

GRAPHITE ENTERPRISE TRUST PLC
UNAUDITED RESULTS FOR THE HALF YEAR
TO 30 JUNE 2005

FINANCIAL RESULTS

	30 Jun 2005	31 Dec 2004	% change to 30 Jun 2005
Net assets per share	358.5p	324.9p*	+10.4%
Share Price	308.0p	283.0p	+8.8%
FTSE All-Share Index	2,560.2	2,410.8	+6.2%

* Restated for the adoption of International Financial Reporting Standards

HIGHLIGHTS

- Net assets per share rose by 10.4%.
- New commitments to funds totalled £50.7 million.
- Realisations from the investment portfolio totalled £33.0 million.
- Share buy backs totalled £9.1 million.

CHAIRMAN'S STATEMENT

Performance

The net asset value per share of Graphite Enterprise increased by 10.4% to 358.5p in the six months to 30 June 2005 and the share price increased by 8.8% to 308.0p. These movements compare with an increase in our benchmark, the FTSE All-Share Index, of 6.2%. At 30 June 2005 shareholders' funds were £310.2 million. The rise in net asset value was primarily the result of a number of profitable disposals in a private equity market that had been unusually strong in 2004 and remained buoyant in the first half of 2005.

Portfolio

In the six months to June a number of important disposals were completed, generating substantial cash proceeds. Additions to the portfolio were at a lower level, but significant new commitments were made to funds. Total proceeds from the investment portfolio were £33.0 million while a total of £15.1 million was invested in the portfolio. New commitments to funds totalled £50.7 million.

In June Wagamama was sold to Lion Capital with completion taking place in July. We received cash proceeds of £7.0 million and re-invested a further £6.9 million in the company formed by Lion Capital to effect the acquisition. The total value of £13.9 million represents a surplus of £9.5 million over the carrying value at the beginning of the year. Including the amount re-invested, total proceeds over the life of the investment in Wagamama represent 4.9 times cost.

Ridgmont Care Homes was sold in April for £9.4 million, realising a surplus of £4.9 million over the carrying value at December 2004. Total proceeds over the life of the investment were £14.3 million representing 6.4 times cost.

The remaining investment in Leaderflush + Shapland was sold in the period for £5.6 million and the investment in Babcock Borsig, which was held through Deutsche Beteiligungs AG Fund IV, was sold for £4.5 million. In both cases the proceeds significantly exceeded the carrying values at the beginning of the year.

Graphite Enterprise made three commitments to funds in the period. These were to Doughty Hanson & Co IV, Lion Capital I and PAI Europe IV.

The commitment to Doughty Hanson & Co IV was £15.1 million, of which £4.5 million has so far been drawn down to make investments in four companies. The fund invests in leveraged buy-outs of businesses with enterprise values in excess of €250 million, mainly in Europe.

The commitment to Lion Capital I was £14.9 million, of which £4.6 million has been drawn down to make investments in three companies. The fund is focused on buy-outs of consumer brand and media businesses across Europe. The manager is the former European arm of Hicks Muse Tate & Furst, the U.S. private equity firm.

The commitment to PAI Europe IV, which invests in large European buy-outs, was £20.7 million. The manager, PAI Partners, is based in France and the fund is likely to have a bias towards the French market.

Valuation movements

The value of the investment portfolio increased by £33.3 million of which £23.8 million was realised and £9.5 million was unrealised. The largest movements were the increases in Wagamama (£9.5 million) reflecting the valuation achieved on its sale, Jane Norman (£6.5 million) to reflect strong trading performance and Ridgmont (£4.9 million). There were no substantial reductions in value in the investment portfolio.

Balance sheet and liquidity

Total net assets were £317.1 million as at 30 June 2005. The investment portfolio was valued at £166.9 million with cash and near cash holdings accounting for the balance of £150.2 million. Undrawn commitments to the portfolio were £125.7 million, bringing the total invested in or committed to the investment portfolio to £292.5 million or 92.2% of net assets.

Uncommitted cash and near-cash was £24.6 million or 7.8% of total net assets. Given the nature of our commitments to funds, which are contractual, long term and binding, we believe that this figure is the best measure of liquidity.

The Company used £9.1 million for share buy backs in the period. In total 3.2 million shares were purchased and cancelled, equivalent to 3.6% of the shares in issue at 31 December 2004. The buybacks were completed at an average price of 283.2p and at an average discount to net asset value of 14.6%.

Revenue account

Income has been unusually strong in the year to date, primarily as a result of receipts on the disposal of investments. In the six months to 30 June 2005 a total of £6.0 million was received, and more than £3.0 million has been received since the period end.

It is likely that a special dividend will be paid to shareholders later in the year as a result of this exceptionally high level of income.

Events since 30 June

Since 30 June, the investment in Jane Norman has been disposed of for total proceeds of £21.3 million, realising a surplus of £7.3 million over the carrying value at June. This had the effect, in isolation, of increasing the net asset value per share by 6.0p, of which 4.1p was attributable to the capital account and 1.9p was attributable to the revenue account. The investment achieved a total return representing 2.9 times cost. A further fund commitment has been made of £10.3 million to CVC European Equity Partners IV, a large European buy-out fund.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") have been applied for the first time in this report. The impact on Graphite Enterprise has not been significant. The main change is in the timing of recognition of dividends payable by the Company, which are now shown in the period in which they are declared. This had the effect of increasing the net asset value per share at 31 December 2004 from 320.6p to 324.9p. There have been some changes to the format of the financial statements. The statement of total return is now called the income statement, the format of the cash flow statement has changed, and a new statement, the statement of changes in equity has been introduced. Further explanation of the changes arising from the adoption of IFRS can be found in the notes to the accounts.

Outlook

As we anticipated in the annual report, prices in the UK private equity market have remained high, and conditions for disposals have been favourable. We continue to believe that the market will fall from this cyclical peak in the short to medium term. We are starting to see signs that banks are taking a more cautious approach to providing debt to leveraged transactions and expect this to feed through to lower prices in due course.

Against this market background, we have continued to dispose of mature investments at the same time as substantially increasing our commitment to funds, which we believe will be investing when conditions are more favourable.

The disposal of Jane Norman has increased the short term liquidity of Graphite Enterprise. While we expect liquidity to fall as our substantial fund commitments are drawn down, we will consider buying back more shares if they are available in reasonable volumes at an attractive discount.

John Sclater
September 2005

For further information, please contact:

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GRAPHITE ENTERPRISE TRUST PLC

UNAUDITED FINANCIAL INFORMATION FOR THE HALF YEAR TO 30 JUNE

Unaudited consolidated balance sheet	30 Jun		31 Dec
	2005	2004*	2004*
	£'000s	£'000s	£'000s
Non-current assets			
Investments held at fair value			
- Unlisted investments	152,586	189,997	133,998
- Listed investments	<u>14,267</u>	<u>19,271</u>	<u>17,441</u>
	166,853	209,268	151,439
Current assets			
Cash and cash equivalents	150,199	84,213	143,814
Trade and other receivables	<u>618</u>	<u>1,281</u>	<u>1,342</u>
	150,817	85,494	145,156
Current liabilities			
Trade and other payables	<u>(545)</u>	<u>(1,341)</u>	<u>(507)</u>
Net assets	<u>317,125</u>	<u>293,421</u>	<u>296,088</u>
Capital and reserves			
Called up share capital	8,652	9,080	8,972
Capital redemption reserve	752	324	432
Share premium	12,936	12,936	12,936
Capital reserve	276,518	252,654	257,707
Revenue reserve	<u>11,362</u>	<u>10,457</u>	<u>11,432</u>
Total equity attributable to equity shareholders	310,220	285,451	291,479
Minority interests	<u>6,905</u>	<u>7,970</u>	<u>4,609</u>
	<u>317,125</u>	<u>293,421</u>	<u>296,088</u>
 Net asset value per ordinary share (basic and diluted)	 358.5p	 314.4p	 324.9p

* Restated for the adoption of International Financial Reporting Standards

Unaudited Consolidated Income Statement

	Half year to 30 June 2005			Half year to 30 June 2004 *			Year to 31 December 2004 *		
	Revenue return £'000s	Capital I return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s
Gains on investments held at fair value	-	33,266	33,266	-	28,007	28,007	-	38,256	38,256
Income	6,017	-	6,017	6,008	-	6,008	11,681	-	11,681
Foreign exchange gains and losses	-	(372)	(372)	-	(227)	(227)	-	269	269
	6,017	32,894	38,911	6,008	27,780	33,788	11,681	38,525	50,206
Investment management charges	(651)	(1,944)	(2,595)	(576)	(1,732)	(2,308)	(1,209)	(3,626)	(4,835)
Other expenses	(435)	-	(435)	(368)	(54)	(422)	(875)	(88)	(963)
	(1,086)	(1,944)	(3,030)	(944)	(1,786)	(2,730)	(2,084)	(3,714)	(5,798)
Profit before tax	4,931	30,950	35,881	5,064	25,994	31,058	9,597	34,811	44,408
Taxation	(1,143)	637	(506)	(818)	818	-	(1,864)	1,864	-
Profit for the period	3,788	31,587	35,375	4,246	26,812	31,058	7,733	36,675	44,408
Attributable to:									
Equity shareholders	3,788	27,854	31,642	4,246	22,500	26,746	7,733	30,443	38,176
Minority interests	-	3,733	3,733	-	4,312	4,312	-	6,232	6,232
Basic and diluted earnings per share			35.6p			29.5p			42.2p
Dividends declared and paid									
- total paid (£'000s)			3,858			3,904			6,417
- per share (p)			4.3p			4.3p			7.1p

The column headed 'capital' includes all items of income and expense which relate to investments held at fair value. The column headed 'revenue' includes all other items of income and expense. The column headed 'total' represents the income statement for the relevant period. All items in the above statement relate to continuing operations.

* Restated for the adoption of International Financial Reporting Standards.

Unaudited Consolidated Cash Flow statement

	Half year to		Year to
	30 June		31 December
	2005	2004*	2004*
	£'000s	£'000s	£'000s
Operating activities			
Sale of portfolio investments	32,993	24,287	109,251
Purchase of portfolio investments	(15,057)	(12,461)	(29,361)
Income received from investments	2,934	3,771	6,745
Other income	3,173	1,538	4,318
Investment management charges paid	(2,029)	(965)	(3,770)
Other expenses	(873)	(951)	(2,173)
Net cash inflow from operating activities	21,141	15,219	85,010
Financing			
Investments by minority interests	99	90	221
Distributions to minority interests	(1,499)	(493)	(5,907)
Purchase of ordinary shares	(9,126)	-	(2,890)
Equity dividends paid	(3,858)	(3,904)	(6,417)
Net cash outflow from financing activities	(14,384)	(4,307)	(14,993)
Net increase in cash and cash equivalents	6,757	10,912	70,017
Cash and cash equivalents at beginning of year	143,814	73,528	73,528
Net increase in cash and cash equivalents	6,757	10,912	70,017
Effect of changes in foreign exchange rates	(372)	(227)	269
Cash and cash equivalents at end of year	150,199	84,213	143,814

* Restated for the adoption of International Financial Reporting Standards.

Unaudited Consolidated Statement of Changes in Equity

	Half year to 30 June		Year to 31 December
	2005	2004	2004
	£'000s	£'000s	£'000s
Total equity at the beginning of the period	296,088	266,719	266,719
Adoption of IAS 39	83	-	-
Profit attributable to equity shareholders	31,642	26,746	38,176
Profit attributable to minority interests	<u>3,733</u>	<u>4,312</u>	<u>6,232</u>
Total profit for the period and total recognised income and expense	35,375	31,058	44,408
Dividends declared	(3,858)	(3,904)	(6,417)
Purchase of own shares	(9,126)	-	(2,890)
Net distributions to minority interests	<u>(1,437)</u>	<u>(452)</u>	<u>(5,732)</u>
Total equity at the end the of period	<u>317,125</u>	<u>293,421</u>	<u>296,088</u>

* The adoption of IAS 39 increased shareholders' equity by £83,000 and had no impact on minority interests.

NOTES TO THE FINANCIAL INFORMATION

1 Adoption of International Financial Reporting Standards

(a) Basis of preparation

The consolidated financial information for the six months ended 30 June 2005 has been prepared using the accounting policies expected to be used in the Group's annual financial statements to 31 December 2005. These accounting policies will be based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that will be applicable and adopted for use in the European Union for the Group's year ending 31 December 2005, except as noted below.

IAS 39 *Financial instruments: recognition and measurement* has been adopted for the six months ended 30 June 2005 but comparative information has not been restated as permitted by IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The effect of restatement would not have been significant. The Group has adopted The Fair Value Option amendment to IAS 39 issued by the IASB in June 2005 for these interim financial statements. This amendment has not yet been adopted for use in the European Union. It is anticipated that adoption will take place prior to the publication of the Group's next annual report but there can be no certainty of this.

Due to the continuing work of the IASB and possible amendments to the interpretive guidance, the Group's accounting policies, and consequently the information presented, may change prior to the publication of the Group's first annual financial statements under IFRS.

(b) Impact of transition

IFRS requires that dividends are recorded as a liability when declared and not before. For Graphite Enterprise this has changed the period in which year end dividends are recognised, increasing total shareholders' equity at 1 January 2004 by £3,904,000 and 31 December 2004 by £3,858,000. Shareholders' equity at 30 June 2004 was not affected. There were no other adjustments to previously reported net assets or profit.

The adoption of IAS 39 for the period ended 30 June 2005 increased shareholders' equity by £83,000 at 1 January 2005.

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 2005 and 30 June 2004 has not been audited.

The information for the year ended 31 December 2004 has been extracted from the latest published audited financial statements, as amended to comply with IFRS. The audited financial statements for the year ended 31 December 2004 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 Geographical distribution of portfolio investments

	UK	Non-UK	Total
	%	%	%
Listed	8	-	8
Unlisted	<u>65</u>	<u>27</u>	<u>92</u>
	<u>73</u>	<u>27</u>	<u>100</u>

4 Share buy backs

During the six months ended 30 June 2005, the Company bought back 3,200,000 of its own shares in the market at an average price of 283.2p per share. All the shares were subsequently cancelled. The number of shares in issue at 30 June 2005 was 86,525,000 (31 December 2004: 89,725,000, 30 June 2004: 90,800,000). The total cost of these buy backs including related expenses was £9,126,000 and they had the effect of enhancing net asset value per share by 2.7p.

There were no share buy backs in the six months ended 30 June 2004. During the year ended 31 December 2004, the Company bought back 1,075,000 of its own shares in the market at an average price of 266.9p per share. All the shares were subsequently cancelled. The total cost of these buy backs including related expenses was £2,890,000 and they had the effect of enhancing net asset value per share by 0.6p.

5 Dividends

	Half year to 30 June	2004	Year to 31 December 2004
	2005	2004	2004
	£'000s	£'000s	£'000s
Dividends declared	3,858	3,904	6,417

As in previous years, the directors do not propose to pay an interim dividend.

6 Earnings per share

	Half year to 30 June	2004	Year to 31 December 2004
	2005	2004	2004
	£'000s	£'000s	£'000s
Basic and diluted:			
Revenue return per ordinary share	4.26p	4.68p	8.54p
Capital return per ordinary share	31.35p	24.78p	33.61p
Earnings per ordinary share	35.61p	29.46p	42.15p
Weighted average number of shares	88,832,778	90,800,000	90,574,863

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

Copies of the Interim Report will be posted to all shareholders on or around 30 September 2005 and copies may be obtained during normal business hours from the Company's registered office thereafter.

By order of the Board
Graphite Capital Management Limited
Secretary

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THE 10 LARGEST INVESTMENTS

	Value at 30 June 2005 £'000s
1 Jane Norman	<u>13,973</u>
Retailer of women's fashion products	
2 Wagamama	<u>13,864</u>
Chain of Japanese noodle restaurants	
3 Hicks, Muse, Tate & Furst Europe Fund	<u>10,076</u>
Equity investor in large European buy-outs	
4 ICG Mezzanine Fund 2000	<u>9,654</u>
Fund investing in mezzanine finance	
5 Huntress Search	<u>8,211</u>
Recruitment consultancy	
6 U-POL	<u>8,026</u>
Manufacturer of fillers, coatings and other automotive products	
7 Corpfin Capital II	<u>8,015</u>
Fund investing in medium-sized buy-outs in Spain	
8 Graphite Capital Partners VI	<u>7,016</u>
Fund investing in mid-market buy-outs in the UK	
9 Intermediate Capital Group*	<u>6,313</u>
Provider of mezzanine finance	
10 Preh	<u>5,226</u>
Manufacturer of automotive components	
Total of ten largest investments	<u>90,374</u>
Percentage of portfolio investments	54.2%

* Quoted