28 August 2008

# GRAPHITE ENTERPRISE TRUST PLC
# UNAUDITED RESULTS FOR THE HALF YEAR TO 30 JUNE 2008

## SUMMARY OF THE PERIOD

| | |
|---|---|
| Net asset value per share………………………………………………………… | +0.2% |
| The FTSE All-Share Index, the Company's benchmark, fell by 13.1% | |
| Share price……………………………………………………………………….... | -11.4% |
| The discount widened to 19.3%, moving into line with the peer group average | |
| Net new commitments ……………………………………………………………. | £64.9m |
| Total commitments at the period end were £346.4m | |
| New investments………………………………………………………………… | £38.7m |
| Almost all new investments were made in the fund portfolio | |
| Realisations ………………………………………………………………………. | £19.6m |
| Proceeds were equivalent to 7.8% of the opening portfolio | |
| Dividend…………………………………………………………………………. | £5.8m |
| A dividend of 8.0p per share was paid in May | |

## FINANCIAL SUMMARY

| | 30 June 2008 | 31 Dec 2007 | Change |
|---|---|---|---|
| Net asset value per share | 520.5p | 519.4p | +0.2% |
| Share price | 420.0p | 474.0p | -11.4% |
| FTSE All-Share Index | 2,856 | 3,287 | -13.1% |

## CHAIRMAN'S STATEMENT

### Overview

In the six months to June 2008, the net asset value per share of Graphite Enterprise rose marginally to 520.5p and the share price fell by 11.4% to 420.0p. These figures compare with a fall of 13.1% in our benchmark, the FTSE All-Share Index, over the same period. Over twelve months, the net asset value per share has increased by 7.5%, the share price has fallen by 3.9% and the FTSE All-Share Index has fallen by 16.7%. Shareholders' funds at 30 June were £379.5 million.

The fall in the share price reflected a widening of the discount between the share price and the net asset value per share. The discount at June was 19.3% compared with 8.7% at December 2007 and 9.7% at June 2007. Discounts in the private equity investment trust sector have widened materially over the last twelve months and, after being at a significant premium to the sector at the end of last year, our discount has since moved into line with the sector average.

The objective of the Company is to provide shareholders with long term capital growth and, as the table below shows, both the net asset value per share and the share price of Graphite Enterprise have consistently outperformed the FTSE All-Share Index over the ten years to June 2008.

| Years to 30/6/08 | 1 | 3 | 5 | 10 |
|---|---|---|---|---|
| NAV per share | +7.5% | +45.2% | +92.0% | +69.4% |
| Share price | -3.9% | +36.4% | +88.3% | +41.7% |
| FTSE All-Share | -16.7% | +11.5% | +44.9% | +4.1% |

### The private equity market

In last year's report, I commented that activity levels in the private equity sector had declined materially in the last quarter of 2007. This decline has continued in the first half of 2008 with preliminary figures suggesting that the value of management buy-outs completed in Europe in the first quarter was down by 54% compared with the same period in 2007 and the value in the second quarter was down by 62%. The total value of management buy-outs completed in the twelve months to June 2008 was at the same level as for the first six months of 2007. Clearly the shortage of bank debt has been a major factor in this decline but concerns over the general economic outlook and the reluctance of vendors to accept lower prices than they would have expected in 2007 have also been significant contributors.

No figures are available for realisations but evidence suggests that the value of realisations has fallen even more markedly. It is possible that the rate of realisations will remain depressed for longer than the rate of new investment as investments made in the last two years, when prices were relatively high and debt more freely available, may be held for an extended period. If this proves to be the case, we would expect drawdowns from funds to materially exceed cash realisations for some time.

The portfolio

In the six months to June the total value of the investment portfolio increased from £252.0 million to £280.0 million. Net new additions accounted for £19.1 million of this £28.0 million increase with portfolio gains accounting for the balance.

| £m, half years | June 2006 | Dec 2006 | June 2007 | Dec 2007 | June 2008 |
|---|---|---|---|---|---|
| Additions | 42.2 | 38.1 | 45.1 | 58.0 | 38.7 |
| Disposals | 57.5 | 31.4 | 40.1 | 66.7 | 19.6 |

Under new Stock Exchange rules introduced this year we are required to report interim results within two months rather than three months of the period end. We are therefore releasing the June results at the end of August rather than at the end of September. As we value our fund investments using the valuations prepared by the relevant fund managers and a number of the funds in which we are invested have not reported their June results in time for inclusion in this report, we are basing the June valuation on the latest available information. Where a fund has reported its June net asset value by 19 August this has been included in the Company's June valuation. Where a fund's June net asset value had not been received by 19 August, the Company's valuation has been based on the latest fund valuations received prior to June. In most cases these were little changed from the December 2007 valuations.

On this valuation basis, the investment portfolio generated a total gain of £8.7 million during the 6 months to June, equivalent to 3.4% of its opening valuation. Most of the increase came from a currency gain, with a 7.8% rise in the euro against sterling increasing the sterling value of our euro denominated investments. The value of the underlying investments remained broadly unchanged.

In the five years to December 2007 realisations have exceeded new investments by £132.2 million or 45.0%. This pattern was reversed in the first half of 2008, with new investments exceeding realisations by £19.1 million or 97.5%. Additions to the investment portfolio totalled £38.7 million while proceeds from realisations were £19.6 million.

Almost all of the new additions were to the fund portfolio, with total drawdowns of £37.7 million representing 12.4% of undrawn commitments at the beginning of the period. In each of the last three years, funds we have backed have drawn almost half of the opening undrawn commitments. The 12.4% of commitments drawn down in the first half of 2008 compares with 20.1% in the first half of 2007. This decline in new investment activity is in line with the general slowdown in the private equity sector referred to earlier.

Disposals in the period totalled £19.6 million or 7.8% of the opening portfolio valuation. This is considerably lower than the average over the last five years, during which an average of 23.0% of the opening portfolio valuation has been realised in each six month period. Although Continental European investments accounted for 39.3% of the opening portfolio they generated 58.6% of the proceeds.

A total of £64.9 million was committed to five new funds in the period. These are managed by CVC Capital Partners, Advent International, Vision Capital, AnaCap Financial Partners and Newgate CSP.

At 30 June £230.1 million or 82.2% of the £280.0 million investment portfolio was in fund investments and £49.9 million was in direct investments. The fund portfolio consisted of investments in 34 funds valued at over £0.5 million of which the largest five accounted for 38.6% and the largest ten 59.9%. The direct portfolio was more concentrated, consisting of 18 investments of over £0.5 million of which the largest five accounted for 58.5% and the largest ten 82.4%. In looking at the level of diversification it must be remembered that each fund investment itself consists of a diversified portfolio of underlying unquoted investments. At 30 June Graphite Enterprise had investments in 300 companies of which 273 were held through funds.

Commitments

| £m | Jun 06 | Dec 06 | Jun 07 | Dec 07 | Jun 08 |
|---|---|---|---|---|---|
| Outstanding commitments | 183.1 | 198.0 | 287.3 | 303.0 | 346.4 |

### Balance sheet and commitments

At 30 June 2008 the investment portfolio accounted for 72.4% of net assets compared with 63.3% at December 2007. Cash and near cash of £106.7 million accounted for the balance. The level of cash fell by £28.5 million during the period due to a combination of operating and non-operating cash outflows. The operating outflow was £10.7 million and the non-operating outflow was £18.3 million.

The main element of the operating outflow was the £19.1 million of net additions to the portfolio discussed earlier. This was partially offset by the receipt of £7.7 million from the sale of the remainder of the FTSE option which brought total proceeds to £29.0 million, equivalent to 2.1 times cost.

The non-operating outflow primarily reflected payments of £11.1 million for share buy-backs and of £5.8 million for the dividend. As it is extremely difficult to predict the timing of new drawdowns and realisations in the current economic environment, we are keeping the buy-back strategy under review.

Outstanding commitments to funds increased by £43.4 million to £346.4 million during the period. The new commitments discussed earlier exceeded drawdowns by £28.7 million. The remaining £14.7 million of the increase mainly resulted from the rise in the euro against sterling, increasing the sterling value of outstanding euro denominated commitments. Approximately 66.0% of our outstanding commitments to funds are denominated in euros and at the June exchange rate the sterling value of these was £16.6 million higher than it would have been had the rate remained unchanged. After deducting cash and near cash balances of £106.7 million from these commitments, the Company was £239.7 million or 62.0% overcommitted at 30 June 2008.

### Income statement and dividend

Profit after tax attributable to shareholders was £5.4 million or 7.4p per share in the six months to 30 June 2008 (June 2007: £26.9 million: 33.4p).

This comprised of a capital return of £3.2 million and a revenue return attributable to shareholders of £2.2 million. The revenue return per share increased from 2.9p to 3.0p. We recognised a VAT repayment including interest of £2.9 million in the first half of which £0.9 million was taken to revenue. In the absence of this amount, the revenue return would have been materially below last year and in line with my comments in the December 2007 accounts we continue to believe that the income for the full year will be lower than in 2007.

The dividend in respect of the year ended 31 December 2007 of £5.8 million or 8.0p per share was provided for in the first quarter of this financial year and paid in the second. If the level of income falls in 2008 as anticipated the dividend is also likely to fall.

### Principal risks and uncertainties

The Company's principal risks and uncertainties in the remaining six months of the financial year are as follows:

- market risk including currency, interest rates and price risk;
- credit and investment risk; and
- liquidity risk.

An analysis of each of these risks is set out in more detail in Note 20 of the Company's Report and Accounts for the year to 31 December 2007.

### Outlook

Over the last twelve months, attention in the private equity industry has been focused on the impact of the credit squeeze on activity levels. While it has clearly resulted in a sharp reduction in new investment and in realisations, its impact on the underlying investments has only been felt in certain sectors of the economy. Attention is now moving to how the industry will be affected by the anticipated slowdown in the wider economy. At this stage it is not clear how severe any downturn might be or how long it might last. It is therefore difficult to predict how private equity portfolios might be affected, or when activity levels will recover. It is quite possible that new investment will pick up more quickly than realisations as an economic downturn would create attractive investment opportunities but would make the realisation of investments less attractive.

At June, 70.1% of the Company's assets were invested in the unquoted portfolio with almost all of the balance held in cash. It therefore remains relatively underinvested. Outstanding commitments exceed the value of the investment portfolio and these should be drawn down in an attractive investment environment. As it is difficult to predict the speed at which these commitments will be drawn down we will be cautious in making new commitments until a clearer pattern emerges.

John Sclater
August 2008

## PORTFOLIO ANALYSIS

Summary of changes to the portfolio

| 2008 £m | Opening value | Additions | Disposals | Gains & losses | Closing value |
|---|---|---|---|---|---|
| Fund investments | 193.8 | 37.7 | (12.0) | 10.6 | 230.1 |
| Direct investments | 58.3 | 1.0 | (7.5) | (1.9) | 49.9 |
| Total investment portfolio | 252.1 | 38.7 | (19.5) | 8.7 | 280.0 |

Investment portfolio – funds and direct investments

| 30 June 2008 £m | Quoteds | Third party investments | Graphite investments | Totals |
|---|---|---|---|---|
| Fund investments | - | 182.4 | 47.7 | 230.1 |
| Direct investments | 9.1 | 21.1 | 19.7 | 49.9 |
| Totals | 9.1 | 203.5 | 67.4 | 280.0 |

| Additions<br>2008 £m | UK | Continental Europe | Rest of world | Total |
|---|---|---|---|---|
| Mid-market buy-outs | 9.6 | 6.3 | - | 15.9 |
| Large buy-outs | 3.1 | 10.3 | 1.1 | 14.5 |
| Small buy-outs | 3.2 | - | - | 3.2 |
| Infrastructure | 0.4 | - | - | 0.4 |
| Mezzanine | - | 3.2 | - | 3.2 |
| Quoted | 1.5 | - | - | 1.5 |
| Total | 17.8 | 19.8 | 1.1 | 38.7 |

| Disposals<br>2008 £m | UK | Continental Europe | Rest of world | Total |
|---|---|---|---|---|
| Mid-market buy-outs | 6.5 | 2.8 | - | 9.3 |
| Large buy-outs | - | 7.7 | - | 7.7 |
| Small buy-outs | 1.3 | - | - | 1.3 |
| Mezzanine | - | 1.1 | - | 1.1 |
| Quoted | 0.2 | - | - | 0.2 |
| Total | 8.0 | 11.6 | - | 19.6 |

| New commitments<br>Fund | Investment type | Focus | Commitment £m |
|---|---|---|---|
| CSP Secondary Opportunities Fund II | Secondary fund | Global | 10.0 |
| Vision Capital Partners VII | Direct secondary portfolios | Europe | 9.2 |
| Advent Central and Eastern Europe IV | Mid-market buy-out | Europe | 7.9 |
| CVC European Equity Partners V | Large buy-out | Europe | 28.9 |
| AnaCap Financial Partners II | Mid-market buy-out | Europe | 9.9 |
| Other | | | (1.0) |

| | |
|---|---|
| Total | 64.9 |

Sector analysis

| | % of total investment portfolio |
|---|---|
| Business services | 24.7% |
| Manufacturing and engineering | 17.9% |
| Consumer goods and services | 11.0% |
| Leisure | 10.5% |
| Retailing | 7.6% |
| Healthcare and pharmaceuticals | 6.1% |
| Construction and building supplies | 5.5% |
| Newspaper, publishing and other media | 5.4% |
| Financial services | 3.7% |
| Other | 7.6% |
| Total | 100.0% |

Year of investment

| | % of total investment portfolio |
|---|---|
| 2008 | 8.7% |
| 2007 | 40.4% |
| 2006 | 22.9% |
| 2005 | 8.3% |
| 2004 | 6.9% |
| 2003 | 2.2% |
| 2002 | 0.8% |
| 2001 | 2.6% |
| 2000 | 0.8% |
| 1999 and before | 6.4% |
| Total | 100.0% |

Investment type

| | % of total investment portfolio |
|---|---|
| Large buy-outs | 42.1% |
| Mid-market buy-outs | 39.5% |
| Mezzanine | 11.0% |
| Quoted | 3.2% |
| Small buy-outs | 3.2% |
| Infrastructure | 1.0% |
| Total | 100.0% |

Geographic distribution

| | % of total investment portfolio |
|---|---|
| UK | 49.0% |
| France | 14.5% |
| North America | 10.3% |
| Germany | 7.7% |
| Benelux | 6.5% |
| Spain | 4.2% |
| Other European | 3.6% |
| Scandinavia | 3.5% |
| Rest of World | 0.7% |
| Total | 100.0% |

THE 30 LARGEST UNDERLYING INVESTMENTS

The table summarises the 30 largest underlying investments, by value, in the Company's portfolio of funds and direct investments as at 30 June 2008. The valuations are gross, before any carry provision (where relevant). Values are shown as a percentage of the total investment portfolio of £280 million.

| | Entity | Year of investment | Country / region | Value as a % of investment portfolio |
|---|---|---|---|---|
| 1 | Micheldever | | | |
| | Distributor and retailer of tyres | 2006 | UK | 3.5% |
| 2 | Wagamama | | | |
| | Operator of Japanese noodle restaurants | 1996 | UK | 3.1% |
| 3 | Park Holidays UK | | | |
| | Owner and operator of caravan parks | 2006 | UK | 2.8% |
| 4 | Kurt Geiger | | | |
| | Distributor of premium and luxury footwear | 2008 | UK | 2.5% |
| 5 | Alexander Mann Solutions | | | |
| | Provider of recruitment process outsourcing | 2007 | UK | 2.3% |
| 6 | Intermediate Capital * | | | |
| | Provider of mezzanine finance | 1989 | Europe | 2.3% |
| 7 | Standard Brands | | | |
| | Supplier of household fire lighting products | 2001 | UK | 1.8% |
| 8 | NES Group | | | |
| | Provider of specialist recruitment services | 2006 | UK | 1.7% |
| 9 | EMI | | | |
| | Publisher of music | 2007 | UK | 1.7% |
| 10 | Weetabix | | | |
| | Manufacturer of breakfast cereals | 2004 | UK | 1.6% |
| 11 | Perstop | | | |
| | Manufacturer of speciality chemicals | 2005 | Sweden | 1.6% |
| 12 | Dominion Technology Gases | | | |
| | Supplier of gases to the offshore oil and gas industry | 2007 | UK | 1.3% |
| 13 | Ceridian | | | |
| | Provider of human resources services | 2007 | USA | 1.3% |
| 14 | Christian Hansen | | | |
| | Supplier of natural ingredients to the food industry | 2005 | Global | 1.2% |
| 15 | Stork | | | |
| | Provider of engineering products and services | 2008 | Netherlands | 1.1% |
| | Total of the 15 largest underlying investments | | | 29.8% |

* Quoted

| | Entity | Year of investment | Country / region | Value as a % of investment portfolio |
|---|---|---|---|---|
| 16 | Data Explorers Group | | | |
| | Provider of information to the global securities lending industry | 2006 | UK | 1.1% |
| 17 | VWR International | | | |
| | Supplier of equipment and chemicals to laboratories | 2007 | USA | 1.1% |
| 18 | Spie | | | |
| | Provider of technical contracting services | 2006 | France | 1.1% |
| 19 | Saga/AA | | | |
| | Provider of financial and consumer goods | 2007 | UK | 1.0% |
| 20 | MCE | | | |
| | Provider of industrial services | 2007 | Germany | 1.0% |
| 21 | Ferretti | | | |
| | Manufacturer of luxury boats | 2007 | Italy | 1.0% |
| 22 | TMP | | | |
| | Provider of recruitment advertising and related services | 2006 | UK | 0.9% |
| 23 | Preh | | | |
| | Manufacturer of automotive components | 2003 | Germany | 0.9% |
| 24 | Clyde Bergemann | | | |
| | Supplier of components for power generation industry | 2005 | Germany | 0.9% |
| 25 | OPD Group * | | | |
| | Provider of recruitment services | 1991 | UK | 0.9% |
| 26 | Hellermann Tyton | | | |
| | Manufacturer of electrical and communications network components | 2006 | UK | 0.9% |
| 27 | Education & Adventure Travel Group | | | |
| | Operator of school adventure, educational and ski trips | 2004 | UK | 0.9% |
| 28 | Vivarte | | | |
| | Retailer of footwear and clothing | 2007 | France | 0.9% |
| 29 | Algeco Scotsman | | | |
| | Manufacturer of modular buildings | 2007 | UK | 0.8% |
| 30 | Aktrion | | | |
| | Provider of outsourced managed services | 2004 | UK | 0.8% |
| | Total of the 30 largest underlying investments | | | 44.0% |

* Quoted

THE 15 LARGEST FUND INVESTMENTS

The largest funds by value at 30 June 2008 are set out below.

| | Fund | Outstanding commitment £m | Year of commitment | Country / region | Value £m |
|---|---|---|---|---|---|
| 1 | Graphite Capital Partners VI | | | | |
| | Mid-market buy-outs | 9.5 | 2003 | UK | 32.3 |
| 2 | Candover 2005 Fund | | | | |
| | Large buy-outs | 6.4 | 2005 | Europe | 15.9 |
| 3 | PAI Europe IV | | | | |
| | Large buy-outs | 6.7 | 2005 | Europe | 15.4 |
| 4 | Euromezzanine 5 | | | | |
| | Mezzanine loans to mid-market buy-outs | 2.5 | 2006 | France | 13.3 |
| 5 | Doughty Hanson & Co IV | | | | |
| | Mid-market and large buy-outs | 0.8 | 2005 | Europe | 11.8 |
| 6 | Charterhouse Capital Partners VII | | | | |
| | Large buy-outs | 4.1 | 2006 | Europe | 11.1 |
| 7 | Fourth Cinven Fund | | | | |
| | Large buy-outs | 12.6 | 2006 | Europe | 10.9 |
| 8 | Madison Dearborn Capital Partners V | | | | |
| | Large buy-outs | 2.3 | 2006 | USA | 9.4 |
| 9 | CVC European Private Equity Partners IV | | | | |
| | Large buy-outs | 1.8 | 2005 | Europe | 9.0 |
| 10 | Thomas H Lee Equity Fund VI | | | | |
| | Large buy-outs | 10.4 | 2007 | USA | 8.8 |
| 11 | ICG European Fund 2006 | | | | |
| | Mezzanine loans to buy-outs | 14.9 | 2007 | Europe | 8.6 |
| 12 | Graphite Capital Partners VII | | | | |
| | Mid-market buy-outs | 41.2 | 2007 | UK | 8.1 |
| 13 | Deutsche Beteiligungs AG Fund IV | | | | |
| | Mid-market buy-outs | 0.8 | 2000 | Germany | 7.0 |
| 14 | Terra Firma Capital Partners III | | | | |
| | Large buy-outs | 8.4 | 2006 | Europe | 6.4 |
| 15 | Graphite Capital Partners VII Top Up Fund | | | | |
| | Mid-market buy-outs | 14.0 | 2007 | UK | 6.0 |
| | Total of 15 largest fund investments | 136.4 | | | 174.0 |
| | Percentage of investment portfolio | | | | 62.2% |

## CONSOLIDATED INCOME STATEMENT

| | Half year to 30 June 2008 (unaudited) | | | Half year to 30 June 2007 (unaudited) | | | Year to 31 December 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 on investments held at fair value | 202 | 3,677 | 3,879 | 1,456 | 27,887 | 29,343 | 5,563 | 54,077 | 59,640 |
| Income from cash and cash equivalents | 3,079 | - | 3,079 | 3,180 | - | 3,180 | 6,770 | - | 6,770 |
| Other income | 218 | - | 218 | - | - | - | 45 | - | 45 |
| Foreign exchange gains and losses | - | 569 | 569 | - | (314) | (314) | - | 544 | 544 |
| | 3,499 | 4,246 | 7,745 | 4,636 | 27,573 | 32,209 | 12,378 | 54,621 | 66,999 |
| Expenses | | | | | | | | | |
| Investment management charges (note 8) | (544) | (1,631) | (2,175) | (622) | (1,865) | (2,487) | (1,203) | (3,609) | (4,812) |
| VAT reclaim (note 9) | 667 | 2,001 | 2,668 | - | - | - | - | - | - |
| Other expenses | (515) | (73) | (588) | (703) | (27) | (730) | (1,328) | (90) | (1,418) |
| | (392) | 297 | (95) | (1,325) | (1,892) | (3,217) | (2,531) | (3,699) | (6,230) |
| Profit before tax | 3,107 | 4,543 | 7,650 | 3,311 | 25,681 | 28,992 | 9,847 | 50,922 | 60,769 |
| Taxation | (879) | (105) | (984) | (959) | 559 | (400) | (2,878) | 1,083 | (1,795) |
| Profit for the period from continuing operations | 2,228 | 4,438 | 6,666 | 2,352 | 26,240 | 28,592 | 6,969 | 52,005 | 58,974 |
| Attributable to: | | | | | | | | | |
| Equity shareholders | 2,228 | 3,168 | 5,396 | 2,352 | 24,571 | 26,923 | 6,969 | 46,143 | 53,112 |
| Minority interests | - | 1,270 | 1,270 | - | 1,669 | 1,669 | - | 5,862 | 5,862 |
| Basic and diluted earnings per share (note 5) | | | 7.4p | | | 33.4p | | | 67.6p |

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

## CONSOLIDATED BALANCE SHEET

| | As at 30 June | | As at 31December |
|---|---|---|---|
| | 2008 (unaudited) £'000s | 2007 (unaudited) £'000s | 2007 £'000s |
| Non-current assets | | | |
| Investments held at fair value | | | |
| - Unquoted investments | 270,828 | 212,090 | 242,354 |
| - Quoted investments | 9,136 | 18,880 | 9,737 |
| - FTSE 100 Call Option | - | 28,179 | 12,757 |
| | 279,964 | 259,149 | 264,848 |
| Current assets | | | |
| Trade and other receivables | 2,897 | 111 | 575 |
| Cash and cash equivalents | 106,241 | 123,800 | 134,699 |
| | 109,138 | 123,911 | 135,274 |
| Current liabilities | | | |
| Trade and other payables | 2,483 | 1,469 | 1,845 |
| Net current assets | 106,655 | 122,442 | 133,429 |
| Net assets | 386,619 | 381,591 | 398,277 |
| Capital and reserves (note 7) | | | |
| Called up share capital (note 7) | 7,292 | 7,706 | 7,529 |
| Capital redemption reserve (note 7) | 2,112 | 1,698 | 1,875 |
| Share premium (note 7) | 12,936 | 12,936 | 12,936 |
| Capital reserve (note 7) | 343,761 | 338,484 | 351,663 |
| Revenue reserve (note 7) | 13,432 | 12,420 | 17,037 |
| Equity attributable to equity shareholders (note 7) | 379,533 | 373,244 | 391,040 |
| Minority interests (note 7) | 7,086 | 8,347 | 7,237 |
| | 386,619 | 381,591 | 398,277 |
| Net asset value per ordinary share (basic and diluted) | 520.5p | 484.3p | 519.4p |

## CONSOLIDATED CASH FLOW STATEMENT

| | Half year to 30 June 2008 (unaudited) £'000s | Half year to 30 June 2007 (unaudited) £'000s | Year to 31 December 2007 £'000s |
|---|---|---|---|
| Operating activities | | | |
| Sale of portfolio investments | 19,572 | 40,105 | 106,823 |
| Purchase of portfolio investments | (38,704) | (45,438) | (103,536) |
| Sale of FTSE 100 Call option | 7,693 | 9,662 | 21,310 |
| Income received from investments | 857 | 1,758 | 5,337 |
| Other income received | 3,297 | 3,181 | 6,815 |
| Investment management charges paid | (909) | (2,502) | (4,809) |
| Other expenses paid | (937) | (490) | (1,576) |
| Taxation paid | (1,569) | (875) | (990) |
| Net cash (outflow)/inflow from operating activities | (10,700) | 5,401 | 29,374 |
| | | | |
| Financing activities | | | |
| Investments by minority interests | 281 | 246 | 465 |
| Distributions to minority interests | (1,705) | (1,230) | (6,688) |
| Purchase of ordinary shares | (11,070) | (24,497) | (33,190) |
| Equity dividends paid | (5,833) | (5,242) | (5,242) |
| Net cash outflow from financing activities | (18,327) | (30,723) | (44,655) |
| | | | |
| Net decrease in cash and cash equivalents | (29,027) | (25,322) | (15,281) |
| | | | |
| Cash and cash equivalents at beginning of period | 134,699 | 149,436 | 149,436 |
| Net decrease in cash and cash equivalents | (29,027) | (25,322) | (15,281) |
| Effect of changes in foreign exchange rates | 569 | (314) | 544 |
| Cash and cash equivalents at end of period | 106,241 | 123,800 | 134,699 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Half year to 30 June 2008 (unaudited) £'000s | Half year to 30 June 2007 (unaudited) £'000s | Year to 31 December 2007 £'000s |
|---|---|---|---|
| Total equity at the beginning of the period | 398,277 | 380,955 | 380,955 |
| Profit attributable to equity shareholders | 5,396 | 26,923 | 53,112 |
| Profit attributable to minority interests | 1,270 | 1,669 | 5,862 |
| Total profit for the period and total recognised income and expense | 6,666 | 28,592 | 58,974 |
| Dividends paid to equity shareholders (note 4) | (5,833) | (5,242) | (5,242) |
| Purchase of ordinary shares (note 6) | (11,070) | (22,707) | (31,100) |
| Net distribution to minority interests | (1,421) | (7) | (5,310) |
| Total equity at end the of period | 386,619 | 381,591 | 398,277 |

Further analysis of the above movements is presented in note 7.

## NOTES TO THE INTERIM REPORT

### 1 GENERAL INFORMATION
Graphite Enterprise Trust PLC (the "Company") and its subsidiaries (together "Graphite Enterprise" or the "Group") are registered in England and Wales and domiciled in England. The registered office is at 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, mostly through specialist funds but also directly. These consolidated interim financial statements were approved by the Board of directors on 27 August 2008.

### 2 UNAUDITED INTERIM REPORT
The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985 (section 434 of the Companies Act 2006). Statutory accounts for the year ended 31 December 2007 were approved by the Board of directors on 17 April 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 237 of the Companies Act 1985 (section 498 of the Companies Act 2006).

This condensed consolidated interim financial information has been reviewed, not audited.

### 3 BASIS OF PREPARATION
The condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34, "Interim financial reporting" as adopted by the European Union. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ending 31 December 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 4 DIVIDENDS

| Dividends paid or approved in the period | Half year to 30 June 2008 £'000s | 2007 £'000s | Year to 31 December 2007 £'000s |
|---|---|---|---|
| 8.0p per share (half year to 30 June 2007 and year to 31 December 2007: 6.5p per share) | 5,833 | 5,242 | 5,242 |

## 5 EARNINGS PER SHARE

| | Half year to 30 June 2008 | 2007 | Year to 31 December 2007 |
|---|---|---|---|
| Revenue return per ordinary share | 3.05p | 2.91p | 8.86p |
| Capital return per ordinary share | 4.33p | 30.44p | 58.70p |
| Earnings per ordinary share (basic and diluted) | 7.38p | 33.35p | 67.56p |
| Weighted average number of shares | 73,114,359 | 80,718,407 | 78,620,500 |

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 2008 | 2007 | Year to 31 December 2007 |
|---|---|---|---|
| Number of shares bought back | 2,374,000 | 5,273,000 | 7,048,718 |
| Average price per share | 463.1p | 427.6p | 438.2p |
| Total cost including expenses | £11,069,901 | £22,707,000 | £31,100,000 |
| Number of shares in issue at the end of the period | 72,913,000 | 77,062,718 | 75,287,000 |

All shares bought back were subsequently cancelled.

7 CHANGES IN EQUITY

| | Share capital £'000s | Capital redemption reserve £'000s | Share premium £'000s | Capital reserve £'000s | Revenue reserve £'000s | Total shareholders' equity £'000s | Minority interest £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|
| Six months ended 30 June 2008 | | | | | | | | |
| Opening balance at 1 January 2008 | 7,529 | 1,875 | 12,936 | 351,663 | 17,037 | 391,040 | 7,237 | 398,277 |
| Profit for the period attributable to recognised income and expense | - | - | - | 3,168 | 2,228 | 5,396 | 1,270 | 6,666 |
| Dividends paid or approved | - | - | - | - | (5,833) | (5,833) | - | (5,833) |
| Purchase of own shares | (237) | 237 | - | (11,070) | - | (11,070) | - | (11,070) |
| Net distribution to minority interests | - | - | - | - | - | - | (1,421) | (1,421) |
| Closing balance | 7,292 | 2,112 | 12,936 | 343,761 | 13,432 | 379,533 | 7,086 | 386,619 |

| | Share capital £'000s | Capital redemption reserve £'000s | Share premium £'000s | Capital reserve £'000s | Revenue reserve £'000s | Total shareholders' equity £'000s | Minority interest £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|
| Six months ended 30 June 2007 | | | | | | | | |
| Opening balance at 1 January 2007 | 8,233 | 1,171 | 12,936 | 336,620 | 15,310 | 374,270 | 6,685 | 380,955 |
| Profit for the period attributable to recognised income and expense | - | - | - | 24,571 | 2,352 | 26,923 | 1,669 | 28,592 |
| Dividends paid or approved | - | - | - | - | (5,242) | (5,242) | - | (5,242) |
| Purchase of own shares | (527) | 527 | - | (22,707) | - | (22,707) | - | (22,707) |
| Net distribution to minority interests | - | - | - | - | - | - | (7) | (7) |
| Closing balance | 7,706 | 1,698 | 12,936 | 338,484 | 12,420 | 373,244 | 8,347 | 381,591 |

| | Share capital £'000s | Capital redemption reserve £'000s | Share premium £'000s | Capital reserve £'000s | Revenue reserve £'000s | Total shareholders' equity £'000s | Minority interest £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2007 | | | | | | | | |
| Opening balance at 1 January 2007 | 8,233 | 1,171 | 12,936 | 336,620 | 15,310 | 374,270 | 6,685 | 380,955 |
| Profit for the period attributable to recognised income and expense | - | - | - | 46,143 | 6,969 | 53,112 | 5,862 | 58,974 |
| Dividends paid or approved | - | - | - | - | (5,242) | (5,242) | - | (5,242) |
| Purchase of own shares | (704) | 704 | - | (31,100) | - | (31,100) | - | (31,100) |
| Net distribution to minority interests | - | - | - | - | - | - | (5,310) | (5,310) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Closing balance | 7,529 | 1,875 | 12,936 | 351,663 | 17,037 | 391,040 | 7,237 | 398,277 |

## 8 RELATED PARTY TRANSACTIONS

### INVESTMENT MANAGEMENT CHARGES

The investment management charges and irrecoverable VAT thereon set out in the table below were paid to the Manager, Graphite Capital Management LLP, in the period. The manager is a related party. The VAT reclaim shown in the table was accrued in the period but not paid (see note 9).

| | Half year to 30 June | | Year to 31 December |
|---|---|---|---|
| | 2008 | 2007 | 2007 |
| | £'000s | £'000s | £'000s |
| Investment management fee | 2,175 | 2,119 | 4,261 |
| Irrecoverable VAT thereon | - | 368 | 551 |
| VAT reclaim accrued (see note 9) | (2,668) | - | - |
| | (493) | 2,487 | 4,812 |

The allocation of the total investment management charges was unchanged in 2008 with 75% of the total allocated to capital and 25% allocated to income.

The management fee charged by the Manager is 1.5% of the value of invested assets and 0.5% of outstanding commitments, in both cases excluding funds managed by Graphite Capital. The Company has borne management charges in respect of its investments in funds managed by Graphite Capital as set out below:

| | Half year to 30 June | | Year to 31 December |
|---|---|---|---|
| | 2008 | 2007 | 2007 |
| | £'000s | £'000s | £'000s |
| Graphite Capital Partners V | 31 | 10 | 19 |
| Graphite Capital Partners VI | 419 | 500 | 1,000 |
| Graphite Capital Partners VII | 500 | - | 250 |
| | 950 | 510 | 1,269 |

The amounts payable during the year are set out above. There were no outstanding balances as at 30 June 2008.

### OTHER RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Significant transactions between the parent company and its subsidiaries are shown below:

| Subsidiary | Nature of transaction | Half year to 30 June 2008 £'000s | 2007 £'000s | Year to 31 December 2007 £'000s |
|---|---|---|---|---|
| Graphite Enterprise Trust LP | (Decrease)/increase in loan balance | (1,892) | 4,006 | 7,840 |
| | Income allocated | 131 | 306 | 1,191 |
| Graphite Enterprise Trust (2) LP | Increase in loan balance | 2,066 | - | - |

| | Amounts owed by subsidiaries | | | Amounts owed to subsidiaries | | |
|---|---|---|---|---|---|---|
| | Half year to 30 June | | Year to 31 December | Half year to 30 June | | Year to 31 December |
| Subsidiary | 2008 | 2007 | 2007 | 2008 | 2007 | 2007 |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Graphite Enterprise Trust LP | 6,574 | 4,632 | 8,466 | - | - | - |
| Graphite Enterprise Trust (2) LP | 2,066 | - | - | - | - | - |

## 9 CONTINGENT ASSET

Graphite Enterprise Trust PLC may be entitled to repayments of VAT previously paid to Graphite Capital Management, the Manager. HM Revenue & Customs ("HMRC") confirmed in October 2007 that fund management services to investment trusts are exempt from VAT. The Manager charged VAT on its invoices to the Company for management fees up to and including the third quarter of 2007. The Manager has confirmed that it has lodged claims with HMRC to recover VAT paid from 2002 onwards. Separately, as a result of a decision concerning the way in which a cap was introduced on the time period for which overpaid VAT can be reclaimed, the Manager may also be able to reclaim VAT charged to the Company for the period from 1990 to late 1996. The Manager has not yet lodged claims in respect of this earlier period. The Company and the Manager have agreed that the net amount reclaimed by the Manager as a result of these two decisions (that is, the overpaid output VAT less the resulting reduction in input VAT recovered) will be passed to the Company.

The Company has now been able to quantify the repayment and interest thereon relating to the period from 2002 onwards and judges that there is sufficient certainty over the recovery of these amounts to record them as assets. The VAT is £2,668,000 and the interest thereon is £217,000. The VAT has been allocated to income and capital in the ratio 25:75. The interest has been allocated to income.

Until all remaining uncertainties surrounding the reclaim process have been resolved, it is not practicable to quantify the amount of VAT recoverable relating to the second potential repayment with sufficient certainty. The total amount recovered is likely to be less than 0.5% of net asset value. Any recovery will be credited to the income reserve and realised capital reserve in the same proportion as originally charged. The amount and timing of this repayment are not certain and therefore it has not been recognised in these financial statements.

## Statement of Directors' Responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS34, 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Graphite Enterprise Trust PLC are listed in the Graphite Enterprise Trust PLC Annual Report for 31 December 2007, with the exception of the following changes in the period:

Mr J Tigue was appointed on 28 March 2008 and Mr P Gray retired on 14 May 2008. A list of current directors is maintained on the Graphite Enterprise Trust PLC website: www.graphite-enterprise.com.

By the order of the Board

J. Sclater
27 August 2008

Copies of the Interim Report will be posted to all shareholders on or around 8 September 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

27 August 2008

For further information, please contact:

Stephen Cavell/ Tim Spence Tel: 020 7825 5300

Graphite Capital

## Independent Review Report to Graphite Enterprise Trust PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the basis of preparation, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London

27 August 2008