



Chairman's Statement

The net asset value per share and the share price both outperformed the FTSE All-Share Index

Summary

Graphite Enterprise continued to make progress in the six months to 31 July 2015 with both the net asset value per share and the share price outperforming the FTSE All-Share Index[1].

The portfolio once more performed well, increasing in value by nearly 8% in local currencies. However the weakness of the euro again affected performance, reducing the sterling value of our euro-denominated investments. After taking account of this and of other factors, the net asset value per share, inclusive of the dividend, rose by 3.0% to 700p. This extended its period of continued growth to six years, over which time the net asset value has increased by almost 90%.

The share price, inclusive of the dividend, rose by 5.4% in the period, closing at 590p. This compares with a rise of 2.8% in the FTSE All-Share Index. As the increase in the share price was slightly more than that of the net asset value, the discount narrowed from 17.3% to 15.8%.

Quoted markets have fallen sharply since 31 July, with the result that the FTSE All-Share has now decreased by 7.7% since 31 January[2]. The Company's share price has proved more resilient and has increased by 1.6% since January. Based on these latest figures both the share price and net asset value have outperformed the Index over one, three, five and ten years.

The portfolio continued its strong performance of recent years increasing at an annualised rate of 16.2% in local currencies. Indeed this rate of growth was slightly higher than the average of 13.1% achieved over the last four years. In sterling terms, the growth in the portfolio was 4.7% in the period under review. The effect of holding cash and of operating costs reduced the overall increase in the net asset value to 3.0%.

At 31 July, the Company had total assets of £515 million. 80% of this, or £412 million, was invested in the portfolio. This was £20 million less than at 31 January, as cash inflows from continued high levels of realisations more than offset new investment and the growth in value of the opening portfolio. In response to this we have started a programme of share buy-backs. The first buy-backs, together with the payment of the dividend of £11 million in June, returned £15 million of cash to shareholders in the period. In addition the Company will for the first time pay an interim dividend, of 5.0p per share or £4 million, in October.

1. Throughout the report, all performance figures are stated on a total return basis (i.e. including the effect of re-invested dividends).
2. To the close of business on 1 October 2015.

Economic and market environment

The Company's investment programme continues to be focused on the more mature private equity markets in Western Europe. At the half year, the largest exposures were to the UK, which accounted for 48% of the portfolio and to continental Europe which accounted for 37%. Over three-quarters of our continental European exposure was to France, Germany, Benelux and Scandinavia. Most of the exposure outside Europe was to the US.

The UK's economic performance remains relatively strong, with the economy forecast to grow by 2.5% in 2015 and at a similar rate over the next two to three years. The UK is the largest and most developed of the European private equity markets and, although always highly competitive, it has continued to perform well, driven by a highly favourable environment for realisations.

The performance of the major continental European economies remains weaker than that of the UK, although most are expected to grow by 1-2% this year. The stimulus programme announced earlier this year by the European Central Bank does not yet appear to have had a significant effect on growth rates, but has contributed to the fall in the sterling value of our euro-denominated portfolio. The timing of any sustained recovery is still uncertain, with aggregate growth expected to remain subdued for some time.

High quality private equity managers should be able to generate returns throughout the economic cycle. As commitments to funds are typically drawn down over three to five years, managers are able to adjust their rate of investment to the underlying conditions in the markets in which they operate. For this reason it is particularly important that the selection of fund investments is based more on the quality of the manager than on the macro-economic environment in which they operate. The performance of the investment portfolio in recent years, both in the UK and in continental Europe, has demonstrated the ability of the managers we have backed to identify attractive opportunities across all stages of the economic cycle.

Performance

Overview

The investment portfolio continued to perform well in the six months to July, increasing in value by 7.8% in local currencies. As discussed earlier, adverse currency movements limited the increase in the sterling value of the portfolio to 4.7%. As 37% of our opening portfolio was in continental Europe, the 5.9% fall in the value of the Euro against sterling had much the greatest impact during the period. The 3.8% fall in the US dollar also impacted the sterling value of the US portfolio.

As the investment portfolio accounted for just under 85% of net assets at the start of the period, the rise in the portfolio of 4.7% after currency movements increased the net asset value by 4.0%. After deducting running costs and adding the small positive effect of share buy-backs, the net asset value per share increased by 3.0%. Payment of the dividend of 15.5p per share accounted for 2.2% of this.

Portfolio

Increases in the valuation of the unrealised portfolio accounted for two thirds of the growth in the portfolio. It is encouraging that this was driven principally by continued strong earnings growth, with a small increase in valuation multiples.

As the largest 30 underlying companies accounted for 47% of the portfolio at 31 January, their performance will have a substantial impact on that of the Company. These investments performed strongly, with EBITDA[3] growing on average by 8% in the 12 months to June 2015, and were valued at an average of nine times EBITDA. By comparison, the aggregate EBITDA of the FTSE All-Share fell 8% in the same period and it was valued at an average of 11 times EBITDA. The Company's portfolio is therefore continuing to perform substantially better, and is valued more conservatively, than quoted companies.

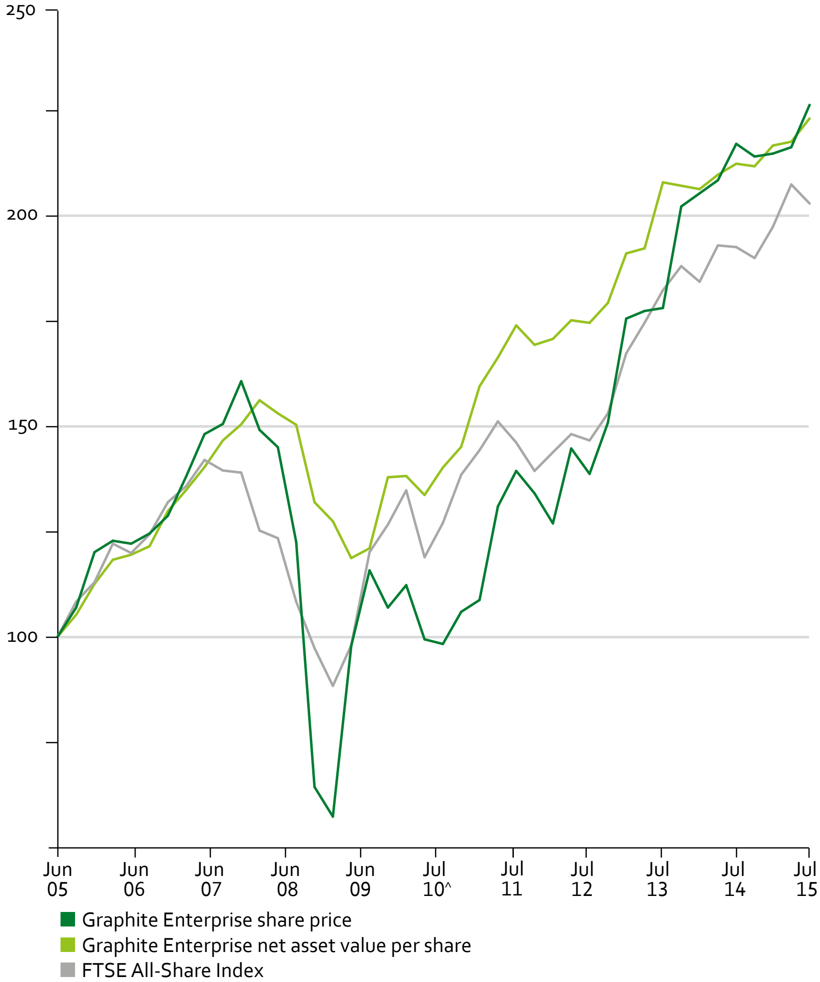
Valuation uplifts achieved on realisations accounted for the remainder of the growth. The great majority of this was generated by full disposals of companies, which were achieved at an average uplift of 23% over their previous valuations. The remainder of the growth from realisations was generated by companies being taken public.

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

3. EBITDA is earnings before interest, tax, depreciation and amortisation.

Chairman's Statement
(continued)

Ten year performance+
Fig: 1.2



+All amounts rebased to 100 at 30 June 2005. Performance to 31 July 2015.
^Year end changed from 31 December to 31 January.

Long term performance[4]
We measure performance against the benchmark of the FTSE All-Share Index and aim to outperform over the medium to long term. Performance against the Index has been strong as set out in the chart, and the table below.

As discussed earlier, based on the current share price and level of the Index the Company's net asset value and share price have both outperformed the FTSE All-Share over each of three, five and ten years.

The Company's performance against the listed private equity sector also continues to be strong. The net asset value and share price total return have both outperformed the average of the peer group[5] over 3, 5 and 10 years.

Years to 31 July 2015	3	5	10
Net asset value per share	+27.7%	+59.0%	+122.4%
Share price	+63.0%	+129.7%	+125.6%
Peer group average NAV growth[4]	+21.0%	+49.7%	+109.4%
Peer group average share price growth[4]	+42.3%	+91.3%	+100.5%
FTSE All-Share Index	+38.3%	+59.6%	+102.4%

4. On a total return basis, including the effect of reinvested dividends. As the Company changed its year end in 2010, the ten year figures are for the 121 month period to 31 July 2015.
5. The peer group comprises: Aberdeen Private Equity, F&C Private Equity, HarbourVest Global Private Equity, JPMorgan Private Equity, Pantheon International Participations, Private Equity Holding, Standard Life European Private Equity (funds-of-funds); Better Capital 2009 and 2012, Candover Investments, Dunedin Enterprise, Electra Private Equity, HgCapital Trust, NB Private Equity Partners, Princess Private Equity, SVG Capital (direct funds).

Balance sheet, cash flows and commitments

Cash balances increased by £11 million in the six months, closing at £101 million. This was driven by a substantial net cash inflow from the portfolio which was partly offset by other items, the largest of which was distributions to shareholders. After adding other net current assets of £3 million, the total of £104 million represented 20% of total assets.

The portfolio generated net proceeds of £40 million in the period, which compares with net proceeds of £17 million for the whole of last year. Realisation proceeds of £73 million were received, which represented 17% of the opening value of the portfolio. This was in line with the extremely high level of last year, but materially above the five year average. New investment, which was also at a high level last year, fell back to £33 million in the six months. While this represented just over half of last year's rate, it was not materially out of line with the average of the past five years. This decline reflected a general slowdown in activity, with both Graphite Capital and our third party private equity managers slowing their pace of investment in response to high prices for private companies and for secondary interests in funds. The Manager's Review of the Portfolio gives further details of investment activity in the period.

In last year's report we indicated that we would consider buying back shares to return cash to shareholders. The first purchases were made in April and to date we have bought back £4 million of shares. As the buy-backs were completed at a discount to net asset value, they had a small positive impact on the net asset value per share. After adding the dividend of £11 million (15.5p per share) paid in June, cash distributed increased to £15 million.

The level of new commitments made to funds was higher than the total for the whole of last year, as more of our preferred managers were raising new funds. We committed £35 million to four new funds and after deducting drawdowns of £19 million and other net movements, outstanding commitments rose by £15 million to £249 million. We estimate that £50-70 million of these commitments will be drawn down over the next twelve months.

Co-investments and secondary purchases of fund interests can be important tools in managing the balance sheet, as they generate additional investment above that resulting from drawdowns of commitments. As most of the cost of these investments is drawn down immediately, in contrast to fund commitments which are typically drawn down over three to five years, they can generate large short term outflows. In the first six months of the year, the level of such discretionary investments was at around half the rate of recent years. However, the supply of attractive opportunities is by its nature unpredictable and it is possible that the amount invested in the second half will be higher than that in the first.

Outlook

Since January 2013, the portfolio has generated cash proceeds of £335 million, equivalent to over 80% of its value at that date. Despite this very high level of realisations, a combination of new investments and growth in the value of the opening portfolio has been sufficient to ensure that the size of the portfolio has remained virtually unchanged over this period. However, the cash balance has risen to over £100 million, which is higher than we had anticipated.

In response to this, we have made the first of the share buy-backs discussed in last year's statement. The level of purchases made to date has been relatively low, but we would expect to make more between now and the end of the year provided that shares are available at appropriate prices.

Last year the Company paid a total dividend of 15.5p per share. As income in the first six months of the current year has remained high, the level of dividend for the full year is likely to be at least maintained. In order to give shareholders the benefit of an earlier distribution we have decided to pay for the first time an interim dividend, of 5.0p per share, in October.

We have been pleased with the performance of the portfolio in the first six months of the year. Realisations have continued at very strong levels and the profits of underlying companies have continued to grow more rapidly than those of listed companies. It is also important to note that investments made after the financial crisis now represent over 70% of the total portfolio. As the performance of these companies has been stronger than that of the earlier vintages and the uplifts achieved on realisation have been higher, we would expect that they will continue to drive strong performance.

Mark Fane
5 October 2015

Case Study: National Fostering Agency

In April 2015, Graphite Capital sold NFA to Stirling Square Capital Partners, a UK-based private equity firm

>2x

Multiple of original cost of investment achieved on disposal

In January 2012 Graphite Capital led the management buy-out of National Fostering Agency ("NFA"), the UK's largest independent fostering agency. Graphite Enterprise invested a total of £8.5 million in NFA, through its interest in Graphite Capital Partners VII and a co-investment alongside the fund.

NFA recruits and trains foster carers and provides them with 24 hour support. It works closely with Local Authority social services to match carers with placements of infants and children in need of foster care. The business was well placed to increase its share of the foster care market which was fragmented and growing strongly, driven by Local Authorities' preference towards foster care over residential care and their increasing use of private sector foster agencies.

Under Graphite's ownership, NFA grew organically and through acquisition, solidifying its position as the UK market leader. Organic turnover growth was driven by new contract wins, continued geographical expansion and increased placement acuity. A strong focus on quality and carer recruitment helped increase the number of foster placements by almost 30% and carer numbers by over 30%.

The business was refinanced in June 2014, returning more than half the amount invested. In April 2015, Graphite Capital sold NFA to Stirling Square Capital Partners, a UK-based private equity firm, generating further proceeds of £11.9 million for Graphite Enterprise. The disposal achieved an overall return of more than two times cost.

Business Review

Business Review

Graphite Capital Team

Rod Richards
Managing Partner

Emma Osborne
Senior Partner,
Head of Fund Investment

Kane Bayliss
Partner,
Fund Investment

Tim Spence
Senior Partner,
Finance Director

Simon ffitch
Senior Partner,
Joint Head of Direct Investment

Andy Gray
Senior Partner,
Joint Head of Direct Investment

Markus Golser
Senior Partner

Mike Tilbury
Senior Partner

Fiona Bell
Investment Director,
Fund Investment

Andrea Fernandez
Investment Director,
Fund Investment

Colm Walsh
Investment Director,
Fund Investment

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 £1.3 billion of funds under management. It has raised and managed funds for 34 years and has been owned by its partners since 2001. The senior management team has worked together for 18 years.

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

Graphite Capital operates from a single office in London with 21 investment professionals and 22 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 two-thirds 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. The focus is primarily on UK headquartered businesses, although 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 38%. 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 July 2015, investments managed by Graphite Capital represented 24% of the portfolio value and 30% of undrawn commitments.

Fund investments

Fund investments focus mainly on European buy-out funds, but there is also some exposure to the US 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 89 funds and 40 co-investments. The net return on realised funds and co-investments is more than twice cost.

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.

Manager's Review of the Portfolio

The portfolio increased in value by 7.8% in local currencies in the six months

Portfolio performance overview

The portfolio made good progress in the first half of the year, rising in value by 7.8% in local currencies. After adjusting for the impact of foreign currency movements on the value of our overseas investments, the sterling value of the portfolio grew by 4.7%.

Movement in the portfolio	£m
Opening portfolio	431.9
Additions	32.8
Realisation proceeds	(73.5)
Net cash inflow	(40.7)
Valuation movement*	33.8
Currency	(13.5)
Closing portfolio	411.5

* In this interim report 96% of the portfolio is valued using 30 June 2015 valuations.

At 31 July the portfolio was valued at £411.5 million. This was £20.4 million lower than at the start of the period primarily because continued high realisations exceeded new investment. Net realisations of £40.7 million therefore more than offset the relatively strong valuation gains.

Unrealised valuation gains accounted for 67% of the underlying valuation increase. These were primarily driven by earnings growth but valuation multiples also increased marginally. Gains from realisations and IPOs accounted for the remaining gains.

The portfolio generated proceeds of £73.5 million in the period, 17% of the opening value

Realisations

The portfolio generated proceeds of £73.5 million in the period, equivalent to 17% of the opening portfolio. This represents a very high rate of cash conversion which, on an annualised basis, was broadly in line with the 33% generated in the previous financial year but considerably higher than the average of 25% in the three years prior to that.

Full realisations

Investments in 19 portfolio companies were fully realised in the period and these generated £44.1 million of proceeds.

Full realisations continued to be completed at significant uplifts to the previous holding values, although the 23% achieved in the six months was lower than the historical average. Last year we observed that the uplifts on investments made prior to the financial crisis had started to decline and this trend has continued. Pre-crisis investments[1] realised a valuation uplift of 17% while investments made since the financial crisis generated uplifts of 27%.

The pre-crisis investments were realised for an average return multiple of 1.2 times original cost, reflecting the relative underperformance of the remaining investments from these vintages, whereas post-crisis investments achieved a strong multiple of cost of 2.4. It is, however, worth noting that the pre-crisis investments overall have performed better than many investors expected with, for example, those made in 2007 generating returns of approximately 1.9 times cost.

The largest realised gain in the first half was generated by Graphite Capital Partners VII's disposal of National Fostering Agency ("NFA"), a provider of foster carers to local authorities, from which the Company received proceeds of £11.9 million. NFA was a 2012 investment which grew strongly both organically and by acquisition prior to its sale in April this year. The sale achieved a return of just over two times cost and the uplift added 0.5% to the net asset value in the period. Further details of the ten largest underlying realisations are set out in the Supplementary Information section.

Partial realisations

A further £29.4 million was received from partial realisations of portfolio companies. The most significant element of this was the £13.5 million of proceeds received from sales of listed holdings. Most of these were of companies taken public in previous periods. Only three companies achieved flotations in the first half, compared with 15 in the last financial year. At the end of the period the portfolio included holdings in 29 quoted companies representing 8.4% of total value. Details of the underlying quoted holdings, almost all of which were held through third party funds, are set out in the Supplementary Information section. The remaining partial realisations comprised a high number of small transactions.

New investments

New investment of £32.8 million in the six months was substantially lower than the exceptionally high level of £125.4 million invested in the last full financial year but broadly in line with the

[1] Those completed in 2008 or before.

Manager's Review of the Portfolio
(continued)

Our managers appear to be maintaining pricing discipline in a challenging market for new investments

average levels achieved in the three years prior to that. This largely reflects the challenges we, and the managers in the portfolio, are experiencing in identifying sufficient sensibly priced opportunities in the current market.

The rate of fund drawdowns was significantly below that of the previous year with £19.2 million being drawn down in the six months compared with £68.0 million in the last financial year. We would have expected drawdowns of approximately £35 million in the six months if outstanding commitments to funds had been drawn down evenly to the end of their investment periods. The lower figure was partly because no new investments were completed by the Graphite buy-out team, although third-party drawdowns were also slower. As many funds, including Graphite Capital Partners VIII, completed a high level of new investments last year, the overall investment pace for most funds is in line with expectations. It remains to be seen whether the slowdown will be sustained in the second half.

Discretionary investment, which includes both secondary fund purchases and direct co-investments, was also significantly lower than last year with £13.6 million invested in the six months compared with £57.4 million in the year to January 2015. We highlighted in the annual report that pricing in the market for secondary fund interests had become more competitive and this continued in the first half. One secondary acquisition, of an interest in BC European Capital IX, was completed for £7.1 million. Co-investment opportunities tend to be unpredictable and are linked to underlying investment activity within the fund portfolio. As this was relatively subdued in the first half, fewer co-investment opportunities were available although two were completed for a total of £6.5 million.

A total of 30 new underlying companies were added to the portfolio in the first half compared with 74 in the year to January 2015. The largest new investment was in PetSmart, the leading retailer of pet products and services in North America which was acquired by BC Partners in March. The Company invested a total of £4.7 million in PetSmart both through BC European Capital IX and in a co-investment alongside the fund. Further details of the ten largest underlying new investments are set out in the Supplementary Information section of this report.

New investments in the first half were acquired at an average of approximately nine times EBITDA, which is broadly in line with prices paid last year. Therefore, while the level of new investment was lower than expected, it is reassuring that our managers appear to be maintaining pricing discipline in the current environment.

New commitments

New commitments of £34.6 million to four funds in the first half were significantly higher than the £22.0 million committed to three new funds last year. More of our preferred managers are fundraising in the current year and we expect to make further commitments in the second half.

The portfolio is broadly diversified with investments in almost 400 underlying companies

Three of the new funds, ICG Europe VI, Harwood IV and Hollyport V, were raised by managers we have been investing with for many years, while the manager of the fourth, Alcuin IV, is new to the portfolio. Alcuin focuses on small buy-outs in the UK, a part of the market that has generated strong performance for the Company in the past, both directly and through funds.

Further details of new fund commitments are set out in the Supplementary Information section.

Closing portfolio

At 31 July, the portfolio was valued at £411.5 million and was broadly diversified with investments in almost 400 underlying companies across a wide range of sectors and geographies.

We believe the portfolio strikes a good 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 in the first half by the sale of National Fostering Agency.

The top ten underlying companies accounted for 26% of the value of the portfolio at the period end, while the top 30 accounted for 48%. The performance of these 30 investments is therefore likely to be a key driver of future growth. In the year to June 2015, the revenues and EBITDA of these companies increased by an average of 6.1% and 7.7% respectively. By contrast, the FTSE All-Share Index reported a fall in revenue of 7.4% and a fall in EBITDA of 8.5% over the same period.

The top 30 companies were valued on an average multiple of 9.1 times EBITDA at June 2015 which reflects the growth being achieved. In comparison, the FTSE All-Share Index was valued at 10.7 times EBITDA at the period end despite the lack of profit growth noted above.

The leverage of the top 30 companies averaged 3.7 times EBITDA. While this has increased slightly since the start of the year, it remains relatively modest. This should enhance future equity returns without involving undue financial risk, particularly given the relatively flexible terms of many of the underlying loans.

The share of the portfolio represented by investments made prior to the financial crisis has continued to fall. At 31 July, pre-crisis investments represented 28% of underlying investments compared with almost 40% a year earlier. This reflects a combination of high levels of realisations from these earlier vintages, the value of new investments which have been added to the portfolio in the last twelve months, and strong increases in the valuations of post-crisis investments. We expect post-crisis investments to continue to generate the most significant future uplifts and it is therefore encouraging that the portfolio is now concentrated in these vintages.

Manager's Review of the Portfolio
(continued)

The Company has a strong balance sheet and a portfolio which continues to perform well

We directly manage 24% of the portfolio including six of the top ten underlying investments and nine of the top 30. This gives us a high level of influence over the development of a large part of the 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.

While the third-party portfolio represented 76% of value, 14% of this was acquired through secondary purchases and 16% through co-investments. When added to the 24% managed directly, more than half the portfolio is therefore in companies which we evaluated in detail prior to investment. This proportion has been increasing gradually over time, from approximately a third immediately prior to the financial crisis, and gives us greater control over the portfolio than a typical fund of funds investor.

At 31 July the portfolio was valued at an average of 146% of original cost in local currencies, of which 44% of cost had already been returned. At these levels, and with a higher proportion of the portfolio in more recent investments, there is potential for considerable growth as the portfolio further matures.

Events since 31 July

Since the period end, the portfolio has continued to generate a net cash inflow with realisations of £10.3 million exceeding new investment of £4.8 million. We have completed a commitment of €15.0 million to Charterhouse Capital Partners X. A new co-investment is at an advanced stage of legal documentaton and should complete in the near future.

Prospects

With the portfolio continuing to generate strong realisations and the investment pace slowing in the first half, cash is higher than we had anticipated. In the current environment re-investing cash at reasonable valuations is challenging both for us and for the underlying managers in the portfolio. However we are encouraged that our managers appear to be exercising discipline and are not being drawn to pay excessive prices for new investments.

The environment for realisations remains favourable despite the slowdown in flotations and the fall in quoted equity markets since July. This primarily reflects the high levels of equity and debt available to both financial and trade buyers. We therefore expect the portfolio to generate additional cash in the remainder of the financial year. This should drive further growth in net asset value given the valuation uplifts generally achieved on sale.

Our investment strategy gives us the flexibility to adapt the mix of investments, cash and commitments to changing market conditions and to deploy cash where we see the best relative value. At this point in the cycle, the Company has the benefit of a strong balance sheet and a portfolio which continues to perform well.

Graphite Capital
5 October 2015

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 (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], 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, non-executive Chairman of Interactive Investor plc, a director of Mears Group PLC and a non-executive director of Miton UK MicroCap Trust plc.

Jeremy Tigue[2], was appointed to the Board in 2008. He joined F&C Management in 1981 and was the fund manager of Foreign & Colonial Investment Trust from 1997 to 2014. He is Chairman of BACIT Limited and a non-executive director of The Mercantile Investment Trust plc, The Monks Investment Trust PLC and Standard Life Equity Income Trust PLC.

Andy Pomfret[2], was appointed to the Board in March 2011. He joined Rathbone Brothers Plc as finance director in 1999, and served as chief executive from 2004 until February 2014. He is currently a director of the Wealth Management Association, a member of the Prudential Regulatory Authority's Practioner Panel, non-executive chairman of Miton UK MicroCap Trust plc and a non-executive director of Aberdeen New Thai Investment Trust PLC, Old Mutual Wealth Management Ltd, Interactive Investor plc and Sanne Group Plc.

Lucinda Riches[2], 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, the British Standards Institution and CRH plc. She is a non-executive member of the Partnership Board of King & Wood Mallesons LLP and a trustee of the Sue Ryder charity.

Sandra Pajarola[2], 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.

Las Iguanas, the UK chain of Latin American themed restaurants

Case Study: Bowmark Capital Partners III

In July 2015, Bowmark Capital Partners III ("Bowmark III") sold Las Iguanas, a UK chain of Latin American themed restaurants, generating a return of 3.7 times cost. This was the final realisation from Bowmark III, one of the most successful funds raised in 2004.

The fund's strategy focused on UK companies valued below £30 million. As a long-standing, direct investor in the UK mid-market, Graphite Capital has a strong track record of successfully investing in this segment, including in such businesses as Wagamama and Paperchase. Over time, the target size for Graphite's funds increased and we therefore sought a third-party manager to address this space. We knew Bowmark well and identified that the strategy would lend itself to co-investments which we would be well-placed to assess.

Bowmark III invested in ten companies between 2004 and 2008. The fund delivered a gross return of 3.9x cost and an IRR of 41%, despite the impact of the financial crisis. We also co-invested alongside the fund in Data Explorers in 2007 which generated a strong return when it was realised in 2012. We subsequently invested in both of Bowmark's later funds, which are performing well.

Our history with Bowmark is an example of how the combination of Graphite's experience of investing both directly in the UK mid-market and through third-party funds helps us to identify attractive investment opportunities. Our network is invaluable in helping us to reference potential managers, while our direct investment experience helps us to critically appraise their underlying companies.

We made two further commitments to UK lower mid-market funds in June 2015: £9 million to the Fourth Alcuin Fund and £7.5 million to Harwood Private Equity IV. These two funds have total commitments of around £150 million each and are well positioned in this attractive segment of the market.

Supplementary Information

The 30 Largest Underlying Investments

The table below presents the 30 companies in which Graphite Enterprise had the largest investments by value at 31 July 2015. These investments may be held directly or through funds, or in some cases in both ways. The valuations are gross and are shown as a percentage of the total investment portfolio.

1-15

	Company	Manager	Year of investment	Country	Value as % of investment portfolio
1	**Micheldever +** Distributor and retailer of tyres	Graphite Capital	2006	UK	5.6%
2	**City & County Healthcare Group** Provider of home care services	Graphite Capital	2013	UK	3.4%
3	**ICR Group** Provider of repair and maintenance services to the energy industry	Graphite Capital	2014	UK	3.2%
4	**Education Personnel +** Provider of temporary staff for the education sector	ICG	2014	UK	2.7%
5	**Human Capital Investment Group** Provider of recruitment services	Graphite Capital	2014	UK	2.1%
6	**Skillsoft +** Provider of off-the-shelf e-learning content	Charterhouse	2014	USA	2.1%
7	**Spheros +** Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	1.9%
8	**Standard Brands +** Manufacturer of fire lighting products	Graphite Capital	2001	UK	1.7%
9	**David Lloyd Leisure +** Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.7%
10	**U-POL** Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.6%
11	**CPA Global +** Provider of patent and legal services	Cinven	2012	UK	1.5%
12	**Frontier Medical +** Manufacturer of medical devices	Kester Capital	2013	UK	1.5%
13	**TMF** Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.5%
14	**Parques Reunidos** Operator of attraction parks	Arle Capital	2007	Spain	1.4%
15	**Algeco Scotsman** Supplier and operator of modular buildings	TDR Capital	2007	USA	1.4%
	Total of 15 largest underlying investments				**33.3%**

16-30

	Company	Manager	Year of investment	Country	Value as % of investment portfolio
16	**Guardian Financial Services** Provider of insured life and pension products	Cinven	2011	UK	1.4%
17	**The Laine Pub Company +** Operator of pubs and bars	Graphite Capital	2014	UK	1.3%
18	**R&R Ice Cream +** Manufacturer and distributor of ice cream products	PAI Partners	2013	UK	1.2%
19	**TMP** Provider of recruitment services	Graphite Capital	2006	UK	1.2%
20	**PetSmart +** Retailer of pet products and services	BC Partners	2015	USA	1.1%
21	**Co-investment +/ **** Provider of business services	Large buy-out manager	2014	Europe	1.1%
22	**Stork** Provider of technical engineering services	Arle Capital	2008	Netherlands	0.9%
23	**Cognito +** Supplier of communications equipment, software and services	Graphite Capital	2002	UK	0.9%
24	**Odgers +** Provider of recruitment services	Graphite Capital	2009	UK	0.9%
25	**Suddenlink** Operator of cable networks	BC Partners	2012	USA	0.8%
26	**Formel D** Provider of quality control for automotive services	Deutsche Beteiligungs	2013	Germany	0.8%
27	**Swissport** Provider of airport ground and cargo handling services	PAI Partners	2011	Switzerland	0.8%
28	**VWR International +/ *** Distributor of laboratory supplies	Madison Dearborn	2007	USA	0.8%
29	**Technogym** Manufacturer of premium fitness equipment and wellness products	Arle Capital	2006	Italy	0.7%
30	**The Groucho Club** Operator of members' club	Alcuin Capital	2015	UK	0.7%
	Total of 30 largest underlying investments				**47.9%**

+ All or part of this investment is held directly as a co-investment or other direct investment.
* Quoted investments.
** We are not permitted to disclose the details of this co-investment under the terms of a confidentiality agreement.

The 30 Largest Fund Investments

The table below summarises the 30 largest funds by value at 31 July 2015.

1-15

	Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
1	**Graphite Capital Partners VIII *** Mid-market buy-outs	61.2	2013	UK	35.5
2	**Graphite Capital Partners VI **** Mid-market buy-outs	5.4	2003	UK	23.7
3	**CVC European Equity Partners V **** Large buy-outs	1.5	2008	Europe/ USA	20.9
4	**Candover 2005 Fund **** Large buy-outs	0.1	2005	Europe	14.6
5	**Thomas H Lee Parallel Fund VI** Large buy-outs	1.7	2007	USA	14.1
6	**BC European Capital IX **** Large buy-outs	5.7	2011	Europe	13.1
7	**Graphite Capital Partners VII * / **** Mid-market buy-outs	7.6	2007	UK	13.1
8	**Deutsche Beteiligungs AG Fund V** Mid-market buy-outs	0.4	2006	Germany	12.9
9	**TDR Capital II** Mid-market and large buy-outs	0.7	2006	Europe	12.8
10	**PAI Europe V **** Mid-market and large buy-outs	1.1	2007	Europe	12.0
11	**Fourth Cinven Fund **** Large buy-outs	3.4	2006	Europe	10.8
12	**Activa Capital Fund II** Mid-market buy-outs	0.8	2007	France	10.5
13	**Bowmark Capital Partners IV** Mid-market buy-outs	0.6	2007	UK	10.2
14	**Fifth Cinven Fund** Large buy-outs	6.1	2012	Europe	9.7
15	**Doughty Hanson & Co V **** Mid-market and large buy-outs	5.3	2006	Europe	7.9
	Total of the 15 largest fund investments	**101.6**			**221.8**

16-30

Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
16 Landmark Acquisition Fund VIII ** Mezzanine	10.2	2014	Europe	7.2
17 ICG Europe V Mezzanine	0.5	2012	Europe	6.9
18 Doughty Hanson & Co IV Mid-market and large buy-outs	0.3	2005	Europe	4.7
19 Charterhouse Capital Partners IX ** Large buy-outs	1.0	2008	Europe	4.4
20 Permira V Large buy-outs	2.9	2013	Europe	4.3
21 Deutsche Beteiligungs AG Fund VI Mid-market buy-outs	2.9	2012	Germany	4.0
22 IK VII Mid-market buy-outs	3.1	2013	Europe	3.8
23 Hollyport Secondary Opportunities IV Tail-end secondary portfolios	0.8	2013	Global	3.7
24 Piper Private Equity Fund V Small buy-outs	2.3	2010	UK	3.6
25 Segulah IV Mid-market buy-outs	1.2	2008	Nordic	3.4
26 Nordic Capital Partners VIII Mid-market and large buy-outs	3.8	2013	Nordic	3.4
27 GCP Capital Partners Europe II ** Small buy-outs	1.6	2013	UK	3.2
28 TowerBrook III ** Mid-market and large buy-outs	1.3	2007	Europe/ USA	3.2
29 Advent Central and Eastern Europe IV Mid-market buy-outs	1.1	2008	Eastern Europe	3.1
30 TDR Capital III Mid-market and large buy-outs	4.5	2013	Europe	2.8
Total of the 30 largest fund investments	**139.1**			**283.5**
Percentage of total investment portfolio				**68.9%**

* Includes the associated Top Up funds.
** All or part of interest acquired through a secondary purchase.

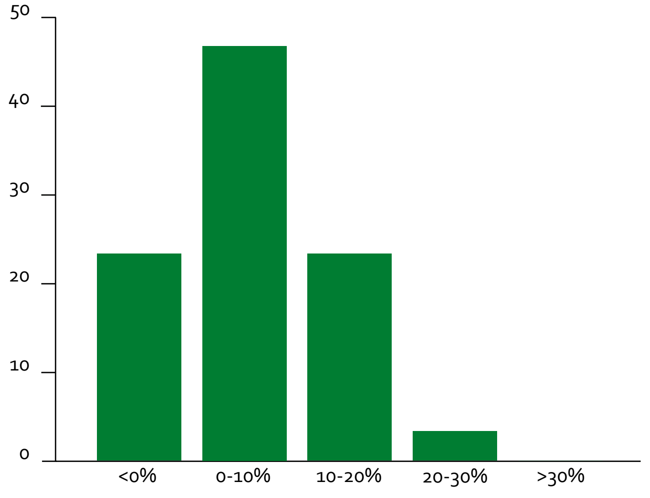
Analysis of the 30 Largest Underlying Investments

The graphs below analyse the 30 companies in which Graphite Enterprise had the largest investments by value at 31 July 2015. These investments may be held directly or through funds or, in some cases, in both ways.

Revenue growth*
Fig: 3.1

Average
6.1%

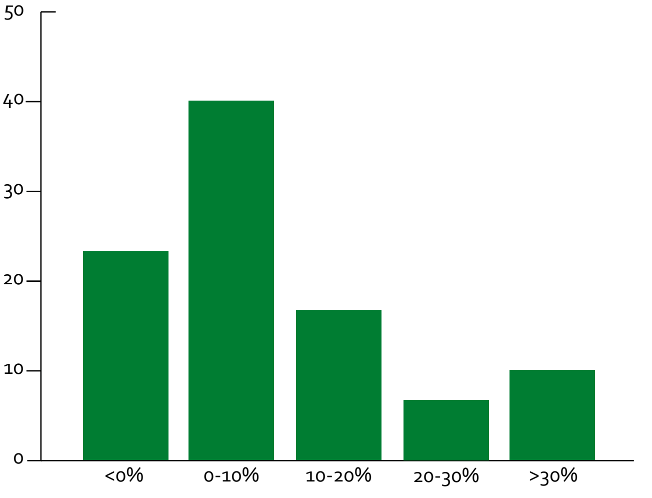
% by number



EBITDA growth**
Fig: 3.2

Average
7.7%

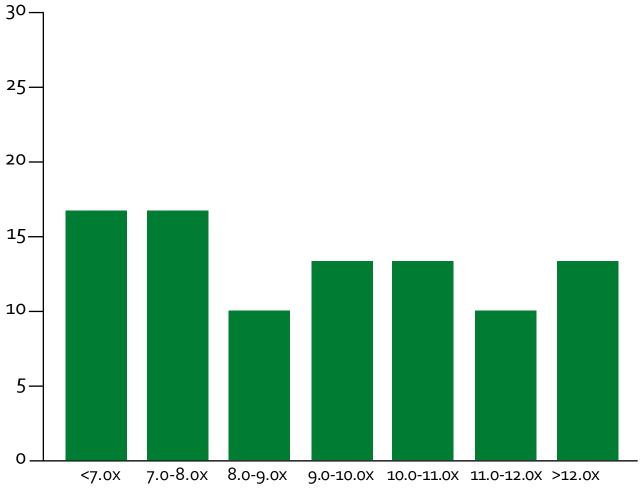
% by number



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

Average
9.1x

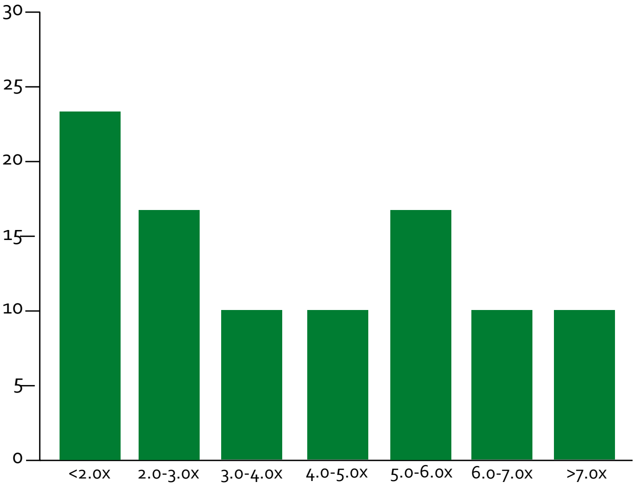
% by number



Net debt as a multiple of EBITDA*
Fig: 3.4

Average
3.7x

% by number



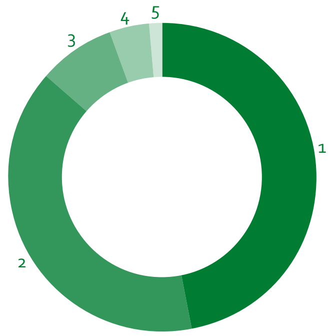
* Excludes Guardian Financial Services where this metric is not meaningful.
** Excludes Cognito where this metric is not meaningful.
*** Excludes Cognito and Guardian Financial Services where this metric is not meaningful.

Portfolio Analysis

The following four graphs analyse the closing portfolio by value at 31 July 2015.

Investment type

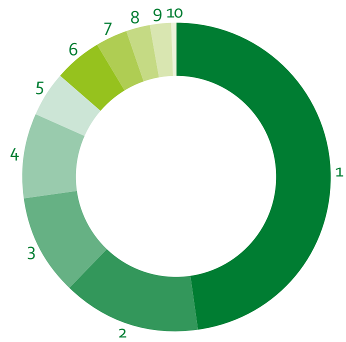
Fig: 3.5



1.	Large buy-outs	47.2%
2.	Mid-market buy-outs	39.3%
3.	Mezzanine	8.0%
4.	Small buy-outs	4.2%
5.	Quoted	1.3%

Geographic distribution[1]

Fig: 3.6

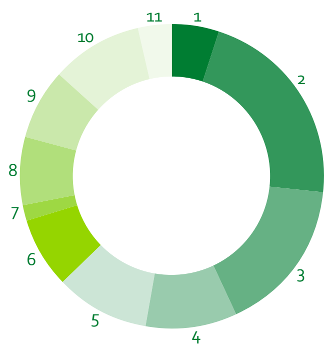


1.	UK	47.9%	6.	Scandinavia	5.0%
2.	North America	14.5%	7.	Spain	3.2%
3.	Germany	10.6%	8.	Italy	2.5%
4.	France	8.7%	9.	Other Europe	2.4%
5.	Benelux	4.9%	10.	Rest of world	0.3%

N.B. Total continental Europe 37.3%.

Year of investment[2]

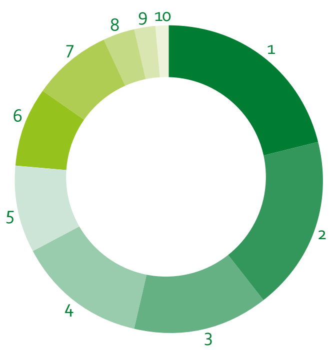
Fig: 3.7



1.	2015 (1.0x)	5.1%	7.	2009 (2.4x)	1.8%
2.	2014 (1.2x)	21.6%	8.	2008 (1.2x)	7.2%
3.	2013 (1.4x)	16.6%	9.	2007 (1.8x)	7.4%
4.	2012 (1.6x)	9.5%	10.	2006 (1.6x)	9.6%
5.	2011 (1.7x)	10.2%	11.	2005 and before (1.7x)	3.6%
6.	2010 (1.6x)	7.4%			

Sector analysis

Fig: 3.8



1.	Business services	21.2%	6.	Financials	8.6%
2.	Industrials	18.4%	7.	Automotive supplies	8.1%
3.	Healthcare and education	14.2%	8.	Technology and telecommunications	3.5%
4.	Consumer goods and services	13.5%	9.	Media	2.2%
5.	Leisure	9.1%	10.	Chemicals	1.2%

[1] Location of headquarters of underlying companies in the portfolio. Does not necessarily reflect countries to which companies have economic exposure.

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

Portfolio Analysis
(continued)

The following table analyses the closing portfolio by value.

Graphite and third-party investments at 31 July 2015

Portfolio	Managed by third-party private equity managers £m	Managed by Graphite Capital £m	Total £m	% of investment portfolio
Primary investments in funds	187.5	60.0	247.5	60.2%
Secondary investments in funds	59.5	12.2	71.7	17.4%
Direct and co-investments	66.8	25.5	92.3	22.4%
Total portfolio	**313.8**	**97.7**	**411.5**	**100.0%**
*Discretionary investments**	*126.3*	*97.7*	*224.0*	*54.4%*

* Includes Graphite Capital funds, all secondary investments in fund and all direct and co-investments.

Quoted equity holdings at 31 July 2015

All quoted holdings, other than Intermediate Capital Group, are held indirectly through third-party funds and may have restrictions on their sale. The timing of any disposal of these interests is determined by the managers of those funds.

Underlying investment	Ticker	£m	% of investment portfolio
VWR International	VWR	3.2	0.8%
Saga	SAGA	2.5	0.6%
Intermediate Capital Group	ICP	2.5	0.6%
Avolon Aerospace	AVOL	2.5	0.6%
Partnership	PA	2.5	0.6%
Party City	PRTY	2.4	0.6%
Elior	ELIOR	2.2	0.5%
FleetCor	FLT	2.0	0.5%
Abertis	ABE	1.6	0.4%
ComHem	COMH	1.6	0.4%
Black Knight	BKFS	1.5	0.4%
Others (less than 0.2%)		10.3	2.4%
Total		**34.8**	**8.4%**

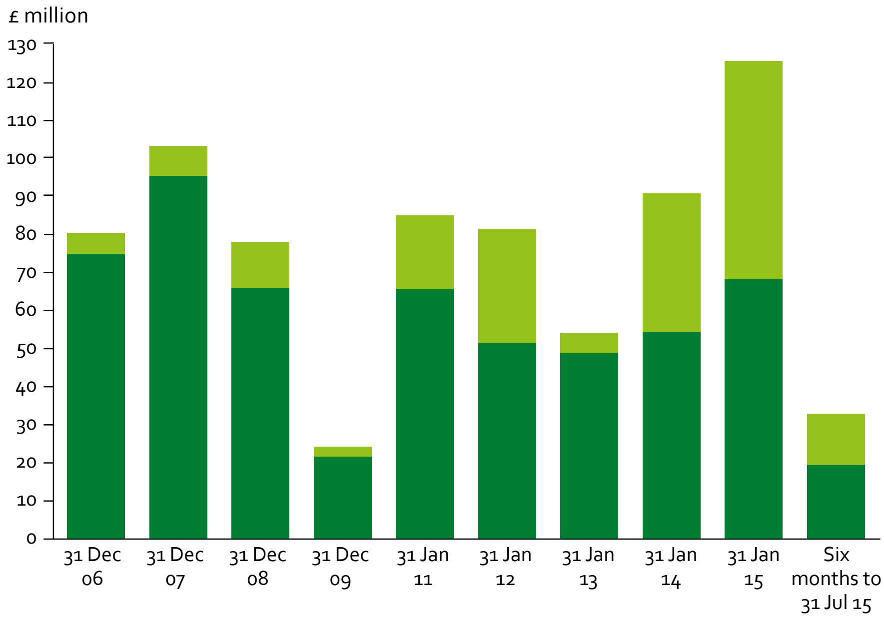
Investment Activity

New investments

- Drawdowns
- Direct and co-investments and secondary purchases of fund interests

Investments into the portfolio

Fig: 3.9



Largest new underlying investments in the six months ended 31 July 2015

Investment	Description	Manager	Country	£m
PetSmart	Retailer of pet products and services	BC Partners	USA	4.7
The Groucho Club *	Operator of members' club	Alcuin Capital	UK	3.0
Informatica	Provider of enterprise data integration and data quality software	Permira	USA	0.8
Premium Credit	Provider of specialty finance	Cinven	UK	0.8
Cerelia	Manufacturer of ready to bake dough	IK Partners	France	0.7
Cleanpart	Provider of engineering services to semi-conductor industries	Deutsche Beteiligungs	Germany	0.7
Loparex	Manufacturer of silicon release liners	ICG	Netherlands	0.7
Hurtigruten	Operator of passenger shipping	TDR Capital	Norway	0.7
Gutenberg	Manufacturer of paper products and labels	Activa	France	0.7
Mirion	Manufacturer of radiation detection products	Charterhouse	USA	0.6
Total of 10 largest new underlying investments				**13.4**

* Sold by Graphite Capital in the period. The Company re-invested alongside Alcuin Capital.

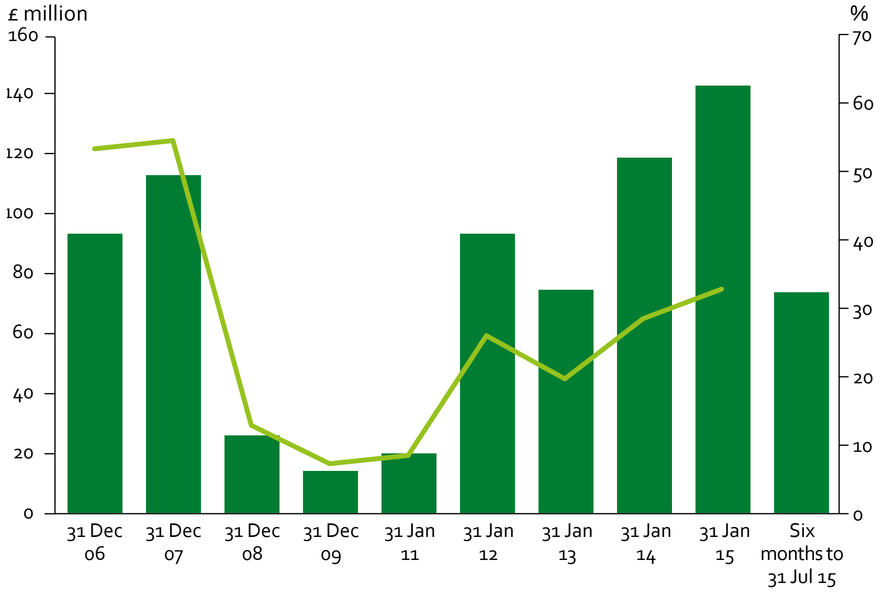
Realisation Activity

Realisations

■ Proceeds
■ Proceeds as a percentage of opening portfolio

Realisations from the portfolio+

Fig: 3.10



+ Excluding secondary sales of fund interests.

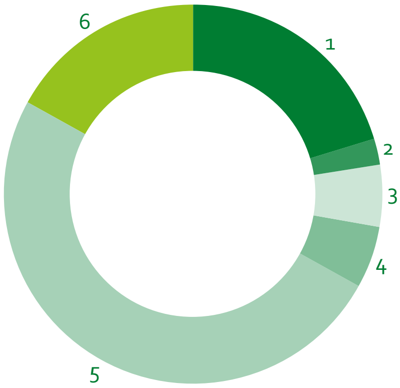
Largest underlying realisations

Investment	Manager	Year of investment	Realisation type	Proceeds £m
National Fostering Agency	Graphite Capital	2012	Private equity	11.9
Eurofiber	Doughty Hanson	2012	Trade	4.2
Intermediate Capital Group	ICG	1989	Sale of quoted shares	3.4
SAFE	Euromezzanine	2006	Secondary	3.3
Spire Healthcare	Cinven	2007	Public offering	3.1
Groucho Club*	Graphite Capital	2006	Secondary	3.1
Celsis	Harwood	2009	Trade	2.7
Healthcare Homes	Bowmark	2008	Trade	2.1
Evonik Industries	CVC	2008	Public offering	1.7
Atos	PAI Partners	2008	Public offering	1.6
Total of 10 realisations				**37.1**

* Sold by Graphite Capital in the period. The Company re-invested alongside Alcuin Capital.

Commitments Analysis

Commitments at 31 July 2015 – remaining investment period
Fig: 3.11



1. Investment period complete	20.3%
2. <1 year	2.4%
3. 1-2 years	5.1%
4. 2-3 years	5.4%
5. 3-4 years	50.1%
6. 4-5 years	16.7%

Commitments at 31 July 2015	Original commitment* £m	Outstanding commitment £m	Average drawdown percentage	Percentage of commitments
Funds in investment period	299.0	198.2	33.7%	79.7%
Funds post investment period	520.0	50.5	90.3%	20.3%
Total	**819.0**	**248.7**	**69.6%**	**100.0%**

* Original commitments are translated at 31 July 2015 exchange rates.

Movement in outstanding commitments	Six months to 31 July 2015 £m
Opening	234.0
Drawdowns	(19.0)
New primary commitments	34.6
New commitments arising through secondary purchases of fund interests	4.9
Currency movements	(8.5)
Other	2.7
Closing	**248.7**

Supplementary Information

Commitments Analysis
(continued)

New commitments during the six months to 31 July 2015

Fund	Strategy	Geography	£m
Primary commitments			
ICG Europe Fund VI	Mezzanine	Europe	10.6
Fourth Alcuin Fund	Small buy-outs	UK	9.0
Harwood Private Equity IV	Small buy-outs	UK	7.5
Hollyport Secondary Opportunities V	Tail-end secondary portfolios	Global	7.5
Total primary commitments			**34.6**
Commitments arising from secondary purchases of fund interests			
BC European Capital IX	Large buy-outs	Europe	4.9
Total new commitments			**39.5**

New primary commitments	Description	Commitment £m
ICG Europe Fund VI	In June 2015 we committed €15.0 million to ICG Europe Fund VI ("ICG VI"), a €3 billion pan-European mezzanine fund managed by Intermediate Capital Group plc ("ICG"). ICG VI has a flexible strategy and will invest in a wide range of mezzanine and minority equity opportunities. It will focus on mid-market companies and offers a diversified pan-European exposure. ICG has a network of six offices across Europe and a team of 25 mezzanine investment professionals. ICG is one of our most profitable third-party manager relationships, dating back to 1989 when Graphite Enterprise backed the start-up of the management company. We have since invested in three of ICG's funds and made nine co-investments alongside the manager. ICG's distinctive strategy offers attractive return potential with relatively low downside risk.	10.6
The Fourth Alcuin Fund LP	In June 2015 we committed £9 million to The Fourth Alcuin Fund LP ("Alcuin IV"), a £150 million, lower mid-market, UK buy-out fund managed by Alcuin Capital Partners LLP ("Alcuin"). Whilst this is our first commitment to a fund managed by Alcuin, Graphite Capital has experience of working with the manager, including in relation to the Company's recent co-investment in The Groucho Club alongside Alcuin IV's predecessor fund. Alcuin IV will focus on buy-outs with enterprise values of between £10 million and £30 million, with a view to making equity investments of between £2 million and £10 million in each transaction. Alcuin has experience of investing across a wide range of sectors. The manager also adopts a flexible approach regarding potential transaction types, having undertaken a variety of management buy-in, growth capital and minority investments in addition to conventional management buy-outs. Alcuin can trace its history back to 1998 when the two founding partners started working together at BancBoston Capital. Alcuin IV represents an attractive investment for Graphite Enterprise as the manager has a strong track record and a highly experienced team with the partners having an average of 22 years of private equity experience.	9.0
Harwood Private Equity IV LP	In June 2015 we committed £7.5 million to Harwood Private Equity IV LP ("Harwood IV"), a £152.5 million, lower mid-market buy-out fund managed by Harwood Capital LLP ("Harwood"). We have invested with Harwood since 2005, including four co-investments in addition to the commitments to the two predecessor funds. The core focus of Harwood IV will remain UK, lower mid-market companies with enterprise values of between £10 million and £40 million where the fund will invest up to £15 million in each transaction. However, as with the predecessor funds, we expect there to be some US, lower mid-market exposure of up to 15% of the fund. Over the last two decades, Harwood's investment team has developed a recognised expertise in public-to-private transactions in the lower mid-market segment, which have consistently generated strong returns through economic cycles.	7.5

Commitments Analysis
(continued)

New primary commitments	Description	Commitment £m
Hollyport Secondary Opportunities Fund V	In July 2015 we committed £7.5 million to Hollyport Secondary Opportunities Fund V ("Hollyport V"), a new fund being raised by Hollyport Capital LLP ("Hollyport"). We participated in the first closing which raised £125 million. Graphite Enterprise was one of Hollyport's first institutional investors in 2007 and has now invested in all five of its funds. Hollyport V will invest in diverse portfolios of legacy private equity assets, acquired at substantial discounts in the secondary market. As Hollyport operates in a different segment of the secondary market to Graphite Enterprise, the fund's activity is complementary to our own. Investing with Hollyport offers the prospect of strong returns and also provides valuable insight into developments in the broader secondary market.	7.5

New commitments arising from secondary purchases	Description	Consideration £m
BC European Capital IX	In February 2015 we acquired a secondary interest in BC European Capital IX, a €6.7 billion European large buy-out fund raised in 2011, in which we already have a €10.0 million primary commitment. We invested €9.4 million to acquire the secondary fund interest with a further €6.6 million undrawn commitment. At the time of acquisition the fund was 56% drawn having made 9 investments, some of which had been partially realised, with one investment successfully listed.	7.1

Currency

Currency exposure

	31 July 2015 £m	31 July 2015 %	31 January 2015 £m	31 January 2015 %
Portfolio*				
– Sterling	213.2	51.8%	230.1	53.3%
– Euro	109.3	26.6%	119.7	27.7%
– US dollar	59.1	14.4%	54.9	12.7%
– Other European	28.2	6.8%	25.1	5.8%
– Other	1.7	0.4%	2.1	0.5%
Total	**411.5**	**100.0%**	**431.9**	**100.0%**

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

	31 July 2015 £m	31 July 2015 %	31 January 2015 £m	31 January 2015 %
Outstanding commitments				
– Sterling	112.8	45.4%	91.8	39.2%
– Euro	128.8	51.8%	135.0	57.7%
– US dollar	5.9	2.4%	6.1	2.6%
– Other European	1.2	0.4%	1.1	0.5%
Total	**248.7**	**100.0%**	**234.0**	**100.0%**

Dividend and Shareholder Analysis

Dividend history

Financial period ended	Earnings per share p	Total dividend per share p	Net asset value per share p	Closing share price p
31 July 2015	8.0	5.0*	700.3	590.0
31 January 2015	13.0	15.5^	695.2	575.0
31 January 2014	19.0	15.5#	677.2	563.5
31 January 2013	3.2	5.0	631.5	487.0
31 January 2012	6.3	5.0	569.4	357.0
31 January 2011	1.5	2.25	534.0	308.0
31 December 2009	-0.1	2.25	464.1	305.0
31 December 2008	5.1	4.5	449.0	187.0
31 December 2007	8.9	8.0	519.4	474.0
31 December 2006	7.4	6.5	454.6	386.0

* Interim dividend of 5.0p per share, to be paid in October 2015.
^ Includes special dividend of 5.5p per share.
#Includes special dividend of 8.0p per share.

Analysis of shareholders

	31 July 2015		31 January 2015	
	Number of shares held ('000)	Percentage of total	Number of shares held ('000)	Percentage of total
Individuals*	41,548	57.5%	41,635	57.1%
Institutional funds	21,852	30.3%	21,841	30.0%
Private client wealth managers	4,989	6.9%	4,788	6.6%
Pensions	1,987	2.8%	2,662	3.7%
Banks, insurance companies and other	1,831	2.5%	1,987	2.7%
Total	72,207	100.0%	72,913	100.0%

* Including shares held through savings scheme and platforms.

Financial Information

Consolidated Income Statement

	Half year to 31 July 2015 (unaudited)			Half year to 31 July 2014 (unaudited)			Year to 31 January 2015 (audited)		
	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s
Investment returns									
Income, gains and losses on investments	**7,720**	**12,577**	**20,297**	10,190	8,869	19,059	13,896	22,614	36,510
Deposit interest	**145**	**–**	**145**	82	–	82	228	–	228
Other income	**–**	**–**	**–**	241	–	241	417	–	417
Foreign exchange gains and losses	**–**	**(663)**	**(663)**	–	(389)	(389)	–	(1,024)	(1,024)
	7,865	**11,914**	**19,779**	10,513	8,480	18,993	14,541	21,590	36,131
Expenses									
Investment management charges	**(751)**	**(2,251)**	**(3,002)**	(737)	(2,213)	(2,950)	(1,452)	(4,357)	(5,809)
Other expenses	**(754)**	**(569)**	**(1,323)**	(770)	(883)	(1,653)	(1,593)	(1,835)	(3,428)
	(1,505)	**(2,820)**	**(4,325)**	(1,507)	(3,096)	(4,603)	(3,045)	(6,192)	(9,237)
Profit before tax	**6,360**	**9,094**	**15,454**	9,006	5,384	14,390	11,496	15,398	26,894
Taxation	**(562)**	**562**	**–**	(989)	989	–	(2,044)	2,044	–
Profit for the period	**5,798**	**9,656**	**15,454**	8,017	6,373	14,390	9,452	17,442	26,894
Attributable to:									
Equity shareholders	**5,798**	**8,286**	**14,084**	8,017	6,227	14,244	9,452	14,952	24,404
Non-controlling interests	**–**	**1,370**	**1,370**	–	146	146	–	2,490	2,490
Basic and diluted earnings per share			**19.4p**			19.6p			33.5p

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 41 to 45 form an integral part of the financial statements.

Consolidated Balance Sheet

	As at 31 July 2015 (unaudited) £'000s	As at 31 July 2014 (unaudited) £'000s	As at 31 January 2015 (audited) £'000s
Non-current assets			
Investments held at fair value			
– Unquoted investments	**408,946**	398,158	426,943
– Quoted investments	**2,517**	4,055	4,962
	411,463	402,213	431,905
Current assets			
Cash and cash equivalents	**100,994**	101,123	90,137
Receivables	**3,275**	1,588	2,246
	104,269	102,711	92,383
Current liabilities			
Payables	**586**	385	7,694
Net current assets	**103,683**	102,326	84,689
Total assets less current liabilities	**515,146**	504,539	516,594
Capital and reserves			
Called up share capital	**7,292**	7,292	7,292
Capital redemption reserve	**2,112**	2,112	2,112
Share premium	**12,936**	12,936	12,936
Capital reserve	**467,705**	454,764	463,489
Revenue reserve	**15,624**	19,600	21,035
Equity attributable to equity holders	**505,669**	496,704	506,864
Non-controlling interests	**9,477**	7,835	9,730
Total equity	**515,146**	504,539	516,594
Net asset value per share (basic and diluted)	**700.3p**	681.2p	695.2p

Consolidated Cash Flow Statement

	Half year to 31 July 2015 (unaudited) £'000s	Half year to 31 July 2015 (unaudited) £'000s	Year to 31 January 2015 (audited) £'000s
Operating activities			
Sale of portfolio investments	**65,723**	93,269	149,413
Purchase of portfolio investments	**(38,878)**	(53,315)	(119,180)
Short term loan to portfolio investments	**(1,138)**	–	–
Interest income received from portfolio investments	**5,399**	6,438	8,324
Dividend income received from portfolio investments	**2,180**	3,412	5,141
Other income received	**145**	322	644
Investment management charges paid	**(2,975)**	(3,076)	(5,815)
Taxation received	**–**	(22)	–
Other expenses paid	**(604)**	(480)	(977)
Net cash inflow from operating activities	**29,852**	46,548	37,550
Financing activities			
Investments by non-controlling interests	**–**	118	357
Distributions to non-controlling interests	**(1,623)**	(1,344)	(2,032)
Credit facility fee	**(1,431)**	(747)	(1,651)
Purchase of treasury shares	**(4,070)**	–	–
Equity dividends paid	**(11,209)**	(11,302)	(11,302)
Net cash outflow from financing activities	**(18,333)**	(13,275)	(14,628)
Net increase in cash and cash equivalents	**11,519**	33,273	22,922
Cash and cash equivalents at beginning of period	**90,137**	68,239	68,239
Net increase in cash and cash equivalents	**11,519**	33,273	22,922
Effect of changes in foreign exchange rates	**(662)**	(389)	(1,024)
Cash and cash equivalents at end of period	**100,994**	101,123	90,137

Consolidated Statement of Changes in Equity

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interests £'000s	Total equity £'000s
Half year to 31 July 2015 (unaudited)									
Opening balance at 1 February 2015	7,292	2,112	12,936	369,565	93,924	21,035	506,864	9,730	516,594
(Loss)/profit attributable to equity shareholders	–	–	–	(331)	8,617	5,798	14,084	–	14,084
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	1,370	1,370
Profit for the period and total comprehensive income	–	–	–	(331)	8,617	5,798	14,084	1,370	15,454
Transfer on disposal of investments	–	–	–	18,932	(18,932)	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(11,209)	(11,209)	–	(11,209)
Purchase of treasury shares	–	–	–	(4,070)	–	–	(4,070)	–	(4,070)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,623)	(1,623)
Closing balance at 31 July 2015	7,292	2,112	12,936	384,096	83,609	15,624	505,669	9,477	515,146

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interests £'000s	Total equity £'000s
Half year to 31 July 2014 (unaudited)									
Opening balance at 1 February 2014	7,292	2,112	12,936	351,415	97,122	22,885	493,762	8,915	502,677
Profit attributable to equity shareholders	–	–	–	1,409	4,818	8,017	14,244	–	14,244
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	146	146
Profit for the period and total comprehensive income	–	–	–	1,409	4,818	8,017	14,244	146	14,390
Transfer on disposal of investments	–	–	–	12,477	(12,477)	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(11,302)	(11,302)	–	(11,302)
Contributions by non-controlling interests	–	–	–	–	–	–	–	118	118
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,344)	(1,344)
Closing balance at 31 July 2014	7,292	2,112	12,936	365,301	89,463	19,600	496,704	7,835	504,539

Consolidated Statement of Changes in Equity
(continued)

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interests £'000s	Total equity £'000s
Year to 31 January 2015 (audited)									
Opening balance at 1 February 2014	7,292	2,112	12,936	351,415	97,122	22,885	493,762	8,915	502,677
Profit attributable to equity shareholders	–	–	–	2,913	12,039	9,452	24,404	–	24,404
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	2,490	2,490
Profit for the year and total comprehensive income	–	–	–	2,913	12,039	9,452	24,404	2,490	26,894
Transfer on disposal of investments	–	–	–	15,237	(15,237)	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	(11,302)	(11,302)	–	(11,302)
Contributions by non-controlling interests	–	–	–	–	–	–	–	357	357
Distributions to non-controlling interests	–	–	–	–	–	–	–	(2,032)	(2,032)
Closing balance at 31 January 2015	7,292	2,112	12,936	369,565	93,924	21,035	506,864	9,730	516,594

The notes on pages 41 to 45 form an integral part of the financial statements.

Notes to the Interim Report
(unaudited)

1 General information
Graphite Enterprise Trust PLC (the "Parent Company") and its subsidiaries (together "Graphite Enterprise" or the "Company") are registered in England and Wales and domiciled in England. The registered office is Berkeley Square House, Berkeley Square, London W1J 6BQ. The Company's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through private equity funds but also directly. This report was approved for issue by the Board of Directors on 5 October 2015.

2 Unaudited interim report
This financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 January 2015 were approved by the Board of Directors on 24 April 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006. This financial report has not been audited.

3 Basis of preparation
The financial report for the six months ended 31 July 2015, comprising the Condensed Consolidated Interim Financial Statement, has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

This financial report should be read in conjunction with the annual financial statements for the year to 31 January 2015, which have been prepared in accordance with IFRSs as adopted by the European Union. The accounting policies applied are consistent with those of the annual financial statements for the year to 31 January 2015, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in November 2014.

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 methdologies 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.

Notes to the Interim Report
(continued)

3 Basis of preparation (continued)

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 invesments.

Associates

Investments which fall within the definition of an associate under IAS 28 (Investments in associates) are accounted for as investments held at fair value through profit or loss, as permitted by that standard.

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

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.

4 Receivables

The Company has access to committed bank facilities, which are undrawn. The set up costs in relation to these were capitalised and are recognised over the lives of the facilities on a straight line basis. At 31 July 2015, £1,192,800 of bank facility costs are included within receivables. Of this, £430,850 is expected to be amortised in less than one year.

5 Dividends paid

	Half year to 31 July 2015 £'000s	Half year to 31 July 2014 £'000s	Year to 31 January 2015 £'000s
Half year to 31 July 2015: 15.5p per share (Half year to 31 July 2014: 15.5p per share and year to 31 January 2015: 15.5p per share)	**11,209**	11,302	11,302

6 Called up share capital

At 31 July 2015, 72,913,000 shares had been allocated, called up and fully paid. Of this total, the Company held 705,833 shares in treasury (31 July 2014 and 31 January 2015: nil) leaving 72,207,167 in issue.

7 Earnings per share

	Half year to 31 July 2015	Half year to 31 July 2014	Year to 31 January 2015
Revenue return per ordinary share	**8.0p**	11.0p	13.0p
Capital return per ordinary share	**11.4p**	8.6p	20.5p
Earnings per ordinary share (basic and diluted)	**19.4p**	19.6p	33.5p
Weighted average number of shares	**72,602,027**	72,913,000	72,913,000

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

8 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All private equity and quoted investments are valued at fair value in accordance with IAS 39. The Company's unquoted investments are all classified as Level 3 investments.

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

The fair value of direct unquoted investments is calculated in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines issued in December 2012. The primary valuation methodology used is an earnings multiple methodology, with other methodologies used where they are more appropriate.

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

The realised and unrealised gains and losses have been recognised in Income, gains and losses on investments in the Consolidated Income Statement.

The following table presents the changes in level 3 instruments for the six months to 31 July 2015.

Group	Unquoted investments (indirect) at fair value through profit or loss £'000s	Unquoted investments (direct) at fair value through profit or loss £'000s	Total £'000s
Opening balance	341,520	85,423	426,943
Additions	26,252	6,481	32,733
Disposals	(62,648)	(7,438)	(70,086)
Gains and losses recognised in profit or loss	14,104	5,252	19,356
Closing balance	319,228	89,718	408,946
Total gains for the period included in income statement for assets held at the end of the reporting period	14,104	5,252	19,356

Financial Information

Notes to the Interim Report
(continued)

8 Fair values estimation (continued)

The following tables present the assets that are measured at fair value. The Company did not have any financial liabilities measured at fair value at these dates.

31 July 2015	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	319,228
Unquoted investments – direct	–	–	89,718
Quoted investments – direct	2,517	–	–
Total investments held at fair value	2,517	–	408,946

31 January 2015	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments held at fair value			
Unquoted investments – indirect	–	–	341,520
Unquoted investments – direct	–	–	85,423
Quoted investments – direct	4,962	–	–
Total investments held at fair value	4,962	–	426,943

There have been no significant transfers between levels 1, 2 and 3 for the period ended 31 July 2015 (31 January 2015: £nil).

9 Investment management charges

The investment management charges set out in the table below were payable to the Manager, Graphite Capital Management LLP, in the period. The Manager is a related party.

	Half year to 31 July 2015 £'000s	Half year to 31 July 2014 £'000s	Year to 31 January 2015 £'000s
Investment management fee	**2,976**	2,939	5,756
Irrecoverable VAT	**26**	11	53
	3,002	2,950	5,809

The allocation of the total investment management charges was unchanged in 2015 with 75% of the total allocated to capital and 25% allocated to income.

The management fee charged by the Manager is 1.5% of the value of invested assets and 0.5% of outstanding commitments, in both cases excluding funds managed by Graphite Capital. No fee is charged on cash or liquid asset balances. The amounts payable during the period are set out above.

At 31 July 2015 management fees of £97,000 were accrued (31 July 2014: prepayment of £50,000).

The Company has borne management charges in respect of its investments in funds managed by Graphite Capital as set out below:

	Half year to 31 July 2015 £'000s	Half year to 31 July 2014 £'000s	Year to 31 January 2015 £'000s
Graphite Capital Partners VI	**(99)**	70	150
Graphite Capital Partners VII	**1**	225	392
Graphite Capital Partners VIII	**812**	696	1,376
	714	991	1,918

Regulatory Disclosures

Statement of Directors' responsibilities

The Directors confirm that this interim report has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- there were no changes in material related-party transactions in the first six months or any material changes in the related-party transactions as described in the last annual report.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company for the second half of the financial year are substantially the same as those disclosed on pages 10 and 11 of the Report and Accounts for the year ended 31 January 2015.

Going concern

The factors likely to affect the Company's ability to continue as a going concern were set out in the Report and Accounts for the year ended 31 January 2015. As at 31 July, there have been no significant changes to these factors. Having reviewed the Company's forecasts and other relevant evidence, the Directors have a reasonable expectation that the Parent Company and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated interim financial statements.

On behalf of the Board

Mark Fane, Chairman
5 October 2015

Independent Review Report to Graphite Enterprise Trust PLC

Report on the consolidated interim financial statements

Our conclusion
We have reviewed the consolidated interim financial statements, defined below, in the interim report of Graphite Enterprise Trust PLC for the six months ended 31 July 2015. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

What we have reviewed
The consolidated interim financial statements, which are prepared by Graphite Enterprise Trust PLC, comprise:

- the consolidated income statement as at 31 July 2015;
- the consolidated balance sheet for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the consolidated interim financial statements.

As disclosed in note 3, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of consolidated financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial statements.

Responsibilities for the consolidated interim financial statements and the review

Our responsibilities and those of the directors
The interim report, including the consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
5 October 2015
London

Notes: (a) The maintenance and integrity of the Graphite Enterprise Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

General Information

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 52.

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.

Investment Trust Individual Savings Account (ISA)

Investors can make an annual tax-efficient investment of up to £15,240 for the 2015/16 tax year in an ISA. Investors can invest a lump sum, make regular monthly payments or transfer existing ISAs while maintaining all the tax benefits.

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.

Junior ISA (JISA)

A tax-efficient savings plan for children who did not qualify for a CTF. Investors can invest up to £4,080 for the 2015/16 tax year with all the tax benefits of a CTF. An existing CTF can be transferred to a Junior ISA.

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.

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 £4,080 can be made for the tax year. An existing CTF can be transferred to a Junior ISA.

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: 0345 600 3030
(UK calls charged at a local rate)
9:00am – 5:00pm, weekdays,
calls may be recorded or monitored for training and quality purposes

Email: investor.enquiries@fandc.com

Address: F&C Management Ltd
PO Box 11114
Chelmsford
Essex
CM99 2DG

New investors can contact the Investor Services Team on:

Telephone: 0800 136 420
8:00am – 5:30pm, weekdays,
calls may be recorded or monitored for training and quality purposes

Email: info@fandc.com

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 and first quarter's results
September	Interim figures announced and half-yearly report published
December	third quarter's result

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.

Broker
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Interim dividend
An interim dividend of 5.0p is payable as follows:

Ex-dividend date 8 October 2015
(shares trade without rights to the dividend)

Record date 9 October 2015
(last date for registering transfers to receive the dividend

Dividend payment date 20 October 2015

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 share price is published daily in the Financial Times and Daily Telegraph under the sections headed 'Investment Companies'.

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 Association of Investment Companies. www.theaic.co.uk

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Website

For further information please visit our website at www.graphite-enterprise.com

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