

ANNOUNCEMENT TO STOCK EXCHANGE

GRAPHITE ENTERPRISE TRUST PLC

3 May 2007

PROPOSALS IN RELATION TO THE FUTURE DEVELOPMENT OF THE COMPANY

The Board of Graphite Enterprise Trust PLC (the “Company” or “Graphite Enterprise”) announces that a circular has been posted to the Company’s shareholders today containing details of proposals in relation to the future development of the Company.

Background

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 Management (“Graphite Capital”) and a minority was in 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 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.

Proposals

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**

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.

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.”

- **Increase the level of overcommitment to funds**

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.

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

Increased commitments to funds alone will not result in a significant increase in the level of investment in the short term. 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 on stock market conditions. Depending on these factors, the Company envisages buying back shares with a maximum total value of £70 million over the next twelve to eighteen months.

- **Invest in funds managed by Graphite Capital (“Graphite Funds”) on substantially the same terms as third parties**

The Board is proposing to make a commitment of £50 million to Graphite Capital Partners VII (“GCPVII”), a fund currently being raised by Graphite Capital, and a further commitment of £20 million to a fund being raised alongside GCPVII to invest in larger transactions. The Board is also seeking approval to invest in future Graphite Funds on substantially the same terms as third parties, as described in the next section.

- **Revise the fee and incentive arrangements with Graphite Capital**

- **Ø Management fees and charges**

The Board is proposing to make two changes to the fee arrangements with Graphite Capital.

Under the current arrangements Graphite Capital effectively receives a fee of 1.5% on both the investment portfolio and on cash and near-cash. The Board is proposing to remove the fee on cash and near-cash and to replace it with a fee of 0.5% on outstanding commitments to funds.

The Board is also proposing that the Company should cease to benefit from the current arrangement under which the higher management charges in Graphite Funds are reduced by an offset mechanism. The effect of this change would be to bring the charges on investments in Graphite Funds into line with those paid by third parties. No other management fees or charges would be payable by the Company on any investment in or commitment to Graphite Funds.

The financial impact of the proposed changes will depend on a number of factors, but if the Company becomes more fully invested the Board expects the overall fees and charges paid to Graphite Capital 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.

Ø Incentive arrangements

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

An Extraordinary General Meeting will be held at 12 noon on 24 May 2007 (or as soon thereafter as the Company's Annual General Meeting shall be concluded or adjourned) in order to approve the proposals outlined above.

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