Graphite Capital

Graphite Enterprise Trust PLC

Investing in long term growth

Report and Accounts
31 January 2012

Contents

Summary of the Year

Overview

+15.9%

Share price
The share price strongly outperformed the benchmark FTSE All-Share Index

+6.6%

Net asset value per share
The NAV per share outperformed the FTSE All-Share Index which fell by 3.7%

+12.0%

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

£81.2m

New investments
Secondary purchases of £26.8 million and direct investments of £3.1 million were made. Funds drew down £51.3 million

£96.7m

Realisation proceeds
27.1% of the opening portfolio was realised in cash, a four year high

5.0p

Dividend
The proposed dividend of 5.0p per share is more than double that of last year

Financial summary

	31 January 2012	31 January 2011	Change
Net asset value per share	569.4p	534.0p	+6.6%
Share price	357.0p	308.0p	+15.9%
Dividend per share	5.0p	2.25p	+122%
FTSE All-Share Index	2,933	3,044	-3.7%

About Graphite Enterprise

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

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

Investments in UK-based mid-market companies are made through funds managed by Graphite Capital. Typically these will be 20-25% of the portfolio. Investments in other sectors of the UK and in overseas markets are made through third party funds. Direct investments in companies may be made alongside both Graphite Capital and third party funds.

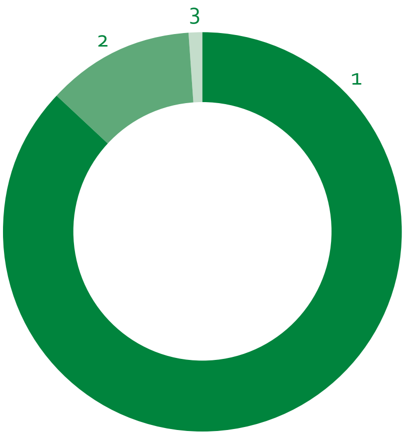
Graphite Enterprise provides access to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets, with over 300 underlying companies in the portfolio.

As a fund of funds manager which also has a long history as a direct buy-out manager, Graphite Capital has an unusually broad perspective from which to assess opportunities to invest in other managers' funds and to make selective co-investments alongside those funds.

The Board and Manager have a conservative approach to portfolio and balance sheet management. As a result the Company has a strong performance record through the recent downturn as well as over its 31 year history.

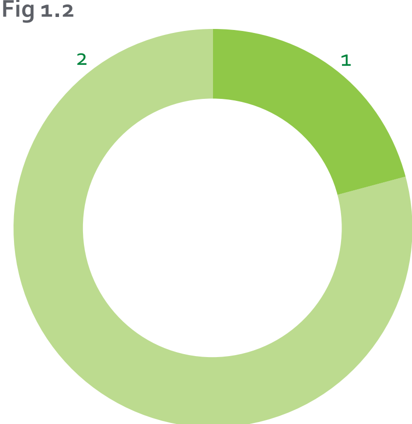
The Company's net asset value has outperformed the FTSE ALL-Share Index in 17 of the last 20 years

Investment type at 31 January 2012
Fig 1.1



1. European buy-outs	87%
2. Rest of world buy-outs	12%
3. Other investment types	1%

Investment portfolio at 31 January 2012
Fig 1.2



1. Graphite portfolio	21%
2. Third party portfolio	79%

Graphite Capital's distinctive approach
The team at Graphite Capital managing Graphite Enterprise has extensive direct investing experience. We are therefore well placed to judge other private equity managers and their funds. We also benefit from the insight and market knowledge of the direct investment team.

Our approach to fund investing is rigorous and analytical. Our direct investment experience helps us to appraise the underlying companies in a manager's track record which we believe is key to evaluating performance.

We are also ideally positioned to take advantage of co-investment opportunities and to purchase mature funds in the secondary market.

Experienced and cohesive team
Our senior team has worked together for 15 years and has an average of over 20 years' experience in private equity.

Track record of success
Over 10 years, Graphite Enterprise's net asset value per share has increased by 100%, compared with the FTSE All-Share which has risen by only 16%.

Since inception, the Company has generated a return of more than 24 times the amount subscribed.

Quality of the manager is key
The choice of funds in which to invest in 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. Our main focus is on the track record of the current team in producing strong, repeatable investment returns.

We also generally prefer to support managers operating in markets where the private equity industry is well established, where we consider there is less risk.

Diversified, but not diluted
The Company aims to provide exposure to a diversified portfolio, but one where the success of the larger investments can have an impact on the Company's performance.

There are currently more than 300 companies in the portfolio, of which the largest 30 account for 42% of the value. These companies are managed by 27 private equity firms.

Chairman's Statement

The net asset value has outperformed the FTSE All-Share over 5 and 10 years

Summary

Graphite Enterprise performed well against a background of continued economic weakness in the year to 31 January 2012, with the net asset value per share increasing by 6.6%. By comparison, the Company's benchmark, the FTSE All-Share Index, fell by 3.7%. The Company's strong performance reflected the sustained growth of its portfolio. At 31 January the net asset value per share was 569.4p and total assets were £423.6 million.

The share price rose strongly in the year. The increase of 15.9% to 357p narrowed the discount from 42.3% at January 2011 to 37.3%. Since the year end, the share price has continued to rise, increasing by a further 14.0% to 407p by 30 April and reducing the discount to 28.5%.

The portfolio increased in value by 12.0% in local currencies. This reflected both gains achieved on realisations and valuation increases driven by continued growth in the earnings of underlying portfolio companies.

The Company's net asset value per share has now risen in each of the last three financial years, after falling in 2008. In the four years since the start of the downturn, the net asset value has increased by 9.6%, strongly outperforming the FTSE All-Share Index which has fallen by 10.8%. The net asset value per share has also materially outperformed over the longer term, having risen by 99.9%[1] over ten years compared with an increase of 16.2% in the Index.

Long-term performance

	1	3	5	10
Net asset value per share	+6.6%	+26.8%	+25.3%	+99.9%
Share price	+15.9%	+90.9%	-7.5%	+56.2%
FTSE All-Share Index	-3.7%	+32.8%	-9.0%	+16.2

[1] As the Company has changed its year end from December to January, this is the 121 month period from 31 December 2001 to 31 January 2012.

The largest 30 companies increased EBITDA by 14%

The year ended as it began, with just under 90% of total assets invested in the portfolio. Realisation proceeds in the year were very high by recent standards at £96.7 million (including income), equivalent to more than a quarter of the value of the opening portfolio. This compares with a total of £59.6 million in the previous three years combined. Despite this strong cash inflow, we maintained the proportion of the Company's assets invested in the portfolio, primarily by increasing the level of secondary purchases. At the end of the year the investment portfolio stood at £377.7 million.

During the year, a £60.0 million bank facility was put in place to allow us to increase the level of investment. After adding cash and liquid assets of £44.2 million to this facility, total available liquidity had risen to £104.2 million at the year end, compared with £43.6 million at the start of the year. This puts the Company in a strong position to continue to make new commitments and investments in the current year.

Economic environment

The Company's investment programme is focused on countries with mature private equity markets, primarily in Western Europe. The year started positively, with the modest growth in these economies seen in 2010 continuing into 2011. However, from the summer onwards, mounting concern over the cost of supporting heavily indebted eurozone countries, and the potential impact of this on the region's banks, acted as a brake on economic activity. This was reflected in a slowdown in activity levels in private equity markets across Europe after a strong first half.

Graphite Enterprise has only limited exposure to those countries in the euro area with the highest levels of government debt, as we have chosen not to make commitments to funds focusing on these markets in recent years. Spain, Italy and Ireland represented 4.7%, 3.4% and 0.5% of the portfolio respectively and we have no direct exposure to either Portugal or Greece.

The outlook for 2012 and beyond remains one of generally subdued economic growth across the region. High levels of government debt and the weakness of the banking sector will continue to create uncertainty and there may be further periods of crisis. Geopolitical risks also remain a cause concern, particularly developments in parts of the Middle East.

However, economic uncertainty and change invariably create opportunity. We believe that private equity managers are ideally placed to identify and capitalise on these.

Performance overview

The 12.0% growth in the investment portfolio generated a 9.4% increase in the net asset value per share, after adjusting for adverse currency movements and the effect of holding cash. The costs of running the Company and of the new bank facility, together with the payment of the dividend, reduced the overall increase in net asset value per share to 6.6%.

Portfolio

The investment portfolio continued to perform well in the year. Although the rate of growth was lower than the very high rate of the previous year, when the underlying growth was 27.2%, it represented good performance in the context of the economic environment.

Chairman's Statement
(continued)

Just over half of the growth in the portfolio came from increases in company valuations, driven principally by continued earnings growth. The remainder was generated by profitable disposals. It is encouraging that, in the current environment, managers have continued to achieve realisations from their portfolios at well above carrying values.

As the largest 30 underlying companies accounted for 41.5% of the portfolio at 31 January 2012, their performance will, to a large extent, determine the future performance of the Company. These investments performed well in 2011, with revenues increasing by 13% and EBITDA by 14%. By comparison, the aggregate revenue of the FTSE 250 barely grew in 2011, while the aggregate EBITDA of those companies in the FTSE 250 did not grow at all.

As this performance has been against a background of economic weakness, we would expect the largest companies in the portfolio to make further progress in the current financial year even if, as expected, economic growth remains weak.

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

Discount

As the share price rose by more than the net asset value per share in the year, the discount narrowed from its opening level of 42.3% to 37.3%. The increase in the share price since the year end, as noted above, has narrowed the discount further to 28.5%. Although broadly in line with the average since the start of the economic downturn[2] of 35%, the discount is substantially higher than the average in the ten years prior to that of 11%.

The Board believes that it is most relevant to view the Company's discount in the context of those of its listed private equity peers. At the current share price the Company's discount is slightly better than the peer group average of just over 30%. The Board also recognises that the absolute level of the discount is a cause for concern for many investors. We believe that the key to reducing the discount is to generate demand for the Company's shares through continuing strong performance over the long term and communication of the Company's strategy. We have significantly increased the resources dedicated to investor relations and it will remain a focus.

Long term performance

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

In the period since December 2007, which covers the economic downturn, the net asset value has outperformed the Index by 20.4%, rising by 9.6% against a fall of 10.8%. Over this period, the Company's net asset value performance has been one of the strongest in the fund of funds sector and also within the wider listed private equity sector.

[2] For these purposes, deemed to be 31 December 2007

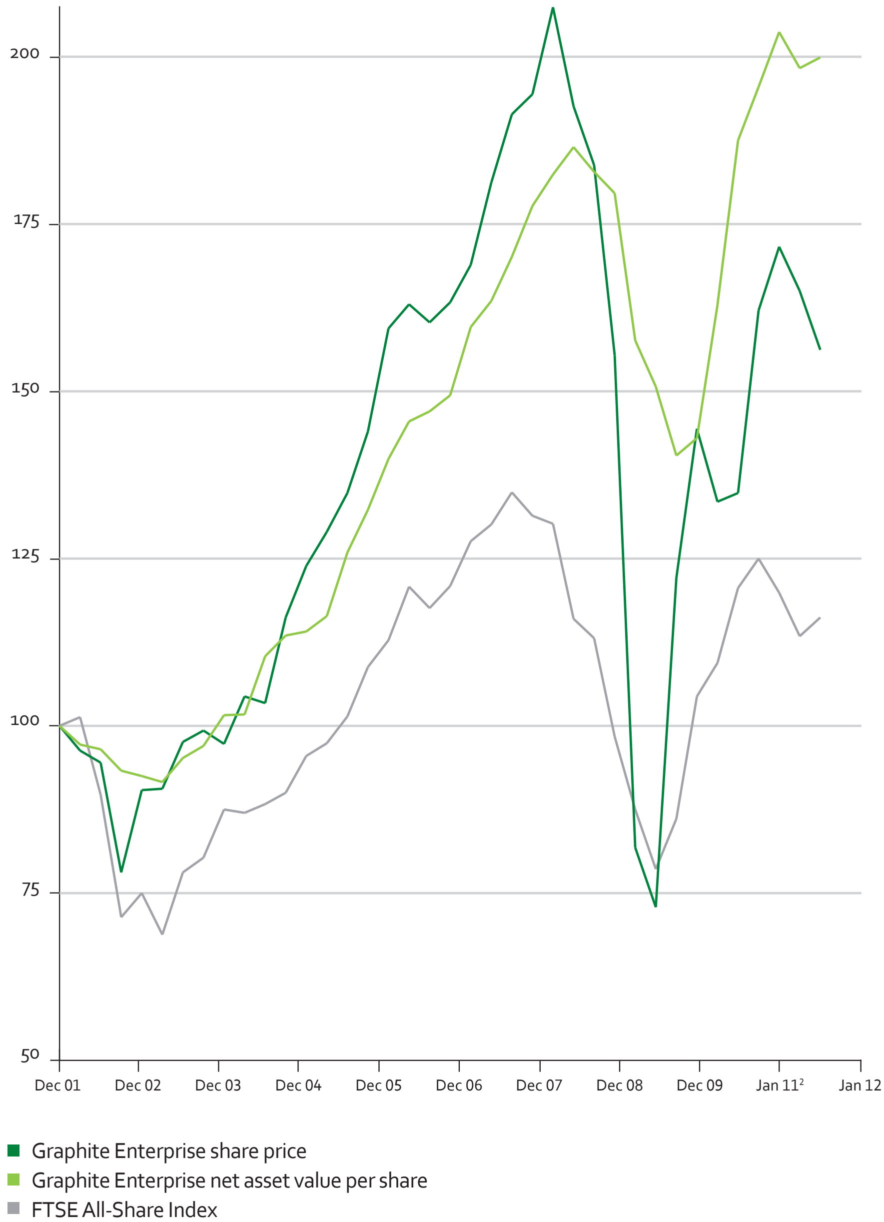
Both the share price and the net asset value have strongly outperformed the Index over ten and twenty years. Over these periods the net asset value has outperformed the Index in eight of the last ten years and in seventeen of the last twenty years, tending to underperform only when the Index has been rebounding from a sharp fall.

Balance sheet and commitments

The Company's balance sheet has been conservatively managed throughout the downturn with more than 30% of its assets held in cash at the low point of the cycle during 2009. We started to increase the level of investment in 2010 and since the third quarter of that year the Company has been more than 80% invested. In 2011 the Company put in place a bank facility of £60 million. This significantly enhanced our flexibility, enabling us to re-invest surplus cash flows from realisations at a time when there were attractive opportunities to do so. Throughout this period we believe that the balance between the investment portfolio, cash and outstanding commitments has been and continues to be appropriate for the prevailing economic conditions.

The size of the investment portfolio increased from £356.6 million to £377.7 million during the year and total assets increased from £399.5 million to £423.6 million. As set out in the Portfolio Review, a number of secondary interests in funds were acquired to maintain the level of investment.

Ten Year Perfomance[1]
Fig 1.3



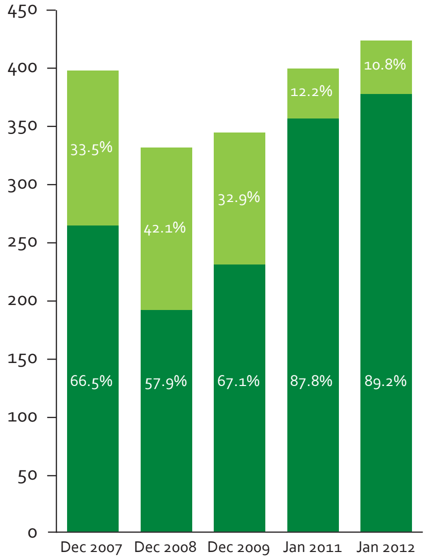
[1] All amounts rebased to 100 at 31 December 2001. Performance to 31 January 2012.

[2] 13 month period ended 31 January 2011.

Chairman's Statement
(continued)

Balance sheet

Fig 1.4



- Cash and other net current assets
- Portfolio

Drawdowns of commitments of £51.3 million significantly exceeded the £22.5 million of new commitments made to funds and this was reflected in the fall in undrawn commitments of £30.9 million during the year. This was the third consecutive year in which outstanding commitments fell and over this period they reduced by more than half from £307.3 million to £142.8 million. We are likely to increase the level of commitments in the current year as many high quality managers are raising new funds or plan to do so in the near future.

At 31 January 2012, the Company had total liquid resources of £104.2 million, of which £44.2 million was in liquid assets and £60.0 million in the undrawn bank facility. These resources covered nearly three quarters of outstanding commitments to funds. As we have discussed in the past, these commitments will be drawn over a number of years and are extremely unlikely to be drawn in full.

Further details of the Company's commitments are given in the Portfolio Review and Supplementary Information sections.

Income statement and dividend

A significant increase in profitable realisations in the year generated a substantial increase in revenues. As a result, after two years of low receipts, income returned to more normal levels.

Shareholders' total gain after tax for the year was £27.5 million or 37.7p per share, of which, £22.9 million or 31.4p per share, was capital gain. The net revenue of £4.6 million or 6.3p per share, compares with £1.1 million or 1.5p per share reported in the previous period.

Reflecting the higher level of income generated by the portfolio, the Board is pleased to recommend that the dividend be increased from 2.25p per share to 5.0p per share. If approved at the Annual General Meeting, this will result in a payment to shareholders of £3.6 million.

As investors may be aware, recent changes to the investment trust taxation rules will allow the Company to pay dividends from the realised capital reserve in future years. To take account of these changes we are proposing an amendment to the Company's Articles of Association at this year's Annual General Meeting.

The recommended dividend of 5.0p per share is more than double that of the previous year

Board
As previously reported, Andy Pomfret was appointed as a non-executive director on 11 March 2011 and Lucinda Riches joined the board as a non-executive director on 14 July 2011. Andy has been the chief executive of Rathbone Brothers PLC, a leading independent provider of investment and wealth services, since 2004, having previously been its finance director. Lucinda is currently a non-executive director of UK Financial Investments, the body which manages the government's investments in UK banks, and holds a number of other non-executive roles. She was previously global head of equity capital markets at UBS.

Both Andy and Lucinda bring highly relevant experience to the Board and are already making an impact on the Company's strategic decision making.

Outlook
In last year's annual report, we predicted that the level of realisations would rise and that the gap between new investment and realisations would narrow. In the event, realisations increased more rapidly than we had anticipated with the result that, for the first time in four years, realisation proceeds exceeded new investment. It was particularly encouraging that in the current environment, the realisations achieved were at material premiums to their previous holding values.

The private equity industry has now been operating in an uncertain economic environment for more than four years. Its performance over this period has been considerably stronger than many had predicted. In response to the changed conditions, the managers in our fund portfolio have refined their strategies and have constructed portfolios which are capable of increasing earnings against a background of low economic growth. The success of these strategies is best illustrated by the strong performance of our top 30 investments in recent years.

In the coming year we expect to see a substantial increase in the number of funds being raised by high quality managers. This will give us the opportunity to continue to back managers who have made high returns for us in the past and to invest with a small number of new managers for the first time. By investing in these funds, in addition to generating returns from the funds themselves, we should also be able to secure access to a continued flow of secondary interests in these funds and to a range of co-investment opportunities.

Chairman's Statement
(continued)

In recent months we have seen an increased flow of high quality secondary and co-investment opportunities. We believe this reflects the beginning of a material change in the private equity market. After many years in which cash has been relatively freely available, both managers and investors are becoming constrained by a shortage of capital. One of the main advantages of the closed ended investment trust structure is that it can provide capital at times when shortages elsewhere are creating the most attractive opportunities.

At the end of the year, Graphite Enterprise was 89% invested but with the bank facility in place had available liquidity of more than £100 million. As outstanding commitments have fallen sharply in recent years it is in a strong position to take advantage of the opportunities currently being presented by both increasing the level of new commitments and by making new investments.

Last year we highlighted the sensitivity of discounts in the listed private equity sector to changes in investor sentiment and suggested that discounts in the sector would continue to narrow as confidence returned. Since then our discount has fallen substantially, but at marginally under 30% it remains well above its long term average, albeit in line with the private equity sector as a whole. We continue to believe that the discount will narrow further as investors recognise the quality of our portfolio and the strength of our position in a changing market.

Mark Fane
May 2012

Business review

The Graphite Capital Team

Rod Richards
Managing Partner

Emma Osborne
Senior Partner,
Head of Fund Investment

Stephen Cavell
Senior Partner,
Head of Investor Relations

Tim Spence
Partner,
Finance Director

Simon ffitch
Senior Partner,
Joint Head of Direct Investment

Andy Gray
Senior Partner,
Joint Head of Direct Investment

Markus Golser
Senior Partner

Fiona Bell
Investment Manager,
Fund Investment

Andrea Fernandez
Investment Manager,
Fund Investment

Colm Walsh
Senior Financial Controller,
Fund Investment

Graphite Capital

The Company is managed by Graphite Capital Management LLP ("Graphite Capital" or the "Manager"). Graphite Capital is one of the UK's leading mid-market private equity firms with over £1.3 billion of funds under management. Graphite Capital has raised and managed funds for almost 30 years and has been owned by its partners since 2001. The senior management team has worked together for 15 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 20 investment professionals and 19 support staff. Separate teams focus on direct and fund investments and a small number of executives have responsibilities which span both activities. There is a highly collaborative culture which supports the sharing of insights and knowledge between teams.

Direct Investments

Direct investments account for approximately three quarters of Graphite Capital's funds under management. The focus of direct investments is on UK mid-market buy-outs of companies valued at between £25 million and £200 million across a range of industry sectors. Most direct investments are in well established companies, although some are at an earlier stage of development. While the focus is primarily on UK head quartered businesses, many have significant overseas operations.

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

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

Graphite Enterprise focuses mainly on investments directly managed by third parties but it is also one of the largest investors in Graphite Capital's direct investment programme. Graphite investments currently represent 21% of the portfolio value and 22% of undrawn commitments.

Fund Investments

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

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

Graphite Capital has a long history of investing in both third party funds and co-investments. Since 1989 the team has invested in 61 funds and 28 co-investments. The net return on realised funds and co-investments is more than twice the amount invested.

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

Market Review

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

Investment activity

Against a background of continuing economic and financial uncertainty, activity levels in 2011 were close to those of 2010. The total of 450 buy-outs was 6% higher than in 2010, while the total value of €67 billion was 1% lower.

However, the annual totals mask a material slowdown in the second half of the year when the renewed financial crisis in the eurozone had a major impact on confidence levels in the industry. The volume of new investments fell by 24% in the second half compared with the first, while their value fell by 41%.

Prices paid for new investments in 2011 were broadly unchanged from those paid in 2010. In general the prices paid for top quality companies remained relatively high by historic standards, but lower than those paid at the peak of the market in 2007. Debt levels for new buy-outs also remained broadly stable for the year, but again were significantly below 2007 levels.

Fundraising

The amount raised for European buy-outs accelerated strongly in 2011, registering an increase of more than 40% on the previous year. Although fewer funds were raised, those which were successfully closed were on average larger than those raised in 2010. In total, €18 billion was raised for 27 funds, compared with €13 billion raised for 32 funds the previous year. However, the increase needs to be put in context: fundraising remains significantly below its 2006 peak when €57 billion was raised.

The increased level of fundraising appears to have been sustained in the early part of 2012 with over €7 billion raised in the first quarter. The pipeline of new funds being raised is very strong as a high proportion of European buy-out managers have funds with investment periods expiring in the next 12 to 18 months, following the fundraising boom from 2006 to early 2008. Investor appetite for new funds appears to be returning, albeit slowly, as cash distributions have been made to investors in the last 12 to 18 months. However, for a variety of reasons, many private equity fund investors remain capital-constrained. Coupled with the high volume of new funds being launched, this will make raising capital in the current market difficult. As an investor in funds we view a scarcity of capital as positive, as it tends to lengthen the time available for due diligence and to improve the terms for investors.

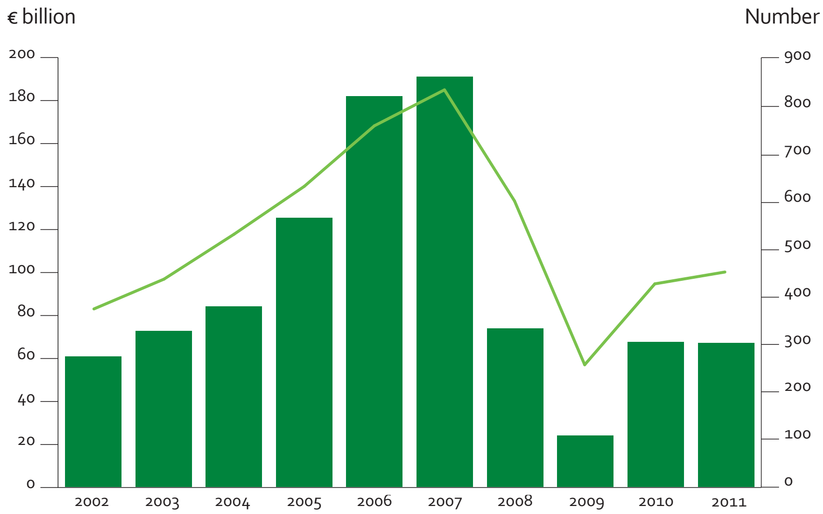
Secondary market

The market for secondary interests in funds remained strong in 2011. The volume of transactions was high and good quality funds continued to trade at relatively low discounts to reported net asset values. Volumes are expected to remain high in 2012, not least because mounting regulatory pressure on financial institutions may encourage banks and insurance companies to sell private equity assets.

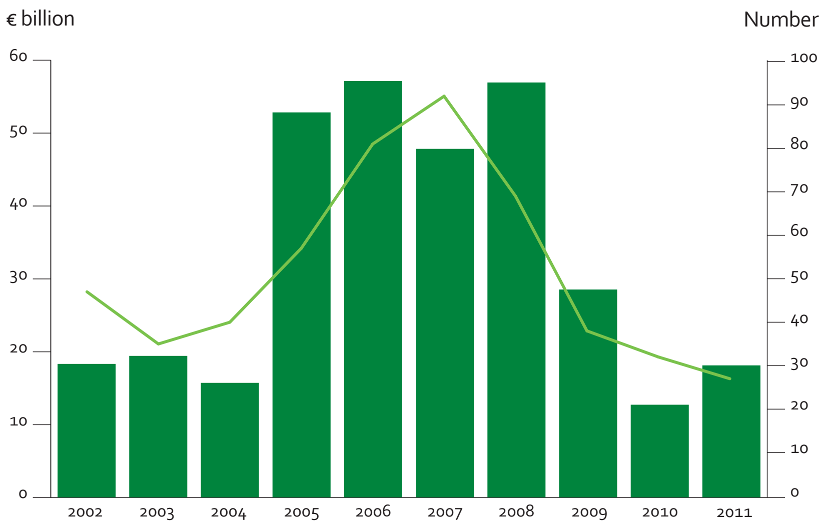
Despite the discounts being low, we believe that the secondary market continues to offer attractive opportunities and we will continue to focus on funds with significant long-term growth potential rather than those offering short-term gains based on high entry discounts.

The market for secondary purchases of interests in funds remained strong in 2011

New investments: European buy-out funds
Fig: 2.1



Fundraising: European buy-out funds
Fig: 2.2



Portfolio Review

The portfolio closed the year at its highest ever level of £377.7 Million

Portfolio performance

The portfolio continued to perform well in the year, increasing in value by 12.0% in local currencies. This followed rises of 20.7% in 2009 and of 27.2% in the 13 months to 31 January 2011. Over the three years the portfolio has grown at an annualised rate of over 19% and even in the current difficult economic environment has continued to generate strong earnings growth.

Movement in the portfolio	£m	£m
Opening portfolio at 31 January 2011		356.6
Additions		
– Drawdowns	51.3	
– Secondary purchases and co-investments	29.9	
Total additions		81.2
Disposal proceeds*		(96.7)
Underlying valuation increase		
– Gains arising from realisations	19.9	
– Other gains	22.9	
Total underlying valuation gains		42.8
Currency		(6.2)
Closing portfolio at 31 January 2012		377.7

*Includes income of £8.3 million generated by the portfolio in the year.

The portfolio ended the year over £20 million higher, at its highest ever level of £377.7 million. The increase was driven by a £36.6 million rise in the valuation of investments which was partially offset by £15.5 million of net realisations. The rise would have been greater had the appreciation of sterling not generated an adverse currency movement of £6.2 million.

Gains on disposals accounted for 47% of the £42.8 million increase in the underlying valuation of the portfolio. The remaining 53% came from valuation uplifts which were principally driven by earnings growth, partially offset by a slight decline in valuation multiples.

Graphite Capital's disposal of Kurt Geiger generated a gross return of 2.6 times cost and an uplift of 73% on carrying value

The average uplift on sale was 51% and the average multiple of original cost was 2.5

All parts of the portfolio performed well, with mid-market and small buy-outs contributing 47% of the total underlying gain, large buy-outs 34% and mezzanine, infrastructure and others contributing the remaining 19%.

Investment Activity

Realisation proceeds rose more than fivefold in the year to £96.7 million while the amount invested was marginally lower at £81.2 million. The portfolio generated a £15.5 million net cash inflow which would have been significantly higher had we not increased investments in secondary fund purchases and co-investments.

Realisations

The £96.7 million of proceeds from realisations was the highest since 2007. More than two-thirds of these were received in the first six months, primarily because three of our larger holdings were realised in the early part of the year.

Eighteen full realisations were completed in the year, generating £70.5 million or 73% of the total proceeds. The sales of Wagamama, Kwik-Fit and Preh were announced in the last annual report. Although they accounted for £31.0 million of proceeds they had very little impact on value, as their valuations had been increased at 31 January 2011 to reflect likely sale values. Excluding these three, the average uplift on sale was 51% while the average multiple of original cost was 2.5.

The largest realised gain in the year was made on Graphite Capital's sale of Kurt Geiger in June. Gross proceeds from this disposal were £13.1 million, representing a return of 2.6 times cost and an uplift of 73% on the previous carrying value. Other notable realisations included: Phadia, a 2007 large-cap secondary buy-out, which was sold by Cinven for 3.4 times cost and £5.4 million of proceeds; and Salient Surgical Technologies, a direct investment made in 2000 which generated a gain of £3.8 million on exit.

Kurt Geiger, Phadia and Salient Surgical Technologies were all sold to trade buyers. In total, trade sales accounted for ten of the eighteen disposals and 60% of proceeds from full realisations.

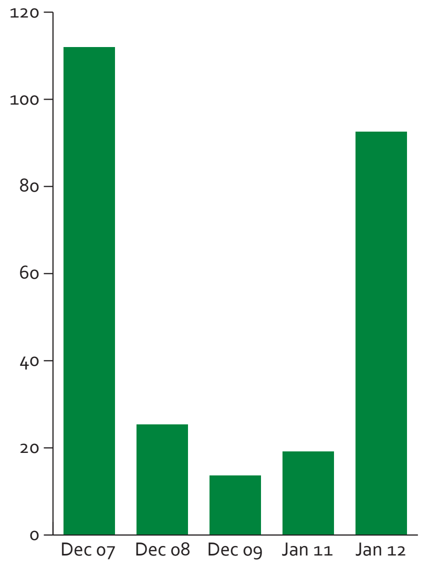
Of the remaining proceeds, £22.5 million was generated from partial disposals and refinancings, and £3.7 million from the secondary sale of interests in two funds. The partial disposals included a number of initial public offerings ("IPOs") including CVC's flotations of Elster and Samsonite and Apax's IPO of BankRate.

Realisations (excluding secondary sales) generated cash equivalent to 26% of the opening value of the portfolio. This rate of realisation was materially higher than the 9% achieved in the 13 month period to 31 January 2011 but remained below the Company's long-term average rate of 35% over the last 20 years.

Although disposals rose sharply in the year, they probably included an element of catch-up after the very low levels of the previous three years and were concentrated within some of our larger holdings. It therefore may be some time before we return to the long-term average rate noted above. Nonetheless, we were encouraged by the £20.7 million of proceeds generated in the fourth quarter. This was higher than the amount received in the whole of the prior year and demonstrates that successful realisations can still be achieved against a difficult economic backdrop.

Portfolio Review
(continued)

Realisations
Fig: 2.3



New investments

While realisation activity was substantially higher in the year, new investment was marginally lower. Additions to the portfolio totalled £81.2 million compared with £84.8 million in the period to 31 January 2011.

The £51.3 million of commitments drawn down by funds was markedly lower than the £65.9 million drawn in the period to 31 January 2011. We had anticipated that underlying investment activity would be broadly in line with the prior period. However a number of funds were, or are expecting to be, granted extensions to their investment periods, relieving some of the short-term pressure on managers to invest.

We materially increased the amount invested through purchases of secondary interests in funds in the year. This was because we believe they represent good value in the current environment and because they are an effective means of quickly re-investing realisation proceeds and of maintaining the level of investment. We acquired interests in six funds for a total cost of £26.8 million, which was more than twice the amount invested in secondary fund purchases in the prior period. Five of these were interests in mature funds managed by firms with whom the Company already invests. The sixth was a new relationship where we also committed to invest in the manager's new fund.

We made two co-investments in the year for a total cost of £1.9 million. Much the larger of the two was a £1.5 million investment alongside Graphite Capital Partners VII in National Fostering Agency, a provider of foster carers to local authorities in the UK.

The number of new underlying investments in the fund portfolio was comparable to that of the previous year but the average size of the investments was smaller. Of the 47 new investments, 25 were small and mid-market buy-outs, 18 were large buy-outs and the remaining four were mezzanine investments. The largest of these were Graphite Capital's investment in National Fostering Agency, TDR Capital's investment in Lowell Group, an acquirer of consumer debt portfolios and DBAG's investment in Spheros, a provider of air-conditioning systems for buses.

Closing portfolio

We believe the portfolio strikes a good balance between diversification and concentration. The level of diversification is sufficient to reduce overall risk while individual investments are still large enough to have an impact on overall performance. This was demonstrated by the sales of Kurt Geiger, Phadia and Salient Surgical Technologies during the year.

At 31 January the top ten underlying companies accounted for 20% of the value of the portfolio while the top 30 accounted for 42%. The performance of these 30 investments will therefore, to a large extent, determine the future performance of the Company. As outlined in the Chairman's Statement, the performance of the top 30 investments in 2011 was encouraging with growth in revenue averaging 13% and growth in EBITDA averaging 14%.

The top 30 investments were valued at an average of 9.0 times EBITDA, which is reasonable for the level of growth achieved and for the quality of the underlying earnings. In general, the leverage of these companies is modest, with net debt averaging 3.8 times EBITDA, but still sufficient to enhance future upside.

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

With holdings in 48 funds and 24 direct investments, the Company had exposure to 310 underlying companies. Twenty-six third party private equity firms are responsible for managing 79% of the portfolio by value while Graphite Capital directly manages 21%. Reflecting our hybrid fund-of-funds and direct investment approach, six of the top 10 investments and 10 of the top 30 investments are managed by Graphite Capital directly. This gives us a high level of influence over a significant part of the Company's portfolio.

The proportion of the portfolio in third-party co-investments fell from 15% to 7%, primarily as a result of the successful sales of Wagamama, Kwik-Fit and Preh at the start of the year. We increased the proportion of the portfolio acquired through secondary fund purchases from 6% to 14% in the year. We expect to increase both secondaries and co-investments as a proportion of the portfolio in the future.

European buy-outs represented 87% of the portfolio at January 2012. The portfolio remains well diversified by type of investment, sector, geography and vintage. Details of this are set out in the supplementary information section later in this report. Although there has been a relatively high level of activity in the portfolio during the year, the overall composition of the portfolio has not changed materially.

At 31 January, 99% of the portfolio was valued using December valuations. The portfolio was valued at an average multiple of 1.2 times original cost in local currency, of which 0.3 times cost had already been realised. At this valuation we believe there to be considerable potential for future growth as the portfolio matures. As the average maturity of the portfolio is marginally over four years, managers are likely to be looking to exit many companies when market conditions allow.

Commitments and liquidity

We made four commitments to new funds in the year totalling £22.5 million. The most significant of these were a €10.0 million commitment to the Fifth Cinven Fund and a €10.0 million commitment to BC Partners IX. We have been investing with Cinven since 2006, while BC Partners is a new relationship.

At 31 January, the Company had outstanding commitments of £142.8 million and liquid assets of £44.2 million. As the £60.0 million bank facility remained undrawn, after taking this into account, the level of overcommitment was only £38.7 million or 9% of total assets. We consider this to be conservative and it therefore gives us scope to increase commitments at a time when many high quality managers are raising new funds.

At the year-end 85% of undrawn commitments were to funds which are still within their investment periods and these had an average of 1.9 years in which to complete their investment programmes. If the rate of investment is constant for the remainder of their investment periods, we estimate that the annualised drawdown rate will be approximately £60 million.

In addition to funding these drawdowns, we expect to continue making selective secondary purchases and co-investments. Depending on the level of realisations achieved, it is therefore possible that the Company will begin to use its bank facility in the current financial year.

Portfolio Review
(continued)

Prospects for the year ending 31 January 2013

In the first two months of the year additions to the portfolio of £14.3 million substantially exceeded realisations of £2.1 million. We also committed to make two co-investments totalling £4.6 million in Spheros, alongside DBAG V, and in CPA Global, a provider of intellectual property and legal services, alongside the Fourth Cinven Fund. These are expected to complete in the coming weeks.

In March 2012, Ziggo, the Company's tenth largest investment at 31 January 2012, was partially realised through an IPO. In April, Bowmark Capital announced the sale of Data Explorers, the sixth largest investment at the year end. The exit value was more than 50% higher than the valuation at 31 January. Also in April, Tumi, the Company's 11th largest investment at 31 January 2012, was partially realised through an IPO. We estimate these three transactions, in isolation, will increase the Company's net asset value by a further £7.5 million or 10.3p per share*.

The pipeline of funds being raised by high quality managers is very strong. We believe it is important for the long term performance of the Company to support our preferred managers with primary fund commitments. We are therefore likely to increase significantly the level of commitments, and the number of manager relationships, over the next 12 to 18 months. As in the past, we will do so prudently and without putting the Company's balance sheet under pressure.

We are also seeing an increased flow of secondary and co-investment opportunities and would expect to complete a number of these investments in the current financial year. The amounts will be heavily influenced by the level of realisations.

The outlook for realisations remains somewhat uncertain. A number of exits are still being achieved and many managers will be hoping to make profitable disposals ahead of their upcoming fundraisings. However, economic uncertainty and a shortage of bank debt continue to make conditions challenging. Overall, we expect to see a steady level of disposals in the coming year but anticipate that total proceeds will be lower than last year.

Our flexible investment strategy allows us to adapt the mix of investments, cash and commitments to changing market conditions and to deploy our cash where we see the best relative value. We believe that our strong balance sheet and sound portfolio leave us well placed to capitalise on the high level of opportunities currently available.

Graphite Capital Management LLP
May 2012

* Based on market value of quoted shares as at 30 April 2012.

The Board

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

[1] Member of Audit Committee

Mark Fane 53 (Chairman),was appointed to the Board in 2000 and was appointed as Chairman of the Board in 2009. He is Chairman and Chief Executive of Crocus.co.uk, an internet-based gardening retailer established in 1999. He is a non-executive director of the commercial arm of the Royal Horticultural Society and was also a non-executive director of Ottakar's, a company in the portfolio of Graphite Enterprise, from 1992 until its takeover by HMV in July 2006.

Peter Dicks[1] 69, was appointed to the Board in 1998. He was co-founder of Abingworth PLC, a venture capital investment company, where he worked from 1973 to 1991. Since then he has been non-executive director or chairman of a number of companies. He is currently Chairman of Private Equity Investor PLC and Sportingbet PLC, and a director of Polar Capital Technology Trust PLC, MearsGroup PLC and Standard Microsystems Corporation, a U.S. based NASDAQ listed company.

Michael Cumming[1] 71, was appointed to the Board in 1999. He has been involved in private equity for 40 years having helped found Midland Montagu Industrial Finance and Barclays Private Equity where he was managing director for 14 years. He is currently chairman of the Advisory Committees for Mercia Fund 1 and 2 and a director of other unquoted companies.

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

Lucinda Riches 50,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 currently a non-executive director of UK Financial Investments Limited (UKFI), a non-executive member of the Partnership Board of SJ Berwin LLP, a non-executive director of The Diverse Income Trust PLC and an adviser to the board of the British Standards Institution. She is a trustee of Sue Ryder, a British charity.

Jeremy Tigue[1] 52, was appointed to the Board in 2008. He joined F&C Management in 1981 and has been the fund manager of Foreign & Colonial Investment Trust since 1997. He is a director of the Association of Investment Companies, a non-executive director of The Mercantile Investment Trust PLC and an investment adviser to the BP and British Steel pension funds.

Investing in Private Equity

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

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

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

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

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

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

Alignment of interest

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

Careful use of leverage

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

How a private equity fund works

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

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

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

Private equity funds are generally structured with a life of ten years. 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.

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 fund investors to participate. An investment made alongside a fund to which a commitment has been made is known as a co-investment. These 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 is sometimes difficult for investors in these funds to sell their investments, as secondary market liquidity can be limited. Investors take on a long term obligation to fund a manager's investment programme, which requires careful management of cash resources in order to ensure that all commitments can be met. Private equity managers only report their fund's valuation to investors at most once a quarter.

Listed private equity

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

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

F&C Investment Plans

Graphite Enterprise continues to be a member of the F&C Investment Plans. Investors can hold shares in Graphite Enterprise through one or more of these plans, details of which are set out below.

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

Individual Savings Account (ISA)
Investors can invest up to £11,280 for the 2012/13 tax year free of capital gains tax or additional income tax in an ISA. Investors can invest a lump sum, make regular monthly payments or transfer existing ISAs (including cash ISAs and ex-PEP ISAs).

Child Trust Fund (CTF)
CTFs can be opened for all children born between 1 September 2002 and 31 December 2010, using the government's CTF voucher. Additional contributions of up to £3,600 annually can be made.

Children's Investment Plan
Parents, grandparents and other relatives can invest on behalf of a child by setting up a designated account or bare trust. Investment can be made from a £250 lump sum or £25 a month. Lump sum top-ups of £100 or over can be made at any time.

F&C Investor Services Team
The F&C Investor Services Team aims to provide answers to investors' questions on all aspects of investment trust plan management and administration. The team provides information on Graphite Enterprise and on investments managed by F&C Management Ltd but cannot offer financial advice.

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 benefits may vary as a result of individual circumstances.

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 Services Authority (FSA).

Existing investors can contact the Investor Services Team on:

Telephone: 0845 600 3030
(UK calls charged at local rate)

Email: investor.enquiries@fandc.com

Address: F&C Plan Administration,
Block C,
Western House,
Lynch Wood Business Park,
Lynch Wood,
Peterborough
PE2 6BP.

For all other queries about investing in the F&C Investment Plans, please contact the Investor Services Team:

Telephone: 0800 136 420

Email: info@fandc.com

Address: F&C Investments
Clandeboye Business Park
West Circular Road,
Bangor
BT19 1AR.

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

Supplementary Information

The 30 Largest Underlying Investments

1-15

The tables below present the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2012. 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 of those gross figures.

	Company	Manager	Year of investment	Country	Value as a % of investment portfolio
1	**Micheldever** Distributor and retailer of tyres	Graphite Capital	2006	UK	3.8%
2	**NES Group** Provider of recruitment services	Graphite Capital	2006	UK	2.3%
3	**National Fostering Agency** Provider of foster care services	Graphite Capital	2012	UK	2.3%
4	**Park Holidays UK** Operator of caravan parks	Graphite Capital	2006	UK	2.2%
5	**U-POL** Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.7%
6	**Data Explorers Group*** Provider of information to the global securities lending industry	Bowmark Capital	2007	UK	1.7%
7	**Stork** Provider of technical engineering services	Candover	2008	Netherlands	1.6%
8	**Parques Reunidos** Operator of attraction parks	Candover	2007	Spain	1.6%
9	**Alexander Mann Solutions** Provider of recruitment process outsourcing	Graphite Capital	2007	UK	1.6%
10	**Ziggo** Operator of cable TV networks	Cinven	2006	Netherlands	1.5%
11	**Tumi** Manufacturer and retailer of luggage and accessories	Doughty Hanson	2004	USA	1.5%
12	**Evonik Industries** Manufacturer of speciality chemicals	CVC	2008	Germany	1.5%
13	**Hellerman Tyton** Manufacturer of cable management products	Doughty Hanson	2006	UK	1.4%
14	**London Square** Developer of residential housing	Graphite Capital	2010	UK	1.3%
15	**Spire Health Club** Provider of healthcare	Cinven	2007	UK	1.2%
	Total of the 15 largest underlying investments				27.2%

16-30

	Company	Manager	Year of investment	Country	Value as a % of investment portfolio
16	**Avio** Manufacturer of aerospace engine components	Cinven	2007	Italy	1.2%
17	**CEVA** Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.1%
18	**Ceridian*** Provider of payment processing services	Thomas H Lee Partners	2007	USA	1.1%
19	**Weetabix*** Manufacturer of breakfast cereals	Lion Capital	2004	UK	1.1%
20	**Teaching Personnel** Provider of temporary staff for the education sector	Graphite Capital	2010	UK	1.0%
21	**Preh*** Manufacturer of automotive control system devices	Deutsche Beteiligungs	2003	Germany	1.0%
22	**CPA Global** Provider of patent and legal services	ICG	2010	UK	1.0%
23	**Acromas** Provider of financial, motoring & travel services	CVC/Charterhouse	2007	UK	1.0%
24	**Dominion Gases** Supplier of specialist gases to the oil and gas industries	Graphite Capital	2007	UK	0.9%
25	**TMF** Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	0.9%
26	**Avanza Group** Operator of buses	Doughty Hanson	2007	Spain	0.9%
27	**Algeco Scotsman** Supplier and operator of modular buildings	TDR Capital	2007	USA	0.8%
28	**Willowbrook Healthcare** Operator of care homes for the elderly	Graphite Capital	2008	UK	0.8%
29	**Vue Entertainment*** Operator of cinemas	Doughty Hanson	2010	UK	0.8%
30	**Elior** Provider of contract catering services	Charterhouse	2006	France	0.7%
	Total of the 30 largest underlying investments				41.5%

*Held both through a fund and directly as a co-investment.
The table above shows total exposure.

The 30 Largest Fund Investments

1-15

The 30 largest funds by value at 31 January 2012 are set out below.

Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
1 **Graphite Capital Partners VI*** Mid-market buy-outs	5.0	2003	UK	30.2
2 **Fourth Cinven Fund*** Large buy-outs	7.7	2006	Europe	28.1
3 **ICG European Fund 2006*** Mezzanine loans to buy-outs	2.7	2007	Europe	26.1
4 **Euromezzanine 5** Mezzanine loans to mid-market buy-outs	1.8	2006	France	18.1
5 **Graphite Capital Partners VII*** Mid-market buy-outs	19.1	2007	UK	17.9
6 **Candover 2005 Fund*** Large buy-outs	1.3	2005	Europe	17.8
7 **Thomas H Lee Parallel Fund VI** Large buy-outs	6.2	2007	USA	17.0
8 **Doughty Hanson & Co IV** Mid-market and large buy-outs	1.0	2005	Europe	16.1
9 **CVC European Equity Partners V** Large buy-outs	9.4	2008	Global	14.6
10 **Doughty Hanson & Co V** Large buy-outs	7.6	2006	Europe	13.3
11 **Apax Europe VII** Large buy-outs	2.2	2007	Global	12.7
12 **TDR Capital II Fund** Large buy-outs	5.3	2006	Europe	10.7
13 **CVC European Equity Partners IV*** Large buy-outs	1.6	2008	Global	8.6
14 **Activa Capital Fund II** Mid-market buy-outs	7.0	2007	France	8.2
15 **CVC European Equity Partners Tandem** Large buy-outs	1.5	2006	Global	8.1
Total of the 15 largest fund investments	79.4			247.5

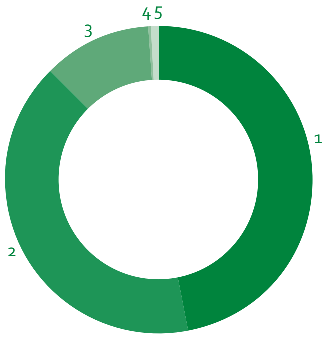
16-30

Fund	Outstanding commitment £m	Year of commitment	Country/ region	Value £m
16 Charterhouse Capital Partners VIII* Large buy-outs	1.3	2006	Europe	7.3
17 Deutsche Beteiligungs AG Fund V Mid-market buy-outs	4.7	2006	Germany	5.7
18 Vision Capital Partners VII Secondary portfolios	4.1	2008	Europe	5.7
19 Charterhouse Capital Partners VII* Large buy-outs	1.6	2002	Europe	5.3
20 Apax Europe VII Sidecar 2 Large buy-outs	0.9	2007	Global	4.7
21 CSP Secondary Opportunities Fund II Secondary fund interests	–	2008	Global	4.5
22 Graphite Capital Partners VII Top Up Fund Mid-market buy-outs	4.4	2007	UK	4.2
23 Bowmark Capital Partners IV Mid-market buy-outs	5.7	2007	UK	4.0
24 Deutsche Beteiligungs AG Fund IV Mid-market buy-outs	–	2002	Germany	3.9
25 Corpfin Capital Fund II Mid-market buy-outs	–	2000	Spain	3.9
26 Graphite Capital Partners VII Top Up Fund Plus Mid-market buy-outs	2.2	2009	UK	3.8
27 PAI Europe V Large buy-outs	2.0	2007	Europe	3.6
28 Advent CEE IV Mid-market buy-outs	3.9	2008	Europe	2.9
29 Piper Private Equity Fund IV Small buy-outs	1.2	2006	UK	2.8
30 Steadfast Capital II* Mid-market buy-outs	0.3	2007	Germany	2.7
Total of the 30 largest fund investments	111.7			312.5

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

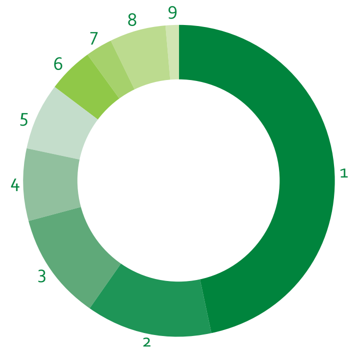
Portfolio Analysis

Portfolio — Investment type
Fig: 3.1



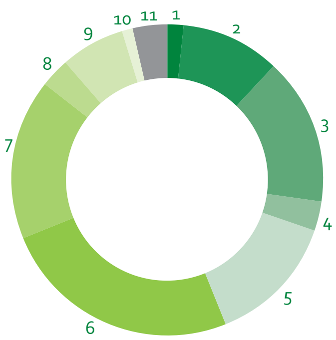
1. Large buy-outs	47.2%
2. Small and mid-market buy-outs	40.4%
3. Mezzanine	11.4%
4. Quoted	0.7%
5. Infrastructure	0.3%

Portfolio — Geographic distribution
Fig: 3.2



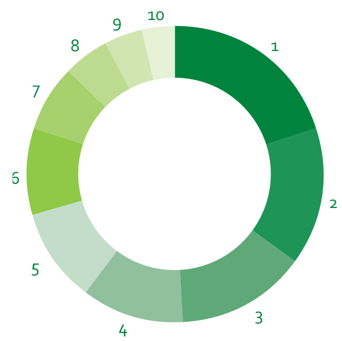
1. UK	46.9%	6. Spain	4.7%
2. France	13.0%	7. Scandinavia	2.8%
3. North America	11.1%	8. Other Europe	5.9%
4. Germany	7.4%	9. Rest of the world	1.2%
5. Benelux	7.0%		

Portfolio — Year of investment and valuation as a multiple of original cost
Fig: 3.3



1. 2012 (1.0x)	1.8%	7. 2006 (1.3x)	16.8%
2. 2011 (1.0x)	10.4%	8. 2005 (1.2x)	2.9%
3. 2010 (1.2x)	15.3%	9. 2004 (2.3x)	6.8%
4. 2009 (1.4x)	3.1%	10. 2003 (1.3x)	1.0%
5. 2008 (1.1x)	13.5%	11. 2002 and before (0.8x)	3.4%
6. 2007 (1.3x)	25.0%		

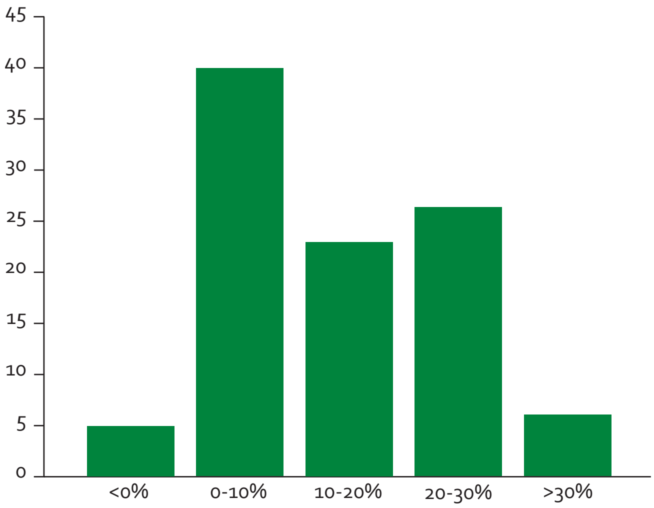
Portfolio — Sector analysis
Fig: 3.4



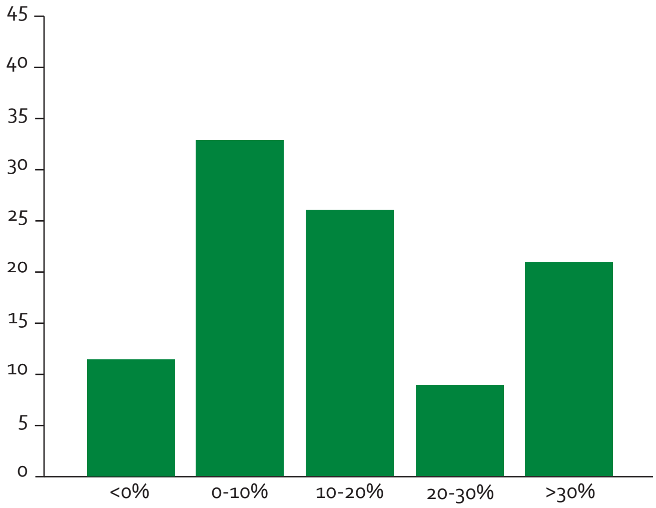
1. Business services	20.2%	6. Financial services	9.3%
2. Consumer goods and services	14.9%	7. Automotive supplies	7.3%
3. Industrials	14.1%	8. Media	5.0%
4. Healthcare and education	11.2%	9. Technology and telecommunications	4.1%
5. Leisure	10.4%	10. Basic materials	3.5%

Analysis of the 30 Largest Underlying Companies

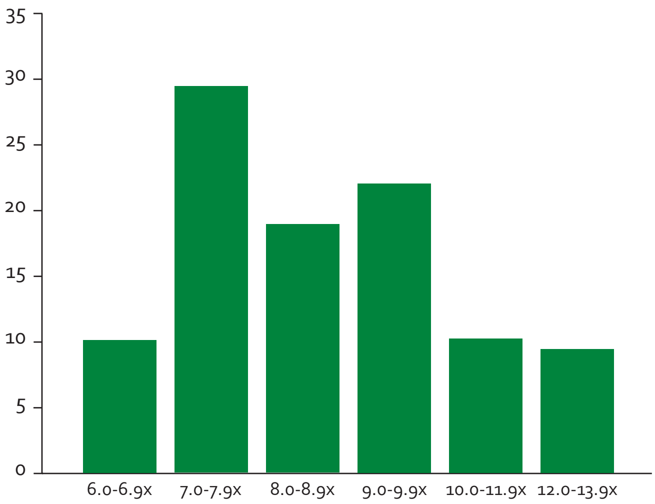
Revenue growth
Fig:3.5



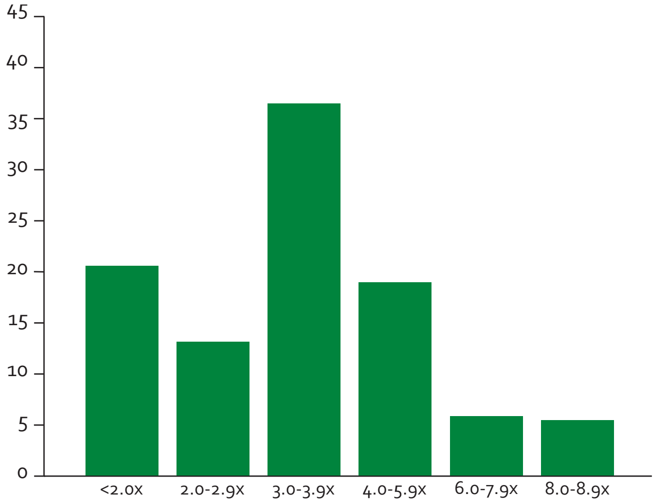
EBITDA growth
Fig: 3.6



Enterprise value as a multiple of EBITDA
Fig: 3.7



Net debt as a multiple of EBITDA
Fig: 3.8

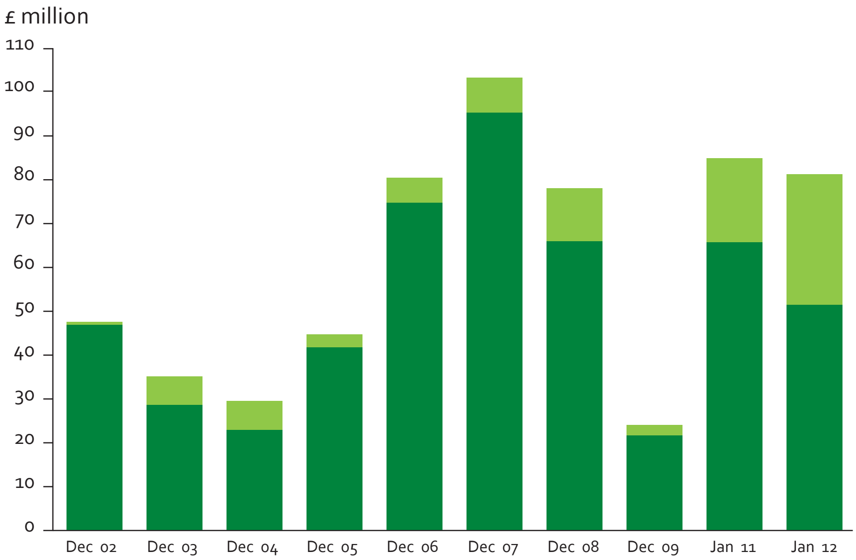


New Investment Activity

New Investments
Key

- Drawdowns
- Co-investments and secondary fund purchases

New Investments
Fig: 3.9



Largest Underlying Investments

Investment	Description	Country	£m
NFA	Provider of foster care services	UK	8.5
Lowell Group	Purchaser of consumer debt	UK	2.5
Spheros*	Developer of bus air-conditioning systems	Germany	2.4
ASCO Group	Provider of logistics services	UK	2.1
Gerflor	Manufacturer of PVC flooring	France	2.1
Abrisud	Manufacturer of swimming pools	France	1.9
Primavista	Provider of photography services	France	1.8
Findis	Distributor of electrical products	France	1.8
SLV	Manufacturer of lighting products	Germany	1.4
Marlow Funds	Producer of meat substitute foods	UK	1.3
Total of top 10 new investments			25.9

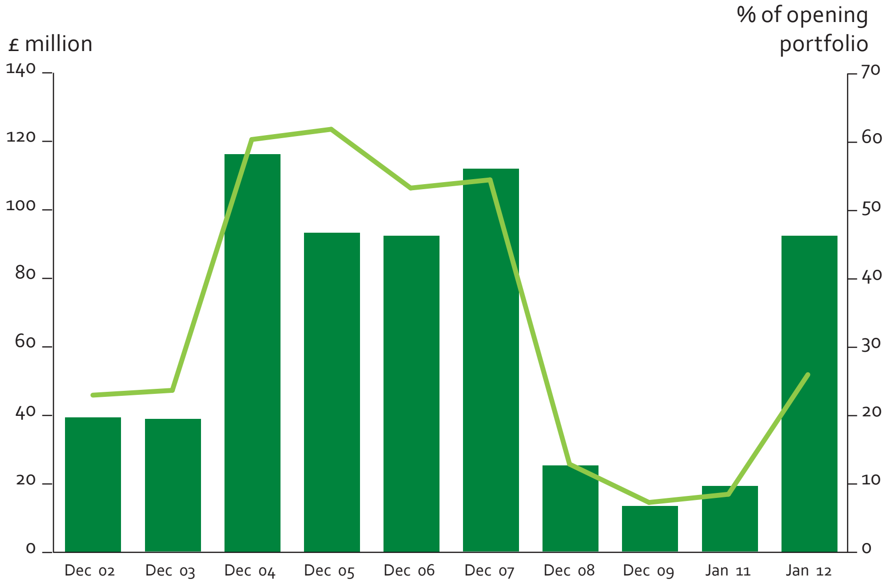
*In addition, a co-investment in Spheros is expected to be completed shortly, taking our total exposure to £4.5m.

Realisation Activity

Realisations
Key

- Value
- Value as a % of opening portfolio

Realisations
Fig: 3.10



Largest realisations

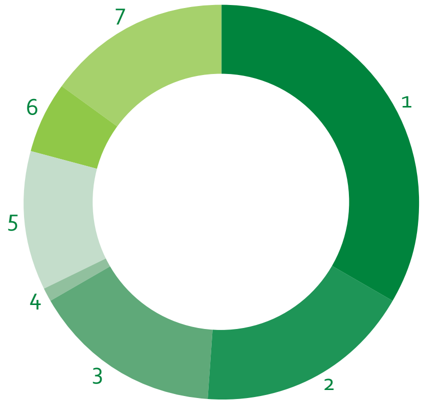
Investment	Manager	Buyer type	£m
Wagamama	Direct[1]	Private equity	17.0
Kurt Geiger	Graphite Capital	Trade	11.9
Kwik Fit	Direct[1]	Trade	9.0
Phadia	Cinven	Trade	5.4
Preh[2]	DBAG/Direct[1]	Trade	4.9
Capital Safety Group	Candover	Private equity	3.9
Salient Surgical Technologies	Direct[1]	Trade	3.8
FEP	Steadfast Capital	Trade	2.8
Norit[2]	Doughty Hanson	Trade	2.6
Kisimul School Group	Bowmark	Financial	2.6
Total of top 10 realisations			64.0

[1] Investment held directly rather than through a fund, either wholly or partly
[2] Partial disposal

Supplementary Information

Commitments and Currency

Closing commitments – remaining investment period
Fig: 3.11



1. < 1 years	33.5%
2. 1-2 years	17.8%
3. 2-3 years	15.4%
4. 3-4 years	1.2%
5. 4-5 years	11.3%
6. >5 years	5.8%
7. Investment period complete	15.0%

Movement in commitments	Year to 31 January 2012 £m
Opening at 1 February 2011	**173.7**
Drawdowns	**(51.3)**
New commitments	**22.5**
Secondary purchase	**5.9**
Recallable distributions	**3.8**
Commitments released	**(12.0)**
Currency	**(2.1)**
Other	**2.3**
Closing	**142.8**

Fund	Strategy	£m
BC European Capital IX	Europe large buy-outs	8.5
Fifth Cinven Fund	Europe large buy-outs	8.5
Steadfast Capital III	Germany mid-market buy-outs	4.5
Hollyport Secondary Opportunities III	Secondary fund interest	1.0
Total primary fund commitments		22.5
Candover 2005 Fund	Europe large buy-outs	0.6
Charterhouse Capital Partners VII	Europe large buy-outs	1.6
Charterhouse Capital Partners VIII	Europe large buy-outs	0.7
Fourth Cinven Fund	Europe large buy-outs	2.0
Graphite Capital Partners VI	UK mid-market buy-outs	0.7
Steadfast Capital II	Germany mid-market buy-outs	0.3
Total secondary fund commitments		5.9
Total new commitments		28.4

Closing commitments	Original commitment[1] £m	Outstanding commitment £m	Average drawdown percentage	Percentage of commitments
Funds in investment period	356.2	121.3	65.9%	85.0%
Funds post investment period	330.5	21.5	93.5%	15.0%
Total	686.7	142.8	79.2%	100.0%

[1] Original commitments are at 31 January 2012 exchange rates

Currency exposure

	31 January 2012 £m	31 January 2012 %	31 January 2011 £m	31 January 2011 %
Total assets				
– sterling	153.6	36.3%	184.7	46.2%
– euro	244.6	57.7%	191.0	47.8%
– other	25.4	6.0%	23.8	6.0%
Total	423.6	100.0%	399.5	100.0%
Commitments				
– sterling	45.5	31.9%	55.1	31.7%
– euro	89.4	62.6%	108.6	62.5%
– other	7.9	5.5%	10.0	5.8%
Total	142.8	100.0%	173.7	100.0%

Currency exposure is calculated using the reporting currency of the respective funds and not by reference to underlying portfolio companies.

Dividend and Shareholder Analysis

Historical record

Financial period ended	Earnings per share p	Total dividend per share p	Net asset value per share p	Mid-market price per share p
31 January 2012	6.33	5.0	569.4	357.0
31 January 2011*	1.51	2.25	534.0	308.0
31 December 2009	-0.11	2.25	464.1	305.0
31 December 2008	5.12	4.5	449.0	187.0
31 December 2007	8.86	8.0	519.4	474.0
31 December 2006	7.44	6.5	454.6	386.0
31 December 2005	10.24	8.8**	398.4	364.3
31 December 2004	8.54	7.1+	324.9	283.0
31 December 2003	4.88	4.3	289.2	222.3
31 December 2002	4.47	4.3	263.5	206.5

* 13 month period ended 31 January 2011
** Includes special dividend of 4.5p per share
+ Includes special dividend of 2.8p per share

Analysis of shareholders

31 January 2012	Number of shares held ('000)	Percentage of total
Individuals	44,608	61.2%
Investment companies	14,590	20.0%
Private equity	4,907	6.7%
Insurance companies	4,754	6.5%
Banks	2,012	2.8%
Pensions and endowments	1,342	1.8%
Other	700	1.0%
	72,913	100.0%

Financial Information

Consolidated Income Statement

	Notes	Year ended 31 January 2012 Revenue return £'000s	Capital return £'000s	Total £'000s	13 months to 31 January 2011 Revenue return £'000s	Capital return £'000s	Total £'000s
Investment returns							
Gains and losses on investments held at fair value	2,10	8,365	28,376	36,741	2,467	59,309	61,776
Income from cash and cash equivalents	2	127		127	316	–	316
Return from current asset investments		527	–	527	310	(62)	248
Other income	2	44	–	44	508	–	508
Foreign exchange gains and losses		–	(498)	(498)	–	(659)	(659)
		9,063	27,878	36,941	3,601	58,588	62,189
Expenses							
Investment management charges	3	(1,301)	(3,904)	(5,205)	(813)	(3,195)	(4,008)
Other expenses	4	(1,510)	(809)	(2,319)	(1,249)	(89)	(1,338)
		(2,811)	(4,713)	(7,524)	(2,062)	(3,284)	(5,346)
Profit before taxation		6,252	23,165	29,417	1,539	55,304	56,843
Taxation	6	(1,633)	1,633	–	(435)	435	–
Profit for the period from continuing operations		4,619	24,798	29,417	1,104	55,739	56,843
Attributable to:							
Equity shareholders		4,619	22,857	27,476	1,104	51,507	52,611
Non-controlling interest		–	1,941	1,941	–	4,232	4,232
Basic and diluted earnings per share	7			37.7p			72.2p

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

The notes on pages 44 to 67 form an integral part of the financial statements.

Consolidated Balance Sheet

	Notes	31 January 2012 £'000s	31 January 2012 £'000s	31 January 2011 £'000s	31 January 2011 £'000s
Non-current assets					
Investments held at fair value					
— Unquoted investments	10,19	374,915		353,140	
— Quoted investments	10,19	2,768		3,419	
			377,683		356,559
Current assets					
Trade and other receivables	12	2,739		441	
Current asset investments held at fair value	11	34,946		15,248	
Cash and cash equivalents		9,218		28,306	
		46,903		43,995	
Current liabilities					
Trade and other payables	13	1,021		1,071	
Net current assets			45,882		42,924
Total assets less current liabilities			423,565		399,483
Capital and reserves					
Called up share capital	14,15		7,292		7,292
Capital redemption reserve	15		2,112		2,112
Share premium	15		12,936		12,936
Capital reserve	15		378,813		355,956
Revenue reserve	15		14,016		11,038
Equity attributable to equity holders	15		415,169		389,334
Non-controlling interests	15,18		8,396		10,149
Total equity			423,565		399,483
Net asset value per share (basic and diluted)	16		569.4p		534.0p

The financial statements were approved by the Board of directors on 2 May 2012 and signed on its behalf by:

Directors M. Fane M. Cumming

The notes on pages 44 to 67 form an integral part of the financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £'000s
Operating activities			
Sale of portfolio investments		88,385	18,646
Purchase of portfolio investments		(81,132)	(84,674)
Net purchase of current asset investments held at fair value		(19,170)	(15,000)
Interest income received from portfolio investments		7,650	2,329
Dividend income received from portfolio investments		512	275
Other income received		170	826
Investment management charges paid		(5,279)	(4,718)
VAT reclaimed on investment management charges		–	726
Taxation paid		(55)	(58)
Other expenses paid		(1,491)	(1,723)
Net cash outflow from operating activities		(10,410)	(83,371)
Financing activities			
Investments by non-controlling interests		290	593
Distributions to non-controlling interests		(3,976)	(586)
Credit facility fee		(2,853)	–
Equity dividends paid		(1,641)	(1,641)
Net cash outflow from financing activities		(8,180)	(1,634)
Net decrease in cash and cash equivalents		(18,590)	(85,005)
Cash and cash equivalents at beginning of year		28,306	113,970
Net decrease in cash and cash equivalents		(18,590)	(85,005)
Effect of changes in foreign exchange rates		(498)	(659)
Cash and cash equivalents at end of year	11	9,218	28,306

The notes on pages 44 to 67 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £'000s
Total equity at the beginning of the year		399,483	344,597
Profit attributable to equity shareholders		27,476	52,611
Profit attributable to non-controlling interests		1,941	4,232
Total profit for the period and total recognised income and expenses		29,417	56,843
Dividends to equity shareholders	8, 15	(1,641)	(1,641)
Net distribution to non-controlling interests	18	(3,694)	(316)
Total equity at the end of the year		423,565	399,483

Parent Company Statement of Changes in Equity

	Notes	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £'000s
Total equity at the beginning of the year		389,334	338,364
Profit attributable to equity shareholders		27,476	52,611
Total profit for the period and total recognised income and expenses		27,476	52,611
Dividends to equity shareholders	8, 15	(1,641)	(1,641)
Total equity at the end of the year		415,169	389,334

The notes on pages 44 to 67 form an integral part of the financial statements.

Parent Company Balance Sheet

	Notes	31 January 2012 £'000s	31 January 2012 £'000s	31 January 2011 £'000s	31 January 2011 £'000s
Non-current assets					
Investments held at fair value					
— Unquoted investments	10, 19	310,495		292,436	
— Quoted investments	10, 19	2,768		3,419	
— Subsidiary undertakings	10	57,270		50,742	
			370,533		346,597
Current assets					
Trade and other receivables	12	4,115		891	
Current asset investments held at fair value		34,946		15,248	
Cash and cash equivalents	11	6,096		27,177	
		45,157		43,316	
Current liabilities					
Trade and other payables	13	521		579	
Net current assets			44,636		42,737
Total assets less current liabilities			415,169		389,334
Capital and reserves					
Called up share capital	14,15		7,292		7,292
Capital redemption reserve	15		2,112		2,112
Share premium	15		12,936		12,936
Capital reserve	15		378,813		355,956
Revenue reserve	15		14,016		11,038
Equity attributable to equity holders			415,169		389,334
Net asset value per share (basic and diluted)	16		569.4p		534.0p

The financial statements were approved by the Board of directors on 2 May 2012 and signed on its behalf by:

Directors M. Fane M. Cumming

The notes on pages 44 to 67 form an integral part of the financial statements.

Parent Company Cash Flow Statement

	Note	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £'000s
Operating activities			
Sale of portfolio investments		66,932	5,669
Purchase of portfolio investments		(64,529)	(70,519)
Net purchase of current asset investments held at fair value		(19,170)	(15,000)
Interest income received from portfolio investments		6,790	2,091
Dividend income received from portfolio investments		450	212
Other income received		165	803
Investment management charges paid		(5,279)	(4,718)
VAT reclaimed on investment management charges		–	726
Taxation paid		(55)	(58)
Other expenses paid		(1,479)	(1,685)
Net cash outflow from operating activities		(16,175)	(82,479)
Financing activities			
Credit facility fee		(2,853)	–
Equity dividends paid		(1,641)	(1,641)
Net cash outflow from financing activities		(20,669)	(1,641)
Net decrease in cash and cash equivalents		(36,845)	(84,120)
Cash and cash equivalents at beginning of the year		27,177	111,886
Net decrease in cash and cash equivalents		(20,669)	(84,120)
Effect of changes in foreign exchange rates		(412)	(589)
Cash and cash equivalents at end of year	11	6,096	27,177

Notes to the Accounts

1 Accounting policies

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

(a) Basis of preparation

The consolidated financial information for the year ended 31 January 2012 has been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 31 January 2012. These financial statements have been prepared on a going concern basis and on the historical cost basis of accounting, modified for the revaluation of certain assets.

The directors have at the time of approving the financial statements a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Report of the Directors on page 72.

In order to reflect the activities of an investment trust company, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In analysing total income between capital and revenue returns, the directors have followed the guidance contained in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Companies in January 2009 (the "SORP"). The following SORP requirements have been followed:

- Capital gains and losses on investments sold and on investments held arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the income statement.

- Returns on any share or debt security for a fixed amount (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement.

- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the income statement. If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

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

In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital return may not be distributed by way of dividend.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and accordingly has not presented a separate parent company income statement.

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

The following new and amended IFRS were effective during the period under review but had no significant impact on the financial statements.

- IAS 24 (revised) - 'Related party disclosures'.

- IFRS 7 (revised) - 'Financial instruments: Disclosures'.

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

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

(b) Basis of consolidation

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

(c) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(d) Investments

All investments are designated upon initial recognition as held at fair value through profit or loss (described in these financial statements as investments held at fair value) and are measured at subsequent reporting dates at fair value. Changes in the value of all investments held at fair value, which include returns on those investments such as dividends and interest, are recognised in the income statement and are allocated to the revenue column or the capital column in accordance with the SORP (see note 1(a)). More detail on certain categories of investment is set out below, and this accounting policy also applies to subsidiaries in the Parent Company balance sheet.

Unquoted investments

Fair value for unquoted investments is established by using various valuation techniques. The primary valuation methodology used is an earnings multiple methodology, with other methodologies used where they are more appropriate.

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 managers valuation, such as realisations.

The fair value of direct unquoted investments is calculated in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines issued in October 2006 and updated in September 2009.

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 time frame of the relevant market, the contract is reflected on the trade date.

Subsidiary undertakings

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

Current asset investments held at fair value

Current asset investments include investments in open ended fixed income funds. These are valued based on the redemption price as at the balance sheet date, which is based on the value of the underlying investments.

Associates

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

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

Notes to the Accounts (continued)

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

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

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

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

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

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is applicable are brought into account when the Group's right to receive payment is established.

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

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

- Expenses which are incidental to the acquisition of investments (transaction costs) are allocated to the capital column.
- Expenses which are incidental to the disposal of investments are deducted from the disposal proceeds of investments and therefore also effectively allocated to the capital column.
- The Board expects the substantial majority of long term returns from the portfolio to be generated from capital gains. The investment management charges have therefore been allocated, in 2011 and in the year to 31 January 2012, 75% to the capital column and 25% to the revenue column, in line with this expectation.
- Other expenses are allocated to the capital column where a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

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

(j) Taxation
Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

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

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are not recognised in respect of tax losses carried forward to future periods.

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

(k) Foreign currency translation

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

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

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

(l) Revenue and capital reserves

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

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

(m) Key estimates and assumptions

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

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

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

(n) Segment reporting

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

(o) Non-controlling interests

Non-controlling interests represent the interest of the Co-investors in the assets of the Partnerships.

Notes to the Accounts
(continued)

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

Group	31 January 2012 £'000s	31 January 2011 £'000s
Income from investments		
Dividends from UK companies[1]	241	171
UK unfranked investment income[1]	1,866	399
Overseas interest and dividends[1]	3,984	20
Income from cash equivalents[2]	113	311
Other income from investments[1]	2,274	1,876
	8,478	2,777
Other income		
Deposit interest on cash[2]	14	5
Income from current asset investments	527	310
Other	44	508
	585	823
Total Income	9,063	3,600
Analysis of income from investments		
Quoted in the United Kingdom	241	171
Unquoted	8,237	2,606
	8,478	2,777

[1] These items make up income from the investment portfolio of £8,365,000 (2011: £2,466,000)
[2] These items make up income from cash and cash equivalents of £127,000 (2011: £316,000)

3 Investment management charges

Group	31 January 2012 Revenue £'000s	31 January 2012 Capital £'000s	31 January 2012 Total £'000s	31 January 2011 Revenue £'000s	31 January 2011 Capital £'000s	31 January 2011 Total £'000s
Investment management fee	1,290	3,870	5,160	1,171	3,512	4,683
Irrecoverable VAT	11	34	45	12	39	51
Irrecoverable VAT (reclaim)	–	–	–	(370)	(356)	(726)
	1,301	3,904	5,205	813	3,195	4,008

The allocation of the total investment management charges was unchanged in the year to 2012 with 75% of the total allocated to capital and 25% allocated to income.

The Company has borne a management charge of £482,000 (2011: £479,000) in respect of Graphite Capital Partners VI and £822,000 (2011: £778,000) in respect of Graphite Capital Partners VII and Graphite Capital Partners Top Up Fund. These charges are at the same level as those paid by third party investors. The Company does not pay any additional fees to the Manager on these investments. The total investment management charges payable by the Group to the Manager (excluding VAT), including the amounts set out in the table on the previous page, were therefore £6,509,000 (2011: £5,265,000).

3 Investments management charges (continued)
Graphite Capital Management LLP was a related party of Graphite Enterprise Trust PLC during the year. The amounts payable during the year are set out above. There was an accrued amount outstanding of £123,000 (excluding VAT) as at 31 January 2012 (2011: £193,000).

4 Other Expenses
The Group did not directly employ any staff in the year to January 2012 (2011: nil).

	31 January 2012		31 January 2011	
Group and Parent company	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Directors' fees (see note 5)		195		179
Auditors' remuneration:				
Statutory audit of the Company	66		69	
Additional costs of statutory audit for prior year	3		–	
Other services				
Auditing of accounts of the subsidiaries of the Company required by legislation	35		35	
Other services required by legislation (interim review)	25		22	
Other	16		35	
Total auditors' remuneration		145		161
Administrative expenses		1,170		909
Other expenses allocated to revenue		1,510		1,249
Other expenses allocated to capital – transaction costs		809		89
		2,319		1,338

5 Directors' remuneration and interests
The amounts paid by the Company as directors' fees are shown in the Directors' Remuneration Report on page 80. No income was received or receivable by the directors from any other entity in the Group. The directors' interests in the share capital of the company are shown in the Directors' Report on page 74.

Notes to the Accounts
(continued)

6 Taxation

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

Group and Parent company	31 January 2012 £'000s	31 January 2011 £'000s
a) Analysis of charge in year		
Tax charge on items allocated to revenue	1,633	435
Tax credit on items allocated to capital	(1,633)	(435)
UK corporation tax at 26.33% (2011 - 28.0%)	–	–
b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	29,417	56,842
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.33% (2011 - 28.0%)	7,746	15,916
Effect of:		
– net capital gains not subject to corporation tax	(7,340)	(16,404)
– UK dividends not subject to corporation tax	(63)	(48)
– expenses not deductible for tax purposes	64	77
– excess management expenses utilised in the year	(406)	459
– other taxable income	–	–
– overseas tax expensed	–	–
	–	–
Total tax charge	–	–

Graphite Enterprise has carried forward excess management expenses of £1,690,000 (2011: £3,196,000). Deferred tax assets of £406,000 (2011: £1,145,000) are not recognised in respect of tax losses carried forward to future periods. There are no other carried forward deferred tax assets or liabilities (2011: nil). Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments. For all investments the tax base is equal to the carrying amount.

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

7 Earnings per share

	31 January 2012	31 January 2011
Revenue return per ordinary share	6.33p	1.51p
Capital return per ordinary share	31.35p	70.64p
Earnings per ordinary share (basic and diluted)	37.68p	72.15p

Revenue return per ordinary share is calculated by dividing the revenue return attributable to equity shareholders of £4,619,000 (2011: £1,103,000) by the weighted average number of ordinary shares outstanding during the period.

Capital return per ordinary share is calculated by dividing the capital return attributable to equity shareholders of £22,857,000 (2011: return of £51,507,000) by the weighted average number of ordinary shares outstanding during the period.

Basic and diluted earnings per ordinary share are calculated by dividing the earnings attributable to equity shareholders of £27,476,000 (2011: £52,611,000) by the weighted average number of ordinary shares outstanding during the period.

The weighted average of ordinary shares outstanding during the year was 72,913,300 (2011: 72,913,300). There were no potentially dilutive shares, such as options or warrants, in either period.

8 Dividends

	31 January 2012 £'000s	31 January 2011 £'000s
Final paid: 2.25p (2011: 2.25p) per share	1,641	1,641

Following the year end, the Board has proposed a final dividend of 5.0p per share totalling £3,645,650 (2011: £1,641,000) which, if approved by shareholders, will be paid on 20 June 2012, to shareholders on the register of members at the close of business on 1 June 2012.

9 Subsidiary undertakings

Graphite Enterprise Trust LP and Graphite Enterprise Trust (2) LP (the "Partnerships"), which are registered in England, were subsidiary undertakings at 31 January 2012. The Company makes investments through the Partnerships, as well as directly. The Co-investors invest alongside the Company in the Partnerships under the co-investment arrangements described in the Directors' Report on page 75. Contributions by the Company and the Co-investors take the form of loans to the Partnerships. The Partnerships are subsidiary undertakings of the Company and accordingly consolidated accounts have been prepared.

Notes to the Accounts
(continued)

10 Investments

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

Group	Quoted £'000s	Unquoted £'000s	Total £'000s
Cost at 1 January 2010	1,978	228,186	230,164
Unrealised appreciation at 1 January 2010	779	278	1,057
Valuation at 1 January 2010	2,757	228,464	231,221
Movements in the year:			
Purchases at cost	–	84,674	84,674
Sales – proceeds	–	(18,645)	(18,645)
– realised gains based on carrying value at previous balance sheet date	–	5,918	5,918
Movement in unrealised appreciation	662	52,729	53,391
Valuation at 31 January 2011	3,419	353,140	356,559
Cost at 31 January 2011	1,978	305,332	307,310
Unrealised appreciation at 31 January 2011	1,441	47,808	49,249
Valuation at 31 January 2011	3,419	353,140	356,559

10 Investments (continued)

Group	31 January 2012 £'000s	31 January 2011 £'000s
Realised gain based on cost	24,955	11,117
Amounts recognised as unrealised in previous years	(23,280)	(5,199)
Realised gains based on carrying values at previous balance sheet date	1,675	5,918
Increase in unrealised appreciation	26,701	53,391
Gains on investments	28,376	59,309

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

Notes to the Accounts
(continued)

10 Investments (continued)

Parent	Quoted £'000s	Unquoted £'000s	Subsidiary Undertakings £'000s	Total £'000s
Cost at 1 January 2010	1,960	228,242	24,613	254,815
Adjustment to opening cost	–	(37,317)	–	(37,317)
Unrealised appreciation/ (depreciation) at 1 January 2010	797	(974)	9,452	9,275
Valuation at 1 January 2010	2,757	189,951	34,065	226,773
Movements in the year:				
Purchases at cost	–	70,519	9,404	79,923
Sales – proceeds	–	(15,073)	–	(15,073)
– realised losses based on carrying value at previous balance sheet date	–	4,733	–	4,733
Movement in unrealised appreciation	662	42,306	7,273	50,241
Valuation at 31 January 2011	3,419	292,436	50,742	346,597
Cost at 31 January 2011	1,960	255,264	34,017	291,241
Unrealised appreciation at 31 January 2011	1,459	37,172	16,725	55,356
Valuation at 31 January 2011	3,419	292,436	50,742	346,597

Parent	31 January 2012 £'000s	31 January 2011 £'000s
Realised gains based on cost	19,971	8,893
Amounts recognised as unrealised in previous years	(18,599)	(4,160)
Realised losses based on carrying values at previous balance sheet date	1,372	4,733
Increase in unrealised appreciation	24,968	50,241
Gains on investments	26,340	54,974

10 Investments (continued)

Significant interests in Investee Undertakings

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

Mr Cumming and Mr Dicks held interests in Lion/Katsu Investments S.a.r.l., the parent company of Wagamama during the year. All of these interests represented less than 5.0% of the equity in this company. Mr Cumming and Mr Dicks agreed to sell their holdings in Lion/Katsu Investments S.a.r.l alongside the Company and other investors in March 2011.

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

Fund	Percentage interest
Graphite Capital Partners VI	12.0%
Euromezzanine 5	3.0%
Graphite Capital Partners VII	9.0%
Activa Capital Fund II	6.2%
DBAG V	4.8%
CSP Secondary Opportunities Fund II	59.7%
Graphite Capital Partners VII Top Up Fund	12.4%

Notes to the Accounts
(continued)

11 Cash and cash equivalents

	31 January 2012 Group £'000s	31 January 2012 Parent £'000s	31 January 2011 Group £'000s	31 January 2011 Parent £'000s
Cash at bank and in hand	9,218	6,096	9,234	8,105
Institutional money market funds	–	–	19,072	19,072
Total cash and cash equivalents	9,218	6,096	28,306	27,177
Current asset investments	34,946	34,946	15,248	15,248
Total cash, cash equivalents and other liquid assets	44,164	41,042	43,554	42,425

In the prior year, cash equivalents included institutional money market funds. These are short-term highly liquid investments which may normally be converted into cash within 24 hours.

Current asset investments are liquid investments in gilts or investments in fixed income funds with daily liquidity.

12 Trade and other receivables

During the year ended 31 January 2012, the Company agreed a bank facility. The Company incurred £2,853,000 of costs of which £2,472,000 will be amortised over the remaining term of the facility on a straight line basis. As at 31 January 2012, £2,049,000 of unamortised costs were included within trade and other receivables of which £675,000 is expected to be amortised in less than one year.

	31 January 2012 Group £'000s	31 January 2012 Parent £'000s	31 January 2011 Group £'000s	31 January 2011 Parent £'000s
Prepayments and accrued income	2,739	2,733	441	434
Subsidiary undertakings	–	1,382	–	457
	2,739	4,115	441	891

13 Trade and Other Payables

	31 January 2012 Group £'000s	31 January 2012 Parent £'000s	31 January 2011 Group £'000s	31 January 2011 Parent £'000s
Accruals	521	521	579	579
Other payables	500	–	492	–
	1,021	521	1,071	579

14 Share Capital

Equity share capital	Authorised Number	Authorised Nominal £'000s	Issued and fully paid Number	Issued and fully paid Nominal £'000s
Ordinary shares of 10p each				
Balance at 1 January 2011 and 31 January 2012	120,000,000	12,000	72,913,000	7,292

All ordinary shares have equal voting rights.

15 Changes in equity

Group	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Year ended 31 January 2012									
Opening balance at 1 February 2011	7,292	2,112	12,936	316,855	39,101	11,038	389,334	10,149	399,483
(Loss)/profit for the year attributable to recognised income and expense	–	–	–	(1,902)	24,759	4,619	27,476	1,941	29,417
Transfer on disposal of investments	–	–	–	23,280	(23,280)	–	–	–	–
Transfer from unrealised to realised	–	–	–	(3,694)	3,694	–	–		
Dividends paid or approved	–	–	–	–	–	(1,641)	(1,641)	–	(1,641)
Net distribution to non-controlling interests	–	–	–	–	–	–	–	(3,694)	(3,694)
Closing balance	7,292	2,112	12,936	334,539	44,274	14,016	415,169	8,396	423,565

Group	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
13 months to 31 January 2011									
Opening balance at 1 January 2010	7,292	2,112	12,936	303,027	1,421	11,576	338,364	6,233	344,597
Profit for the period attributable to recognised income and expense	–	–	–	2,410	49,098	1,103	52,611	4,232	56,843
Transfer on disposal of investments	–	–	–	5,199	(5,199)	–	–	–	–
Transfer from unrealised to realised	–	–	–	6,219	(6,219)	–	–	–	–
Dividends paid or approved	–	–	–	–	–	(1,641)	(1,641)	–	(1,641)
Net distribution to non-controlling interests	–	–	–	–	–	–	–	(316)	(316)
Closing balance	7,292	2,112	12,936	316,855	39,101	11,038	389,334	10,149	399,483

The Institute of Chartered Accountants in England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of a change in fair value of assets, recognised in accordance with accounting standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits amounting to £790,000 (2011: £1,441,000) in respect of such securities, currently included within the unrealised capital reserve may be regarded as distributable under company law. However, as the Company is an investment trust the distribution of capital reserves is prohibited by the Articles of Association. These amounts are the same for the Group and the Parent Company.

Notes to the Accounts
(continued)

15 Changes in equity (continued)

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

Parent	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Realised capital reserve £'000s	Unrealised capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s
13 months to 31 January 2011							
Opening balance at 1 January 2010	7,292	2,112	12,936	285,267	19,181	11,576	338,364
Profit for the period attributable to recognised income and expense	–	–	–	1,226	50,282	1,103	52,611
Transfer on disposal of investments	–	–	–	4,160	(4,160)	–	–
Transfer from unrealised to realised	–	–	–	9,947	(9,947)	–	–
Dividends paid or approved	–	–	–	–	–	(1,641)	(1,641)
Closing balance	7,292	2,112	12,936	300,600	55,356	11,038	389,334

The profit after taxation of the parent company was £27,476,000 (2011: £52,611,000). A separate income statement for the Company has not been included, as permitted by Section 480 of the Companies Act 2006.

16 Net Asset Value per Share – Group and Company

The net asset value per share is calculated on shareholders' funds of £415,172,000 (2011: £389,334,000) and on 72,913,000 (2011: 72,913,000) ordinary shares in issue at the year end. There were no potentially dilutive ordinary shares, such as options or warrants, at either year end. Calculated on both the basic and diluted basis the net asset value per share is 569.4p (2011: 534.0p).

17 Capital commitments and contingencies

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

	31 January 2012		31 January 2011	
	Group £'000s	Parent £'000s	Group £'000s	Parent £'000s
Graphite Capital Partners VII	19,143	19,143	23,020	23,020
Graphite Capital Partners VI	4,966	4,853	5,095	5,095
Graphite Capital Partners VII Top Up Fund	4,411	4,411	5,292	5,292
Graphite Capital Partners VII Top Up Fund Plus	2,229	2,229	4,034	4,034
Graphite Capital Partners V	796	637	852	682
Total Graphite funds	31,545	31,273	38,293	38,123
CVC European Private Equity Partners V	9,430	7,544	11,196	8,957
Fifth Cinven Fund	8,299	6,639	–	–
Doughty Hanson & Co V	7,587	6,070	8,550	6,840
BC European Capital IX	7,491	5,993	–	–
Fourth Cinven Fund	7,282	5,825	7,747	6,197
Activa Capital Fund II	7,007	5,605	13,074	10,459
Thomas H Lee Fund VI	6,161	4,929	7,906	6,325
Bowmark Capital Partners IV	5,743	4,595	6,584	5,267
TDR Capital Fund II	5,286	4,229	8,704	6,963
Deutsche Beteiligungs AG Fund V	4,650	3,720	9,257	7,406
Piper Private Equity Fund V	4,503	3,602	5,000	4,000
Vision Capital Partners VII	4,127	3,292	7,972	6,367
Steadfast Capital III	4,069	3,256	–	–
Advent Central and Eastern Europe IV	3,867	3,094	6,291	5,033
ICG European Fund 2006	2,699	2,159	5,269	4,215
Apax Europe VII	2,210	1,767	4,558	3,645
PAI Europe V	1,950	1,560	5,662	4,530
Euromezzanine 5	1,784	1,427	1,840	1,472
Segulah IV	1,704	1,363	2,164	1,731
Trident Private Equity III	1,691	1,353	2,352	1,882
Charterhouse Capital Partners VII	1,586	1,269	–	–
CVC European Equity Partners IV	1,559	1,247	1,669	1,335
CVC European Equity Partners Tandem Fund	1,457	1,165	1,278	1,023
Charterhouse Capital Partners VIII	1,335	1,068	1,060	848
Candover 2005 Fund	1,298	1,039	2,197	1,758
Piper Private Equity Fund IV	1,198	958	1,438	1,150
Doughty Hanson & Co IV	1,044	835	1,076	861
Apax Europe VII Side Car 2	932	745	961	769
Activa Capital Fund	747	597	792	633
Hollyport Secondary Opportunities III	546	436	–	–
Other	989	779	3,312	2,636
	109,683	87,724	135,384	108,283
Total	141,228	118,997	173,677	146,406

In addition, the Company has issued a €3 million (2011:nil) guarantee to a bank in respect of a portfolio company.

Notes to the Accounts
(continued)

18 Non-controlling interests

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

During the year ended 31 January 2012 the Co-investors subscribed an amount of £282,000 (2011:£269,000) and received cash payments totalling £3,976,000 (2011: nil).

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

19 Financial instruments and risk management

The Company is an investment company as defined by section 833 of the Companies Act 2006 and conducts its affairs so as to qualify as an investment trust under the provisions of section 1158 of the Corporation Tax Act 2010 ("Section 1158"). The Group's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly. Investments in funds have anticipated lives of approximately ten years. Direct investments are made with an anticipated holding period of between three and five years. Investment agreements will, however, usually provide that any loans advanced to investee companies are for a longer period than this. The agreements will usually provide for repayments to be made by instalments with provision for full repayment on sale or flotation.

19 Financial instruments and risk management (continued)

Financial risk management

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

Market risk

(i) Currency

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

The composition of the net assets of the Group by currency for the year ended 31 January 2012 and the 13 months to 31 January 2011 is set out below:

31 January 2012	Sterling £'000s	Continental European currencies £'000s	North American currencies £'000s	Total £'000s
Group				
Investments	113,917	240,674	23,092	377,683
Cash and cash equivalents and other net current assets	39,721	5,960	201	45,882
	153,638	246,634	23,293	423,565
Parent				
Investments	160,925	191,134	18,474	370,533
Cash and cash equivalents and other assets and liabilities	39,327	5,108	201	44,636
	200,252	196,242	18,675	415,169

Notes to the Accounts
(continued)

19 Financial instruments and risk management (continued)

31 January 2011	Sterling £'000s	Continental European currencies £'000s	North American currencies £'000s	Total £'000s
Group				
Investments	134,654	200,374	21,531	356,559
Cash and cash equivalents and other net current assets	40,078	2,525	321	42,924
	174,732	202,899	21,852	399,483
Parent				
Investments	169,072	160,300	17,225	346,597
Cash and cash equivalents and other assets and liabilities	40,719	1,717	301	42,737
	209,791	162,017	17,526	389,334

These figures are based on the reporting currency of the funds and may overstate the foreign currency investments as a proportion of the total investment portfolio, as certain funds which are denominated in euros have underlying investments in the UK.

The effect of a 25% increase or decrease in the value of sterling against the euro would be a fall and a rise of £47.1 million and £45.2 million in the value of shareholders' equity at 31 January 2012 respectively (2011: £47.3 million and £46.6 million based on 25% increase or decrease). The effect of a 25% increase or decrease in the value of sterling against the euro on profit after tax would be a fall and a rise of £49.8 million and £49.8 million (2011: £49.4 million and £49.4 million based on 25% increase or decrease). As explained above, this does not take account of underlying investments made in the UK by euro denominated funds. The percentages applied are based on market volatility in exchange rates over recent periods.

(ii) Interest rate risk

The fair value of the Group's investments, money market funds and cash balances are not directly affected by changes in interest rates. The fair value of fixed income funds and gilts classified as current assets will vary with changes in interest rates but the impact of a rise in interest rates is not material to the company as the gilts are short dated and of low duration.

(iii) Price risk

The risk that the value of a financial instrument will change as a result of changes to market prices is one that is fundamental to the Group's objective, which is to provide long term capital growth through investment in unquoted companies. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Group's objective. No hedging of this risk is undertaken.

19 Financial instruments and risk management (continued)

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

	31 January 2012		31 January 2011	
	Increase in variable £'000s	Decrease in variable £'000s	Increase in variable £'000s	Decrease in variable £'000s
30% (2011: 30%) movement in the price of investments				
Impact on profit after tax	112,940	(112,940)	106,623	(106,623)
Impact as a percentage of profit after tax	383.9%	(383.9%)	187.6%	(187.6%)
Impact on shareholders' equity	104,121	(107,834)	99,140	(101,729)
Impact as a percentage of shareholders' equity	25.1%	(26.0%)	25.5%	(26.1%)

Credit and investment risk

(i) Investment risk

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

(ii) Credit risk

The Group's exposure to credit risk arises principally from its investment in UK Government bonds ("Gilts") and its cash deposits. The Group aims to invest the majority of its liquid assets in short dated gilts which have minimal credit risk. The Group's policy is to limit exposure to any one fund to 15% of gross assets. This is regularly monitored by the Manager as a part of its cash management process.

During the year, the Group decided to transfer its liquid assets away from money market funds. Each of the institutional liquidity funds in which the Company invested had a credit rating of AAAm from Standard & Poor's. As at 31 January 2012 the total invested in institutional liquidity funds was nil (2011: £19,072,000). Cash is held on deposit principally with one UK bank and totalled £9,218,000 (2011: £9,234,000). Together, these represent the maximum exposure to credit risk at the balance sheet date. No collateral is held by the Group in respect of these amounts. None of the Group's cash deposits were past due or impaired at 31 January 2012 (2011: nil).

Notes to the Accounts
(continued)

19 Financial instruments and risk management (continued)

In addition, the Group had invested in two fixed income funds which are not rated in the same way as liquidity funds. These investments had been sold by 31 January 2012.

Liquidity risk

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

The Group has power to enter into borrowing arrangements, both short and long term. The Group agreed a four year £60 million committed bank facility during the year.

As at 31 January 2012 the Group's financial liabilities amounted to £1,020,000 of trade and other payables (2011: £1,071,000) which were due in less than one year.

Capital risk management

The Company's capital is represented by its net assets, which are managed to achieve the Group's investment objective, set out on page 82. The main risks to the Company's investments are set out in Note 19. The Company currently has no debt.

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

Total equity at 31 January 2012, the composition of which is shown on the Balance Sheet on page 39, was £423,565,000 (2011: £399,483,000).

Fair values estimation

The Group adopted the amendment to IFRS 7 with effect from 1 January 2009 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements categorised according to the following fair value measurement hierarchy:

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

19 Financial instruments and risk management (continued)

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

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

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

The following tables present the assets that are measured at fair value at 31 January 2011. Neither the Group, nor the parent company had any financial liabilities measured at fair value at that date.

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Assets			
Unquoted investments – indirect	–	–	280,458
Unquoted investments – direct	–	–	72,682
Quoted investments – direct	3,419	–	–
Current asset investment	–	15,248	–
Insitutional money market funds	19,072	–	–
Total assets	22,491	15,248	353,140

Notes to the Accounts

(continued)

19 Financial instruments and risk management (continued)

Parent	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Assets			
Unquoted investments – indirect	–	–	234,253
Unquoted investments – direct	–	–	58,183
Quoted investments – direct	3,419	–	–
Current asset investment	–	15,248	–
Subsidiary undertaking	–	–	50,742
Insitutional money market funds	19,072	–	–
Total assets	22,491	15,248	343,178

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

The following tables present the changes in level 3 instruments for the year to 31 January 2012.

Group	Unquoted investments (indirect) at fair value through profit or loss £'000s	Unquoted investments (direct) at fair value through profit or loss £'000s	Total £'000s
Opening balances	280,458	72,682	353,140
Additions	78,038	3,094	81,132
Disposals	(56,915)	(31,470)	(88,385)
Gains and losses recognised in profit or loss	27,401	1,627	29,028
Closing balance	328,982	45,933	374,915
Total gains for the year included in profit or loss for assets held at the end of the reporting period	27,401	1,627	29,028

19 Financial instruments and risk management (continued)

Parent	Unquoted investments (indirect) at fair value through profit or loss £'000s	Unquoted investments (direct) at fair value through profit or loss £'000s	Subsidiary undertaking £'000s	Total
Opening balances	234,253	58,183	50,742	343,178
Additions	62,085	2,445	4,151	68,681
Disposals	(45,900)	(25,184)	–	(71,084)
Gains and losses recognised in profit or loss	23,311	1,302	2,377	26,990
Closing balance	273,749	36,746	57,270	367,765
Total gains for the year included in profit or loss for assets held at the end of the reporting period	23,311	1,302	2,377	26,990

20 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the Company and the Manager are disclosed in note 3.

Significant transactions between the parent company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	31 January 2012 £'000s	31 January 2011 £'000s
Graphite Enterprise Trust LP	(Decrease)/increase in loan balance	(1,717)	2,927
	Income allocated	1,322	361
Graphite Enterprise Trust (2) LP	Increase in loan balance	5,868	6,478
	Income allocated	101	100

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	31 January 2012 £'000s	31 January 2011 £'000s	31 January 2012 £'000s	31 January 2011 £'000s
Graphite Enterprise Trust LP	3,870	5,587	–	–
Graphite Enterprise Trust (2) LP	16,421	10,553	–	–

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

By order of the Board

M. Fane, Chairman
2 May 2012

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

We have audited the financial statements of Graphite Enterprise Trust PLC for the year ended 31 January 2012 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Independent Auditors' Report

to the Shareholders of Graphite Enterprise Trust PLC

(continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 79, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

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

2 May 2012

Governance

Report of the Directors
For the Year ended 31 January 2012

This report should be read in conjunction with the Chairman's Statement on pages 4 to 10 and the Market and Portfolio Reviews on pages 14 to 20.

Status of the Company

Graphite Enterprise Trust PLC ("Graphite Enterprise", the "Company" or the "Group") is an investment company as defined by Section 833 of the Companies Act 2006 and is registered and domiciled in England (No. 1571089).

During the year under review the Company carried on the business of an investment trust. The last accounting period for which the Company has been approved by HM Revenue & Customs in accordance with the provisions of Section 1158 of the Corporation Tax Act 2010 was the 13 month period ended 31 January 2011. In accordance with the self assessment of corporation tax this approval is based on the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue & Customs may make. The Company has subsequently directed its affairs with the objective of retaining such approval.

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

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

Reporting period

This Annual Report has been prepared for the year to 31 January 2012. The comparative amounts relate to the 13 month period ended 31 January 2011.

Investment policy

The Group's investment policy is set out on pages 82 and 83. A small number of minor changes to the investment policy have been made this year to reflect changes to the investment trust tax regime and to the Group's cash management practices. A copy of the policy showing these changes is available from the Company on request. There will be no material change to the investment policy without prior shareholder approval.

Business review

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

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

Risks

The risks and uncertainties facing the Group are regularly reviewed by the Board, the Audit Committee and the Manager. The main risks are set out below and more detailed risk disclosures are provided in Note 19 to the Accounts. The Board believes that the Group's principal business risks are:

Overcommitment risk – the Group has commitments to funds which exceed its liquid assets. There is a risk that these commitments could be called earlier than anticipated and that the Group would not be able to meet its obligations. The Manager monitors the Group's liquidity on a frequent basis and provides regular updates to the Board. The Group uses a range of forecast scenarios to determine likely future cash flows so that it can assess and manage liquidity risk.

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

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

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

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

Corporate Social Responsibility

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

Dividend

The final dividend in respect of the period ended 31 January 2012 of 5.0p per share will, if approved, be paid on 20 June 2012 to holders of ordinary shares on the register at the close of business on 1 June 2012.

Recent changes to the investment trust taxation rules will allow the Company to pay dividends from the realised capital reserve in future years. To take account of these changes the Company is proposing an amendment to its Articles of Association at this year's AGM.

The Company's Articles of Association may only be amended by special resolution at general meetings of shareholders.

Directors

All of the directors listed on page 21 held office throughout the year under review except for Mr Pomfret and Ms Riches who were appointed directors on 11 March 2011 and 14 July 2011 respectively. Mr O'Connor served on the Board for part of the year. He stepped down from the Board at the 2011 AGM held on 15 June 2011. All of the directors of the Company are resident in the UK and their biographical details on page 21 demonstrate the wide range of skills and experience that they bring to the Board.

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

Mr Dicks, Mr Cumming and Mr Fane have served on the Board for more than ten years and accordingly stand for re-election for a further year. Ms Riches will be standing for election for the first time having been appointed to the Board in July 2011. The Board believes that Ms Riches will bring valuable experience to the Board. Her election is recommended to shareholders. The Board believes that Mr Dicks, Mr Cumming and Mr Fane each make a relevant and significant contribution and bring considerable knowledge and experience to the Board. Their re-election is recommended to shareholders.

The directors have each signed a letter of appointment setting out the terms of their engagement as non-executive directors. Copies of these letters are available for inspection at the Company's registered office during normal business hours and will also be available at the AGM. No director has a service contract with the Company. Details of the directors' interests in contracts and agreements are given in note 10.

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

Report of the Directors
(continued)

Fig:5.1

Ordinary shares	31 January 2012	31 January 2011
M. Fane	119,250	119,250
J. Tigue	89,780	75,173
P. Dicks	7,000	7,000
M. Cumming	10,000	10,000
A. Pomfret	10,000	–
L. Riches	10,000	–
S. O'Connor	n/a	20,000
	246,030	231,423

There have been no other purchases or disposals of shares held by directors since 31 January 2012, up to the date of approval of these financial statements.

Directors remuneration

The Company has no employees or executive directors and consequently does not have a remuneration committee. A Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on page 80. The directors' remuneration is not conditional upon the resolution being passed.

Manager

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

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

A summary of the Company's investment in funds managed by Graphite Capital are detailed in Figure 5.2.

Other than for the Top Up Fund and Top Up Fund Plus, the terms of the investments in these funds specify that annual management charges are 2.0%, calculated by reference to total commitments for the first five years of the fund life, and thereafter by reference to the cost of unrealised investments. For the Top Up Fund and Top Up Fund Plus, annual management charges are 1.0%, calculated by reference to amounts drawn down and invested. The co-investment arrangements within these funds are similar to those that are in place in the Group Co-investment scheme (see below).

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

Capital

There were no movements in the number of outstanding ordinary shares during the year ended 31 January 2012.

The Directors' authority to buy back shares was renewed at the 2011 AGM and will expire unless renewed at the forthcoming AGM. Although no shares were bought back during the period, the Directors are proposing to renew the authority at the forthcoming AGM, and are seeking authority to purchase up to 10,929,658 Ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 12. The authority will be used where the Directors consider it to be in the best

Fig:5.2

Total commitment	31 January 2012 £'000	31 January 2011 £'000
Graphite Capital Partners VII	42,800	42,800
Graphite Capital Partners VII Top Up Fund	10,000	10,000
Graphite Capital Partners VII Top Up Fund Plus	6,000	6,000
Graphite Capital Partners VI	44,988	40,000
Graphite Capital Partners V	12,000	12,000
	115,788	110,800

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

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

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

Substantial share interests

At 27 April 2012, the Company had received notification of the following disclosable interests in its issued share capital: Legal and General Investment Management Limited, 2,913,999 ordinary shares, representing 3.99% of issued share capital at that date, Henderson Global Investors Limited, 3,710,003 ordinary shares, representing 5.09% of issued share capital at that date and Red Rocks Capital LLC, 3,658,087 ordinary shares, representing 5.02% of issued share capital at that date.

Co-investment scheme

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

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

Report of the Directors
(continued)

Co-investment scheme (continued)

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

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

Transfer of shares and voting rights

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

Policy on payments to suppliers

The Company's principal supplier, the Manager, is paid for its services in accordance with the terms and conditions of the Management Agreement. Payment terms are negotiated with other suppliers on an individual basis. At 31 January 2012 the Company had no outstanding trade creditors (2011: nil) However, there was an accrued balance for £123,000 in relation to management fees payable to the Manager (2011: £193,000).

Stewardship

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

Corporate governance

The Group is committed to appropriate standards of corporate governance. The Board complied with the principles set out in the current UK Corporate Governance Code issued by the Financial Reporting Council in May 2010 (the "Governance Code") during the year ended 31 January 2012. A copy of the Governance Code can be obtained from the website of the Financial Reporting Council (www.frc.org.uk).

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

Number of meetings attended/ eligible to attend in the year ended 31 January 2012

	Board	Audit
M. Fane	4/4	1/1
M. Cumming	4/4	3/3
P. Dicks	4/4	3/3
J. Tigue	4/4	3/3
A. Pomfret	4/4	–
L. Riches	2/2	–
S. O'Connor	2/2	–

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

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

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

The quorum for any Board meeting is two directors but attendance by all directors at each meeting is strongly encouraged. During the year under review, four regular meetings were held and each of the directors in office at that time attended them all. Five additional telephone meetings were held and of these, two were attended by all of the directors. At least three directors were present at the other three meetings.

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

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

Performance evaluation

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

Audit Committee

The Audit Committee of the Group operates within written terms of reference clearly setting out its authority and duties. It was comprised of three independent directors: Mr Dicks (Chairman), Mr Cumming, and Mr Tigue during the year. Mr Fane was a member of the Committee until 15 June 2011. There is a range of recent and relevant financial experience among the members. The primary role of the Committee is to review the accounting policies, the contents of the interim and annual financial statements, the adequacy and scope of the external audit, the risks to which the Group is exposed, the controls in place to mitigate those risks and compliance with regulatory and financial reporting requirements. The Committee meets at least three times a year. In both the prior and current financial periods the Committee met three times with the Group's auditors, PricewaterhouseCoopers LLP. The Committee also has direct access to the auditors as necessary at other times and the opportunity to meet the auditors without the Manager being present. The Committee has met in this financial year to consider the Group's audit process, its financial statements, the report of the auditors and auditor independence.

The quorum for the Audit Committee is any two of the three members comprising the Committee but attendance at each meeting is strongly encouraged. There were three meetings during the period (2011: three). All the meetings were fully attended.

Report of the Directors
(continued)

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

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

The Manager has set out in a Statement of Internal Controls for the year to 31 January 2012 its control policies and procedures with respect to the administration of the Group's investments which contains a report from the external auditors. The Statement of Internal Controls includes controls which specifically relate to the financial reporting process. The effectiveness of these controls is monitored by the Manager. The Audit Committee has received and reviewed the Statement of Internal Controls.

By means of the procedures set out above, and in accordance with the Governance Code, the directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and have reviewed the effectiveness of the internal control systems during the year ended 31 January 2012. This process has been in place throughout the year under review and up to the date of this report and will be reviewed by the Board on a regular basis going forward. This process accords with the revised Turnbull guidance.

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

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

The Audit Committee has reviewed the provision of non-audit services and believes them to be cost effective and not an impediment to the auditors' objectivity and independence. The non-audit services are the provision of training for the directors, review of the payments under the co-investment schemes and occasional tax advice. It has been agreed that all non-audit work to be carried out by the external auditors must be ratified by the Audit Committee. Any special projects would be approved by the Audit Committee in advance. The cost of non-audit services for the year ended 31 January 2012 was £35,000 (2011: £35,000) and is not of a material nature.

Nominations Committee

All of the directors serve on the Nominations Committee which meets at least once a year and when necessary to select and propose suitable candidates for appointment or re-appointment to the Board. There was one meeting of the Committee during the year (2011: one) which was attended by each of the six eligible directors (2011: five). The Committee is chaired by Mr Fane. When making an appointment, the Board considers the existing composition of the Board to determine areas which require strengthening. External consultants may be used if required.

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

Going concern

Having reviewed the balance sheet and current activities of the Group, the directors believe that it is appropriate to continue to adopt the going concern basis of preparation of the Group's financial statements. The Group's business activities, together with factors likely to affect its future development, performance, position and cashflow requirement are set out in the Chairman's Statement and Business Review on pages 4 to 24.

Investor relations

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

Charitable and political donations

The Company has a covenant with the Charities Aid Foundation for £10,000 per annum (2011: £10,000). No political donations were made in the year (2011: nil).

Disclosure of information to auditors

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

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

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

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

Independent auditors

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the Westbury Hotel, Bond Street, London, W1S 2YF at 3.30pm on 11 June 2012. The resolutions are set out in the Notice of Meeting on pages 84 to 85.

By order of the Board,

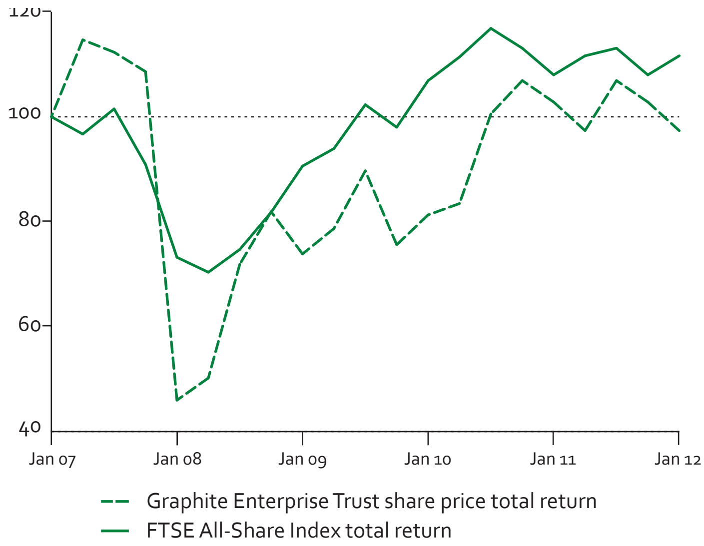
Company Secretary
Graphite Capital Management LLP
2 May 2012

Directors' Remuneration Report

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

Remuneration Committee

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



Source: Bloomberg

Remuneration for Qualifying Services

Name	Salary and fees £'000s	Bonus £'000s	Taxable expense allowance £'000s	Compensation for loss of office £'000s	Estimated value of non-cash benefits £'000s	Year ended 31 January 2012 Total £'000s	13 months ended 31 January 2011 Total £'000s
Mark Fane	49	–	–	–	–	49	49
Michael Cumming	31	–	–	–	–	31	33
Peter Dicks	33	–	–	–	–	33	34
Jeremy Tigue	31	–	–	–	–	31	33
Andy Pomfret[1]	25	–	–	–	–	25	–
Lucinda Riches[1]	16	–	–	–	–	16	–
Sean O'Connor[2]	10	–	–	–	–	10	30
	195	–	–	–	–	195	179

[1] Andy Pomfret appointed on 11 March 2011; Lucinda Riches appointed on 14 July 2011
[2] retired on 15 June 2011

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

No director had any share options or any long term incentives in the year ended 31 January 2012 or during the 13 months ended 31 January 2011. The information in the above table has been audited – see Independent Auditors' Report on page 69.

This Directors' Remuneration Report was approved by the Board of Directors on 2 May 2012 and signed on its behalf by:

Mark Fane, Chairman
May 2012

Investment Policy

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

Asset allocation

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

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

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

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

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

Risk diversification

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

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

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

Borrowings

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

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

Overcommitment

Overcommitment is the practice of making commitments to funds which exceed the cash available for immediate investment. Overcommitment is explained further in Investing in Private Equity on page 22.

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

Surplus cash

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

Benchmark

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

Currency risk

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

Notice of Meeting

Notice is hereby given that the thirty-first Annual General Meeting of Graphite Enterprise Trust PLC will be held at the Westbury Hotel, Bond Street, London, W1S 2YF on 11 June 2012 at 3.30 p.m. for the following purposes:

Resolutions 10 to 13 inclusive will be proposed as special resolutions.

All other resolutions will be proposed as ordinary resolutions.

Ordinary Business

1. To receive and adopt the reports of the directors and auditors and the Company's accounts for the year ended 31 January 2012.

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

3. To elect L. Riches as a new director.

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

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

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

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

8. To consider, and if thought fit, to approve the Directors' Remuneration Report for the year ended 31 January 2012.

Authority to allot shares

9. THAT:

a. the directors be generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,406,129 (representing 24,061,290 ordinary shares of 10p each, such amount being equivalent to 33% of the present share capital) during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2013; and

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

Special Business
Disapplication of pre-emption rights
(see note 1)
10. THAT:

a. subject to the passing of resolution 9 above the directors be empowered to allot equity securities as defined in Section 560(1) or Section 560(3) of the Act wholly for cash during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2013. In connection with an allotment of shares pursuant to the authority referred to in resolution 9 above or the sale of treasury shares, up to an aggregate nominal amount of £364,565; as if Section 561 of the Act did not apply to any such allotment or sale; and

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

Authority to purchase shares
11. THAT:

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

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

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

c. the maximum price which may be paid for a share is an amount equal to the highest of (a) 105 per cent of the average of the closing price of the Company's Ordinary shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such share is contracted to be purchased, and (b) the price of the last independent trade and the highest current bid, as stipulated by Article 5(I) of Commission Regulation (EC) 22 December 2003 (No 2273/2003); and

d. this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2013 or, if earlier, on 31 July 2013 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is varied, revoked or renewed prior to such time.

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

Articles of Association
13. That with effect from the date this resolution is passed:

a. Article 138, which prohibits the distribution of capital profits, be amended to allow the Company to make distributions of capital profits.

b. the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

Company Secretary
Graphite Capital Management LLP
2 May 2012

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

Notice of Meeting: Notes

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

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

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

Note 3: A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

Note 4: As at 1 May 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital and total voting rights amounted to 72,913,000 ordinary shares carrying one vote each.

Note 5: Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered on the Register of Members of the Company as at 3.30 p.m. on 9 June 2012 (or in the event that the meeting is adjourned, only those Shareholders registered on the Register of Members of the Company as at 6.00 p.m. on the day which is two days prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

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

a. to do so would:

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

    ii. involve the disclosure of confidential information;

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

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

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

Note 9: A copy of this Notice of Annual General Meeting is available on the Company's website: www.graphite-enterprise.com

Note 10: The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting: (a) the terms and conditions of appointment of non-executive Directors; and (b) a copy of the Current Articles of Association. None of the Directors has a contract of service with the Company. If you are in any doubt as to the content or action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000.If you have sold or otherwise transferred all of your shares in the Company, please send this document, together with the accompanying form of Proxy and Attendance Card, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Useful Information

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

Registered number: 01571089
Place of registration: England

Website
www.graphite-enterprise.com

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

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

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

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

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

Authorised and regulated by the Financial Services Authority.

Dividend – 2012
The final dividend proposed in respect of the year ended 31 January 2012 is 5.0p per share.

Ex-dividend date (shares transferred without dividend)	30 May 2012
Record date (last date for registering transfers to receive the dividend)	1 June 2012
Dividend payment date	20 June 2012

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

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

F&C savings products
Investors in the Company through F&C savings products, including ISAs, pensions and Child Trust Funds, can find more information about those products on page 24.

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

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

ISIN	GB0003292009
SEDOL	0329200
Reuters code	GPE.L

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

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

Graphite Enterprise

www.graphite-enterprise.com