

For immediate release

GRAPHITE ENTERPRISE TRUST PLC  
UNAUDITED RESULTS FOR THE HALF YEAR  
TO 30 JUNE 2006

SUMMARY OF THE PERIOD

Net assets per share	+5.1%
Share price	+0.5%
Realisations	£57.5m
New commitments	£83.5m
New investments	£42.2m

FINANCIAL SUMMARY

	Jun 2006	Dec 2005	Change
Net assets per share	418.6p	398.4p	+5.1%
Share price	366.3p	364.3p	+0.5%

PERFORMANCE

Years to 30 June 2006	1	3	5	10
NAV per share	+16.8%	+54.4%	+45.1%	+247.8%
Share price	+18.9%	+64.2%	+48.0%	+243.9%
FTSE All-Share Index	+15.9%	+50.5%	+8.8%	+59.9%

## Chairman's Statement

### Overview

Graphite Enterprise made steady progress in the first half of 2006 during a period of volatility for quoted markets. The net asset value per share rose by 5.1% to 418.6p and the share price rose by 0.5% to 366.3p. These increases compare with a rise of 4.2% in our benchmark, the FTSE All-Share Index. At the period end shareholders' funds were £352.3 million.

The increase in net asset value per share was mainly the result of profitable disposals and refinancings of underlying companies in the fund portfolio, and of co-investments alongside funds.

The discount of the share price to the net asset value increased from a five year low of 8.6% to 12.5% in the six months to 30 June 2006, having fallen from 14.1% in the previous six months. This increase was consistent with a general widening of discounts in the private equity investment trust sector.

Our objective is to provide shareholders with long term capital growth. In the five years to 30 June 2006 the FTSE All-Share Index rose by 8.8%, while the net asset value per share of Graphite Enterprise rose by 45.1% and its share price rose by 48.0%.

Longer term performance has also been strong, with increases of 247.8% in the net asset value per share and 243.9% in the share price in the ten years to 30 June 2006. These movements compare with an increase of 59.9% in the FTSE All-Share Index over the same period.

### Six months to 30 June 2006

£m	Opening value	Additions	Disposals	Gains & losses	Closing value
Investment portfolio	174.4	42.2	(57.5)	16.3	175.4
FTSE option	20.2	-	-	3.8	24.0
Total portfolio	194.6	42.2	(57.5)	20.1	199.4

### Portfolio

The portfolio generated total gains of £20.1 million during the period, representing 10.3% of its opening value. Of this amount, £16.3 million was generated by the investment portfolio (9.3% of opening value) and £3.8 million by the FTSE option (18.8% of opening value).

The largest gains in the investment portfolio came from HSBC Infrastructure Fund, Preh and ICG Mezzanine 2000 fund.

The total value of the portfolio at 30 June 2006 was £199.4 million of which £175.4 million was in the investment portfolio and £24.0 million was in the FTSE option.

Overall, disposals exceeded additions by £15.3 million. Disposals continued at a high level in the period and additions increased substantially as drawdowns of commitments to funds made over the past 18 months accelerated.

At 30 June 2006, 54.3% (31 December 2005: 50.1%) of the investment portfolio was invested in funds and 45.7% (49.9%) was held in direct investments.

£m	2002	2003	2004	2005	2006 1 <sup>st</sup> half
Additions	47.1	35.0	29.3	45.5	42.2
Disposals	36.0	34.5	109.2	86.2	57.5

#### Disposals

The investment portfolio generated total proceeds of £57.5 million (June 2005: £33.0 million) representing 33.0% of the opening value, and reflecting the continuing strength of the market for disposals.

The largest disposal in the period was of the investment in U-POL which generated proceeds of £12.7 million. The full value of this disposal was reflected in the balance sheet at 31 December 2005.

The portfolio of HSBC Infrastructure Fund was sold to a new quoted company. This generated proceeds of £6.8 million, with the remaining holding being valued at a further £2.9 million at the period end.

£5.9 million was received from the sale of the interest in Aster City which was held through the Hicks Muse Tate & Furst Europe fund.

The refinancing of Preh, a co-investment alongside the DBAG IV fund, returned £5.8 million, and the remaining holding was valued at £1.8 million at 30 June.

A number of disposals by the ICG Mezzanine 2000 fund generated total distribution proceeds of £5.4 million. In March we disposed of our interest in Lion Capital I for £7.1 million at a small premium to our cost. The fund had drawn down £2.8 million in the period.

#### Additions

Additions to the portfolio were £42.2 million, nearly three times the level in the first half of 2005 and almost 40% more than in the second.

The two largest investments made in the period were of £8.2 million in Micheldever Tyre Services, the UK's leading independent tyre distributor, and of £7.2 million in Cinque Ports Leisure, the UK's third largest holiday home and caravan park group. Both of these investments were made through Graphite Capital Partners VI and alongside the fund as co-investments.

Other investments included £2.3 million in Avery Healthcare and £4.8 million in a number of mezzanine debt investments

#### Commitments

£m	Jun 04	Dec 04	Jun 05	Dec 05	Jun 06
Total commitments	94.0	83.3	125.7	147.7	183.1

A total of £83.5 million was committed to funds in the six months to 30 June 2006, compared with £50.7 million in the same period in 2005.

Details of the largest new commitments are set out below:

Fund	Commitment £m
Fourth Cinven Fund	20.4
Charterhouse Capital Partners VIII	13.9
Euromezzanine 5	13.9
TDR Capital Fund II	13.8
Madison Dearborn Capital Partners V	13.0
Other	8.5
<b>Total</b>	<b>83.5</b>

- The Fourth Cinven Fund is a €6.5 billion fund which invests in large pan-European buy-outs.
- Charterhouse Capital Partners VIII is a €4.0 billion fund which invests in medium-sized and large buy-outs throughout Europe.
- Euromezzanine 5 is a €660 million fund which invests in mezzanine finance throughout Europe but primarily in private equity transactions in France.
- TDR Capital Fund II is a €1.75 billion fund which invests in medium-sized and large European buy-outs.
- Madison Dearborn Capital Partners V is a \$6.5 billion fund investing in medium-sized and large buy-outs, mainly in North America.

Total commitments at the period end were £183.1 million, 24.0% higher than at the beginning of the year.

#### Balance sheet

At 31 December 2005, cash and near cash balances marginally exceeded commitments. Although disposals exceeded additions in the period, high levels of new commitments

resulted in outstanding commitments exceeding the level of cash and near cash at 30 June 2006.

At 31 December 2005, the total portfolio was valued at £194.6 million, representing 56.5% of total net assets. Cash and near cash totalled £149.9 million and commitments were £147.7 million, leaving £2.2 million of cash uncommitted to the portfolio.

At 30 June 2006, the total portfolio was valued at £199.4 million, representing 55.8% of total net assets. Cash and near cash totalled £158.2 million and commitments were £183.1 million, resulting in commitments exceeding cash and near cash by £24.9 million, representing 7.0% of total net assets.

Fund commitments are typically drawn over a three to five year period. At the current level they are expected to be funded by cash and by disposals from the existing portfolio. We expect to increase the level of commitments further to ensure that cash generated by disposals is reinvested more rapidly. The Board regularly reviews the need for borrowing facilities to cover any potential excess of fund drawdowns over available cash.

In October 2005, we purchased a call option over the FTSE 100 Index with a three year maturity. This was to address the risk of underperformance which would result from holding high levels of cash if the market were to rise.

The FTSE 100 Index rose by 3.8% to 5,833 in the six months to 30 June 2006 and the value of the option rose by £3.8 million to £24.0 million. The cost of the option was £14.0 million.

Graphite Enterprise was effectively 85.4% invested as a percentage of total net assets at 30 June 2006 (31 December 2005: 87.2%), taking into account the effect of the option.

We have continued to follow the policy of enhancing shareholder returns by buying back shares when they are available in reasonable volumes at an attractive discount. A total of 720,554 shares was bought back during the period, at a total cost of £2.6 million. The average price paid was 358.3p, at an average discount to net asset value of 11.1%. All shares bought back have been cancelled.

#### Statement of Total Return and Dividend

The revenue return attributable to shareholders for the period was £2.9 million or 3.4p per share (June 2005: £3.8 million, 4.3p). Although income from investments was high, it was lower than the exceptional level of the same period in 2005.

The final dividend in respect of 2005 of 4.3p per share was paid at the beginning of June 2006. In accordance with IFRS, no provision was made for the dividend at 31 December 2005. As a result, net assets were reduced by its payment in the current year.

## Outlook

In July and August, a total of £12.0 million was invested. This included a co-investment of £4.3 million in Design Objectives, a designer and distributor of papercraft products, which was made through and alongside Bowmark Capital Partners III. Disposals in July and August totalled £7.0 million.

The private equity market remains active, with a reasonable balance between opportunities for new investments and opportunities for disposals. The turbulence of quoted markets in May did not have a significant effect on the private equity market as a whole, although it has become harder to achieve disposals through flotations.

We have made substantial commitments to funds over the last eighteen months and would expect the rate of new investments to remain high over the next twelve months as these commitments are drawn down.

John Sclater  
September 2006

## The 30 Largest Underlying Investments

The table below presents the 30 companies in which Graphite Enterprise had the largest investments by value at 30 June 2006. Values are shown as a percentage of the total investment portfolio of £175.4 million.

Entity	Year of investment	Country / region	Value as a % of investment portfolio
1 Micheldever Distributor and retailer of tyres	2006	UK	4.7%
2 Go Plant Operator of road sweeping vehicles	1995	UK	4.5%
3 Cinque Ports Owner and operator of caravan parks	2006	UK	4.1%
4 Standard Brands Supplier of household fire lighting products	2001	Europe	3.9%
5 Wagamama Chain of Japanese noodle restaurants	1996	UK	3.9%
6 Huntress Search Recruitment consultancy	2000	UK	3.1%
7 Intermediate Capital * Provider of mezzanine finance	1989	Europe	3.1%
8 Kwik-Fit Provider of automotive fast-fit services	2005	Europe	2.9%
9 OPD Group * Group of specialist recruitment agencies	1991	UK	2.8%
10 Applied Energy Manufacturer of ventilation and heating products	2001	UK	2.7%
11 Leading Edge Printer of self adhesive labels and packaging	2003	UK	2.2%
12 JT Frith Operator of discount warehouses	2004	UK	2.0%
13 Computacenter * Provider of IT equipment and services to large organisations	1985	UK	1.9%
14 Bridgewell * Provider of corporate finance and broking services	2001	UK	1.8%
15 Avery Healthcare Owner and operator of care homes for the elderly	2005	UK	1.6%
Total of the 15 largest underlying investments			45.2%

	Entity	Year of investment	Country / region	Value as a % of total investment portfolio
16	PIFC Pensions and employment benefits consultancy	2002	UK	1.5%
17	Segur Iberica Provider of security services and products	2004	Spain	1.4%
18	Christian Hansen Supplier of natural ingredients to the food industry	2005	Global	1.3%
19	Golden Tulip Developer and manager of hotels	2002	UK	1.2%
20	Weetabix Manufacturer of breakfast cereals	2004	Global	1.2%
21	Elis Provider of textile rental and hygiene services	2005	France	1.2%
22	Aktrion Provider of outsourced managed services to manufacturers	2004	UK	1.1%
23	TMP Recruitment communications agency	2006	UK	1.1%
24	Integrity Software Provider of software to small and medium-sized companies	2005	UK	1.1%
25	Hellermann Tyton Manufacturer of electrical and communications network components	2006	UK	1.1%
26	Perstop Manufacturer of chemical additives for the resin and coating industries	2005	Sweden	1.1%
27	Moeller Supplier of electrical components	2005	Germany	1.1%
28	Preh Manufacturer of automotive components	2003	Germany	1.0%
29	Summit Medical Manufacturer of medical devices and accessories	2001	UK	1.0%
30	Futura Operator of charter airline services	2002	Spain	1.0%
Total of the 30 largest underlying investments				62.6%

\* Quoted

## The 15 Largest Fund Investments

The largest fund investments by value at 30 June 2006 are set out below.

Fund	Outstanding commitment £m	Year of commitment	Country / region	Value £m
1 Graphite Capital Partners VI Medium-sized buy-outs	21.9	2003	UK	24.4
2 Corffin Capital Fund II Medium-sized buy-outs	-	2000	Spain	8.3
3 PAI Europe IV Large leveraged buy-outs	12.8	2005	Europe	7.8
4 Doughty Hanson & Co IV Leveraged buy-outs of medium-sized to large companies	7.3	2005	Europe	7.7
5 Barclays European Infrastructure Fund Infrastructure projects	4.9	2002	UK	6.4
6 ICG Mezzanine Fund 2000 Mezzanine loans to medium-sized to large buy-outs	0.8	2000	Europe	5.9
7 Euromezzanine 4 Mezzanine loans to medium-sized buy-outs	0.4	2003	France	5.1
8 Deutsche Beteiligungs AG Fund IV Medium-sized buy-outs, primarily of manufacturers	2.8	2000	Germany	4.9
9 Euromezzanine 5 Mezzanine loans to medium-sized buy-outs	9.1	2006	France	4.6
10 Activa Capital Fund Medium-sized buy-outs	3.4	2002	France	3.2
11 Piper Private Equity Fund III Small buy-outs of consumer businesses	0.8	2003	UK	3.0
12 HSBC Infrastructure Fund Infrastructure projects	6.1	2001	UK/Europe	2.9
13 CVC European Private Equity Partners IV Large buy-outs	7.1	2005	Europe	2.9
14 Charterhouse Capital Partners VI Medium-sized to large buy-outs	0.1	1997	UK/France	2.4
15 Candover 2005 Fund Large buy-outs	18.3	2005	Europe	2.2
<b>Total of largest 15 fund investments</b>	<b>95.8</b>			<b>91.7</b>
<b>Percentage of total investment portfolio</b>				<b>52.3%</b>

## Portfolio Analysis

### Sector analysis

	% of total investment portfolio
Business services	19.3%
Consumer goods and services	19.3%
Manufacturing and engineering	12.4%
Leisure	11.3%
Construction and building supplies	9.2%
Investment banking and finance	6.9%
Advertising and recruitment	5.9%
Retailing	5.1%
Other	10.6%
Total	100.0%

### Geographic distribution

	% of total investment portfolio
UK	70.4%
France	10.0%
Germany	5.5%
Spain	5.3%
Other European	6.8%
North America	2.0%
Total	100.0%

### Investment type

	% of total investment portfolio
Medium-sized buy-out	57.0%
Large buy-out	14.6%
Quoted	11.2%
Mezzanine	8.9%
Infrastructure	5.3%
Small buy-out	3.0%
Total	100.0%

### Year of investment

	% of total investment portfolio
2006	18.8%
2005	17.4%
2004	11.7%
2003	7.1%
2002	8.2%
2001	12.9%
2000 and before	23.9%
Total	100.0%

## Unaudited Consolidated Income Statement

	Half year to 30 Jun 2006			Half year to 30 Jun 2005			Year to 31 Dec 2005		
	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s
Investment returns									
Gains and losses on investments held at fair value	4,847	20,093	24,940	6,017	33,266	39,283	14,211	69,589	83,800
Foreign exchange gains and losses	-	(27)	(27)	-	(372)	(372)	-	(208)	(208)
	<u>4,847</u>	<u>20,066</u>	<u>24,913</u>	<u>6,017</u>	<u>32,894</u>	<u>38,911</u>	<u>14,211</u>	<u>69,381</u>	<u>83,592</u>
Expenses									
Investment management charges	(581)	(1,744)	(2,325)	(651)	(1,944)	(2,595)	(1,117)	(3,350)	(4,467)
Other expenses	(432)	-	(432)	(435)	-	(435)	(960)	(288)	(1,248)
	<u>(1,013)</u>	<u>(1,744)</u>	<u>(2,757)</u>	<u>(1,086)</u>	<u>(1,944)</u>	<u>(3,030)</u>	<u>(2,077)</u>	<u>(3,638)</u>	<u>(5,715)</u>
Profit before tax	3,834	18,322	22,156	4,931	30,950	35,881	12,134	65,743	77,877
Taxation	(959)	523	(436)	(1,143)	637	(506)	(3,193)	1,142	(2,051)
Profit for the period	<u>2,875</u>	<u>18,845</u>	<u>21,720</u>	<u>3,788</u>	<u>31,587</u>	<u>35,375</u>	<u>8,941</u>	<u>66,885</u>	<u>75,826</u>
Attributable to:									
Equity shareholders	2,875	17,497	20,372	3,788	27,854	31,642	8,941	59,894	68,835
Minority interests	-	1,348	1,348	-	3,733	3,733	-	6,991	6,991
Basic and diluted earnings per share			24.0p			35.6p			78.8p
Dividends declared and paid									
- total paid (£'000s)			3,650			3,858			7,678
- per share (p)			4.3p			4.3p			8.8p

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

## Unaudited Consolidated Balance Sheet

	As at 30 Jun		As at 31Dec
	2006	2005	2005
	£'000s	£'000s	£'000s
Non-current assets			
Investments held at fair value			
- Unquoted investments	156,843	152,586	159,286
- Quoted investments	18,535	14,267	15,065
- FTSE 100 Call Option	<u>24,060</u>	-	<u>20,254</u>
	199,438	166,853	194,605
Current assets			
Cash and cash equivalents	161,613	150,199	150,871
Trade and other receivables	<u>157</u>	<u>618</u>	<u>1,404</u>
	161,770	150,817	152,275
Current liabilities			
Trade and other payables	<u>3,579</u>	<u>545</u>	<u>2,351</u>
Net assets	<u>357,629</u>	<u>317,125</u>	<u>344,529</u>
Capital and reserves			
Called up share capital	8,415	8,652	8,487
Capital redemption reserve	989	752	917
Share premium	12,936	12,936	12,936
Capital reserve	318,007	276,518	303,104
Revenue reserve	<u>11,921</u>	<u>11,362</u>	<u>12,696</u>
Equity attributable to equity shareholders	352,268	310,220	338,140
Minority interests	<u>5,361</u>	<u>6,905</u>	<u>6,389</u>
	<u>357,629</u>	<u>317,125</u>	<u>344,529</u>
Net asset value per ordinary share (basic and diluted)	418.6p	358.5p	398.4p

## Unaudited Consolidated Cash Flow Statement

	Half year to 30 Jun		Year to 31 Dec
	2006 £'000s	2005 £'000s	2005 £'000s
Operating activities			
Sale of portfolio investments	57,420	32,993	86,248
Purchase of portfolio investments	(42,127)	(15,057)	(45,556)
Purchase of FTSE 100 Call option	-	-	(14,028)
Income received from investments	2,957	2,934	6,634
Other income	3,235	3,173	6,688
Investment management charges paid	(2,373)	(2,029)	(4,356)
Other expenses	(400)	(873)	(1,123)
Taxation	(91)	-	312
Net cash inflow from operating activities	<u>18,621</u>	<u>21,141</u>	<u>34,819</u>
Financing			
Investments by minority interests	66	99	205
Distributions to minority interests	(2,475)	(1,499)	(5,414)
Purchase of ordinary shares	(1,793)	(9,126)	(14,580)
Equity dividends paid	(3,650)	(3,858)	(7,678)
Net cash outflow from financing activities	<u>(7,852)</u>	<u>(14,384)</u>	<u>(27,467)</u>
Net increase in cash and cash equivalents	<u>10,769</u>	<u>6,757</u>	<u>7,352</u>
Cash and cash equivalents at beginning of period	150,871	143,814	143,727
Net increase in cash and cash equivalents	10,769	6,757	7,352
Effect of changes in foreign exchange rates	(27)	(372)	(208)
Cash and cash equivalents at end of period	<u>161,613</u>	<u>150,199</u>	<u>150,871</u>

## Unaudited Consolidated Statement of Changes in Equity

	Half year to 30 Jun		Year to
	2006	2005	31 Dec
	£'000s	£'000s	2005
			£'000s
Total equity at the beginning of the period	344,529	296,088	296,088
Adoption of IAS 32 and IAS 39	-	83	83
	<u>344,529</u>	<u>296,171</u>	<u>296,171</u>
Profit attributable to equity shareholders	20,372	31,642	68,835
Profit attributable to minority interests	1,348	3,733	6,991
Total profit for the period and total recognised income and expense	<u>21,720</u>	<u>35,375</u>	<u>75,826</u>
Dividends paid to equity shareholders	(3,650)	(3,858)	(7,677)
Purchase of ordinary shares	(2,594)	(9,126)	(14,580)
Net distribution to minority interests	<u>(2,376)</u>	<u>(1,437)</u>	<u>(5,211)</u>
Total equity at end the of period	<u>357,629</u>	<u>317,125</u>	<u>344,529</u>

## Notes

### 1 GENERAL INFORMATION

Graphite Enterprise Trust PLC (the "Company") and its subsidiary (together "Graphite Enterprise" or the "Group") are registered in England and Wales and domiciled in England. The registered office is Berkeley Square House, Berkeley Square, London W1J 6BQ. The Company's objective is to provide shareholders with long term capital growth through investment in unquoted companies both directly and through specialist funds. These consolidated interim financial statements were approved for issue by the Board of Directors on 19 September 2006.

### 2 UNAUDITED INTERIM REPORT

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the half years ended 30 June 2006 and 30 June 2005 has not been audited.

The information for the year ended 31 December 2005 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31 December 2005 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 237(2) or (3) of the Companies Act 1985.

### 3 BASIS OF PREPARATION

The financial information for the period ended 30 June 2006 has been prepared in accordance with the Listing Rules of the Financial Services Authority (FSA) and in

accordance with the accounting policies that are expected to be adopted for the year ending 31 December 2006, which are consistent with the accounting policies which were set out in the 2005 consolidated financial statements.

The Group has chosen not to adopt IAS 34 'Interim Financial Reporting' in preparing its 2006 interim accounts since adoption of this standard is not mandatory until the EU Transparency Directive is implemented through the FSA's Listing Rules.

#### 4 DIVIDENDS

	Half year to 30 June		Year to 31 December
	2006	2005	2005
	£'000s	£'000s	£'000s
Dividends paid or approved in the period	3,650	3,858	7,678

#### 5 EARNINGS PER SHARE

	Half year to 30 June		Year to 31 December
	2006	2005	2005
Revenue return per ordinary share	3.39p	4.26p	10.24p
Capital return per ordinary share	20.64p	31.35p	68.60p
Earnings per ordinary share (basic and diluted)	24.04p	35.61p	78.84p
Weighted average number of shares	84,752,111	88,832,778	87,311,470

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

#### 6 SHARE BUY BACKS

	Half year to 30 June		Year to 31 December
	2006	2005	2005
Number of shares bought back	720,554	3,200,000	4,850,000
Average price per share	358.3p	283.2p	298.5p
Total cost including expenses	£2,594,000	£9,126,000	£14,580,000
Number of shares in issue at the end of the period	84,154,446	86,525,000	84,875,000

All shares bought back were subsequently cancelled.

Copies of the Interim Report will be posted to all shareholders on or around 27 September 2006 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 September 2006