

GRAPHITE ENTERPRISE TRUST PLC  
UNAUDITED PRELIMINARY STATEMENT OF RESULTS  
FOR THE YEAR TO 31 DECEMBER 2007

HIGHLIGHTS OF THE YEAR

Net asset value per share	+14.3%
Share price	+22.8%
New commitments to funds	£186.0m
Cash proceeds from the investment portfolio	£106.8m
Share buy-backs	£31.1m

FINANCIAL SUMMARY

	2007	2006	Change
Net asset value per share	519.4p	454.6p	+14.3%
Share price	474.0p	386.0p	+22.8%
Final dividend per share	8.0p	6.5p	+23.1%
FTSE All-Share Index	3,287	3,221	+2.0%

PERFORMANCE

Years to 31/12/07	1	3	5	10
Net asset value per share	+14.3%	+59.9%	+97.1%	+150.1%
Share price	+22.8%	+67.5%	+129.5%	+154.8%
FTSE All-Share Index	+2.0%	+36.3%	+73.6%	+36.3%

## Performance

Graphite Enterprise Trust PLC ('Graphite Enterprise' or the 'Company') had another good year in 2007. The net asset value per share increased by 14.3% to 519.4p and the share price by 22.8% to 474.0p. The strong share price performance reflected a narrowing of the discount from 15.1% to 8.7%. These increases were significantly ahead of the Company's benchmark, the FTSE All-Share Index, which rose by 2.0% over the same period. The net asset value per share of Graphite Enterprise has now outperformed the FTSE All-Share Index in eight out of the last ten years and in 13 out of the last 15 years.

The objective of Graphite Enterprise is to provide shareholders with long term capital growth through investment in unquoted companies, mainly through specialist funds but also directly. The growth in the net asset value per share and share price of the Company have significantly exceeded that of the FTSE All-Share Index over both five and ten years. In the five years to December 2007, the net asset value per share rose by 97.1% and the share price by 129.5%. This compares with an increase in the FTSE All-Share Index of 73.6% over the same period. Over ten years the net asset value per share and the share price increased by 150.1% and 154.8% respectively, compared with a rise in the FTSE All-Share Index of 36.3%.

Net income and gains attributable to shareholders for the year totalled £53.1 million. Shareholders' funds closed the year a net £16.8 million higher at £391.0 million as £36.3 million was returned to shareholders through substantial share buy-backs and through the dividend.

## Portfolio

The investment portfolio performed well in the year, increasing by 26.8% over the opening value. Both funds and direct investments contributed to this good performance. Realisations play an important role in driving private equity returns and 2007 was the fourth consecutive year in which proceeds from realisations exceeded 50% of the value of the opening investment portfolio. This compares with the average for the previous seven years of 31%.

%	2003	2004	2005	2006	2007
Disposals as a % of opening portfolio	20.8	56.6	56.9	51.0	51.8

New investments increased by 28.4% to £103.1 million, with almost all of them being in the form of drawdowns from commitments made to funds. Despite this increase, the investment portfolio still generated £3.7 million of cash, as realisations were also more than 20% higher at £106.8 million. As the underlying investments made total gains of £49.6 million, the portfolio closed the year a net £45.9 million higher at £252.1 million.

In line with the objective of increasing the weighting of the portfolio towards funds, the fund portfolio of £193.8 million accounted for 76.9% of the investment portfolio at the year end. This represented an increase of £83.0 million over the previous year. The portfolio consisted of commitments to 40 funds and investments in 238 underlying companies. The direct investment portfolio is now a combination of direct investments

made by Graphite Capital and co-investments made alongside funds. It accounted for the remaining 23.1% of the investment portfolio at the year end.

Half years ended	Dec	June	Dec	June	Dec
£m	2005	2006	2006	2007	2007
Additions	30.7	42.2	38.1	45.1	58.0
Disposals	53.2	57.5	31.4	40.1	66.7

A record £186.0 million was committed to new funds in 2007, with the largest commitment being to Graphite Capital Partners VII, Graphite Capital's latest buy-out fund. Graphite Capital generally raises funds every four years and this fund was once again heavily oversubscribed with strong demand from investors in the UK, continental Europe and the US. Graphite Enterprise committed £70.0 million making it the largest investor. The remaining £116.0 million was committed to nine funds and 62.4% of the total was with managers who we have previously backed.

#### Balance sheet and share buy-backs

At the year end the investment portfolio accounted for 63.3% of net assets, compared with 54.1% a year earlier. Cash and near cash balances, which fell by £11.7 million from £145.1 million to £133.4 million, accounted for a further 33.5% with the remainder invested in the FTSE 100 option.

As a result of the very high level of realisations noted earlier, the cash balances have been considerably higher than normal in recent years. To address this we put proposals to shareholders to increase the level of overcommitment to funds and to implement a more active share buy-back programme. These proposals were overwhelmingly approved at the Extraordinary General Meeting held in May.

The overcommitment level is the amount by which commitments exceed cash holdings expressed as a percentage of total net assets. In 2007 the overcommitment level of Graphite Enterprise increased from 13.9% to 42.6%. This material change reflected a substantial increase in outstanding commitments to funds from £198.0 to £303.0 million and the £11.7 million fall in cash and near cash balances noted earlier. The share buy-back programme both reduced cash balances and held down the rise in the closing net assets.

It is not easy to predict how levels of overcommitment will move over the next twelve months. If investment activity levels fall, less cash will be drawn down by funds to finance new investments but less cash is likely to be returned as realisations will also be lower. A reduced level of new investment could also delay the planned fund raisings of private equity managers which in turn would reduce the level of new commitments. Despite these considerations we would still expect the level of overcommitment to increase in 2008.

Commitments	Dec 05	Jun 06	Dec 06	Jun 07	Dec 07
£m					
Outstanding commitments	147.7	183.1	198.0	287.3	303.0

In May we announced plans to buy back up to £70.0 million of shares over the following twelve to eighteen months. Since then the rate of buy-backs has increased markedly with £24.5 million of shares being acquired in the remainder of the year. This brought total buy-backs in 2007 to £31.1 million. Overall we bought 8.6% of the shares in issue at the beginning of the year. The shares were acquired at an average discount to net assets of 6.8% and the purchases had the effect of increasing the net asset value per share by 6.7p.

Concerns over the impact on private equity of the tightening of the debt market have caused discounts of quoted funds investing in the sector to widen. This has enabled us to buy-back a further £10.0 million of shares in 2008 at a higher average discount of 9.6%. This brings the total value of share buy-backs since the May announcement to £34.5 million at an average discount of 6.8%.

#### FTSE Option

In October 2005 we purchased an option over the FTSE 100 Index as we were concerned that the high level of cash on the balance sheet at the time could cause the Company to underperform against its benchmark, the FTSE All-Share Index, if the market were to rise sharply.

The cost of the option was £14.0 million and it gave the Company effective exposure of £120.0 million to the FTSE 100 Index for three years. In 2007, as cash balances started to fall and new proposals were adopted to reduce cash levels, we took the opportunity to begin to sell the option. During the year we sold part of the option for £21.3 million and in January 2008 we sold the balance for £7.7 million. Over the life of the option the Company therefore received total cash proceeds of £29.0 million representing a multiple of 2.1 times cost.

#### Income statement and dividend

Profit after tax attributable to shareholders increased to £53.1million in 2007 or 67.6p per share. The capital return was £46.1 million and the revenue return attributable to shareholders was £7.0 million. The revenue return per share, which determines the level of dividend, increased from 7.4p to 8.9p. As a result, the board is proposing to increase the dividend from 6.5p to 8.0p per share.

In the last four years the dividend has increased from 4.3p to 8.0p per share having been unchanged for many years. The majority of the income received in recent years has come from interest on high levels of cash or cash equivalents. As one of the main objectives agreed at the EGM was to reduce the level of cash, interest income is likely to decline as the Company becomes more fully invested. We therefore expect future dividends to fall as interest income declines.

#### The Board

Peter Gray will be retiring from the board following the forthcoming Annual General Meeting. Peter has made a very valuable contribution to the Company since his appointment to the Board in 2002. We have especially valued his knowledge of the financial sector in general and of investment trusts in particular. I would like to thank him on behalf of Graphite Enterprise shareholders for all his hard work over the last six years and to wish him the very best for the future.

### Market review and outlook

The reduced availability and increased cost of debt funding (the 'credit crunch') resulting from the sub-prime mortgage crisis in the US has had a material impact on activity levels in the private equity market. Figures from the Centre for Management Buy-Out Research suggest that after reaching a peak in the second quarter of 2007, both the volume and value of transactions in the UK fell markedly in the second half of the year. Only three of the largest thirty transactions completed in 2007 were closed in the last quarter. The mid-market appears to have been less affected than the large buy-out sector as transactions are less dependent on large syndicated debt packages.

At this stage it is difficult to predict to what degree the disruption in the financial markets will affect the wider economy in the UK and in continental Europe. Certain sectors will inevitably be more affected than others. As Graphite Enterprise has an underlying investment portfolio which is broadly diversified by company size, business sector and geographic region it should prove to be resilient.

In the last three years we have committed a total of £421 million to new funds. As fund commitments are typically drawn down over a four to five year period, only 32% of these commitments were drawn down at December 2007. As a result, undrawn commitments exceeded the value of the investment portfolio at the year end. This should ensure that if the economy weakens, as we believe is likely, Graphite Enterprise will be well positioned to take advantage of more attractive investment opportunities than have generally been available for the last few years.

John Sclater

March 2008

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## Analysis of investment activity

2007 £m	Opening value	Additions	Disposals	Gains and losses	Closing value
Investment portfolio	206.2	103.1	(106.8)	49.6	252.1
FTSE Option	29.7	-	(21.3)	4.3	12.7
Total portfolio	235.9	103.1	(128.1)	53.9	264.8

Disposals				
2007 £m	UK	Continental Europe	Rest of world	Total
Medium-sized buy-outs	59.6	9.2	1.4	70.2
Large buy-outs	6.2	3.5	-	9.7
Small buy-outs	10.9	-	-	10.9
Mezzanine	-	4.5	-	4.5
Infrastructure	6.7	-	-	6.7
Quoted	4.7	-	0.1	4.8
Total	88.1	17.2	1.5	106.8

Additions				
2007 £m	UK	Continental Europe	Rest of world	Total
Medium-sized buy-outs	19.1	5.8	-	24.9
Large buy-outs	10.9	28.3	21.8	61.0
Small buy-outs	6.5	-	-	6.5
Mezzanine	-	9.8	-	9.8
Infrastructure	0.9	-	-	0.9
Quoted	-	-	-	-
Total	37.4	43.9	21.8	103.1

## New commitments to funds

Fund	Investment type	Focus	Total fund size £m	Commitment £m
Graphite Capital Partners VII	Medium-sized buy-outs	UK	475.0	50.0
PAI Europe V	Large buy-outs	Europe	3,672.7	27.5
ICG European Fund 2006	Mezzanine	Europe	863.1	20.6
Apax Europe VII	Large buy-outs	Europe	5,845.9	20.5
Graphite Capital Partners VII Top Up Fund	Medium-sized buy-outs	UK	80.5	20.0
Thomas H Lee Equity Fund VI	Large buy-outs	US	4,136.8	17.4
Activa Capital Fund II	Medium-sized buy-outs	France	206.3	13.6
Bowmark IV	Medium-sized buy-outs	UK	265.0	10.0
Segulah IV	Medium-sized buy-outs	Scandinavia	367.5	3.6
CSP Secondary Opportunities Fund	Secondary fund investments	UK	6.0	2.5
Other				0.3
Total				186.0

## Analysis of the investment portfolio

### Funds and direct investments

£m	Third party investments	Graphite Capital investments *	Totals
Fund Investments	154.8	39.0	193.8
Direct Investments	26.3	32.0	58.3
<b>Totals</b>	<b>181.1</b>	<b>71.0</b>	<b>252.1</b>

\* Including quoted investments

Country / region	% of total investment portfolio
UK	50.7%
France	14.3%
Germany	9.1%
North America	9.0%
Spain	3.7%
Benelux	5.0%
Scandinavia	3.0%
Other European countries	4.4%
Rest of world	0.8%
<b>Total</b>	<b>100.0%</b>

Sector	% of total investment portfolio
Business services	19.6%
Manufacturing and engineering	17.7%
Consumer goods and services	15.2%
Leisure	10.9%
Construction and building supplies	7.4%
Healthcare and pharmaceuticals	6.2%
Newspapers, publishing and other media	4.5%
Transport and distribution	3.5%
Retailing	3.1%
Investment banking and finance	2.5%
Other	9.4%
<b>Total</b>	<b>100.0%</b>

Type	% of total investment portfolio
Large buy-outs	42.3%
Medium-sized buy-outs	40.7%
Mezzanine	10.3%
Quoted	3.7%
Infrastructure	1.6%
Small buy-outs	1.4%
<b>Total</b>	<b>100.0%</b>

Year	% of total investment portfolio
2007	40.8%
2006	24.8%
2005	10.8%
2004	7.0%
2003	3.0%
2002	1.5%
2001	3.8%
2000 and before	8.3%
Total	100.0%

Analysis of outstanding commitments

Type	% of total investment portfolio
Large buy-out	48.3%
Medium-sized buy-out	39.2%
Mezzanine	6.8%
Small buy-out	5.4%
Infrastructure	0.3%
Total	100.0%

### The 30 largest underlying investments

The table below presents the 30 companies in which Graphite Enterprise has the largest investments by value at 31 December 2007. The valuations are gross, before any carry provision (where relevant). Values are shown as a percentage of the total investment portfolio of £252.1 million.

Entity	Year of investment	Country /region	Value as a % of investment portfolio
1 Micheldever Independent distributor of tyres	2006	UK	3.8%
2 Wagamama Chain of Japanese noodle restaurants	1996	UK	3.3%
3 Park Holidays UK Operator of caravan parks	2006	UK	3.0%
4 Alexander Mann Solutions Provider of recruitment process outsourcing	2007	UK	2.5%
5 Intermediate Capital* Provider of mezzanine finance	1989	Europe	2.5%
6 Moeller Supplier of electrical components	2005	Germany	2.2%
7 Standard Brands Manufacturer of branded firelighters	2001	Europe	1.9%
8 NES Group Recruitment agency for technical contractors	2006	UK	1.8%
9 Data Explorers Group Information provider to global securities lending industry	2007	UK	1.7%
10 EMI Music publishing and recording	2007	UK	1.7%
11 Preh Manufacturer of control system devices	2003	Germany	1.7%
12 Weetabix Manufacturer of breakfast cereals	2004	Global	1.6%

Entity	Year of investment	Country /region	Value as a % of investment portfolio
13 Dominion Technology Gases Supplier of specialist gases	2006	UK	1.4%
14 Ceridian Provider of human resources and payment processing services	2007	USA	1.4%
15 Perstorp Manufacturer of specialty chemicals	2005	Sweden	1.3%
16 VWR International Distributor of equipment and chemicals to laboratories	2007	USA	1.2%
17 Kwik-Fit Provider of automotive fast-fit services	2005	UK	1.2%
18 AA/Saga Provider of financial and consumer services	2007	UK	1.2%
19 Hellermann Tyton Manufacturer of solutions for communication networks	2006	UK	1.1%
20 Kaufman & Broad Housebuilders	2007	France	1.1%
21 OPD Group* Group of specialist recruitment agencies	1991	UK	1.1%
22 Christian Hansen Supplier of natural food ingredients	2005	Global	1.1%
23 Ferretti Manufacturer of luxury boats	2007	Italy	1.0%
24 Summit Medical Supplier of medical devices and accessories	2001	UK	1.0%
25 Balta Manufacturer of floor and wall coverings	2004	Belgium	1.0%

Entity	Year of investment	Country /region	Value as a % of investment portfolio
26 TMP Provider of recruitment, advertising and related services	2006	UK	1.0%
27 Aktrion Provider of managed outsource services	2004	UK	0.9%
28 Tumi Manufacturer and retailer of performance luggage and accessories	2004	USA	0.9%
29 Clyde Bergmann Supplier of components for power generation industry	2005	Germany	0.8%
30 Design Objectives Designer and distributor of papercraft products	2006	UK	0.8%
Total of the 30 largest underlying investments			47.2%

\*Quoted

## The 15 largest fund investments

The largest funds by value at 31 December 2007 are set out below.

	Fund	Outstanding commitment £m	Year of commitment	Country / region	Value £m
1	Graphite Capital Partners VI Medium-sized buy-outs	10.2	2003	UK	31.6
2	Doughty Hanson & Co IV Medium-sized and large buy-outs	1.1	2005	Europe	18.7
3	PAI Europe IV Large buy-outs	6.9	2005	Europe	15.9
4	Candover 2005 fund Large buy-outs	10.6	2005	Europe	11.7
5	Euromezzanine 5 Mezzanine loans to medium sized buy-outs	3.8	2006	France	10.9
6	Madison Dearborn Capital Partners Large buy-outs	2.2	2006	USA	9.2
7	Charterhouse Capital Partners VIII Large buy-outs	5.4	2006	Europe	8.8
8	CVC European Equity Partners IV Large buy-outs	7.8	2005	Europe	8.0
9	Fourth Cinven Fund Large buy-outs	14.3	2006	Europe	7.4
10	Deutsche Beteiligungs AG Fund IV Medium-sized buy outs	0.8	2000	Germany	7.0
11	ICG European Fund 2006 Mezzanine loans to buy-outs	15.4	2007	Europe	6.3
12	Thomas H Lee Equity Fund VI Large buy-outs	11.6	2007	North America	6.0
13	Terra Firma Capital Partners III Large buy-outs	8.4	2006	Europe	5.7
14	Apax Europe VII Large buy-outs	17.1	2007	Europe	4.8
15	Graphite Capital Partners VII Medium-sized buy-outs	45.2	2007	UK	4.5
	Total of largest 15 fund investments	160.8			156.5
	Percentage of total investment portfolio				62.0%

GRAPHITE ENTERPRISE TRUST PLC  
Preliminary Statement (unaudited) for the year ended 31 December 2007

SUMMARY CONSOLIDATED BALANCE SHEET (unaudited)

At 31 December	2007 £'000s	2006 £'000s
Unquoted investments	242,354	186,071
Quoted investments	<u>9,737</u>	<u>20,073</u>
	252,091	206,144
FTSE 100 Call Option	<u>12,757</u>	<u>29,760</u>
Total investments held at fair value	264,848	235,904
Net current assets	<u>133,429</u>	<u>145,051</u>
Total assets less current liabilities	398,277	380,955
Minority interests	<u>(7,237)</u>	<u>(6,685)</u>
Equity attributable to equity holders	<u>391,040</u>	<u>374,270</u>

SUMMARY CONSOLIDATED INCOME STATEMENT (unaudited)

For the year ended 31 December	2007			2006		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Gains and losses on investments held at fair value	5,563	54,077	59,640	3,978	49,993	53,971
Income from cash and cash equivalents	6,770	-	6,770	6,531	-	6,531
Other income	45	-	45	202	-	202
Foreign exchange gains and losses	<u>-</u>	<u>544</u>	<u>544</u>	<u>-</u>	<u>(705)</u>	<u>(705)</u>
	<u>12,378</u>	<u>54,621</u>	<u>66,999</u>	<u>10,711</u>	<u>49,288</u>	<u>59,999</u>
Expense						
Investment management charges	(1,203)	(3,609)	(4,812)	(1,193)	(3,578)	(4,771)
Other expenses	<u>(1,328)</u>	<u>(90)</u>	<u>(1,418)</u>	<u>(920)</u>	<u>(82)</u>	<u>(1,002)</u>
	<u>(2,531)</u>	<u>(3,699)</u>	<u>(6,230)</u>	<u>(2,113)</u>	<u>(3,660)</u>	<u>(5,773)</u>
Profit before tax	9,847	50,922	60,769	8,598	45,628	54,226
Taxation	<u>(2,878)</u>	<u>1,083</u>	<u>(1,795)</u>	<u>(2,334)</u>	<u>1,071</u>	<u>(1,263)</u>
Profit for the year from continuing operations	<u>6,969</u>	<u>52,005</u>	<u>58,974</u>	<u>6,264</u>	<u>46,699</u>	<u>52,963</u>
Attributable to:						
Equity shareholders	6,969	46,143	53,112	6,264	43,120	49,384
Minority interests	-	5,862	5,862	-	3,579	3,579
Basic and diluted earnings per share			67.56p			58.66p

## CONSOLIDATED CASH FLOW STATEMENT (unaudited)

For the year ended 31 December	2007 £'000s	2006 £'000s
Operating activities		
Sale of portfolio investments	106,823	88,904
Purchase of portfolio investments	(103,536)	(79,680)
Sale of FTSE 100 Call Option	21,310	-
Income received from investments	5,337	4,398
Other income received	6,815	6,733
Investment management charges paid	(4,809)	(4,806)
Other expenses paid	(1,576)	(1,109)
Taxation paid	(990)	(1,600)
Net cash inflow from operating activities	<u>29,374</u>	<u>12,840</u>
Financing activities		
Investments by minority interests	465	141
Distributions to minority interests	(6,688)	(2,546)
Purchase of ordinary shares	(33,189)	(7,515)
Equity dividends paid	(5,243)	(3,650)
Net cash outflow from finance activities	<u>(44,655)</u>	<u>(13,570)</u>
Net decrease in cash and cash equivalents	<u>(15,281)</u>	<u>(730)</u>
Cash and cash equivalents at beginning of year	149,436	150,871
Net decrease in cash and cash equivalent	(15,281)	(730)
Effect of changes in foreign exchange rates	544	(705)
Cash and cash equivalents at end of year	<u>134,699</u>	<u>149,436</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

For the year ended 31 December	2007 £'000s	2006 £'000s
Total equity at the beginning of the year	380,955	344,529
Profit attributable to equity shareholders	53,112	49,384
Profit attributable to minority interests	5,862	3,579
Total profit for the period and total recognised income and expense	<u>58,974</u>	<u>52,963</u>
Dividends to equity shareholders	(5,242)	(3,650)
Purchase of ordinary shares	(31,100)	(9,604)
Net distribution to minority interests	(5,310)	(3,283)
Total equity at the end of the year	<u>398,277</u>	<u>380,955</u>

The Directors propose a final dividend in respect of the year ending 31 December 2007 of 8.0p payable on 22 May 2008 to shareholders who are on the register of members on 11 April 2008.

The above financial information comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2006 has been extracted from published accounts for the year ended 31 December 2006, which have been delivered, to the Registrar of Companies and on which the report of the auditors was unqualified.

The Annual General Meeting will be held at 11:30 a.m. on Thursday 14 May 2008 at The Mount Vernon Room, The Westbury Hotel, Conduit Street, London W1. The registered office of the Company is 4<sup>th</sup> Floor, Berkeley Square House, Berkeley Square, London W1J 6BQ.

For the year ended 31 December 2007 copies of the audited Report and Accounts will be posted to shareholders on or about 11 April 2008 and copies may be obtained during normal business hours from the Company's registered office thereafter.

By order of the Board

Graphite Capital Management LLP

Secretary

20 March 2008