

3 December 2014

GRAPHITE ENTERPRISE TRUST PLC

**INTERIM MANAGEMENT STATEMENT
QUARTER ENDED 31 OCTOBER 2014**

Graphite Enterprise Trust PLC (“Graphite Enterprise” or “the Company”) presents its Interim Management Statement for the quarter ended 31 October 2014.

Performance summary¹

The net asset value at 31 October was 679.4p, which represented a marginal decrease of 0.3% in the quarter, bringing the net rise in the year to date to 2.6%. Over the three months, the share price increased by 4.2% and the FTSE All-Share Index rose by 3.1%.

As few of the managers of our fund portfolio revalue their investments at September, the great majority of the portfolio effectively remains at its reported June valuation. The valuation of the portfolio rose in local currencies in the three months to October, however this was offset by adverse currency movements and expenses.

In the nine months to October, the value of the portfolio in local currencies increased by 7.3%. As the Company was 86% invested at the start of the year, this generated a 6.4% increase in the net asset value. The impact of currency movements on euro-denominated investments reduced the NAV by 2.3%, and expenses and other items reduced it by a further 1.5%, bringing the net increase to 2.6%.

Over the five years to 31 October, the NAV increased by 74.8% and the share price by 84.6%, while the Index increased by 58.1%.

At 31 October the discount of the share price to the net asset value was 15.7%. This was slightly wider than the 14.7% at 31 July and slightly narrower than the 16.8% at 31 January.

I. All performance figures are on a total return basis, including the effect of re-invested dividends.

Investment portfolio

Investment performance

The underlying value of the portfolio in local currencies rose by £2.8 million in the quarter, increasing the portfolio by 0.7% and the net asset value by 0.6%. This was partially offset by adverse currency movements which reduced the net asset value by £1.5 million or 0.3%.

Proceeds

The portfolio generated £20.5 million of cash proceeds in the three months to 31 October. Eight full realisations were completed in the quarter and these accounted for 51.2% of the proceeds received.

The amounts received in the quarter brought total proceeds received from the portfolio in the year to date to £102.9 million, or 23.7% of the opening portfolio. The full realisations brought the number completed in the year to 24 and these accounted for £65.9 million or 64% of the total proceeds received. The average uplift to the previous carrying value was

39% and the average return over the life of the investments was 1.9 times original cost. The remaining £37.0 million or 36% of total proceeds was generated by a combination of refinancings, IPOs, sell-downs of listed holdings by third party managers and other partial realisations.

In addition to these realisations, interests in three funds were sold in the secondary market in the first half of the year. The amounts received of £21.1 million bring total proceeds from the portfolio for the nine months to £124.0 million.

Additions

A total of £41.8 million was invested in the quarter. This was unusually high as a number of the investments completed had been initiated earlier in the year.

Secondary interests in two funds, PAI Europe V and Graphite Capital Partners VI, were acquired in the period. These accounted for £18.8 million or 45% of the amount invested. Co-investments totalling £11.1 million were made in two companies, the largest of which was in Skillsoft, a provider of e-learning content, alongside Charterhouse Capital Partners. The remaining amount invested was accounted for by £7.6 million of drawdowns by funds and £4.3 million of direct investment in three companies managed by Graphite Capital.

A total of 13 new underlying investments were made in the quarter, the largest of which were the two co-investments. This brought the total for the year to date to 53.

The £41.8 million invested in the quarter brings the total invested in the first nine months to £95.1 million. This already exceeds the total of £90.6 million invested in the previous full financial year.

Investments in secondaries, co-investments and Graphite Capital buy-outs totalled £64.9 million in the nine months. More than two thirds of new investment was therefore in assets over which Graphite Capital as Manager had full discretion.

Since the quarter end, £8.7 million has been invested in Human Capital Investment Group (“HCIG”), a provider of recruitment services, through Graphite Capital Partners VIII. HCIG is now the Company’s 5th largest underlying investment.

New commitments

The Company made two new commitments to buy-out funds in the quarter. The first was of €8 million to Bain Capital Europe IV and the second was of €15 million to Silverfleet Capital Partners II. Both of these are new manager relationships for Graphite Enterprise.

Cash and liquid assets

A net £21.3 million was invested in the portfolio in the three months to 31 October. Including other net outflows and of currency movements, cash and liquid assets fell by £23.3 million to £77.8 million. This was £9.6 million higher than at the start of the financial year.

Movement in liquid assets £m	3 months to 31 October 2014	9 months to 31 October 2014
Additions	(41.8)	(95.1)
Proceeds generated by the portfolio*	20.5	123.6
Net cash invested in the investment portfolio	(21.3)	28.5
Non-investment cash flows	(1.9)	(18.5)
Net cash outflow	(23.2)	10.0
Effect of changes in foreign exchange rates	(0.1)	(0.4)
Total movement	(23.3)	9.6
Opening cash and liquid assets	101.1	68.2
Closing cash and liquid assets	77.8	77.8

*Including income

After taking account of the £8.7 million investment in HCIG and other net cash inflows of £3.0 million, the cash balance at 28 November was £72.1 million.

Balance sheet and commitments

The summary balance sheet and commitment position at 31 October 2014 is set out below. The Company was 84% invested at that date.

	31 October 2014 £m	% of total assets	31 Jan 2014 £m	% of total assets
Total portfolio	425.2	84.4%	433.3	88.8%
Cash and liquid assets	77.8	15.4%	68.2	10.9%
Other net current assets	1.1	0.2%	1.2	0.3%
Total assets	504.1	100.0%	502.7	100.0%
Equity shareholders' funds	495.4		493.8	
Undrawn bank facility ¹	95.5		97.7	
Total liquidity ²	173.3		165.9	
Outstanding commitments	247.7		277.3	
Overcommitment ³	74.4		111.4	
Overcommitment as % of shareholders' funds	15.0%		22.6%	

1. £50.0 million and €58.1 million translated into sterling at period end

2. Cash and liquid assets plus undrawn borrowing facilities

3. Outstanding commitments less total liquidity

Outstanding commitments increased by £7.0 million to £247.7 million in the quarter, primarily due to new primary commitments of £18.1 million (€23.0 million) which were partially offset by drawdowns.

Events since the quarter end

Other than as discussed above, the Directors are not aware of any events or transactions which have taken place between 31 October 2014 and the date of publication of this statement which have had a material effect on the financial position of the company.

Not audited or reviewed

This information has not been audited or reviewed by the Company's auditors.

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SUPPLEMENTARY INFORMATION

THE 30 LARGEST FUND INVESTMENTS

The 30 largest funds by value at 31 October 2014 are set out below:

	Fund	Outstanding commitment £ million	Year of commitment	Country/ region	Value £ million
1	Graphite Capital Partners VIII * Mid-market buy-outs	70.1	2013	UK	27.9
2	Graphite Capital Partners VI ** Mid-market buy-outs	5.4	2003	UK	27.0
3	CVC European Equity Partners V ** Large buy-outs	3.1	2008	Global	21.0
4	Graphite Capital Partners VII * / ** Mid-market buy-outs	7.6	2007	UK	19.3
5	Fourth Cinven Fund ** Large buy-outs	3.8	2006	Europe	19.3
6	Doughty Hanson & Co V ** Mid-market and large buy-outs	6.0	2006	Europe	18.6
7	Candover 2005 Fund ** Large buy-outs	0.1	2005	Europe	16.9
8	Thomas H Lee Parallel Fund VI Large buy-outs	1.8	2007	USA	16.0
9	ICG European Fund 2006 Mezzanine loans to buy-outs	-	2007	Europe	13.7
10	TDR Capital II Mid-market and large buy-outs	0.8	2006	Europe	13.7
11	Activa Capital Fund II Mid-market buy-outs	1.0	2007	France	12.8
12	PAI Europe V ** Large buy-outs	1.2	2007	Europe	12.7
13	Deutsche Beteiligungs AG Fund V Mid-market buy-outs	1.7	2006	Germany	10.8
14	Bowmark Capital Partners IV Mid-market buy-outs	-	2007	UK	10.7
15	Fifth Cinven Fund Large buy-outs	9.5	2012	Europe	6.4

16	Euromezzanine 5 Mezzanine loans to mid-market buy-outs	1.7	2006	France	6.2
17	Doughty Hanson & Co IV Mid-market and large buy-outs	0.3	2005	Europe	5.9
18	ICG Europe V Mezzanine loans to buy-outs	2.0	2012	Europe	5.7
19	Charterhouse Capital Partners IX ** Large buy-outs	1.9	2008	Europe	5.2
20	Advent Central and Eastern Europe IV Mid-market buy-outs	1.3	2008	Europe	4.5
21	BC European Capital IX Large buy-outs	3.7	2011	Europe	4.2
22	Segulah IV Mid-market buy-outs	1.1	2008	Nordic	4.0
23	TowerBrook III ** Mid-market and large buy-outs	1.3	2007	Europe/ USA	3.9
24	Permira IV ** Large buy-outs	0.3	2006	Europe	3.6
25	CVC European Equity Partners Tandem Large buy-outs	0.9	2006	Global	3.6
26	Deutsche Beteiligungs AG Fund IV Mid-market buy-outs	0.3	2002	Germany	3.5
27	Piper Private Equity Fund IV Small buy-outs	1.1	2006	UK	3.4
28	CVC European Equity Partners IV ** Large buy-outs	1.4	2005	Global	3.0
29	Trident Private Equity III Small buy-outs	-	2009	UK	3.0
30	GCP Capital Partners Europe II ** Small buy-outs	1.6	2013	UK	2.9
Total of the largest 30 fund investments		131.0			309.4
Percentage of total investment portfolio					72.8%

* Includes the associated Top Up fund(s)

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

THE 30 LARGEST UNDERLYING INVESTMENTS

The table below presents the 30 companies in which Graphite Enterprise had the largest investments by value at 31 October 2014[†]. These investments may be held directly or through funds, or in some cases in both ways. The valuations are gross and are shown as a percentage of the total investment portfolio.

	Company	Manager	Year of investment	Country	Value as a % of investment portfolio
1	Micheldever Distributor and retailer of tyres	Graphite Capital	2006	UK	5.5%
2	ICR Group Provider of repair and maintenance services to the energy industry	Graphite Capital	2014	UK	3.6%
3	City & County Healthcare Group Provider of home care	Graphite Capital	2013	UK	3.3%
4	Education Personnel Provider of temporary staff for the education sector	ICG	2014	UK	2.3%
5	Human Capital Investment Group[†] Provider of recruitment services	Graphite Capital	2014	UK	2.1%
6	Algeco Scotsman Supplier and operator of modular buildings	TDR Capital	2007	USA	2.0%
7	National Fostering Agency Provider of foster care services	Graphite Capital	2012	UK	2.0%
8	Skillsoft Provider of 'off the shelf' e-learning content	Charterhouse	2014	Ireland	1.9%
9	U-POL Manufacturer and distributor of automotive refinish products	Graphite Capital	2010	UK	1.6%
10	Quiron # Operator of private hospitals	Doughty Hanson	2012	Spain	1.5%

11	David Lloyd Leisure				
	Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.5%
12	TMF				
	Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.4%
13	CPA Global				
	Provider of patent and legal services	Cinven	2012	UK	1.3%
14	Parques Reunidos				
	Operator of attraction parks	Arle	2007	Spain	1.3%
15	Spheros				
	Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	1.3%
16	The Laine Pub Company				
	Operator of pubs and bars	Graphite Capital	2014	UK	1.3%
17	Standard Brands				
	Manufacturer of fire lighting products	Graphite Capital	2001	UK	1.2%
18	Frontier Medical				
	Manufacturer of medical devices	Kester Capital	2013	UK	1.1%
19	Stork				
	Provider of technical engineering services	Arle	2008	Netherlands	1.1%
20	R&R Ice Cream				
	Manufacturer and distributor of ice cream products	PAI Partners	2013	UK	1.0%
21	TMP				
	Provider of recruitment services	Graphite Capital	2006	UK	1.0%
22	Intermediate Capital Group *				
	Provider of mezzanine finance	ICG	1989	UK	1.0%
23	Sebia				
	Provider of protein testing equipment	Cinven	2010	France	1.0%
24	Spire Healthcare *				
	Operator of hospitals	Cinven	2007	UK	0.9%

25	Co-investment **				
	Provider of business services	Large buy-out manager	2014	Europe	0.9%
26	Eurofiber				
	Provider of fibre optic networks	Doughty Hanson	2012	Netherlands	0.9%
27	SAFE				
	Manufacturer of industrial components	Euromezzanine	2006	France	0.9%
28	Guardian Financial Services				
	Provider of insured life and pension products	Cinven	2011	UK	0.9%
29	Cognito				
	Supplier of communications equipment, software and services	Graphite Capital	2002	UK	0.9%
30	Gerflor				
	Manufacturer of PVC flooring	ICG	2011	France	0.9%
Total of the 30 largest underlying investments					47.6%

+ Interest in Human Capital Investment Group (“HCIG”) was acquired on 26 November. Top 30 companies presented on a pro forma basis, as if HCIG had been acquired at 31 October.

Sale was announced in July but is not expected to complete until the end of the year.

* Quoted

** We are not permitted to disclose the details of this co-investment under the terms of a confidentiality agreement.

PORTFOLIO ANALYSIS

The following five tables analyse the companies in which Graphite Enterprise had investments at 31 October 2014.

Portfolio - Investment type

	% of value of underlying investments
Large buy-outs	47.8%
Mid-market buy-outs	37.3%
Mezzanine	9.3%
Small buy-outs	4.7%
Quoted	0.9%
Total	100.0%

Portfolio - Geographic distribution*

	% of value of underlying investments
UK	47.9%
North America	11.9%
France	11.3%
Germany	8.9%
Benelux	5.5%
Spain	5.1%
Scandinavia	4.1%
Other Europe	4.8%
Rest of world	0.5%
Total	100.0%
NB: Total Continental Europe	39.7%

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

Portfolio - Year of investment

	Valuation as multiple of cost	% of value of underlying investments
2014 and onwards	1.0x	16.6%
2013	1.1x	13.9%
2012	1.5x	12.8%
2011	1.5x	10.3%
2010	1.5x	9.1%
2009	2.0x	1.5%
2008	1.1x	8.2%
2007	1.6x	10.5%
2006	1.5x	12.3%
2005 and before	1.6x	4.8%
Total	1.4x	100.0%

Portfolio - Sector analysis

	% of value of underlying investments
Healthcare and education	19.2%
Industrials	18.3%
Business services	18.0%
Consumer goods and services	11.8%
Leisure	9.2%
Automotive supplies	8.0%
Financials	7.5%
Technology and telecommunications	4.1%
Media	2.0%
Chemicals	1.9%
Total	100.0%

Quoted equity holdings at 31 October 2014

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

Company	Ticker	£m	% of value of Investment portfolio
Intermediate Capital Group	ICP	4.1	1.0%
Spire Healthcare	SPI	4.0	0.9%
Abertis	ABE	3.3	0.8%
VWR International	VWR	3.0	0.7%
Acromas	SAGA	2.9	0.7%
Elior	ELIOR	2.2	0.5%
Evonik Industries	EVK	2.1	0.5%
West Corporation	WSTC	1.9	0.5%
Aramark Corporation	ARMK	1.8	0.4%
Atos	ATO	1.6	0.4%
Partnership	PA	1.3	0.3%
Cerved	CERV	1.1	0.3%
Tumi	TUMI	1.0	0.2%
Merlin	MERL	0.9	0.2%
Card Factory	CARD	0.8	0.2%
Hugo Boss	BOSS	0.8	0.2%
ComHem	COMH	0.7	0.2%
The Nielsen company	NLSN	0.7	0.2%
Others		3.2	0.7%
Total		37.4	8.9%

The following table analyses the closing portfolio by value.

Portfolio – Graphite and third party investments

£ million	Value of third party investments	Value of Graphite investments	Total value
Fund investments	266.8	75.4	342.2
Direct and co-investments	57.3	25.7	83.0
Total portfolio	324.1	101.1	425.2
<i>Graphite investments</i>			23.8%
<i>Third party fund investments – primary</i>			50.0%
<i>Third party fund investments – secondary</i>			12.7%
<i>Third party co-investments</i>			13.5%

INVESTMENT ACTIVITY

The following two tables analyse the investment activity of Graphite Enterprise in the three months to 31 October 2014.

Largest new underlying investments

Investment	Description	Country	Cost £ million
Co-investment*	Provider of business services	Europe	4.0
Lindorff	Provider of debt purchase and outsourced debt collection services	Norway	0.8
GHD	Provider of homecare services	Germany	0.6
Domus	Operator of retirement homes	France	0.5
Vedici	Operator of private hospitals	France	0.4
Total of 5 largest new underlying investments			6.3

* We are not permitted to disclose the details of this co-investment under a confidentiality agreement.

Largest underlying realisations

Investment	Manager	Realisation type	Proceeds £ million
Acosta	TH Lee	Secondary	2.7
Gondola Group	Cinven	Secondary	2.3
Nuance	PAI	Trade	2.3
Ergalis	Activa	Trade	1.7
JAC Group	Bowmark	Secondary	1.6
Total of 5 largest underlying realisations			10.6

COMMITMENTS ANALYSIS

The following four tables analyse Graphite Enterprise's commitments at 31 October 2014.

Commitments

	Original commitment ¹ £ million	Outstanding commitment £ million	Average drawdown percentage	% of commitments
Funds not yet in investment period	18.0	18.0	-	7.3%
Funds in investment period	263.8	183.8	30.3%	74.2%
Funds post investment period	597.8	45.9	92.3%	18.5%
Total	879.6	247.7	71.8%	100.0%

¹ Original commitments are translated at 31 October 2014 exchange rates

Commitments - remaining investment period

	% of commitments
Investment period not commenced	7.3%
4-5 years	26.8%
3-4 years	8.6%
2-3 years	33.7%
1-2 years	3.7%
<1 year	1.4%
Investment period complete	18.5%
Total	100.0%

Movement in commitments in the three months to 31 October 2014

	£million
Opening	240.7
Drawdowns*	(11.6)
New commitments arising through primary purchases	18.1
New commitments arising through secondary purchases	2.4
Currency	(1.2)
Other	(0.7)
Closing	247.7

*Excludes legal fees in respect of new investments

New commitments in the three months to 31 October 2014

Fund	Strategy	Geography	£ million
<i>New primary commitments</i>			
Silverfleet Capital Partners II	Mid-market buy-outs	Europe	11.8
Bain Capital Europe IV	Upper mid-market buy-outs	Europe	6.3
<i>Commitments arising from secondary purchases</i>			
Graphite Capital Partners VI	Mid-market buy-outs	UK	2.0
PAI Europe V	Large buy-outs	Europe	0.4
Total			20.5

CURRENCY EXPOSURE

Portfolio*	31 October 2014 £ million	31 October 2014 %
- sterling	213.0	50.1
- euro	134.6	31.7
- other	77.6	18.2
Total	425.2	100.0

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

Outstanding commitments	31 October 2014 £ million	31 October 2014 %
- sterling	101.4	41.0
- euro	139.3	56.2
- other	7.0	2.8
Total	247.7	100.0

NOTES

Graphite Enterprise Trust PLC

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

The Company has been listed on the London Stock Exchange since 1981 and has invested exclusively in private equity and has had the same manager throughout its life.

Graphite Enterprise provides access to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets. The Company invests in UK-based mid-market companies through funds managed directly by Graphite Capital. Typically these will make up 20-25% of the portfolio. Investments in other UK companies and in overseas markets are made through funds managed by third parties. The Company does not invest in start ups or early stage businesses. Direct investments in companies may be made alongside both Graphite Capital and third party funds.

Shareholders of Graphite Enterprise gain exposure to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets, with nearly 400 underlying companies. Graphite Capital directly manages many of the largest companies in the portfolio.

Since inception, the Company has increased the amount of capital raised 28 times.

www.graphite-enterprise.com

Graphite Capital

Graphite Capital is one of the UK’s leading mid-market private equity firms with over £1.4 billion of funds under management. It has raised and managed funds for 33 years. The senior management team has worked together for 17 years.

Graphite Capital manages both direct investments in portfolio companies and private equity fund investments.

Direct investments are predominantly made through institutional funds with a global investor base. 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.

Fund investments are made exclusively by Graphite Enterprise. Fund investments focus principally on European buy-out 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.

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

www.graphitecapital.com