Graphite Capital

Graphite Enterprise Trust PLC

Investing in long term growth

Interim Report
31 July 2012

Contents

Summary of the six months to 31 July 2012

Continuing growth in a difficult environment

The six months to 31 July 2012 was a period of steady progress for Graphite Enterprise. The portfolio continued to perform well in a tough economic environment, again demonstrating the strengths of the private equity model. Despite the negative effect of euro weakness, the Company's net asset value has grown. At the same time the share price has performed strongly, increasing by 7.8% over the period. This brings the increase over the 18 months to 31 July to 25%.

While private equity transaction volumes are currently relatively subdued, we are seeing many attractive opportunities to invest in new funds and to acquire interests in existing funds. Our conservative balance sheet management puts us in a very strong position to take advantage of these opportunities and we expect to do so in the second half of the year. The Company's ability to participate in the current round of new fund raisings will stand it in good stead in the coming years.

Mark Fane, Chairman

+1.4%

Net asset value per share
The NAV per share outperformed the FTSE All-Share Index which fell by 0.2% in the period

+7.8%

Share price
The share price strongly outperformed the FTSE All-Share Index in the period

+7.2%

Underlying value of the portfolio in local currency
Realisations in the period were achieved at an average uplift of 65%

92%

Proportion of total assets invested in the portfolio
The investment portfolio was valued at a record level of £393 million at 31 July

£91m

Liquidity
The Company had liquid assets of £34 million and bank facilities of £57 million at 31 July

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.

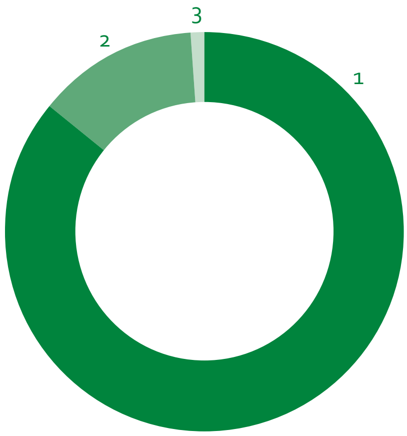
As a fund of funds manager which also has a long history as a direct buy-out manager, Graphite Capital has an unusually broad perspective from which to assess opportunities to invest in other managers' funds and to make selective co-investments alongside those funds.

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 16 of the last 20 years

Investment type at 31 July 2012

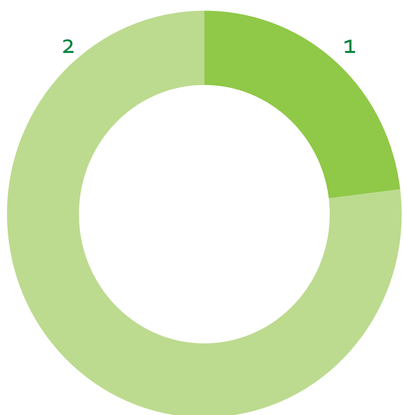
Fig 1.1



1. European buy-outs	86%
2. Rest of world buy-outs	13%
3. Other investment types	1%

Investment portfolio at 31 July 2012

Fig 1.2



1. Graphite portfolio	23%
2. Third party portfolio	77%

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 total return is 138%, compared with the FTSE All-Share Index which has returned only 83%.

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. The portfolio is managed by 27 private equity firms.

Chairman's Statement

The Company's share price increased by 7.8% in the six months to 31 July 2012

Overview

In the six months to 31 July, the net asset value per share of Graphite Enterprise increased by 1.4% and the share price by 7.8%. This was against a background of continued economic uncertainty and weak financial markets. Both the net asset value and the share price outperformed the Company's benchmark, the FTSE All-Share Index, which fell by 0.2%. The rise in the share price primarily reflected a narrowing of the discount from 37.3% at 31 January to 33.3% at 31 July.

The portfolio continued to perform well, with a number of profitable full and partial realisations being achieved and the earnings of the largest underlying companies continuing to grow. The impact of this performance was, however, partially offset by the fall in the euro which reduced the sterling value of the euro-denominated portfolio.

The 7.8% increase in the share price, when added to last year's sharp rise, brought the increase over 18 months to 25.0%. This reflected the combined effect of a substantial narrowing of the discount and the Company's net asset value growth over this period.

Performance in the period	31 July 2012	31 Jan 2012	Change
Net asset value per share	577.4p	569.4p	+1.4%
Share price	384.9p	357.0p	+7.8%
FTSE All-Share Index	2,927	2,933	-0.2%

Economic environment

The Company's investment portfolio is focused principally on the mature European private equity markets. At 31 July over 85% of the portfolio was in Europe, with the UK accounting for almost half of the total portfolio and France, Germany and the Benelux countries for just over a quarter combined. The performance of these economies therefore has much the greatest impact on the performance of the portfolio.

Concerns over the sovereign debt of a number of eurozone countries, over the banking sector throughout Europe, and over the future of the euro continued to depress economic performance throughout the region. In this uncertain environment, the output of the UK is forecast to contract in 2012 and those of France, Germany and the Benelux countries are expected to grow only modestly at best. It remains to be seen whether recent action taken by central banks and politicians will stabilise the situation in the medium term but there is a general consensus that economic growth will remain subdued for some time.

We continue to have only limited exposure to those countries where concerns over sovereign debt remain greatest. At 31 July, Spain accounted for 4.7% of the portfolio, while Ireland, Portugal, Greece and Italy combined accounted for only 3.7%.

Although uncertainty invariably depresses economic growth it also creates opportunities. We continue to believe that private equity managers are ideally placed to identify these opportunities and to capitalise on them as they have done throughout the downturn.

Performance

Net asset value performance

The investment portfolio continued to perform well in the six months, increasing in value in local currency terms by 7.2%. This followed an increase of 12.0% in the previous financial year. Profitable realisations generated just under half of this uplift with increases in the valuations of unrealised investments accounting for the remainder. The latter were driven by a combination of earnings increases and debt pay-down rather than by changes in valuation multiples. The performance of the 30 largest underlying companies at 31 July, which together constitute more than two-fifths of the portfolio, is likely to be a key driver of future growth and it is encouraging that this remained strong, with average earnings increasing by more than 11%.

The euro fell by 5.3% against sterling during the period, reducing the sterling value of the Company's euro-denominated assets and cutting the gain on the portfolio in sterling terms by approximately half, from 7.2% to 3.8%. As just over 10% of total assets were in cash and liquid assets at the start of the period, this gain generated an increase in the net asset value per share of 3.5% before the costs of running and financing the Company and the payment of the dividend. After taking these into account the net asset value grew by 1.4%.

Long term performance

The Company's net asset value has strongly outperformed its benchmark, the FTSE All-Share Index, over both five and ten years*. On a total return basis, which takes into account the effect of reinvested dividends, the Company has generated a return of 138.1% over ten years which is significantly greater than the return of 83.3% from the Index over the same period. Over five years, the net asset value has returned 24.3% while the Index has returned only 3.3%.

The net asset value has outperformed the Index in eight of the last ten years and in 16 of the last 20 years*, tending to underperform only when the Index has been rebounding from a sharp fall.

Total return

	5 years	10 years
Net asset value per share	+24.3%	+138.1%
Share price	-6.4%	+110.2%
FTSE All-Share Index	+3.3%	+83.3%

* Measured using the Company's half year reporting dates. The Company's year end changed from 31 December to 31 January during 2010 and the half year therefore moved from 30 June to 31 July.

Chairman's Statement
(continued)

Discount and share price
Discounts in the listed private equity sector remain well above their long term averages, although they are now significantly lower than during the worst of the financial crisis. Graphite Enterprise's discount is no exception to this, with a discount at 31 July of 33.3% compared with an average of 35% since the start of the downturn but 11% in the 10 years prior to that.

The Board recognises that the discount is a source of concern for some investors and actively and regularly considers the Company's approach to this issue. We continue to believe that the principal driver of discounts is investor sentiment. In our view, therefore, the key to reducing the discount over the long term is continuing strong performance and effective communication of the Company's performance and strategy to existing and potential investors.

Balance sheet
The balance sheet has been managed conservatively over an extended period. During the downturn, we took action to ensure that the Company's net asset value was protected and we subsequently put in place a bank facility to enable levels of investment to increase when opportunities arise. As set out below, the balance sheet remains strong, giving us the capacity to continue with an active investment programme at what we believe to be an attractive point in the economic cycle.

Investment portfolio
At 31 July the investment portfolio was valued at £392.6 million, a record for Graphite Enterprise. This represented 91.5% of total assets of £429.2 million, slightly higher than the 89.2% at 31 January, and the highest proportion of assets invested for many years.

A total of £30.3 million was invested in the portfolio during the period and £29.8 million of proceeds were received. With net investment in the portfolio in the period being only £0.5 million, much the largest element of the increase in the investment portfolio was the valuation gains discussed above, which totalled £14.4 million. Further details of these movements are set out in the Manager's Review.

Cash and commitments
Cash and liquid assets of £34.3 million at 31 July accounted for 8.0% of total assets, with other net current assets accounting for the balance of 0.5%. The bank facility remained undrawn at the period end. As the loan is structured as two facilities, of £30 million and €34.5 million, the available facility at 31 July was equivalent to £57.1 million bringing total liquidity to £91.4 million. Although undrawn, the bank facility supports the current level of outstanding commitments and gives us the capacity to increase these in the future.

Outstanding commitments to funds fell by £21.6 million to £121.2 million in the period, primarily because drawdowns of £25.5 million were considerably higher than the relatively low level of new commitments. The fall in the euro also reduced the sterling value of the outstanding amounts. If managers do not increase their current rate of investment, less than £40 million of these commitments are likely to be drawn down over the next 12 months.

The current level of commitments can comfortably be supported with cash balances and undrawn borrowings. A large number of fund opportunities are currently being reviewed and the surplus balance sheet capacity is likely to be used to support a significant level of fund commitments in the coming 12 to 18 months.

Foreign currency exposure
Investments in overseas companies together with foreign currency cash balances accounted for £203.4 million or approximately half of total assets at 31 July. Of this amount, £140.0 million was in eurozone countries and £43.0 million in the USA.

Rises in the euro and dollar against sterling increase the sterling values of our overseas investments, while falls in these currencies decrease their values. While the short term impact of currency movements is easy to calculate, the medium term effect is much more difficult to assess. For example, a rise in the euro immediately increases the reported value of our German investments. However, in the medium term this rise might reduce their international competitiveness and thereby reduce their profitability and ultimately their valuation.

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

The Company does not currently hedge its foreign currency risk, but the Board regularly reviews the Company's exposure and approach and will continue to do so.

Income statement

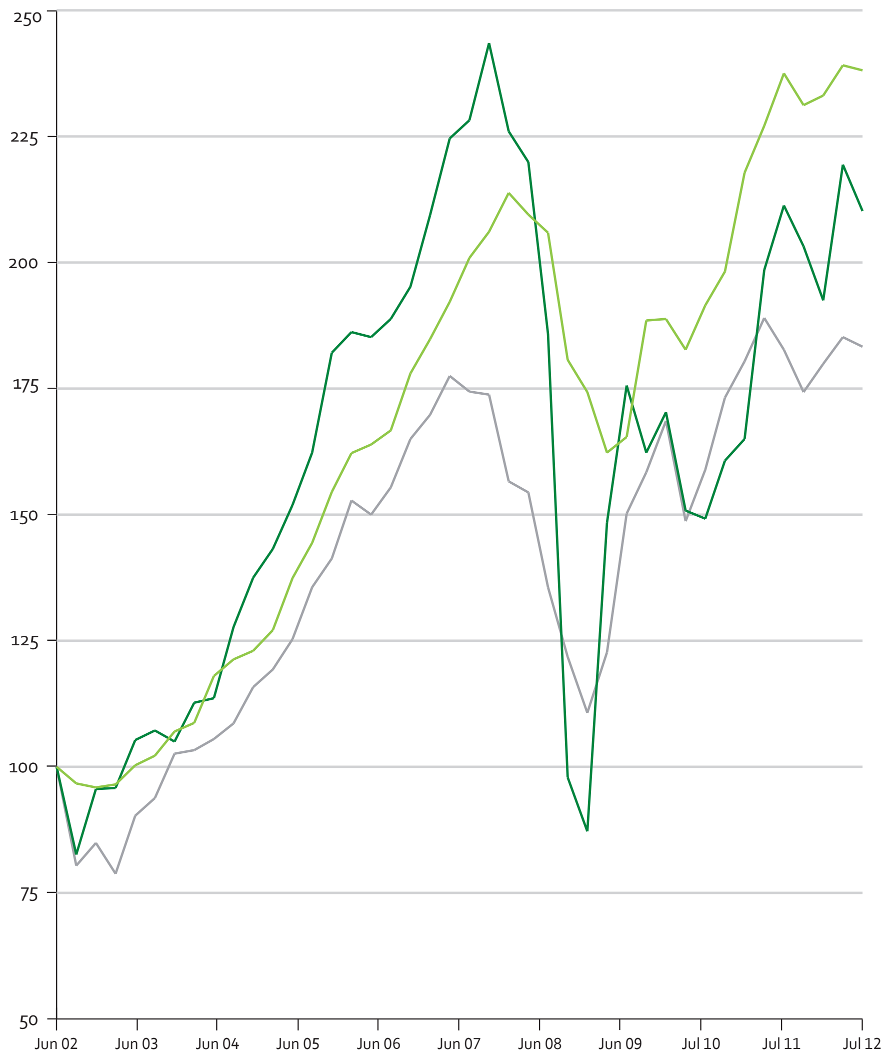
In the six months to 31 July, the total gain after tax attributable to shareholders was £9.4 million or 13.0p per share. This comprised a net capital gain of 11.1p per share and net revenue of 1.9p per share.

Net revenues in the six months totalled £1.4 million. This was materially lower than the level last year when net revenues for the full twelve months were £4.6 million. As we have discussed previously, income from the portfolio tends to fluctuate quite widely. This is because it is closely related to realisations as portfolio companies are often restricted from paying interest or dividends to the Company until they are realised. Last year's income was particularly high as the level of realisations increased materially, driven by the sale of four of the Company's five largest investments.

It is difficult to predict the level of income that will be received from the portfolio in the second half of the year, but net income for the full year is unlikely to reach the level of last year. However the Company has substantial revenue reserves which at 31 July totalled £11.8 million, equivalent to 16.1p per share.

Ten Year Total Return Perfomance[1]

Fig 1.3



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

[1] All amounts rebased to 100 at 30 June 2002. Performance to 31 July 2012.

Chairman's Statement
(continued)

Outlook

We are encouraged by the ability of managers in our portfolio to grow and profitably dispose of companies in this difficult environment. Moreover, we believe that managers are generally cautious about new investment and are investing in high quality companies, which bodes well for the Company's future performance. As we expect market conditions to remain broadly unchanged for the remainder of the year, we would also expect the level of investment activity to be similar in the second half.

We continue to be pleased with the trading performance of the portfolio, with the growth in earnings of the largest 30 investments remaining in double digits. As we have discussed before, the performance of private equity backed companies through the downturn has been considerably stronger than many had predicted at its outset.

We have reviewed a large number of new fund opportunities so far this year, one of which completed in the six months to July. One further commitment was made after the period end and we expect to make further commitments in the remainder of the financial year as more managers complete fund raisings.

The Company's balance sheet remains strong. The liquid assets and undrawn bank facility, when set against the relatively low level of current commitments, provide ample scope to make new commitments and to acquire secondary interests and co-investments. Shareholders can be assured, however, that the balance sheet will continue to be managed conservatively.

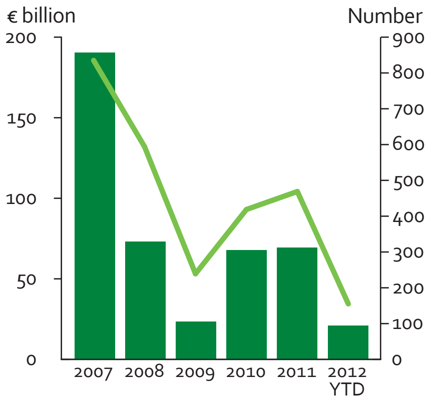
The Company's net asset value is now well above its pre-financial crisis peak whereas equity markets remain substantially below theirs. We remain of the view that as confidence returns, investors will recognise the strength of the Company's position and the discount will continue to narrow.

Mark Fane
September 2012

Business Review

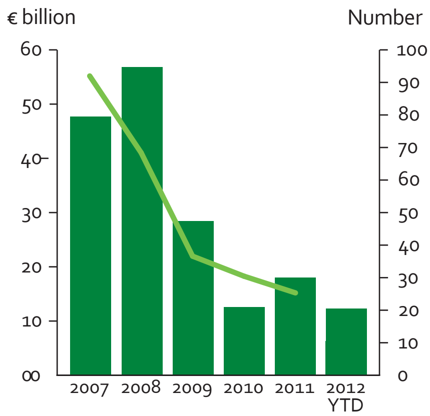
Market Review

New investments:
European buy-out funds
Fig: 2.1



- Number
- Value

Fundraising:
European buy-out funds
Fig: 2.2



- Number
- Value

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

Investment activity

The slowdown in activity in the second half of 2011 continued in the first half of 2012. A total of 172 buy-outs were completed with a value of €21 billion. This was 23% lower by value than in the second half of last year and 50% lower than in the same period last year. The fall reflects the impact of the eurozone financial crisis, which has affected the confidence of private equity managers since the middle of last year.

Prices paid for new investments in the first half of 2012 were broadly unchanged from those paid last year, although data on pricing tends to be available only on a narrow sample of new investments. In general, prices for good quality companies remain 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 compared with last year, but again were significantly below 2007 levels.

Fundraising

In contrast with the slowdown in new investments, fundraising for European buy-outs continued to rise in the first half of 2012. Over €12 billion was raised for 13 funds, representing an increase by value of more than 25% on the previous six months and of 50% relative to the first half of 2011. Despite recent growth, fundraising remains significantly below the peak levels seen in 2006 and 2007 and, for a variety of reasons, many private equity fund investors remain capital-constrained.

A high proportion of buy-out managers are planning to raise funds in the next 12-18 months as the investment periods of funds raised in the boom years are due to expire. One recent survey indicated that more than 400 private equity funds focused on Europe are currently seeking capital.

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

Secondary market

The market for secondary interests in funds remained strong in the first half of 2012. 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 for the near future, not least because mounting regulatory pressure on financial institutions may encourage banks and insurance companies to sell private equity assets.

Despite discounts in the secondary market being relatively low, we believe that secondaries continue to offer attractive opportunities. We will continue to focus on funds with significant long-term growth potential rather than on those available on high entry discounts.

Portfolio Review

The portfolio increased in value by 7.2% in local currencies

Investment performance
The portfolio continued to perform well in the first half of the year, despite a background of continued economic uncertainty, increasing in value by 7.2% in local currencies. This was partly offset by adverse currency movements, resulting in a net valuation increase in sterling of 3.8%.

Underlying earnings growth remained strong and several successful realisations were achieved at significant uplifts to previous holding values. Gains on disposals accounted for 47% of the £27.3 million valuation increase. The remaining 53% came from valuation uplifts which were principally driven by earnings growth.

Movement in the portfolio	£m
Opening portfolio at 31 January 2012	377.7
Additions	30.3
Disposal proceeds*	(29.8)
Net investment in portfolio	0.5
Total underlying valuation gains	27.3
Currency	(12.9)
Closing portfolio at 31 July 2012	392.6

*Includes income of £3.3 million generated by the portfolio in the period.

Investment activity
Investment activity was relatively subdued in the first half, with realisations and new investments broadly in balance, resulting in a small net cash investment of £0.5 million.

Realisations
The portfolio generated a steady flow of profitable realisations in the first half of the year despite a generally unhelpful economic backdrop. Proceeds of £29.8 million were received which was similar to the level in the second half of last year.

Five full realisations were completed in the period, generating £17.1 million of proceeds. The average uplift on sale was 65% while the average multiple of original cost was 2.8. The largest cash inflow was £8.7 million from the disposal of Data Explorers, the sixth largest underlying investment, which was sold at the start of the period.

Partial realisations generated a further £10.0 million. These included two IPOs: Ziggo and Tumi, which were the tenth and eleventh largest investments at the start of the year. We also generated £2.7 million of cash through the secondary sale of a fund investment.

In the annual report we predicted that realisations in the current year would be materially lower than last year, primarily because a number of our largest underlying holdings were realised last year. In the event, proceeds in the first half of this year were equivalent to 8% of the opening value of the portfolio. This represents an annualised rate considerably below both last year's 26% and the Company's long-term average rate of 35%. We are nonetheless encouraged by the continuing flow of realisations in this challenging environment.

Portfolio Review
(continued)

The average uplift on sale was 65% and the average multiple of original cost was 2.8

*Excludes three companies where EBITDA is not a meaningful measure

New investments

New investments of £30.3 million were made in the first half of the year which was 40% lower than in the previous six months.

Drawdowns by funds represented £25.6 million of the total, which was broadly in line with our expectations. Two direct co-investments accounted for the remaining £4.7 million. These were in: CPA Global, a provider of intellectual property and legal services, in which we invested alongside the Fourth Cinven Fund; and Spheros, a provider of climate systems for buses, where we invested alongside Deutsche Beteiligungs AG V. Taken together with our indirect interests through the respective funds, these investments are now at numbers 17 and 25 respectively in our top 30 underlying investments.

The managers of our fund portfolio made 13 new investments in underlying companies in the six months. This compares with 21 made in the previous six months and reflects the slow-down in activity discussed above. Of these, nine were large buy-outs and four were small and mid-market buy-outs.

New commitments

We made one new primary fund commitment in the period. This was of €10 million, to Deutsche Beteiligungs AG Fund VI, a €700 million German mid-market buy-out fund. The manager, Deutsche Beteiligungs AG ("DBAG"), is one of the leading managers in Germany. We have invested successfully with DBAG for over ten years through two predecessor funds and two direct co-investments. This commitment is in line with a core part of our strategy of building long-term relationships with top performing managers and partnering with them in selective direct co-investments and secondaries.

Closing portfolio

Achieving a balance between diversification and concentration remains an important element of our strategy. At 31 July the Company had investments in over 300 underlying companies across a broad range of sectors in 27 different countries. Full details are set out in the supplementary information section later in this report. As investment activity was at a relatively low level in the six months, the composition of the portfolio did not change materially in the period.

While the level of diversification within our portfolio reduces risk, many individual investments are still large enough to have an impact on overall performance. At 31 July the top ten underlying companies accounted for 20% of the value of the portfolio while the top 30 accounted for 42%. These 30 larger investments are therefore likely to play a major role in determining the future performance of the Company. As outlined in the Chairman's Statement, their performance remains encouraging with growth in revenue averaging 14% and growth in EBITDA averaging 11% in the year to June 2012*.

The top 30 investments were valued at an average of 9.0 times EBITDA, which we consider 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 4.0 times EBITDA. This should enhance future equity returns without undue financial risk.

At 31 July, 99% of the portfolio was valued using June valuations. The portfolio was valued at an average of 1.3 times original cost in local currency, of which 0.3 times cost had already

Graphite Capital has completed three new investments in 2012, most recently in Explore Learning

The 30 largest underlying companies grew EBITDA by 11% in the year to June 2012

been realised. At these levels we believe there is considerable potential for future growth as the portfolio matures. As over half of the portfolio is in investments made prior to 2008, managers will be looking to exit many companies when market conditions allow.

Prospects

Since 31 July we have invested £1.7 million in the buy-out of Explore Learning, the UK's leading provider of after-school tuition to children aged between five and fourteen. The investment was made through Graphite Capital Partners VII and was the third investment made by this fund in 2012, reflecting an active year for Graphite Capital's direct investment team. Explore Learning follows the acquisition of National Fostering Agency, a provider of foster care services, in January and the investment in Rex Restaurants, a leading London restaurant operator, in April.

In September we made a €10 million commitment to a new mezzanine fund raised by Intermediate Capital Group plc ("ICG"). ICG is one of our most profitable historic relationships dating back to 1989. As credit remains severely limited, we believe that now is an attractive time to be investing in mezzanine.

As outlined in the market review section, many high quality new funds are currently being raised or are expected to launch in the next 12 months. These give us the opportunity to secure access to the best investment opportunities over the next four to five years alongside top performing buy-out managers. We believe that committing to these funds is important for our long-term performance, not only because we believe that the funds themselves will perform well but also because they should generate secondary and co-investment opportunities. We are therefore at a relatively advanced stage of due diligence on a number of funds and would expect to make commitments before the year end. As the balance sheet remains strong, we will also be actively pursuing opportunities to acquire funds in the secondary market and to make further direct co-investments.

The outlook for realisations remains somewhat uncertain. It is encouraging that exits have been and are still being achieved, with £8.7 million generated by the portfolio since 31 July. This is despite the economic uncertainty and the continued shortage of bank debt. In light of this, it is reasonable to expect that realisations will continue at similar levels in conditions which are likely to remain equally challenging.

As the past few years have demonstrated, we have a robust portfolio that is capable of generating growth in difficult times. Equally, our strong balance sheet allows us to capitalise on new opportunities as they present themselves. We believe this leaves the Company well positioned for the remainder of the year and beyond.

Graphite Capital
September 2012

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.

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

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

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

Co-investments
When private equity managers are considering investments that are too large for their funds to make alone (for example, because of diversification limits), they often invite 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.

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 31 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 23% of the portfolio value and 21% 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 62 funds and 30 co-investments. The net return on realised funds and co-investments is more than twice the amount invested.

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

Supplementary Information

The 30 Largest Underlying Investments

1-15

The tables below and on the next page present the 30 companies in which Graphite Enterprise had the largest investments by value at 31 July 2012. These investments may be held directly, through funds, or in some cases both. The valuations are gross and are shown as a percentage of the total investment portfolio.

Company	Manager	Year of investment	Country	Value as a % of investment portfolio
1 **Micheldever** Distributor and retailer of tyres	Graphite Capital	2006	UK	3.7%
2 **NES Group** Provider of recruitment services	Graphite Capital	2006	UK	2.6%
3 **Park Holidays UK** Operator of caravan parks	Graphite Capital	2006	UK	2.3%
4 **National Fostering Agency** Provider of foster care services	Graphite Capital	2012	UK	2.2%
5 **U-POL** Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.7%
6 **Stork** Provider of technical engineering services	Candover	2008	Netherlands	1.6%
7 **Alexander Mann Solutions** Provider of recruitment process outsourcing	Graphite Capital	2007	UK	1.5%
8 **Ausco** Supplier and operator of modular buildings	TDR Capital	2011	Australia	1.4%
9 **Hellerman Tyton** Manufacturer of cable management products	Doughty Hanson	2006	UK	1.3%
10 **London Square** Developer of residential housing	Graphite Capital	2010	UK	1.3%
11 **Parques Reunidos** Operator of attraction parks	Candover	2007	Spain	1.3%
12 **Evonik Industries** Provider of speciality chemicals	CVC	2008	Germany	1.3%
13 **Weetabix** Manufacturer of breakfast cereals	Lion Capital	2004	UK	1.3%
14 **Teaching Personnel** Provider of temporary staff for the education sector	Graphite Capital	2010	UK	1.3%
15 **Spire Healthcare** Provider of healthcare	Cinven	2007	UK	1.2%
Total of the 15 largest underlying investments				26.0%

16-30

Company	Manager	Year of investment	Country	Value as a % of investment portfolio
16 Ziggo Operator of cable TV networks	Cinven	2006	Netherlands	1.2%
17 CPA Global Provider of patent and legal services	Cinven	2012	UK	1.2%
18 CEVA Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.2%
19 Avio Manufacturer of aerospace engine components	Cinven	2007	Italy	1.1%
20 Preh Manufacturer of automotive control systems	Deutsche Beteiligungs	2003	Germany	1.1%
21 Tumi Manufacturer and retailer of luggage and accessories	Doughty Hanson	2004	USA	1.1 %
22 Dominion Gases Supplier of specialist gases to the oil and gas industries	Graphite Capital	2007	UK	1.1%
23 Ceridian Provider of payment processing services	Thomas H Lee Partners	2007	USA	1.1%
24 Stonegate Pub Company Operator of pubs	TDR Capital	2010	UK	1.0%
25 Spheros Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	1.0%
26 Algeco Scotsman Supplier and operator of modular buildings	TDR Capital	2007	USA	1.0%
27 Acromas Provider of financial, motoring and travel services	CVC / Charterhouse	2007	UK	0.9%
28 TMF Provider of accounting outsourcing services	Doughty Hanson	2008	Netherlands	0.9%
29 Coperion Manufacturer of materials handling equipment	Deutsche Beteiligungs	2007	Germany	0.8%
30 Willowbrook Healthcare Operator of care homes for the elderly	Graphite Capital	2008	UK	0.8%
Total of the 30 largest underlying investments				41.5%

The 30 Largest Fund Investments

1-15

The largest funds by value at 31 July 2012 are set out below:

Fund		Outstanding commitment £m	Fund vintage	Country/ region	Value £m
1	**Graphite Capital Partners VI** Mid-market buy-outs	5.1	2003	UK	34.0
2	**Fourth Cinven Fund** Large buy-outs	3.4	2006	Europe	30.9
3	**Graphite Capital Partners VII** Mid-market buy-outs	15.3	2007	UK	22.4
4	**ICG European Fund 2006** Mezzanine loans to buy-outs	2.3	2007	Europe	22.1
5	**Euromezzanine 5** Mezzanine loans to mid-market buy-outs	1.7	2006	France	18.1
6	**Thomas H Lee Parallel Fund VI** Large buy-outs	6.5	2007	USA	17.2
7	**Candover 2005 Fund** Large buy-outs	0.9	2005	Europe	17.1
8	**Doughty Hanson & Co V** Mid-market and large buy-outs	3.5	2006	Europe	16.2
9	**Doughty Hanson & Co IV** Mid-market and large buy-outs	1.0	2005	Europe	14.2
10	**CVC European Equity Partners V** Large buy-outs	7.8	2008	Global	14.2
11	**Apax Europe VII** Large buy-outs	0.7	2007	Global	14.1
12	**TDR Capital II** Mid-market and large buy-outs	5.0	2006	Europe	13.3
13	**Activa Capital Fund II** Mid-market buy-outs	4.9	2007	France	9.5
14	**Deutsche Beteiligungs AG Fund V** Mid-market buy-outs	3.4	2006	Germany	8.8
15	**CVC European Equity Partners IV** Large buy-outs	1.4	2008	Global	7.3
Total of the largest 15 fund investments		62.9			259.4

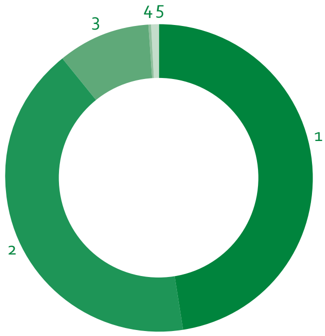
16-30

Fund	Outstanding commitment £m	Fund vintage	Country/ region	Value £m
16 **Charterhouse Capital Partners VIII** Large buy-outs	1.2	2006	Europe	7.3
17 **CVC European Equity Partners Tandem** Large buy-outs	1.2	2006	Global	6.8
18 **Graphite Capital Partners VII Top Up Fund** Mid-market buy-outs	2.3	2007	UK	6.3
19 **Bowmark Capital Partners IV** Mid-market buy-outs	4.4	2007	UK	5.9
20 **Apax Europe VII Sidecar 2** Large buy-outs	0.9	2007	Global	4.2
21 **PAI Europe V** Large buy-outs	1.8	2007	Europe	4.2
22 **Charterhouse Capital Partners VII** Large buy-outs	1.5	2002	Europe	4.1
23 **Graphite Capital Partners VII Top Up Fund Plus** Mid-market buy-outs	2.2	2009	UK	3.8
24 **Corpfin Capital Fund II** Mid-market buy-outs	–	2000	Spain	3.7
25 **CSP Secondary Opportunities Fund II** Secondary fund interests	–	2008	Global	3.6
26 **Deutsche Beteiligungs AG Fund IV** Mid-market buy-outs	–	2002	Germany	3.4
27 **Advent CEE IV** Mid-market buy-outs	3.5	2008	Europe	3.1
28 **Piper Private Equity Fund IV** Small buy-outs	1.2	2006	UK	2.9
29 **Vision Capital Partners VII** Secondary portfolios	1.3	2008	Europe	2.6
30 **Vision Capital Partners VI** Secondary portfolios	0.4	2006	Europe	2.5
Total of the largest 30 fund investments	84.8			323.8
Percentage of total investment portfolio				82.5%

Supplementary Information

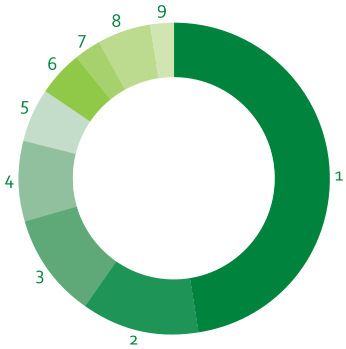
Portfolio Analysis

Portfolio — Investment type
Fig: 3.1



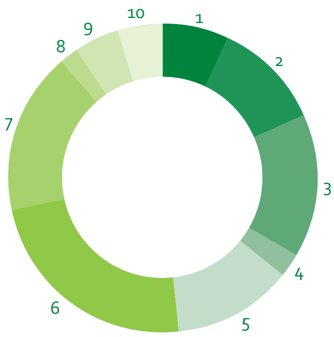
1. Large buy-outs	47.5%
2. Small and mid-market buy-outs	41.8%
3. Mezzanine	9.7%
4. Infrastructure	0.3%
5. Quoted	0.7%

Portfolio — Geographic distribution
Fig: 3.2



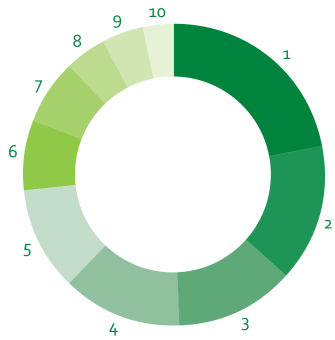
1. UK	47.6%	6. Spain	4.7%
2. France	12.4%	7. Scandinavia	2.6%
3. North America	10.6%	8. Other Europe	5.5%
4. Germany	8.4%	9. Rest of the world	2.5%
5. Benelux	5.7%		

Portfolio — Year of investment
Fig: 3.3



1. 2012	7.2%	6. 2007	23.5%
2. 2011	11.2%	7. 2006	16.9%
3. 2010	15.1%	8. 2005	1.8%
4. 2009	2.4%	9. 2004	4.9%
5. 2008	12.5%	10. 2003 and before	4.5%

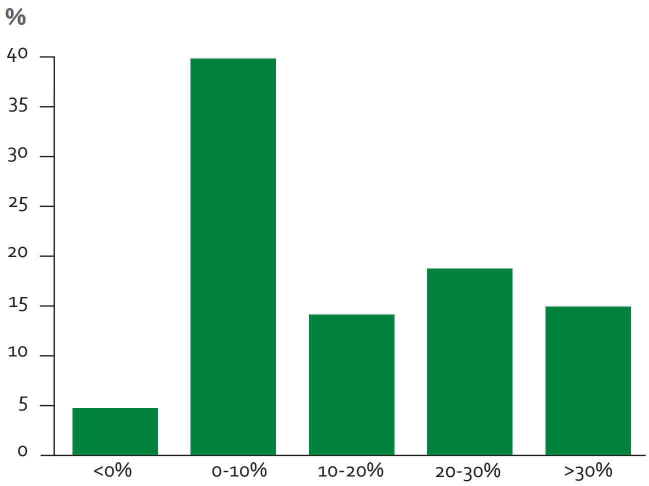
Portfolio — Sector analysis
Fig: 3.4



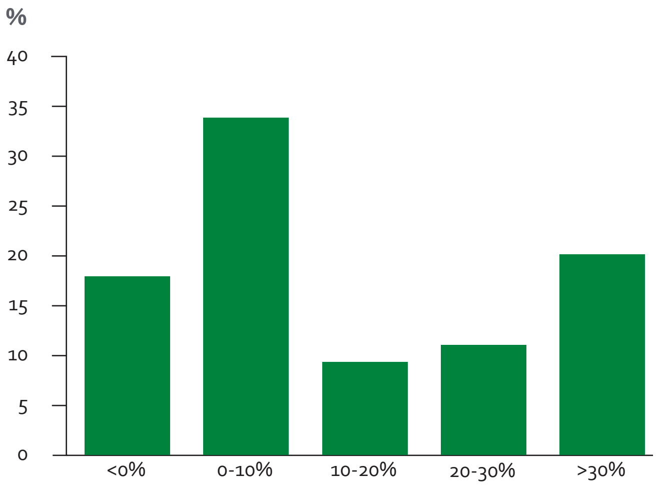
1. Business services	22.1%	6. Financials	7.5%
2. Consumer goods and services	14.7%	7. Automotive supplies	6.9%
3. Industrials	12.8%	8. Media	4.6%
4. Healthcare and education	12.8%	9. Technology and telecommunications	4.5%
5. Leisure	11.0%	10. Chemicals	3.1%

Analysis of the 30 Largest Underlying Investments

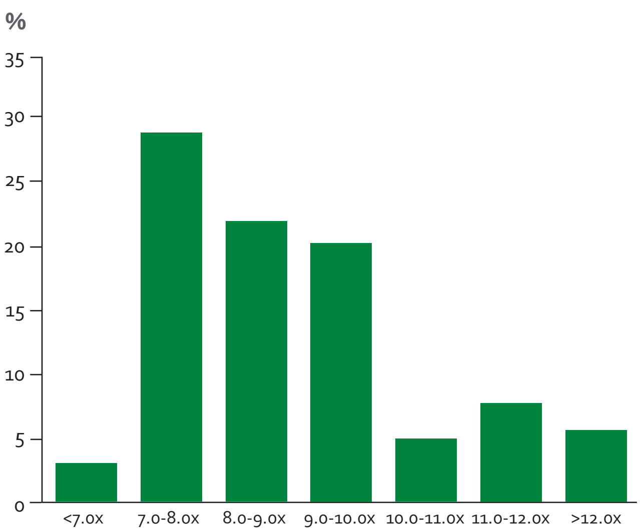
Revenue growth
Fig:3.5



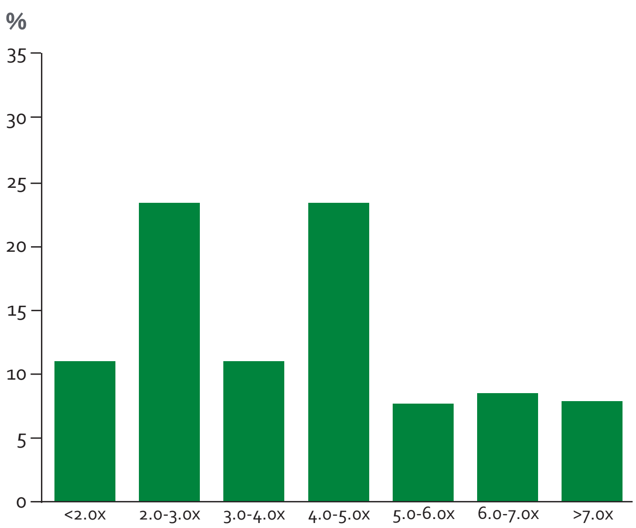
EBITDA growth
Fig: 3.6



Enterprise value as a multiple of EBITDA
Fig: 3.7



Net debt as a multiple of EBITDA
Fig: 3.8

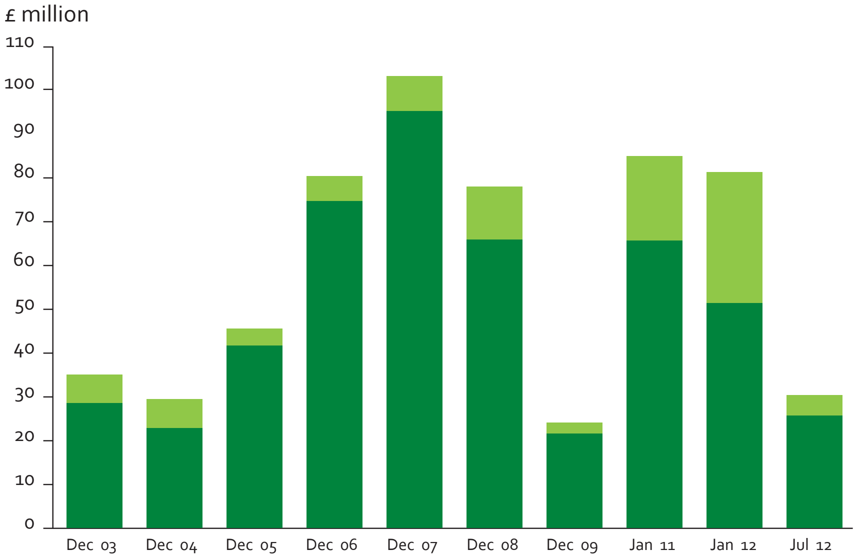


New Investment Activity

New investments
Key

- Drawdowns
- Co-investments and secondary fund purchases

New investments
Fig: 3.9



Largest new underlying investments

Investment	Description	Country	£m
NFA	Provider of foster care services	UK	5.5*
CPA Global	Provider of patent and legal services	UK	5.2
USP Hospitales	Provider of health care	Spain	2.4
Spheros	Provider of bus climate control systems	Germany	2.0*
Armatis	Provider of call centre outsourcing	France	1.7
Total of top 5 new investments			16.8

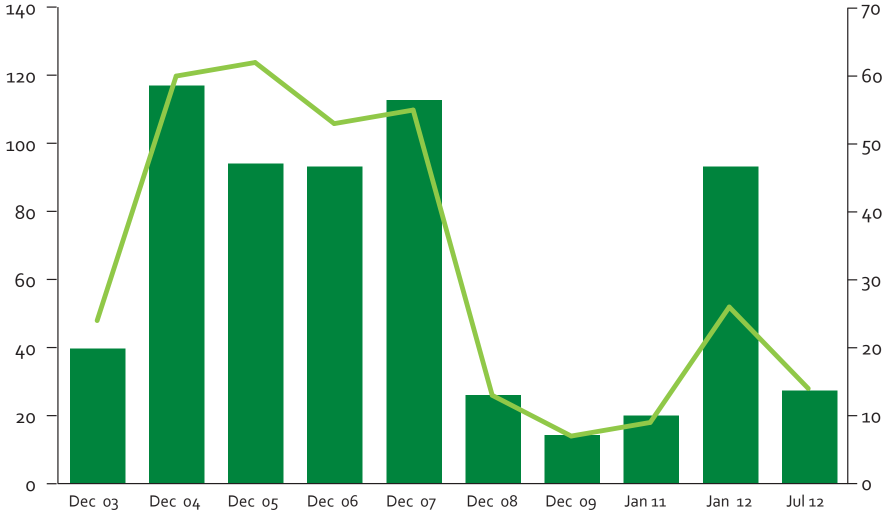
* In addition, in the previous financial year, £2.1 million was invested in Spheros through Deutsche Beteiligungs AG V and £3.0 million was invested in NFA through Graphite Capital Partners VII and directly.

Realisation Activity

Realisations
Key

- ■ Value
- – Value as a % of opening portfolio (annualised)

Realisations
Fig: 3.10



Full realisations

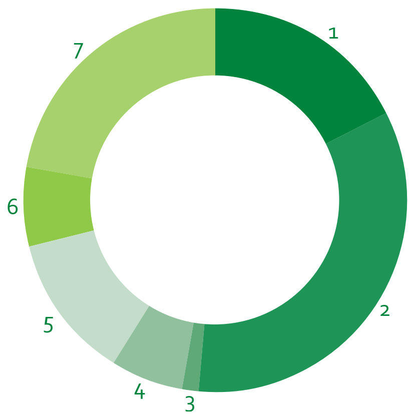
Investment	Manager	Buyer type	£m
Data Explorers	Bowmark[1]	Trade	8.7
CPA Global	ICG	Private equity	3.6
Starbev	CVC	Trade	2.9
Schuitema	CVC	Trade	1.0
Taminco	CVC	Private equity	0.9
Total of full realisations			17.1

[1] Investment was held both directly and through a fund.

Supplementary Information

Commitments

Closing commitments – remaining investment period
Fig: 3.11



1. < 1 years	17.6%
2. 1-2 years	33.9%
3. 2-3 years	1.4%
4. 3-4 years	6.2%
5. 4-5 years	12.2%
6. >5 years	6.5%
7. Investment period complete	22.2%

Movement in commitments	Six months to 31 July 2012 £m
Opening at 1 February 2012	142.8
New commitments	8.1
Drawdowns	(25.5)
Secondary disposal	(1.8)
Currency	(4.9)
Other	2.5
Closing	121.2

Closing commitments	Original commitment[1] £m	Outstanding commitment £m	Average drawdown percentage	Percentage of commitments
Funds in investment period	297.0	94.3	68.3%	77.8%
Funds post investment period	360.7	26.9	92.5%	22.2%
Total	657.7	121.2	81.6%	100.0%

[1] Original commitments are translated at 31 July 2012 exchange rates.

Outstanding commitments

	Outstanding commitment £m	% closing commitments
Graphite Capital Partners VII	15.2	12.6%
Deutsche Beteiligungs AG VI	7.9	6.5%
Fifth Cinven Fund	7.9	6.5%
CVC European Equity Partners V	7.8	6.5%
BC European Capital IX	6.9	5.7%
Thomas H Lee Equity Fund VI	6.5	5.3%
Graphite Capital Partners VI	5.1	4.3%
TDR Capital II Fund	5.0	4.1%
Activa Capital Fund II	4.9	4.0%
Bowmark Capital Partners IV	4.4	3.6%
Steadfast Capital III	3.8	3.1%
Piper Private Equity Fund V	3.7	3.1%
Advent CEE IV	3.5	2.9%
Doughty Hanson & Co V	3.5	2.9%
Deutsche Beteiligungs AG V	3.4	2.8%
Fourth Cinven Fund	3.4	2.8%
Graphite Capital Partners VII Top Up Fund	2.3	1.9%
ICG European Fund 2006	2.3	1.9%
Graphite Capital Partners VII Top Up Fund Plus	2.2	1.8%
PAI Europe V	1.8	1.5%
Trident Private Equity III	1.7	1.4%
Euromezzanine 5	1.7	1.4%
Segulah IV	1.7	1.4%
Charterhouse Capital Partners VII	1.5	1.2%
Others less than £1.5 million	13.1	10.8%
Total	121.2	100.0%

Portfolio Statistics and Currency Exposure

Portfolio statistics

	31 July 2012	31 January 2012
Third party portfolio	77%	79%
Graphite portfolio	23%	21%
Number of funds	48	48
Number of direct investments	28	24
Number of underlying companies	319	310
Number of third party managers	26	26
Number of 10 largest investments managed by Graphite Capital	7	6
Number of 30 largest investments managed by Graphite Capital	10	10

Currency exposure

	31 July 2012 £m	31 July 2012 %	31 January 2012 £m	31 January 2012 %
Total assets				
– sterling	219.6	51.2%	216.6	51.1%
– euro	140.0	32.6%	142.2	33.6%
– other	69.6	16.2%	64.8	15.3%
Total	429.2	100.0%	423.6	100.0%

Currency exposure is calculated using the headquarter location of the underlying portfolio companies.

	31 July 2012 £m	31 July 2012 %	31 January 2012 £m	31 January 2012 %
Commitments by denomination				
– sterling	37.4	30.9%	45.5	31.9%
– euro	75.6	62.4%	89.4	62.6%
– other	8.2	6.7%	7.9	5.5%
Total	121.2	100.0%	142.8	100.0%

Financial Information

Consolidated Income Statement

	Notes	Half year to 31 July 2012 (unaudited) Revenue return £'000s	Capital return £'000s	Total £'000s	Half year to 31 July 2011 (unaudited) Revenue return £'000s	Capital return £'000s	Total £'000s	Year ended 31 January 2012 Revenue return £'000s	Capital return £'000s	Total £'000s
Investment returns										
Gains and losses on investments held at fair value		**3,320**	**11,235**	**14,555**	6,310	34,619	40,929	8,365	28,376	36,741
Income from cash and cash equivalents		**15**	**–**	**15**	77	–	77	127	–	127
Return from current asset investments		**45**	**–**	**45**	303	394	697	527	–	527
Other income		**26**	**8**	**34**	–	–	–	44	–	44
Foreign exchange losses		**–**	**(222)**	**(222)**	–	(301)	(301)	–	(498)	(498)
		3,406	**11,021**	**14,427**	6,690	34,712	41,402	9,063	27,878	36,941
Expenses										
Investment management charges	8	**(645)**	**(1,934)**	**(2,579)**	(642)	(1,925)	(2,567)	(1,301)	(3,904)	(5,205)
Banking facility fee		**(279)**	**(757)**	**(1,036)**	(71)	(214)	(285)	(284)	(754)	(1,038)
Other expenses		**(633)**	**(65)**	**(698)**	(542)	(15)	(557)	(1,226)	(55)	(1,281)
		(1,557)	**(2,756)**	**(4,313)**	(1,255)	(2,154)	(3,409)	(2,811)	(4,713)	(7,524)
Profit before tax		**1,849**	**8,265**	**10,114**	5,435	32,558	37,993	6,252	23,165	29,417
Taxation		**(463)**	**463**	**–**	(1,438)	1,438	–	(1,633)	1,633	–
Profit for the period from continuing operations		**1,386**	**8,728**	**10,114**	3,997	33,996	37,993	4,619	24,798	29,417
Attributable to:										
Equity shareholders		**1,386**	**8,062**	**9,448**	3,997	31,318	35,315	4,619	22,857	27,476
Non-controlling interests		**–**	**666**	**666**	–	2,678	2,678	–	1,941	1,941
Basic and diluted earnings per share	6			**12.96p**			48.43p			37.68p

The columns headed 'Total' represents the income statement for the relevant period and the columns headed 'Revenue' and 'Capital' are supplementary information.

The notes on pages 34 to 38 form an integral part of the financial statements.

Consolidated Balance Sheet

	Notes	As at 31 July 2012 (unaudited) £'000s	As at 31 July 2011 (unaudited) £'000s	As at 31 January 2012 £'000s
Non-current assets				
Investments held at fair value				
– Unquoted investments		**390,022**	356,521	374,915
– Quoted investments		**2,616**	2,679	2,768
		392,638	359,200	377,683
Current assets				
Trade and other receivables	4	**2,687**	1,719	2,739
Current asset investments held at fair value		**26,966**	15,945	34,946
Cash and cash equivalents		**7,323**	59,888	9,218
		36,976	77,552	46,903
Current liabilities				
Trade and other payables		**430**	1,947	1,021
Net current assets		**36,546**	75,605	45,882
Total assets less current liabilities		**429,184**	434,805	423,565
Capital and reserves				
Called up share capital	7	**7,292**	7,292	7,292
Capital redemption reserve	7	**2,112**	2,112	2,112
Share premium	7	**12,936**	12,936	12,936
Capital reserve	7	**386,875**	387,274	378,813
Revenue reserve	7	**11,756**	13,394	14,016
Equity attributable to equity holders	7	**420,971**	423,008	415,169
Non-controlling interests	7	**8,213**	11,797	8,396
Total equity		**429,184**	434,805	423,565
Net asset value per share (basic and diluted)		**577.4p**	580.2p	569.4p

The notes on pages 34 to 38 form an integral part of the financial statements.

Consolidated Cash Flow Statement

	Half year to 31 July 2012 (unaudited) £'000s	Half year to 31 July 2011 (unaudited) £'000s	Year to 31 January 2012 £'000s
Operating activities			
Sale of portfolio investments	**26,016**	62,244	88,385
Purchase of portfolio investments	**(30,367)**	(30,267)	(81,132)
Net sale/(purchase) of current asset investments held at fair value	**8,033**	–	(19,170)
Interest income received from portfolio investments	**2,863**	5,852	7,650
Dividend income received from portfolio investments	**314**	326	512
Other income received	**41**	76	170
Investment management charges paid	**(2,625)**	(1,396)	(5,279)
Taxation recovered/(paid)	**54**	(7)	(55)
Other expenses paid	**(306)**	(860)	(1,491)
Net cash inflow/(outflow) from operating activities	**4,023**	35,968	(10,410)
Financing activities			
Investments by non-controlling interests	**213**	–	290
Distributions to non-controlling interests	**(1,624)**	(1,211)	(3,976)
Banking facility	**(639)**	(1,233)	(2,853)
Equity dividends paid	**(3,646)**	(1,641)	(1,641)
Net cash outflow from financing activities	**(5,696)**	(4,085)	(8,180)
Net increase/(decrease) in cash and cash equivalents	**(1,673)**	31,883	(18,590)
Cash and cash equivalents at beginning of period	**9,218**	28,306	28,306
Net increase/(decrease) in cash and cash equivalents	**(1,673)**	31,883	(18,590)
Effect of changes in foreign exchange rates	**(222)**	(301)	(498)
Cash and cash equivalents at end of period	**7,323**	59,888	9,218

The notes on pages 34 to 38 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Half year to 31 July 2012 (unaudited) £'000s	Half year to 31 July 2011 (unaudited) £'000s	Year to 31 January 2012 £'000s
Total equity at beginning of period		**423,565**	399,483	399,483
Profit attributable to equity shareholders		**9,448**	35,315	27,476
Profit attributable to minority interests		**666**	2,678	1,941
Total profit for the period and total recognised income and expense		**10,114**	37,993	29,417
Dividends paid to equity shareholders	5	**(3,646)**	(1,641)	(1,641)
Net distribution to non-controlling interests		**(849)**	(1,030)	(3,694)
Total equity at end of period		**429,184**	434,805	423,565

Further analysis of the above movements is presented in note 7.

Financials

The notes on pages 34 to 38 form an integral part of the financial statements.

Notes to the Interim Report

1 General information

Graphite Enterprise Trust PLC (the "Company") and its subsidiaries (together "Graphite Enterprise" or the "Group") are registered in England and Wales and domiciled in England. The registered office is Berkeley Square House, Berkeley Square, London W1J 6BQ. The Company's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly. This half-yearly financial report was approved for issue by the Board of Directors on 27 September 2012.

2 Unaudited interim report

This financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 January 2012 were approved by the Board of Directors on 2 May 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498 of the Companies Act 2006.

This financial report has not been audited.

3 Basis of preparation

This financial report for the six months ended 31 July 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34, 'Interim financial reporting' as adopted by the European Union. This financial report should be read in conjunction with the annual financial statements for the year to 31 January 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year to 31 January 2012, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The directors have, at the time of approving the report, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

4 Trade and other receivables

In 2011 the Company agreed two bank facilities. The set up costs in relation to these were capitalised and are recognised over the life of the facility on a straight line basis. At 31 July 2012, £1,721k of bank facility costs are included within trade and other receivables. Of this £645k is expected to be amortised in less than one year.

5 Dividends

	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
The half year to 31 July 2012: 5.0p per share (Half year to 31 July 2011 and year to 31 January 2012: 2.25p per share)	**3,646**	1,641	1,641

6 Earnings per share

	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
Revenue return per ordinary share	**1.90p**	5.48p	6.33p
Capital return per ordinary share	**11.06p**	42.95p	31.35p
Earnings per ordinary share (basic and diluted)	**12.96p**	48.43p	37.68p
Weighted average number of shares	**72,913,000**	72,913,000	72,913,000

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

7 Changes in equity

	Called up share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Half year to 31 July 2012								
Opening balance at 1 February 2012	**7,292**	**2,112**	**12,936**	**378,813**	**14,016**	**415,169**	**8,396**	**423,565**
Profit for the period attributable to recognised income and expense	**–**	**–**	**–**	**8,062**	**1,386**	**9,448**	**666**	**10,114**
Dividends paid or approved	**–**	**–**	**–**	**–**	**(3,646)**	**(3,646)**	**–**	**(3,646)**
Net distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(849)**	**(849)**
Closing balance	**7,292**	**2,112**	**12,936**	**386,875**	**11,756**	**420,971**	**8,213**	**429,184**

Financials

Notes to the Interim Report
(continued)

7 Changes in equity (continued)

	Called up share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Half year to 31 July 2011								
Opening balance at 1 February 2011	7,292	2,112	12,936	355,956	11,038	389,334	10,149	399,483
Profit for the period attributable to recognised income and expense	–	–	–	31,318	3,997	35,315	2,678	37,993
Dividends paid or approved	–	–	–	–	(1,641)	(1,641)	–	(1,641)
Net distribution to non-controlling interests	–	–	–	–	–	–	(1,030)	(1,030)
Closing balance	7,292	2,112	12,936	387,274	13,394	423,008	11,797	434,805

	Called up share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Year to 31 January 2012								
Opening balance at 1 February 2011	7,292	2,112	12,936	355,956	11,038	389,334	10,149	399,483
Profit for the period attributable to recognised income and expense	–	–	–	22,857	4,619	27,476	1,941	29,417
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	378,813	14,016	415,169	8,396	423,565

8 Related party transactions

Investment management charges

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

	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
Investment management fee	**2,579**	2,567	5,160
Irrecoverable VAT	**–**	–	45
	2,579	2,567	5,205

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

The management fee charged by the Manager is 1.5% of the value of invested assets and 0.5% of outstanding commitments, in both cases excluding funds managed by Graphite Capital. The amounts payable during the year are set out above. At 31 July 2012 management fees of £88k (31 July 2011: £1,367k) were accrued on the balance sheet. The Company has borne management charges in respect of its investments in funds managed by Graphite Capital as set out below:

	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
Graphite Capital Partners VI	**246**	231	482
Graphite Capital Partners VII	**349**	431	822
	595	662	1,304

Financials

Notes to the Interim Report
(continued)

8 Related party transactions (continued)

Other related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

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

Subsidiary	Nature of transaction	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
Graphite Enterprise Trust LP	Increase/(decrease) in loan balance	**991**	(381)	(1,717)
	Income allocated	**515**	994	1,322
Graphite Enterprise Trust (2) LP	Increase in loan balance	**325**	1,340	5868
	Income allocated	**148**	48	101

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

	Amounts owed by subsidiaries			Amounts owed to subsidiaries		
Subsidiary	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s	Half year to 31 July 2012 £'000s	Half year to 31 July 2011 £'000s	Year to 31 January 2012 £'000s
Graphite Enterprise Trust LP	**4,861**	5,206	3,870	**–**	–	–
Graphite Enterprise Trust (2) LP	**16,746**	11,893	16,421	**–**	–	–

Statement of Directors' Responsibilities

The directors confirm that this half-yearly financial report has been prepared in accordance with IAS34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a descriptionof the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

By the order of the Board

M Fane, Chairman

27 September 2012

Financials

Independent Review Report to Graphite Enterprise Trust PLC

Introduction

We have been engaged by the company to review the interim financial information in the half-yearly financial report for the six months ended 31 July 2012, which comprises the Consolidated Income Statement, the Consolidated Balance Sheet as at 31 July 2012 the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 3, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information in the half-yearly financial report for the six months ended 31 July 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
27 September 2012
London

Useful Information

How to Invest in Graphite Enterprise

Graphite Enterprise is a listed company and its shares are traded on the stock market just as any other listed company.

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

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

www.apcims.co.uk

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

For a small fee a stockbroker or bank can usually:

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

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

www.moneyadviceservice.org.uk

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

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

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

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

Details of the Company's website and contact information for potential and existing shareholders can be found in the Useful Information section on page 44.

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.

Junior ISA ('JISA')
A JISA can be opened for children who did not qualify for a CTF. Investors can invest up to £3,600 each year.

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 rates and reliefs 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)
9.00am – 5.00pm, weekdays,
calls may be recorded

Email: investor.enquiries@fandc.com

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

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

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

Email: info@fandc.com

Apply online: www.fandc.co.uk

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

Useful Information

Address and registered office
Berkeley Square House
Berkeley Square
London W1J 6BQ
020 7825 5300
gpe@graphitecapital.com

Registered number: 01571089
Place of registration: England

Website
www.graphite-enterprise.com

Registrar
Investors who hold shares in the Company directly, and not through F&C or another savings scheme provider, should contact Computershare with any queries concerning their holdings, including balance enquiries, assistance with lost certificates and change of address notifications.

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
www-uk.computershare.com/investor
0870 702 0010

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 43.

Stockbroker
J.P. Morgan Cazenove

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

Graphite Capital is authorised and regulated by the Financial Services Authority.

The Manager also acts as the Company Secretary.

www.graphitecapital.com

Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

March/April	Final results for year announced, annual report and financial statements published
June	Annual General Meeting and first quarter net asset value
September	Interim figures announced and half-yearly report published
December	Third quarter net asset value

All announcements may be viewed at the Company's website:

www.graphite-enterprise.com

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

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

ISIN	GB0003292009
SEDOL	0329200
Reuters code	GPE.L

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

www.lpeq.com

AIC
The Company is a member of the Association of Investment Companies.

www.theaic.co.uk

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Useful Information

Graphite Enterprise

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