

11 June 2014

GRAPHITE ENTERPRISE TRUST PLC

INTERIM MANAGEMENT STATEMENT QUARTER ENDED 30 APRIL 2014

Graphite Enterprise Trust PLC (“Graphite Enterprise” or the “Company”) presents its Interim Management Statement for the quarter ended 30 April 2014.

Performance summary

In the three months to 30 April 2014 the net asset value per share rose by 1.6% from 677.2p to 688.1p. The increase over the twelve months to that date was 8.2%.

In a quarter when little new valuation information is usually received, the rise in the valuation of the portfolio in local currency generated a 2.1% increase in net asset value. This was partially offset by expenses of 0.4% and a small adverse impact from currency movements of 0.1%.

The year end dividend of 15.5p per share (see Dividend section below) has not been reflected in the first quarter’s results.

Over the three months the share price rose by 1.5% from 563.5p to 572.0p. While this was less than the increase in the FTSE All-Share Index of 3.5%, over the twelve months to 30 April the share price increased by 16.3% against a rise of 6.8% in the Index.

The discount of the share price to the net asset value at 30 April was 16.9%, which was very similar to the level of 16.8% at 31 January.

Investment portfolio

Investment performance

The underlying value of the portfolio in local currencies rose by £10.5 million in the quarter, increasing the net asset value by 2.1%. Currency movements reduced the net asset value by £0.3 million or 0.1%.

We had received March valuations for 62% of the portfolio by the cut-off date. As many of those managers who did report do not prepare full portfolio revaluations at March, the great majority of the portfolio effectively remains at its reported December valuation.

The largest gain was generated by Graphite Capital’s disposal of the investment in Education Personnel (“EP”), which was held through Graphite Capital Partners VII (“CPVII”). The acquirer was Intermediate Capital Group (“ICG”). Although the disposal was completed after the quarter end, the April net asset value reflects the agreed exit price. The disposal increased the net asset value by 1.4% in the quarter.

EP was the Company’s sixth largest underlying investment at 31 January. The sale price represents a significant uplift to the previous carrying value of the investment. Net proceeds of £14.9 million should be received in the next few days.

Proceeds

The portfolio generated £15.9 million of cash proceeds in the three months to 30 April. None of the underlying disposal proceeds were individually significant. As noted above, the proceeds from the sale of EP will be received in the second quarter.

A total of seven full exits were completed in the quarter. If the EP exit is included, the average uplift to the previous carrying value was 59% and these exits generated an average return of 2.3 times original cost.

In addition to these realisations, we disposed of interests in three funds receiving proceeds of £5.0 million, and bringing total proceeds from the portfolio to £20.9 million.

Additions

A total of £23.1 million was invested in the quarter. Of this amount, drawdowns from funds accounted for £21.3 million and secondary purchases of interests in two funds accounted for a further £1.8 million.

A total of 15 new underlying investments were made in the three months to 30 April. The largest was Graphite Capital's acquisition of ICR, a provider of repair and maintenance services to the energy industry. The Company's share of this investment was £10.9 million.

Re-investment in Education Personnel

Since the quarter end the Company has invested £9.0 million alongside Intermediate Capital Group in its acquisition of Education Personnel from Graphite Capital Partners VII, which will therefore remain one of the Company's ten largest underlying investments.

CPVII was raised in 2007 and, in common with most unlisted private equity funds, has a limited life of ten years. It is currently in its seventh year and is therefore seeking profitable disposal opportunities for its portfolio. CPVII chose to sell its investment in EP as it is now looking to return cash to its investors and because, at the price agreed, it had made a high return.

Graphite Enterprise has been an investor in funds managed by ICG for 25 years. We chose to re-invest in EP alongside ICG because we believe it to be an extremely high quality company with strong growth prospects and, unlike CPVII, we do not have a need to return cash to investors. Graphite Enterprise is an existing investor in ICG Europe V, the ICG fund which has invested in EP, and we will have an indirect interest of £1.1 million through our investment in this fund. The total investment will therefore be £10.1 million.

Further current investment opportunities

We are reviewing a number of opportunities to make co-investments and to make secondary purchases of fund interests. If the more advanced of these transactions were to complete, the level of new investment in the second quarter would be significantly higher than in the first.

Cash and liquid assets

In the three months to 30 April 2014, we invested a net £2.2 million in the portfolio. After taking account of other net outflows and currency movements, cash and liquid assets fell by £5.1 million to £63.1 million:

Movement in liquid assets £m	3 months to 30 April 2014
Additions	(23.1)
Proceeds generated by the portfolio*	20.9
Net cash invested in the investment portfolio	(2.2)
Non-investment cash flows	(2.8)
Net cash outflow	(5.0)
Effect of changes in foreign exchange rates	(0.1)
Total movement	(5.1)
Opening cash and liquid assets	68.2
Closing cash and liquid assets	63.1

*Including income

As we will be receiving proceeds of £14.9 million from the sale of EP and have reinvested £9.0 million, the net proceeds will be £5.9 million. After taking account of this, the payment of the £11.3 million dividend next month (see below) and other minor movements, the proforma cash balance at 31 May is £59.2 million.

Balance sheet and commitments

The summary balance sheet and commitment position as at 30 April 2014 is set out below. The Company was 87% invested at that date.

	30 April 2014 £m	% of total assets	31 Jan 2014 £m	% of total assets
Total portfolio	445.7	87.5%	433.3	86.2%
Cash and liquid assets	63.1	12.4%	68.2	13.6%
Other net current assets	0.7	0.1%	1.1	0.2%
Total assets	509.5	100.0%	502.7	100.0%
Equity shareholders' funds	501.7		493.8	
Undrawn bank facility ¹	97.7		97.7	
Total liquidity ²	160.8		165.9	
Outstanding commitments	257.1		277.3	
Overcommitment ³	96.3		111.4	
Overcommitment as % of shareholders' funds	19.2%		22.6%	

1. £50.0 million and €58.1 million translated into sterling at period end

2. Cash and liquid assets plus undrawn borrowing facilities

3. Outstanding commitments less total liquidity

Outstanding commitments fell by £20.2 million to £257.1 million in the quarter, primarily because £21.3 million of commitments were drawn down. No new commitments were made in the quarter but £1.5 million of commitments were assumed with secondary fund purchases. Currency and other movements accounted for the remainder.

As we discussed in the year end results, many of our preferred managers raised funds last year and we made substantial commitments to them. Therefore we expect to make a significantly lower level of primary commitments this year than last.

Dividend

If approved by shareholders at today's Annual General Meeting, the Company will pay a dividend of 15.5p per share on 18 June to shareholders on the register as at the close of business on 28 May, consisting of a final dividend of 7.5p per share and a special dividend of 8.0p per share.

The total payable by the Company will be £11.3 million and the dividend will be accounted for in the Company's half year results.

Events since the quarter end

Other than as discussed above, the Directors are not aware of any events or transactions which have taken place between 30 April 2014 and the date of publication of this statement which have had a material effect on the financial position of the company.

Not audited or reviewed

This information has not been audited or reviewed by the Company's auditors.

For further information please contact:

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SUPPLEMENTARY INFORMATION

THE 30 LARGEST FUND INVESTMENTS

The 30 largest funds by value at 30 April 2014 are set out below:

	Fund	Outstanding commitment £ million	Year of commitment	Country/ region	Value £ million
1	Graphite Capital Partners VII * / ** Mid-market buy-outs	7.6	2007	UK	44.5
2	Graphite Capital Partners VIII * Mid-market buy-outs	73.3	2013	UK	25.7
3	Fourth Cinven Fund ** Large buy-outs	4.1	2006	Europe	25.6
4	Euromezzanine 5 Mezzanine loans to mid-market buy-outs	1.8	2006	France	21.6
5	Thomas H Lee Parallel Fund VI Large buy-outs	2.9	2007	USA	21.1
6	CVC European Equity Partners V ** Large buy-outs	5.5	2008	Global	20.7
7	Doughty Hanson & Co V ** Mid-market and large buy-outs	6.3	2006	Europe	18.1
8	Graphite Capital Partners VI ** Mid-market buy-outs	3.4	2003	UK	17.5
9	Candover 2005 Fund ** Large buy-outs	0.1	2005	Europe	16.7
10	TDR Capital II Mid-market and large buy-outs	0.8	2006	Europe	16.1
11	ICG European Fund 2006 Mezzanine loans to buy-outs	2.7	2007	Europe	15.1
12	Activa Capital Fund II Mid-market buy-outs	0.9	2007	France	15.1
13	Apax Europe VII Large buy-outs	0.5	2007	Global	13.8
14	Deutsche Beteiligungs AG Fund V Mid-market buy-outs	1.3	2006	Germany	10.7
15	Bowmark Capital Partners IV Mid-market buy-outs	-	2007	UK	10.0

16	Doughty Hanson & Co IV ** Mid-market and large buy-outs	0.4	2005	Europe	7.5
17	PAI Europe V Large buy-outs	0.4	2007	Europe	6.4
18	Charterhouse Capital Partners IX ** Large buy-outs	2.3	2008	Europe	6.2
19	ICG Europe Fund V Mezzanine loans to buy-outs	3.4	2012	Europe	5.0
20	Fifth Cinven Fund Large buy-outs	11.6	2012	Europe	5.0
21	CVC European Equity Partners Tandem Large buy-outs	0.9	2006	Global	4.9
22	Advent Central and Eastern Europe IV Mid-market buy-outs	1.3	2008	Europe	4.8
23	BC European Capital IX Large buy-outs	3.9	2011	Europe	4.6
24	Permira IV ** Large buy-outs	0.3	2006	Europe	4.3
25	CVC European Equity Partners IV ** Large buy-outs	1.4	2005	Global	4.0
26	Segulah IV Mid-market buy-outs	1.2	2008	Nordic	3.8
27	Charterhouse Capital Partners VIII ** Large buy-outs	1.2	2006	Europe	3.7
28	Deutsche Beteiligungs AG Fund IV Mid-market buy-outs	0.3	2002	Germany	3.3
29	Piper Private Equity Fund IV Small buy-outs	1.1	2006	UK	3.2
30	Charterhouse Capital Partners VII ** Large buy-outs	0.8	2002	Europe	3.2
Total of the largest 30 fund investments		141.7			362.2
Percentage of total investment portfolio					81.3%

* Includes the associated Top Up funds

** All or part of interest acquired through a secondary fund purchase

THE 30 LARGEST UNDERLYING INVESTMENTS

The table below presents the 30 companies in which Graphite Enterprise had the largest investments by value at 30 April 2014. These investments may be held directly or through funds, or in some cases in both ways. The valuations are gross and are shown as a percentage of the total investment portfolio.

	Company	Manager	Year of investment	Country	Value as a % of investment portfolio
1	Micheldever				
	Distributor and retailer of tyres	Graphite Capital	2006	UK	4.0%
2	Education Personnel *				
	Provider of temporary staff for the education sector	Graphite Capital	2010	UK	3.7%
3	City & County Healthcare				
	Provider of home care	Graphite Capital	2013	UK	3.2%
4	CEVA				
	Manufacturer and distributor of animal health products	Euromezzanine	2007	France	3.2%
5	National Fostering Agency				
	Provider of foster care services	Graphite Capital	2012	UK	2.7%
6	ICR Group				
	Provider of repair and maintenance services to the energy industry	Graphite Capital	2014	UK	2.4%
7	Algeco Scotsman				
	Supplier and operator of modular buildings	TDR Capital	2007	North America	2.4%
8	U-POL				
	Manufacturer and distributor of automotive refinish products	Graphite Capital	2010	UK	1.7%
9	London Square				
	Developer of residential housing	Graphite Capital	2010	UK	1.5%
10	Spheros				
	Provider of bus climate control systems	Deutsche Beteiligungs	2011	Germany	1.4%
11	David Lloyd Leisure				
	Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.4%

12	TMF	Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.3%
13	Quiron	Operator of private hospitals	Doughty Hanson	2012	Spain	1.2%
14	CPA Global	Provider of patent and legal services	Cinven	2012	UK	1.2%
15	Acromas	Provider of financial, motoring, travel and healthcare services	Charterhouse / CVC	2007	UK	1.2%
16	Parques Reunidos	Operator of attraction parks	Arle	2007	Spain	1.1%
17	Spire Healthcare	Operator of hospitals	Cinven	2007	UK	1.1%
18	Frontier Medical	Manufacturer of medical devices	Kester Capital	2013	UK	1.0%
19	Intermediate Capital Group **	Provider of mezzanine finance	ICG	1989	UK	1.0%
20	Stork	Provider of technical engineering services	Arle	2008	Netherlands	1.0%
21	InnBrighton	Operator of pubs and bars	Graphite Capital	2001	UK	0.9%
22	Ceridian	Provider of payment processing services	Thomas H Lee Partners	2007	USA	0.9%
23	Gerflor	Manufacturer of PVC flooring	ICG	2011	France	0.9%
24	Eurofiber	Provider of fibre optic network	Doughty Hanson	2012	Netherlands	0.8%
25	Sebia	Provider of protein testing equipment	Cinven	2010	France	0.8%
26	Guardian Financial Services	Provider of insured life and pension products	Cinven	2011	UK	0.8%

27	TMP Worldwide				
	Provider of recruitment solutions	Graphite Capital	2006	UK	0.7%
28	Abertis **				
	Provider of private transport and communications	CVC	2010	Spain	0.7%
29	Evonik Industries **				
	Manufacturer of specialty chemicals	CVC	2008	Germany	0.7%
30	SAFE				
	Manufacturer of industrial components	Euromezzanine	2006	France	0.7%
Total of the 30 largest underlying investments					45.6%

* Sold after the period end by Graphite Capital to ICG. The Company has re-invested alongside ICG. See “Re-investment in Education Personnel” section for further details.

** Quoted

PORTFOLIO ANALYSIS

The following five tables analyse the companies in which Graphite Enterprise had investments at 30 April 2014.

Portfolio - Investment type

	% of value of underlying investments
Large buy-outs	45.7%
Mid-market buy-outs	38.5%
Mezzanine	10.0%
Small buy-outs	4.8%
Quoted	1.0%
Total	100.0%

Portfolio - Geographic distribution *

	% of value of underlying investments
UK	46.8%
France	13.6%
North America	12.4%
Germany	8.4%
Benelux	5.2%
Spain	4.7%
Scandinavia	2.9%
Greece, Ireland, Italy, Portugal	2.9%
Other Europe	1.5%
Rest of world	1.6%
Total	100.0%

* Location of headquarters of underlying companies in the portfolio. Does not necessarily reflect countries to which companies have economic exposure.

Portfolio - Year of investment

	% of value of underlying investments
2014 and onwards	4.5%
2013	12.5%
2012	12.7%
2011	12.0%
2010	15.4%
2009	1.6%
2008	8.5%
2007	16.6%
2006	10.4%
2005 and before	5.8%
Total	100.0%

Portfolio - Sector analysis

	% of value of underlying investments
Healthcare and education	19.5%
Business services	18.2%
Industrials	16.3%
Consumer goods and services	12.7%
Leisure	9.0%
Financials	8.8%
Automotive supplies	6.2%
Technology and telecommunications	3.9%
Media	3.4%
Chemicals	2.0%
Total	100.0%

Quoted equity holdings at 30 April 2014

Underlying company	Ticker	£m	% of value of Investment portfolio
Intermediate Capital Group *	ICP	4.5	1.0%
Abertis	ABE	3.2	0.7%
Evonik Industries	EVK	3.2	0.7%
Homag Group	HGI	2.8	0.6%
Aramark Corporation	ARMK	2.4	0.5%
Tumi	TUMI	2.1	0.5%
Partnership	PA.	1.7	0.4%
West Corporation	WSTC	1.4	0.3%
Merlin	MERL	1.3	0.3%
Bankrate	RATE	1.1	0.3%
Hugo Boss	BOSS	1.0	0.2%
The Nielsen Company	NLSN	1.0	0.2%
Atos	ATOS	0.9	0.2%
SouFun	SFUN	0.8	0.2%
Sterling Financial Corporation	STSA	0.8	0.2%
MoneyGram International	MGI	0.6	0.1%
First BanCorp	FBP	0.5	0.1%
Just Retirement	JRG	0.3	0.1%
Freescale	FSL	0.3	0.1%
ProSiebenSat.1	PSM	0.1	0.0%
Total		30.0	6.7%

* Investment held directly. All other quoted holdings are held indirectly through third party funds and may have restrictions on their sale.

The following table analyses the closing portfolio by value.

Portfolio – Graphite and third party investments

£ million	Value of third party investments	Value of Graphite investments	Total value
Fund investments	302.6	88.9	391.5
Direct and co-investments	35.4	18.8	54.2
Total portfolio	338.0	107.7	445.7
<i>Graphite investments</i>			24.2%
<i>Third party fund investments</i>			67.9%
<i>Third party direct and co-investments</i>			7.9%

INVESTMENT ACTIVITY

The following two tables analyse the investment activity of Graphite Enterprise in the three months to 30 April 2014.

Largest new underlying investments

Investment	Description	Country	Cost £ million
ICR	Provider of repair and maintenance to the energy industry	UK	10.9
CeramTec	Manufacturer of high performance ceramics	Germany	1.2
iPrism	E-wholesaler of insurance policies	UK	1.1
Skillsoft	Provider of 'off-the-shelf' e-learning content	Ireland	0.9
Dahlback *	Operator of retail bakery chain	Germany	0.7
Total of 5 largest new underlying investments			14.8

* Acquired from a current fund investment of the Company and therefore also a disposal in the period.

Largest underlying realisations

Investment	Manager	Realisation type	Proceeds £ million
HellermanTyton	Doughty Hanson	Public offering	1.9
Leading Edge	Graphite Capital	Trade	1.6
Avio	Cinven	Partial	1.5
Stonegate Pub Company	TDR Capital	Refinancing	1.3
Quorn	ICG	Mezzanine repayment	1.2
Total of 5 largest underlying realisations			7.5

COMMITMENTS ANALYSIS

The following four tables analyse Graphite Enterprise's commitments at 30 April 2014.

Commitments

	Original commitment* £ million	Outstanding commitment £ million	Average drawdown percentage	% of commitments
Funds in investment period	319.8	214.2	33.0%	83.3%
Funds post investment period	577.0	42.9	92.6%	16.7%
Total	896.8	257.1	71.3%	100.0%

* Original commitments are translated at 30 April 2014 exchange rates

Commitments - remaining investment period

	% of commitments
> 5 years	6.3%
4-5 years	28.1%
3-4 years	38.1%
2-3 years	6.3%
1-2 years	0.8%
<1 year	3.7%
Investment period complete	16.7%
Total	100.0%

Movement in commitments in the three months to 30 April 2014

	£m
Opening	277.3
Drawdowns *	(21.2)
New commitments arising through secondary purchases	1.5
Release of commitments through secondary disposals	(1.6)
Currency	(0.1)
Other	1.2
Closing	257.1

* Excludes costs incurred in respect of new investments

New commitments in the three months to 30 April 2014

Fund	Strategy	Geography	£ million
<i>Commitments arising from secondary purchases</i>			
TowerBrook III	Upper mid-market buy-out	US/Europe	1.3
Graphite Capital Partners VI	Mid-market buy-out	UK	0.2
Total			1.5

CURRENCY EXPOSURE

	30 April 2014 £m	30 April 2014 %
Portfolio *		
- sterling	216.1	48.5
- euro	145.7	32.7
- other	83.9	18.8
Total	445.7	100.0

* Currency exposure is calculated by reference to the location of the underlying portfolio companies' headquarters.

	30 April 2014 £m	30 April 2014 %
Outstanding commitments		
- sterling	105.4	41.0
- euro	144.7	56.3
- other	7.0	2.7
Total	257.1	100.0

NOTES

Graphite Enterprise Trust PLC

Graphite Enterprise Trust PLC (“Graphite Enterprise” or “the Company”) aims to provide shareholders with long term capital growth through investment in unquoted companies. To achieve this, the Company invests in private equity funds and also directly in private companies.

The Company was listed in 1981 and has invested exclusively in private equity and has had the same manager throughout its life.

Graphite Enterprise provides access to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets. The Company invests in UK-based mid-market companies through funds managed directly by Graphite Capital. Typically these will make up 20-25% of the portfolio. Investments in other UK companies and in overseas markets are made through funds managed by third parties. The Company does not invest in start ups or early stage businesses. Direct investments in companies may be made alongside both Graphite Capital and third party funds.

Shareholders of Graphite Enterprise gain exposure to a diverse portfolio of buy-outs of mature, profitable companies in established European private equity markets, with nearly 400 underlying companies. Graphite Capital directly manages many of the largest companies in the portfolio.

Since inception, the Company has generated a return of 28 times the capital raised.

www.graphite-enterprise.com

Graphite Capital

Graphite Capital is one of the UK’s leading mid-market private equity firms with over £1.5 billion of funds under management. It has raised and managed funds for 33 years. The senior management team has worked together for 17 years.

Graphite Capital manages both direct investments in portfolio companies and private equity fund investments.

Direct investments are predominantly made through limited life funds which have a global institutional investor base. The focus of direct investments is on UK mid-market buy-outs of companies valued at between £40 million and £200 million across a range of industry sectors.

Fund investments are made exclusively by Graphite Enterprise. Fund investments focus mainly on European buy-out funds. The investment strategy is to back private equity managers with strong track records operating in mature markets, with the aim of building long term relationships.

As it has a long experience both of managing its own funds and of investing in third party funds, Graphite Capital has a highly distinctive perspective when assessing fund and co-investment opportunities. Graphite Enterprise benefits from both the expertise of a dedicated fund investment team as well as the insights of Graphite Capital’s direct investment team.

www.graphitecapital.com