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If you have sold or otherwise transferred all of your Shares, you should pass this document, together with the accompanying Form of Proxy or Form of Direction, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Graphite Enterprise Trust PLC

Proposals in relation to the future development of the Company

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company to be held at The Washington Mayfair Hotel, 5/7 Curzon Street, London, W1J 5HE on 24 May 2007 at 12 noon (or as soon thereafter as the Annual General Meeting shall be concluded or adjourned) is set out at the end of this document. The implementation of the Proposals described in this document is conditional upon shareholder approval of the Resolution at the Extraordinary General Meeting.

A Form of Proxy is enclosed for shareholders and a Form of Direction is enclosed for investors who hold Shares through an F&C Investment Plan.

To be valid, the Forms of Proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by Computershare Investor Services plc at PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH as soon as possible but in any event so as to be received not later than 12 noon on 22 May 2007.

To be valid, Forms of Direction must be completed and returned in accordance with the instructions printed thereon so as to be received by Computershare Investor Services plc at PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH as soon as possible but in any event so as to be received not later than 12 noon on 18 May 2007.

Shareholders and Plan Participants are requested to complete and return their Forms of Proxy and/or Forms of Direction.

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EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Direction from participants in the F&C Investment Plans for use at the Extraordinary General Meeting	12 noon on 18 May 2007
Latest time and date for receipt of Forms of Proxy for use at the Extraordinary General Meeting	12 noon on 22 May 2007
Extraordinary General Meeting	12 noon (or as soon thereafter as the Annual General Meeting shall be concluded or adjourned) on 24 May 2007

PART I
LETTER FROM THE CHAIRMAN

Graphite Enterprise Trust PLC

*(Incorporated and registered in England and Wales under the Companies Acts 1948 to 1980
with registered number 1571089)*

(An investment company within the meaning of section 266 of the Companies Act 1985)

Directors:

John Sclater (Chairman)
Peter Dicks
Michael Cumming
Mark Fane
Peter Gray
Sean O'Connor

Registered Office:

Berkeley Square House
Berkeley Square
London W1J 6BQ

3 May 2007

Dear Shareholder/Plan Participant

Proposals in relation to the future development of the Company

1 Summary

Since it was established in 1981, Graphite Enterprise has invested in unquoted companies. For most of its life, the great majority of the Company's Investment Portfolio was in direct investments made by Graphite Capital and a minority was in Private Equity Funds managed by third parties. At the end of 1999, following a strong period of realisations, the Company's assets were held largely in cash and in quoted investments retained following flotations. As a result, the Board announced plans in early 2000 to increase investments in Private Equity Funds and since then funds have become a significantly larger part of the Investment Portfolio. However, as realisations have been exceptionally high in the last three years the Company has continued to hold high levels of cash and near-cash.

To reduce the level of cash and near-cash, to ensure that the Company is more fully invested and to reflect the increased emphasis on investments in funds, the Board is proposing to:

- Amend the investment objective;
- Increase the level of overcommitment to Private Equity Funds;
- Return capital to shareholders through a more active share buy back programme;
- Invest in funds managed by Graphite Capital on substantially the same terms as third parties; and
- Revise the fee and incentive arrangements with Graphite Capital.

The purpose of this document is to explain the Proposals to shareholders and Plan Participants. The Directors believe that the Proposals are in the best interests of the Company and its shareholders as a whole.

The Board considers it appropriate to seek shareholder approval for the Proposals, partly because it believes that taken as a whole the Proposals are of sufficient significance, and partly because Graphite Capital is a related party of the Company. Shareholders are therefore being asked to approve the Proposals, which are inter-related and should therefore be implemented as a package, by voting in favour of a single resolution to be proposed at an Extraordinary General Meeting to be held immediately after the Company's Annual General Meeting on 24 May 2007. Before the Extraordinary General Meeting the Company may continue to buy back Shares in accordance with the authority granted at the annual general meeting in 2006.

2 Background

Graphite Enterprise was established in 1981 and has raised total capital of £23 million over its life. At 31 December 2006 the Company had shareholders' funds of £374 million and had distributed or returned £86 million to shareholders in dividends and Share buy backs. The total of £460 million represents 20 times the total capital raised by the Company.

The Company's current objective is to provide shareholders with long term capital growth through investment in unquoted companies, both directly and through specialist funds. The Investment Portfolio is currently focused on management buy-outs in the UK and elsewhere in Western Europe. The Company is managed by Graphite Capital.

For most of its life, the great majority of the Company's Investment Portfolio was in direct investments made by Graphite Capital. A minority of the Investment Portfolio was in Private Equity Funds managed by third parties.

The Company performed well in the 1990s. Net assets grew from £38 million at 31 December 1990 to £304 million at 31 December 1999, driven by a series of successful realisations through trade sales and flotations of portfolio companies. As a result of these realisations, at 31 December 1999 the Company's assets were largely held in cash and in quoted companies retained following flotations, having been almost entirely in unquoted holdings at the beginning of the decade.

Against this background, in March 2000 the Board announced that it planned to increase commitments to Private Equity Funds with the aims of reducing cash and quoted holdings and of redeploying assets into unquoted companies. Fund investments and commitments have both increased substantially since then. At 31 December 2006, a total of £266 million was invested in or committed to third party funds by comparison with £24 million at 31 December 1999. The Company also made a commitment of £50 million to Graphite Capital Partners VI, a Private Equity Fund managed by Graphite Capital, of which £32.2 million had been drawn down by 31 December 2006.

In 2000, shareholders granted the Company powers to buy back its own Shares. Since then 13.4 million Shares have been bought back for a total cost of £40.4 million, of which 9.1 million Shares have been bought back since the beginning of 2005 for a total cost of £30.8 million.

Despite the increase in investments in funds and the substantial share buy backs, cash and near-cash balances have remained high. This is primarily because disposals from the Investment Portfolio have been exceptionally high over the last three years. At 31 December 2006 the Company held cash and near-cash balances of £145.1 million, or 38% of net assets. In each of 2004, 2005 and 2006 over 50% of the value of the opening Investment Portfolio was realised in cash, generating total capital proceeds of £284 million. This compares with the average annual rate of disposal over the previous seven years of 31%.

Recognising that cash and near-cash balances were likely to remain high, in October 2005 the Company bought a call option (the "FTSE Option") in order to address the risk of underperformance against its benchmark, the FTSE All-Share Index, which would result from holding high levels of cash in a rising market. The cost of the FTSE Option was £14.0 million and it gave the Company an exposure of £120.0 million to the FTSE 100 Index for three years. The FTSE Option had risen in value to £29.7 million at 31 December 2006.

In the five years to 31 December 2006, the Company's net asset value per share rose by 59.6% and its share price rose by 68.9%. These movements compare with an increase in the FTSE All-Share Index of 27.6%. Ten year performance has also been strong, with increases of 217.2% in the net asset value per share and of 213.2% in the share price, by comparison with an increase of 60.0% in the FTSE All-Share Index.

3 The Proposals

The Board is proposing to:

3.1 Amend the investment objective

The current investment objective of Graphite Enterprise is to provide shareholders with long term capital growth through investment in unquoted companies, both directly and through specialist funds. Following the Board's announcement in 2000 that it planned to increase commitments to Private Equity Funds, the importance of funds has grown and the importance of direct investments has diminished.

Looking forward, funds are expected to continue to grow as a proportion of the Investment Portfolio. The Board therefore believes that the investment objective should be restated as follows to reflect the increased emphasis on funds:

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

3.2 Increase the level of overcommitment to Private Equity Funds

The Board believes that the Company should be more fully invested to give greater exposure to unquoted companies and to reduce the risk of underperformance. To achieve this the Board proposes to increase the level of overcommitment to funds and to return capital to shareholders.

Private Equity Funds are generally structured with lives of ten years. Commitments are drawn down from investors as investments are made and proceeds are returned to investors as investments are realised. Cash is typically drawn down over a period of three to five years and begins to be returned in the second or third year. As a result, the maximum net amount drawn down by individual funds is often considerably less than the amount committed to them. In order to achieve full or near-full investment from a portfolio of funds, it is therefore both necessary and usual to make commitments exceeding the amount of capital available for investment. This is described as “overcommitment” in the private equity industry. The level of overcommitment made by investors in Private Equity Funds varies depending on the nature of the underlying investments, expected market conditions for acquisitions and disposals over the medium term and the appetite for risk.

At 31 December 2006 Graphite Enterprise had £198.0 million of outstanding commitments compared with cash and near-cash balances of £145.1 million. The overcommitment was therefore £52.9 million, equivalent to 13.9% of Net Assets of £381.0 million.

The Board believes that the Company should be significantly more overcommitted than it is at present but that the overcommitment policy should remain conservative. The Board will continue to monitor the level of overcommitment regularly in discussion with Graphite Capital and does not expect to take on long term borrowings. However, short to medium term borrowings may be required from time to time but are unlikely to exceed 25% of Net Assets.

3.3 Return capital to shareholders through a more active share buy back programme

As explained above, even if the level of new commitments remains high, it can take a number of years before cash is invested. For example, the Company made total commitments to funds of £234.6 million in the two years to 31 December 2006, of which only £55.2 million had been drawn down by that date. Increasing commitments to funds alone will not therefore result in a significant increase in the level of investment in the short term.

In order to address this, the Board intends to return capital to shareholders through a more active share buy back programme. The value of Shares to be bought will depend on the investment opportunities available to the Company, the rate at which investments are made and realised, and on stock market conditions. Depending on these factors, the Board currently envisages buying back Shares with a maximum total value of £70 million over the next twelve to eighteen months.

3.4 Invest in funds managed by Graphite Capital on substantially the same terms as third parties

In 2003, the Company made a commitment of £50 million to Graphite Capital Partners VI (“GCPVI”), a Private Equity Fund managed by Graphite Capital focusing on mid-market buy-outs, buy-ins and similar transactions in the UK. Since then the Company has continued to make direct investments managed by Graphite Capital, by co-investing alongside GCPVI when the opportunity has arisen.

The Board proposes that the Company should make a commitment of £50 million to Graphite Capital Partners VII (“GCPVII”), the limited partnership fund currently being raised by Graphite Capital. GCPVII will have substantially the same investment focus as GCPVI. Graphite Capital has received applications for commitments of £425 million and it is expected that the fund will have total commitments of approximately £475 million including the proposed commitment by the Company. GCPVII is heavily oversubscribed.

GCPVI and GCPVII have been structured with initial lives of ten years and with annual management charges of 2%, calculated by reference to total commitments for the first five years,

and thereafter by reference to the cost of unrealised investments. These funds also have incentive arrangements under which executives of Graphite Capital are entitled to 10% of the total gross income and capital gains from individual investments that achieve at least an 8% per annum compound return.

In addition, the Board proposes that the Company should make a commitment of £20 million to the Top Up Fund being raised in conjunction with GCPVII, which is expected to have total commitments of no more than £100 million. The Top Up Fund will invest alongside GCPVII to take up the excess in transactions that would be too large for GCPVII to invest in on its own. Further details are given in Part II of this document.

The Board is seeking shareholder approval to make commitments to GCPVII, the Top Up Fund and to future Graphite Funds on substantially the same terms as third parties. This would result in an increase to the management charges paid by the Company, as explained in section 3.5.1 below. Commitments to future Graphite Funds would be subject to Board approval.

3.5 Revise the fee and incentive arrangements with Graphite Capital

The Board has reviewed the management fee and incentive arrangements with Graphite Capital in the light of the increased emphasis on investments in funds. For comparative purposes, it has also reviewed the fee arrangements of other listed companies investing in Private Equity Funds. As a result of this review, the Board has concluded that changes should be made to the fee and incentive arrangements.

3.5.1 Management fees and charges

Graphite Capital provides investment management, company secretarial, marketing and general administrative services to the Company. The annual management fee for these services is 1.5% of Net Assets. No fee is charged on the value of the FTSE Option.

The management charges paid by the Company on its investment in GCPVI are higher than the fee set out above, but an offset mechanism ensures that the total amount paid to Graphite Capital does not exceed 1.5% of Net Assets.

In charging a fee on Net Assets, Graphite Capital effectively receives a fee on both the Investment Portfolio and on assets held in cash and near-cash. The Board believes that it would be more appropriate to pay a fee on Outstanding Commitments to funds than on cash and near-cash, as this reflects the work involved in making commitments to funds. The Board therefore proposes to remove the fee on cash and near-cash and to introduce a fee on Outstanding Commitments in its place.

The proposed annual fee rate on Outstanding Commitments is 0.5% and the current fee rate on cash and near-cash is 1.5%. Outstanding Commitments would therefore have to be more than three times higher than cash and near-cash for the overall fee to rise as a result of this change. Otherwise this element of the fee would fall.

The Board has also agreed with Graphite Capital, subject to shareholder approval, that the charges paid by the Company on its investments in GCPVI, GCPVII, the Top Up Fund, future Graphite Funds and Secondary Interests in Graphite Funds should be at the same level as those paid by third party investors. No other management fees or charges will be payable by the Company on any investment in or commitment to Graphite Funds. Although this change will lead to an increase in the fees and charges paid to Graphite Capital, the Board believes that the Company will continue to give shareholders a cost-effective way of gaining exposure to Graphite Funds.

The table below sets out a summary of the current annual fees and charges, and those proposed by the Board:

	<i>Current</i>	<i>Proposed</i>
Investment Portfolio, excluding		
Graphite Funds	1.5%	1.5%
Cash and near-cash	1.5%	Nil
Outstanding Commitments, excluding		
Graphite Funds	Nil	0.5%
Investments in Graphite Funds	Effectively 1.5% on invested assets	Full fees as charged to third parties (see 3.4)
FTSE Option	Nil	Nil
Administration	Nil	Nil

The overall effect of these proposals is to bring the charges on investments in Graphite Funds into line with those paid by third parties and to replace the current management fee on cash and near-cash with a fee on Outstanding Commitments. The Proposals also have the advantage of linking the fees and charges paid more closely to the services provided.

The financial impact of the proposed changes on the Company will depend on a number of factors, including the rates of investment and disposal from the Investment Portfolio, the level of commitments to funds, and the rate of disposal from GCPVI. If the Company becomes more fully invested, the Board expects the overall fees and charges paid to Graphite Capital (directly and through Graphite Funds) to rise. However, the Board is satisfied that overall the proposed level of management fees and charges is reasonable, particularly by comparison with fees paid to managers of other listed companies with private equity portfolios.

If the proposed changes are approved, the revised management charges will be effective from 1 July 2007.

3.5.2 Incentive arrangements

The incentive arrangements for executives of Graphite Capital (the “Co-investors”) were put in place in 1998. They were devised primarily for direct investments in unquoted companies rather than for investments in funds. Largely as a result of this, there are a number of anomalies in the current arrangements that the Board would like to resolve.

Under the current arrangements the Co-investors contribute 0.5% of the cost of each investment made by the Company. If an individual investment achieves at least an 8% per annum compound return (the “Threshold”) and this has been realised in cash the Co-investors are entitled to receive 10% of the total of the gross income and capital gains from that investment. Investments made in GCPVI, the FTSE Option and certain quoted investments are not subject to these arrangements. The proposed commitments to GCPVII, the Top Up Fund and any Primary Commitment to future Graphite Funds will also be excluded from these incentive arrangements as the Co-investors participate in incentive arrangements within the funds themselves. However, if the Company acquires any Secondary Interests in Graphite Funds, they will fall within the incentive arrangements, as they do now.

The Board believes that one of the main advantages of the incentive arrangements is that the Co-investors make a material financial contribution to the Company’s investments. If a direct investment is successfully realised, the Co-investors typically receive an incentive payment after three or four years. However, as funds have considerably longer lives, the Co-investors are typically required to make significant payments for between six and eight years before they begin to receive any proceeds from successful investments. The Board believes this period is too long for the incentive arrangements to be effective.

To address this issue, the Board is proposing that the point at which the Co-investors receive back the cost of their investments in the scheme should be brought forward. Currently they receive no cash until the Threshold has been paid to the Company. Under this proposal, the cost of each investment made by the Co-investors would be returned at the same time as the Company’s cost of investment. After cost had been returned to both parties, the Co-investors would receive no further proceeds until the Threshold had been paid to the Company.

Thereafter, the Co-investors would be entitled to 10% of the gross income and capital gains, less the amount they had already received.

The Board is also proposing to make a number of other changes to the terms of the incentive arrangements, mostly to reflect the increased emphasis on funds in the Investment Portfolio. The more significant of these changes are described in Part II.

The Board believes that the impact on the Company of the proposed changes to the incentive arrangements is unlikely to be material.

If the proposed changes are approved, the revised incentive arrangements will apply to new investments made after the date of the Extraordinary General Meeting. The current incentive arrangements will continue to apply to investments made on or before the date of the Extraordinary General Meeting, and to any subsequent additions to them.

4 Extraordinary General Meeting

Set out on page 14 of this document is a notice convening an Extraordinary General Meeting of the Company to be held at The Washington Mayfair Hotel, 5/7 Curzon Street, London, W1J 5HE on 24 May 2007 at 12 noon (or as soon thereafter as the Annual General Meeting shall be concluded or adjourned). The Resolution will be proposed at the Extraordinary General Meeting in order to approve the Proposals.

5 Action to be taken

In order to vote on the Resolution, shareholders are requested to complete the accompanying Form of Proxy or, if Shares are held through an F&C Investment Plan, the accompanying Form of Direction.

Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, so as to be received as soon as possible, and in any event not later than 12 noon on 22 May 2007. Shareholders are requested to complete and return a Form of Proxy whether or not they wish to attend the Extraordinary General Meeting.

Forms of Direction are enclosed for use by individuals who hold their Shares through an F&C Investment Plan. To be valid, Forms of Direction must be completed and returned in accordance with the instructions printed thereon so as to be received by Computershare Investor Services plc at PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH as soon as possible but in any event not later than 12 noon on 18 May 2007.

6 Recommendation

The Board, which has been advised by Winterflood Securities, considers that the Proposals described in this document and the Ordinary Resolution to be proposed at the Extraordinary General Meeting are in the best interests of the shareholders as a whole. In giving this advice, Winterflood Securities has taken into account the Directors' commercial assessment of the Proposals.

The Directors recommend that shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings totalling 33,997 Shares (representing 0.04 % of the Company's issued share capital).

Yours faithfully

John Sclater
Chairman

PART II GENERAL INFORMATION

1 History

The Company was incorporated and registered in England and Wales on 29 June 1981 for an unlimited life under the Companies Acts 1948 to 1980 as a public limited company with registered number 1571089 under the name of F. & C. Enterprise Trust PLC. The Company changed its name to Graphite Enterprise Trust PLC on 25 May 2001.

The principal legislation under which the Company operates is the Companies Acts 1985, 1989 and 2006. The Company's registered office is set out on page 3.

2 Substantial Share interests

The Company has received notification, as at close of business on 1 May 2007 (the latest practicable date prior to publication of this document), of the following shareholder interested in 3% or more of the Company's issued share capital:

Name	Ordinary Shares	
	(No. of Shares)	(%)
Legal and General Assurance (Pension Management) Limited	3,400,842	4.21

3 No Significant Change

Since 31 December 2006 (being the end of the last financial period for which audited financial statements have been published), there has been no significant change in the trading or financial position of the Company.

4 Consents

Winterflood Securities is acting as adviser to the Company. Winterflood Securities has given, and has not withdrawn, its consent to the issue of this document, and the inclusion herein of its name and the references to it in the form and context in which they appear.

5 Material Contracts

5.1 Partnership Agreements

The Existing Partnership was established in order to effect the 1998 Arrangements. Investments made in GCPVI, the FTSE Option and certain quoted investments are made directly rather than through the Existing Partnership and so are not subject to the incentive arrangements although there are incentive arrangements within GCPVI. This will also be the case for the Company's proposed investment in GCPVII and the Top Up Fund.

If the proposed changes to the incentive arrangements are approved as part of the Proposals, the New Partnership will be established in order to effect the incentive arrangements for investments and commitments made after the date of the Extraordinary General Meeting.

5.1.1 New Partnership Agreement

The following is a description of the material ways in which the New Partnership Agreement is proposed to be different from the Existing Partnership Agreement:

- (a) Under the New Partnership Agreement, the cost of each investment made by the Co-investors would be returned at the same time as the Company's cost of investment. After cost had been returned to both parties, the Co-investors would receive no further proceeds until the Threshold had been paid to the Company.
- (b) The New Partnership Agreement will contain various safeguards to ensure that certain hurdles are reached before proceeds are paid out to Co-Investors. However if Co-Investors receive any over-distributions they will be clawed back by the Company on an after tax basis.

- (c) The Co-investors will invest in the New Partnership through a single vehicle which will enter into the New Partnership Agreement.

5.1.2 Amendment to the Existing Partnership Agreement

It is proposed that the Existing Partnership Agreement is amended in accordance with paragraphs (b) and (c) above.

5.2 Investment in GCPVII

The Board proposes that the Company should make a £50 million commitment to GCPVII. The investment policy of GCPVII will be substantially the same as that of GCPVI, investing in management buy-out and buy-ins, in private companies requiring acquisition or expansion finance, and in turnarounds as well as other forms of private equity transactions.

GCPVII will have a life of ten years, which can be extended by two one year periods. As in the case of GCPVI, GCPVII has been structured with a management charge of 2% per annum, calculated by reference to total commitments for the first five years, and thereafter by reference to the cost of unrealised investments. There are also incentive arrangements under which executives of the Manager are entitled to 10% of the total gross income and capital gains from investments that achieve at least an 8% per annum compound return.

The Manager can be removed after the second anniversary of the final closing date of GCPVII, if investors holding 75% of the total commitments vote in favour of such removal. The Company is able to vote in favour of removing the Manager but may not vote against. The Manager can be removed at any time, if such removal is due to the Manager's fraud, gross negligence, wilful misconduct, bad faith or reckless disregard provided investors holding 50% of the total commitments (not including the share of an associate of Graphite Capital or the share of the Company, unless the Company votes to remove the Manager) vote in favour of such removal.

5.3 Top Up Fund

The Board proposes that the Company makes a commitment of £20 million to the Top Up Fund of not more than £100 million being raised in conjunction with GCPVII. The Top Up Fund will invest alongside GCPVII to take up the excess in transactions which would be too large for GCPVII to invest in on its own. The Top Up Fund will be structured with a 1% charge on drawn down amounts and no charge on commitments. The incentive arrangements for the Top Up Fund will be the same as those of GCPVII.

6 Expenses

The expenses in relation to the Proposals are expected to be £250,000, including irrecoverable value added tax.

7 Taxation

The information below is intended as a general guide to the UK tax implications for shareholders of participation in the Company's buy back of Shares under the Proposals and reflects the Company's understanding of the laws in force and current published HM Revenue & Customs practice at the date of this document.

The following paragraphs assume that the Company will buy back Shares on the London Stock Exchange and that the market maker acts as principal and not as agent and only apply to certain categories of shareholders who are the beneficial owners of the Shares, who hold their Shares as an investment and are resident and (in the case of individuals) ordinarily resident in the UK for taxation purposes. **If you are in any doubt as to your taxation position or are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate adviser immediately.**

Shareholders or Plan Participants who sell their Shares in the share buy back programme should be treated for the purposes of UK taxation as though they had sold their Shares in the normal way to a third party. Accordingly, any such sale by a shareholder or Plan Participant who is resident or (in the case of an individual) ordinarily resident in the UK for tax purposes may, depending on that shareholder or Plan Participant's personal circumstances and subject to any available exemption or relief (including any exemption or relief from investing through an F&C Investment Plan, where relevant), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains.

The Company will be liable to stamp duty at the rate of 0.5% of the consideration paid (rounded up to the nearest £5) for Shares acquired by the Company under the share buy back programme.

8 Documents for Inspection

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Linklaters, One Silk Street, London EC2Y 8HQ up to and including 24 May 2007, and at the place of the Extraordinary General Meeting for at least 15 minutes prior to and during the meeting:

- (a) this document;
- (b) the memorandum and articles of association of the Company; and
- (c) the audited accounts of the Company for the financial years ended 31 December 2005 and 31 December 2006.

DEFINITIONS

The following definitions apply in this document, unless the context requires otherwise:

1998 Arrangements	the Company's incentive arrangements with the Manager that were put in place in 1998 as are described in paragraph 3.5.2 of Part 1 and section 5 of Part II of this document
Annual General Meeting	the annual general meeting of the Company to be held at 11.30 a.m on 24 May 2007
Board or Directors	the board of directors for the time being of the Company
Co-investors	the executives of Graphite Capital and, with respect to the 1998 Arrangements, the general partner of the Existing Partnership
Company	Graphite Enterprise Trust PLC and/or its subsidiaries
Companies Act	The Companies Act 1985
Existing Partnership	Graphite Enterprise Trust Limited Partnership, which was established in order to effect the 1998 Arrangements
Existing Partnership Agreement	the partnership agreement currently constituting the Existing Partnership
Extraordinary General Meeting	the extraordinary general meeting of the Company convened on 24 May 2007 at 12 noon (or as soon thereafter as the Annual General Meeting shall be concluded or adjourned), notice of which is set out at the end of this document
F&C Investment Plan(s)	one or more of the Investment Plans managed by F&C Management Limited
Forms of Direction	the Forms of Direction accompanying this document, for use by Plan Participants in connection with the Extraordinary General Meeting
Forms of Proxy	the Forms of Proxy accompanying this document, for use by shareholders in connection with the Extraordinary General Meeting
FTSE Option	the call option over the FTSE 100 Index as described in Section 2 of Part I of this document
GCPVI	Graphite Capital Partners VI, an investment fund structured as five English limited partnerships managed by Graphite Capital
GCPVII	Graphite Capital Partners VII, an investment fund which is currently being established, and which will be structured as four English limited partnerships managed by Graphite Capital
Graphite Capital	Graphite Capital Management LLP and/or associates thereof
Graphite Enterprise	Graphite Enterprise Trust PLC and/or its subsidiaries
Graphite Funds	investment funds (other than the Company, the Existing Partnership and the New Partnership), which are managed by Graphite Capital
Investment Portfolio	the assets of the Company other than cash, near-cash and the FTSE Option
Manager	Graphite Capital Management LLP and/or associates thereof
Management Agreements	the management agreement dated 15 December 2005 entered into between the Manager and the Company and the management agreement dated 15 December 2005 entered into between the Manager, the Company and the Existing Partnership
Net Assets	total assets less all liabilities other than borrowings
New Partnership	the new limited partnership to be established in order to effect the new incentive arrangements as set out in the Proposals

New Partnership Agreement	the limited partnership agreement which will constitute the New Partnership
Outstanding Commitments	commitments made to fund investments which have not been drawn down and where the funds are within their commitment period
Plan Participants	participants in one or more of the F&C Investment Plans
Primary Commitment	a commitment made to a Private Equity Fund whilst it is open to new investors at the beginning of its life
Private Equity Funds	investment funds that invest primarily in unquoted companies or other entities, whether through equity, debt or other instruments
Proposals	the proposals, described more fully in section 3 of Part I of this document, to: <ul style="list-style-type: none"> ● Amend the investment objective; ● Increase the level of overcommitment to Private Equity Funds; ● Return capital to shareholders through a more active share buy back programme; ● Invest in funds managed by Graphite Capital on substantially the same terms as third parties; and ● Revise the fee and incentive arrangements with Graphite Capital.
Registrars	Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH
Resolution	the ordinary resolution set out in the notice of Extraordinary General Meeting at the end of this document
Secondary Interest	an interest in a Private Equity Fund acquired from one or more existing investors in that fund, along with any outstanding commitment, which does not increase the total commitments to the fund.
Share(s)	an ordinary share of 10p in the Company
Threshold	the threshold as defined in paragraph 3.5.2 of Part I of this document
Top Up Fund	the fund to be established by Graphite Capital as described in paragraph 5.3 of Part II of this document
Winterflood Securities	Winterflood Securities Limited, acting through its division Winterflood Investment Trusts

NOTICE OF EXTRAORDINARY GENERAL MEETING

Graphite Enterprise Trust PLC

*(Incorporated and registered in England and Wales under the Companies Acts 1948 to 1980
with registered number 1571089)*

(An investment company within the meaning of section 266 of the Companies Act 1985)

Notice is hereby given that an Extraordinary General Meeting of Graphite Enterprise Trust PLC (the “Company” or “Graphite Enterprise”) will be held at The Washington Mayfair Hotel, 5/7 Curzon Street, London, W1J 5HE on 24 May 2007 at 12 noon (or as soon thereafter as the Annual General Meeting shall be concluded or adjourned) to consider and, if thought fit, pass the following ordinary resolution.

ORDINARY RESOLUTION

THAT the proposals set out in the circular to shareholders dated 3 May 2007 (the “Circular”) be approved on the basis and subject to the conditions set out in the Circular, in particular:

- (i) the investment objective of the Company be amended to read: “The objective of Graphite Enterprise is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly”;
- (ii) the Directors be authorised to increase commitments to investment funds, as described in the Circular;
- (iii) the Directors be authorised to exercise the authorities for the Company to repurchase its own shares, as described in the Circular;
- (iv) the Directors be authorised to make investments in funds managed or advised by Graphite Capital Management LLP (“Graphite Capital”) (or any successor or affiliate thereof) (a “Graphite Company”) on substantially the same terms as third parties, as described in the Circular; and
- (v) the management fees and charges payable by the Company to Graphite Capital (both directly and indirectly through investments in funds managed or advised by any Graphite Company) be revised and the incentive arrangements with the executives of Graphite Capital be revised, as described in the Circular;

and that the Directors be authorised to enter into such arrangements, take such steps and execute such deeds and documents as they may consider necessary or desirable in connection with the foregoing (including, without limiting the generality of the foregoing, agreeing amendments to such proposals).

Registered Office
Berkeley Square House
Berkeley Square
London
W1J 6BQ

By Order of the Board
Graphite Capital Management LLP
Secretary

3 May 2007

Notes:

In accordance with Regulation 41 of The Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company at 7.00 a.m. on 23 May 2007 (or in the event that meeting is adjourned, 7.00 a.m. one day prior to the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after 7.00 a.m. on 23 May 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company. The completion of a Form of Proxy will not preclude a shareholder entitled to attend and vote at the meeting from doing so if he/she wishes

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power of authority, must be deposited with the Company’s registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through the F&C Private Investor, Personal Equity or Pension Savings Plans, an F&C Child Trust Fund or in a F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC no later than 12 noon on 18 May 2007.

