5 APRIL 2012

GRAPHITE ENTERPRISE TRUST PLC
UNAUDITED RESULTS FOR THE YEAR
TO 31 JANUARY 2012

SUMMARY OF THE PERIOD

Share price +15.9%
The share price strongly outperformed the benchmark FTSE All-Share Index

Net asset value per share +6.6%
The NAV per share outperformed the FTSE All-Share Index which fell by 3.7%

Underlying value of the portfolio in local currency +12.0%
The portfolio grew strongly for the third consecutive year in weak economic conditions

New investments £81.2m
Secondary purchases of £26.8 million and direct investments of £3.1 million were made. Funds drew down £51.3 million.

Realisation proceeds £96.7m
27.1% of the opening portfolio was realised in cash, a four year high

Dividend 5.0p
The proposed dividend of 5.0p per share is more than double that of last year

FINANCIAL SUMMARY

	31 January 2012	31 January 2011	Change
Net asset value per share	569.4p	534.0p	+6.6%
Share price	357.0p	308.0p	+15.9%
Dividend per share	5.0p	2.25p	+122%
FTSE All-Share Index	2,933	3,044	-3.7%

CHAIRMAN'S STATEMENT

SUMMARY

Graphite Enterprise performed well against a background of continued economic weakness in the year to 31 January 2012, with the net asset value per share increasing by 6.6%. By comparison, the Company's benchmark, the FTSE All-Share Index, fell by 3.7%. The Company's strong performance reflected the sustained growth of its portfolio. At 31 January the net asset value per share was 569.4p and total assets were £423.6 million.

The share price rose strongly in the year. The increase of 15.9% to 357p narrowed the discount from 42.3% at January 2011 to 37.3%. Since the year end, the share price has continued to rise, increasing by a further 9.5% to 391p by 4 April and reducing the discount to 31.3%.

The portfolio increased in value by 12.0% in local currencies. This reflected both gains achieved on realisations and valuation increases driven by continued growth in the earnings of underlying portfolio companies.

The Company's net asset value per share has now risen in each of the last three financial years, after falling in 2008. In the four years since the start of the downturn, the net asset value has increased by 9.6%, strongly outperforming the FTSE All-Share Index which has fallen by 10.8%. The net asset value per share has also materially outperformed over the longer term, having risen by 99.9%[1] over ten years compared with an increase of 16.2% in the Index.

The year ended as it began, with just under 90% of total assets invested in the portfolio. Realisation proceeds in the year were very high by recent standards at £96.7 million (including income), equivalent to more than a quarter of the value of the opening portfolio. This compares with a total of £59.6 million in the previous three years combined. Despite this strong cash inflow, we maintained the proportion of the Company's assets invested in the portfolio, primarily by increasing the level of secondary purchases. At the end of the year the investment portfolio stood at £377.7 million.

During the year, a £60.0 million bank facility was put in place to allow us to increase the level of investment. After adding cash and liquid assets of £44.2 million to this facility, total available liquidity had risen to £104.2 million at the year end, compared with £43.6 million at the start of the year. This puts the Company in a strong position to continue to make new commitments and investments in the current year.

Note 1. As the Company has changed its year end from December to January, this is the 121 month period from 31 December 2001 to 31 January 2012.

ECONOMIC ENVIRONMENT

The Company's investment programme is focused on countries with mature private equity markets, primarily in Western Europe. The year started positively, with the modest growth in these economies seen in 2010 continuing into 2011. However, from the summer onwards, mounting concern over the cost of supporting heavily indebted eurozone countries, and the potential impact of this on the region's banks, acted as a brake on economic activity. This was reflected in a slowdown in activity levels in private equity markets across Europe after a strong first half.

Graphite Enterprise has only limited exposure to those countries in the euro area with the highest levels of government debt, as we have chosen not to make commitments to funds focusing on these

markets in recent years. Spain, Italy and Ireland represented 4.7%, 3.4% and 0.5% of the portfolio respectively and we have no direct exposure to either Portugal or Greece.
The outlook for 2012 and beyond remains one of generally subdued economic growth across the region. High levels of government debt and the weakness of the banking sector will continue to create uncertainty and there may be further periods of crisis. Geopolitical risks also remain a cause concern, particularly developments in parts of the Middle East.

However, economic uncertainty and change invariably create opportunity. We believe that private equity managers are ideally placed to identify and capitalise on these.

PERFORMANCE

Overview
The 12.0% growth in the investment portfolio generated a 9.4% increase in the net asset value per share, after adjusting for adverse currency movements and the effect of holding cash. The costs of running the Company and of the new bank facility, together with the payment of the dividend, reduced the overall increase in net asset value per share to 6.6%.

Portfolio
The investment portfolio continued to perform well in the year. Although the rate of growth was lower than the very high rate of the previous year, when the underlying growth was 27.2%, it represented good performance in the context of the economic environment.

Just over half of the growth in the portfolio came from increases in company valuations, driven principally by continued earnings growth. The remainder was generated by profitable disposals. It is encouraging that, in the current environment, managers have continued to achieve realisations from their portfolios at well above carrying values.

As the largest 30 underlying companies accounted for 41.5% of the portfolio at 31 January 2012, their performance will, to a large extent, determine the future performance of the Company. These investments performed well in 2011, with revenues increasing by 13% and EBITDA by 14%. By comparison, the aggregate revenue of the FTSE 250 barely grew in 2011, while the aggregate EBITDA of those companies did not grow at all.

As this performance has been against a background of economic weakness, we would expect the largest companies in the portfolio to make further progress in the current financial year even if, as expected, economic growth remains weak.

A more detailed analysis of the performance of the investment portfolio is given in the Portfolio Review.

Discount
As the share price rose by more than the net asset value per share in the year, the discount narrowed from its opening level of 42.3% to 37.3%. The increase in the share price since the year end, as noted above, has narrowed the discount further to 31.3%. Although broadly in line with the average since the start of the economic downturn[2] of 35%, the discount is substantially higher than the average in the ten years prior to that of 11%.

The Board believes that it is most relevant to view the Company's discount in the context of those of its listed private equity peers. At the current share price the Company's discount is in line with the peer group average of just over 30%. The Board also recognises that the absolute level of the discount is a cause for concern for many investors. We believe that the key to reducing the discount is to generate demand for the Company's shares through continuing strong performance over the long term and communication of the Company's strategy. We have significantly increased the resources dedicated to investor relations and it will remain a focus.

Note 2. For these purposes, deemed to be 31 December 2007

Long term performance

We have always measured long term performance against the benchmark of the FTSE All-Share Index and aim to outperform in the medium to long term. We continue to believe that this Index is the most relevant for most of our shareholders, approximately 60% of whom are private individuals.

In the period since December 2007, which covers the economic downturn, the net asset value has outperformed the Index by 20.4%, rising by 9.6% against a fall of 10.8%. Over this period, the Company's net asset value performance has been one of the strongest in the fund of funds sector and also within the wider listed private equity sector.

Both the share price and the net asset value have strongly outperformed the Index over ten and twenty years. Over these periods the net asset value has outperformed the Index in eight of the last ten years and in seventeen of the last twenty years, tending to underperform only when the Index has been rebounding from a sharp fall.

BALANCE SHEET AND COMMITMENTS

The Company's balance sheet has been conservatively managed throughout the downturn with more than 30% of its assets held in cash at the low point of the cycle during 2009. We started to increase the level of investment in 2010 and since the third quarter of that year the Company has been more than 80% invested. In 2011 the Company put in place a bank facility of £60 million. This significantly enhanced our flexibility, enabling us to re-invest surplus cash flows from realisations at a time when there were attractive opportunities to do so. Throughout this period we believe that the balance between the investment portfolio, cash and outstanding commitments has been and continues to be appropriate for the prevailing economic conditions.

The size of the investment portfolio increased from £356.6 million to £377.7 million during the year and total assets increased from £399.5 million to £423.6 million. As set out in the Portfolio Review, a number of secondary interests in funds were acquired to maintain the level of investment.

	Investment portfolio £m	Investment portfolio % total assets	Cash and other net current assets £m	Cash and other net current assets % of total assets
31 January 2012	377.7	89.2%	45.9	10.8%
31 January 2011	356.6	89.2%	42.9	10.8%
31 December 2009	231.2	67.1%	113.4	32.9%
31 December 2008	192.2	57.9%	139.5	42.1%
31 December 2007	264.9	66.5%	133.4	33.5%

Drawdowns of commitments of £51.3 million significantly exceeded the £22.5 million of new commitments made to funds and this was reflected in the fall in undrawn commitments of £30.9 million during the year. This was the third consecutive year in which outstanding commitments fell and over this period they reduced by more than half from £307.3 million to £142.8 million. We are likely to increase the level of commitments in the current year as many high quality managers are raising new funds or plan to do so in the near future.

At 31 January 2012, the Company had total liquid resources of £104.2 million, of which £44.2 million was in liquid assets and £60.0 million in the undrawn bank facility. These resources covered nearly three quarters of outstanding commitments to funds. As we have discussed in the past, these commitments will be drawn over a number of years and are extremely unlikely to be drawn in full.

Further details of the Company's commitments are given in the Portfolio Review and Supplementary Information.

INCOME STATEMENT AND DIVIDEND

A significant increase in profitable realisations in the year generated a substantial increase in revenues. As a result, after two years of low receipts, income returned to more normal levels.

Shareholders' total gain after tax for the year was £27.5 million or 37.7p per share, of which, £22.9 million or 31.4p per share, was capital gain. The net revenue of £4.6 million or 6.3p per share, compares with £1.1 million or 1.5p per share reported in the previous period.

Reflecting the higher level of income generated by the portfolio, the Board is pleased to recommend that the dividend be increased from 2.25p per share to 5.0p per share. If approved at the Annual General Meeting, this will result in a payment to shareholders of £3.6 million.

As investors may be aware, recent changes to the investment trust taxation rules will allow the Company to pay dividends from the realised capital reserve in future years. To take account of these changes we are proposing an amendment to the Company's Articles of Association at this year's Annual General Meeting.

BOARD

As previously reported, Andy Pomfret was appointed as a non-executive director on 11 March 2011 and Lucinda Riches joined the board as a non-executive director on 14 July 2011. Andy has been the chief executive of Rathbone Brothers Plc, a leading independent provider of investment and wealth services, since 2004, having previously been its finance director. Lucinda is currently a non-executive director of UK Financial Investments, the body which manages the government's investments in UK banks, and holds a number of other non-executive roles. She was previously global head of equity capital markets at UBS.

Both Andy and Lucinda bring highly relevant experience to the Board and are already making an impact on the Company's strategic decision making.

OUTLOOK

In last year's annual report, we predicted that the level of realisations would rise and that the gap between new investment and realisations would narrow. In the event, realisations increased more rapidly than we had anticipated with the result that, for the first time in four years, realisation proceeds exceeded new investment. It was particularly encouraging that in the current environment, the realisations achieved were at material premiums to their previous holding values.

The private equity industry has now been operating in an uncertain economic environment for more than four years. Its performance over this period has been considerably stronger than many had predicted. In response to the changed conditions, the managers in our fund portfolio have refined their strategies and have constructed portfolios which are capable of increasing earnings against a background of low economic growth. The success of these strategies is best illustrated by the strong performance of our top 30 investments in recent years.

In the coming year we expect to see a substantial increase in the number of funds being raised by high quality managers. This will give us the opportunity to continue to back managers who have made high returns for us in the past and to invest with a small number of new managers for the first time. By investing in these funds, in addition to generating returns from the funds themselves, we should also be able to secure access to a continued flow of secondary interests in these funds and to a range of co-investment opportunities.

In recent months we have seen an increased flow of high quality secondary and co-investment opportunities. We believe this reflects the beginning of a material change in the private equity market. After many years in which cash has been relatively freely available, both managers and investors are becoming constrained by a shortage of capital. One of the main advantages of the closed ended investment trust structure is that it can provide capital at times when shortages elsewhere are creating the most attractive opportunities.

At the end of the year, Graphite Enterprise was 89% invested but with the bank facility in place had available liquidity of more than £100 million. As outstanding commitments have fallen sharply in recent years it is in a strong position to take advantage of the opportunities currently being presented by both increasing the level of new commitments and by making new investments.

Last year we highlighted the sensitivity of discounts in the listed private equity sector to changes in investor sentiment and suggested that discounts in the sector would continue to narrow as confidence returned. Since then our discount has fallen substantially, but at marginally over 30% it remains well above its long term average, albeit in line with the private equity sector as a whole. We continue to believe that the discount will narrow further as investors recognise the quality of our portfolio and the strength of our position in a changing market.

Mark Fane
April 2012

MARKET REVIEW

As Graphite Enterprise invests almost exclusively in European buy-outs, this section focuses on developments in this market over the last year.

Investment activity

Against a background of continuing economic and financial uncertainty, activity levels in 2011 were close to those of 2010. The total of 450 buy-outs was 6% higher than in 2010, while the total value of €67 billion was 1% lower.

However, the annual totals mask a material slowdown in the second half of the year when the renewed financial crisis in the eurozone had a major impact on confidence levels in the industry. The volume of new investments fell by 24% in the second half compared with the first, while their value fell by 41%.

Prices paid for new investments in 2011 were broadly unchanged from those paid in 2010. In general the prices paid for top quality companies remained relatively high by historic standards, but lower than those paid at the peak of the market in 2007. Debt levels for new buy-outs also remained broadly stable for the year, but again were significantly below 2007 levels.

Fundraising

The amount raised for European buy-outs accelerated strongly in 2011, registering an increase of more than 40% on the previous year. Although fewer funds were raised, those which were successfully closed were on average larger than those raised in 2010. In total, €18 billion was raised for 27 funds, compared with €13 billion raised for 32 funds the previous year. However, the increase needs to be put in context: fundraising remains significantly below its 2006 peak when €57 billion was raised.

The increased level of fundraising appears to have been sustained in the early part of 2012 with over €7 billion raised in the first quarter. The pipeline of new funds being raised is very strong as a high proportion of European buy-out managers have funds with investment periods expiring in the next 12-18 months, following the fundraising boom from 2006 to early 2008. Investor appetite for new funds appears to be returning, albeit slowly, as cash distributions have been made to investors in the last 12-18 months. However, for a variety of reasons, many private equity fund investors remain capital-constrained. Coupled with the high volume of new funds being launched, this will make raising capital in the current market difficult. As an investor in funds we view a scarcity of capital as positive, as it tends to lengthen the time available for due diligence and to improve the terms for investors.

Secondary market

The market for secondary interests in funds remained strong in 2011. The volume of transactions was high and good quality funds continued to trade at relatively low discounts to reported net asset values. Volumes are expected to remain high in 2012, not least because mounting regulatory pressure on financial institutions may encourage banks and insurance companies to sell private equity assets.

Despite the discounts being low, we believe that the secondary market continues to offer attractive opportunities and we will continue to focus on funds with significant long-term growth potential rather than those offering short-term gains based on high entry discounts.

PORTFOLIO REVIEW

PORTFOLIO PERFORMANCE

The portfolio continued to perform well in the year, increasing in value by 12.0% in local currencies. This followed rises of 20.7% in 2009 and of 27.2% in the 13 months to 31 January 2011. Over the three years the portfolio has grown at an annualised rate of over 19% and even in the current difficult economic environment has continued to generate strong earnings growth.

Movement in the portfolio	**£m**	**£m**
Opening portfolio at 31 January 2011		356.6
Additions		
- Drawdowns	51.3	
- Secondary purchases and co-investments	29.9	
Total additions		81.2
Disposal proceeds *		(96.7)
Underlying valuation increase		
- Gains arising from realisations	19.9	
- Other gains	22.9	
Total underlying valuation gains		42.8
Currency		(6.2)
Closing portfolio at 31 January 2012		377.7

** Includes income of £8.3 million generated by the portfolio in the year.*

The portfolio ended the year over £20 million higher, at its highest ever level of £377.7 million. The increase was driven by a £36.6 million rise in the valuation of investments which was partially offset by £15.5 million of net realisations. The rise would have been greater had the appreciation of sterling generated an adverse currency movement of £6.2 million.

Gains on disposals accounted for 47% of the £42.8 million increase in the underlying valuation of the portfolio. The remaining 53% came from valuation uplifts which were principally driven by earnings growth, partially offset by a slight decline in valuation multiples.

All parts of the portfolio performed well, with mid-market and small buy-outs contributing 47% of the total underlying gain, large buy-outs 34% and mezzanine, infrastructure and others contributing the remaining 19%.

INVESTMENT ACTIVITY

Realisation proceeds rose more than fivefold in the year to £96.7 million while the amount invested was marginally lower at £81.2 million. The portfolio generated a £15.5 million net cash inflow which would have been significantly higher had we not increased investments in secondary fund purchases and co-investments.

Realisations

The £96.7 million of proceeds from realisations was the highest since 2007. More than two-thirds of these were received in the first six months, primarily because three of our larger holdings were realised in the early part of the year.

Eighteen full realisations were completed in the year, generating £70.5 million or 73% of the total proceeds. The sales of Wagamama, Kwik-Fit and Preh were announced in the last annual report. Although they accounted for £31.0 million of proceeds they had very little impact on value, as their valuations had been increased at 31 January 2011 to reflect likely sale values. Excluding these three, the average uplift on sale was 51% while the average multiple of original cost was 2.5.

The largest realised gain in the year was made on Graphite Capital's sale of Kurt Geiger in June. Gross proceeds from this disposal were £13.1 million, representing a return of 2.6 times cost and an uplift of 73% on the previous carrying value. Other notable realisations included: Phadia, a 2007 large-cap secondary buy-out, which was sold by Cinven for 3.4 times cost and £5.4 million of proceeds; and Salient Surgical Technologies, a direct investment made in 2000 which generated a gain of £3.8 million on exit.

Kurt Geiger, Phadia and Salient Surgical Technologies were all sold to trade buyers. In total, trade sales accounted for ten of the eighteen disposals and 60% of proceeds from full realisations.

Of the remaining proceeds, £22.5 million was generated from partial disposals and refinancings, and £3.7 million from the secondary sale of interests in two funds. The partial disposals included a number of initial public offerings ("IPOs") including CVC's flotations of Elster and Samsonite and Apax's IPO of BankRate.

Realisations (excluding secondary sales) generated cash equivalent to 26% of the opening value of the portfolio. This rate of realisation was materially higher than the 9% achieved in the 13 month period to 31 January 2011 but remained below the Company's long-term average rate of 35% over the last 20 years.

Although disposals rose sharply in the year, they probably included an element of catch-up after the very low levels of the previous three years and were concentrated within some of our larger holdings. It therefore may be some time before we return to the long-term average rate noted above. Nonetheless, we were encouraged by the £20.7 million of proceeds generated in the fourth quarter. This was higher than the amount received in the whole of the prior year and demonstrates that successful realisations can still be achieved against a difficult economic backdrop.

New investments

While realisation activity was substantially higher in the year, new investment was marginally lower. Additions to the portfolio totalled £81.2 million compared with £84.8 million in the period to 31 January 2011.

The £51.3 million of commitments drawn down by funds was markedly lower than the £65.9 million drawn in the period to 31 January 2011. We had anticipated that underlying investment activity would be broadly in line with the prior period. However a number of funds were, or are expecting to be, granted extensions to their investment periods, relieving some of the short-term pressure on managers to invest.

We materially increased the amount invested through purchases of secondary interests in funds in the year. This was because we believe they represent good value in the current environment and because they are an effective means of quickly re-investing realisation proceeds and of maintaining the level of investment. We acquired interests in six funds for a total cost of £26.8 million, which was more than twice the amount invested in secondary fund purchases in the prior period. Five of these were interests in mature funds managed by firms with whom the Company already invests. The sixth was a new relationship where we also committed to invest in the manager's new fund.

We made two co-investments in the year for a total cost of £1.9 million. Much the larger of the two was a £1.5 million investment alongside Graphite Capital Partners VII in National Fostering Agency, a provider of foster carers to local authorities in the UK.

The number of new underlying investments in the fund portfolio was comparable to that of the previous year but the average size of the investments was smaller. Of the 47 new investments, 25 were small and mid-market buy-outs, 18 were large buy-outs and the remaining four were mezzanine investments. The largest of these were Graphite Capital's investment in National Fostering Agency, TDR Capital's investment in Lowell Group, an acquirer of consumer debt portfolios and DBAG's investment in Spheros, a provider of air-conditioning systems for buses.

CLOSING PORTFOLIO

We believe the portfolio strikes a good balance between diversification and concentration. The level of diversification is sufficient to reduce overall risk while individual investments are still large enough to have an impact on overall performance. This was demonstrated by the sales of Kurt Geiger, Phadia and Salient Surgical Technologies during the year.

At 31 January the top ten underlying companies accounted for 20% of the value of the portfolio while the top 30 accounted for 42%. The performance of these 30 investments will therefore, to a large extent, determine the future performance of the Company. As outlined in the Chairman's Statement, the performance of the top 30 investments in 2011 was encouraging with growth in revenue averaging 13% and growth in EBITDA averaging 14%.

The top 30 investments were valued at an average of 9.0 times EBITDA, which is reasonable for the level of growth achieved and for the quality of the underlying earnings. In general, the leverage of these companies is modest, with net debt averaging 3.8 times EBITDA, but still sufficient to enhance future upside.

With holdings in 48 funds and 24 direct investments, the Company had exposure to 310 underlying companies. Twenty-six third party private equity firms are responsible for managing 79% of the portfolio by value while Graphite Capital directly manages 21%. Reflecting our hybrid fund-of-funds and direct investment approach, six of the top 10 investments and 10 of the top 30 investments are managed by Graphite Capital directly. This gives us a high level of influence over a significant part of the Company's portfolio.

The proportion of the portfolio in third-party co-investments fell from 15% to 7%, primarily as a result of the successful sales of Wagamama, Kwik-Fit and Preh at the start of the year. We increased the proportion of the portfolio acquired through secondary fund purchases from 6% to 14% in the year. We expect to increase both secondaries and co-investments as a proportion of the portfolio in the future.

European buy-outs represented 87% of the portfolio at January 2012. The portfolio remains well diversified by type of investment, sector, geography and vintage. Details of this are set out in the supplementary information section later in this report. Although there has been a relatively high level of activity in the portfolio during the year, the overall composition of the portfolio has not changed materially.

At 31 January, 99% of the portfolio was valued using December valuations. The portfolio was valued at an average multiple of 1.2 times original cost in local currency, of which 0.3 times cost had already been realised. At this valuation we believe there to be considerable potential for future growth as the portfolio matures. As the average maturity of the portfolio is marginally over four years, managers are likely to be looking to exit many companies when market conditions allow.

COMMITMENTS AND LIQUIDITY

We made four commitments to new funds in the year totalling £22.5 million. The most significant of these were a €10.0 million commitment to the Fifth Cinven Fund and a €10.0 million commitment to BC Partners IX. We have been investing with Cinven since 2006, while BC Partners is a new relationship.

At 31 January, the Company had outstanding commitments of £142.8 million and liquid assets of £44.2 million. As the £60.0 million bank facility remained undrawn, after taking this into account, the level of overcommitment was only £38.7 million or 9% of total assets. We consider this to be conservative and it therefore gives us scope to increase commitments at a time when many high quality managers are raising new funds.

At the year-end 85% of undrawn commitments were to funds which are still within their investment periods and these had an average of 1.9 years in which to complete their investment programmes. If the rate of investment is constant for the remainder of their investment periods, we estimate that the annualised drawdown rate will be approximately £60 million.

In addition to funding these drawdowns, we expect to continue making selective secondary purchases and co-investments. Depending on the level of realisations achieved, it is therefore possible that the Company will begin to use its bank facility in the current financial year.

PROSPECTS FOR THE YEAR ENDING 31 JANUARY 2013

In the first two months of the year additions to the portfolio of £14.3 million substantially exceeded realisations of £2.1 million. We also committed to make two co-investments totalling £4.6 million in Spheros, alongside DBAG V, and in CPA Global, a provider of intellectual property and legal services, alongside the Fourth Cinven Fund. These are expected to complete in the coming weeks.

In March, Ziggo, the Company's tenth largest investment at 31 January 2012, was taken public through an IPO. The valuation exceeded expectations and Ziggo's share price has risen significantly in the after-market. In April, Bowmark Capital announced the sale of Data Explorers, the sixth largest investment at the year end. The exit value was more than 50% higher than the valuation at 31 January. We estimate these two disposals, in isolation, will increase the Company's net asset value by a further £4.6 million or 6.3p per share.

The pipeline of funds being raised by high quality managers is very strong. We believe it is important for the long term performance of the Company to support our preferred managers with primary fund commitments. We are therefore likely to increase significantly the level of commitments, and the number of manager relationships, over the next 12-18 months. As in the past, we will do so prudently and without putting the Company's balance sheet under pressure.

We are also seeing an increased flow of secondary and co-investment opportunities and would expect to complete a number of these investments in the current financial year. The amounts will be heavily influenced by the level of realisations.

The outlook for realisations remains somewhat uncertain. A number of exits are still being achieved and many managers will be hoping to make profitable disposals ahead of their upcoming fundraisings. However, economic uncertainty and a shortage of bank debt continue to make conditions challenging. Overall, we expect to see a steady level of disposals in the coming year but anticipate that total proceeds will be lower than last year.

Our flexible investment strategy allows us to adapt the mix of investments, cash and commitments to changing market conditions and to deploy our cash where we see the best relative value. We believe that our strong balance sheet and sound portfolio leave us well placed to capitalise on the high level of opportunities currently available.

Graphite Capital Management LLP
April 2012

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SUPPLEMENTARY INFORMATION

Portfolio analysis

The following five tables analyse the closing portfolio by value.

Portfolio - Investment type by fund

	% of total investment portfolio
Large buy-outs	47.2%
Small and mid-market buy-outs	40.4%
Mezzanine	11.4%
Infrastructure	0.3%
Quoted	0.7%
Total	100.0%

Portfolio - Geographic distribution of underlying companies

	% of total investment portfolio
UK	46.9%
France	13.0%
North America	11.1%
Germany	7.4%
Benelux	7.0%
Spain	4.7%
Scandinavia	2.8%
Other Europe	5.9%
Rest of world	1.2%
Totals	100.0%

Portfolio - Year of investment and multiple of cost of underlying companies

	Multiple of cost	% of total investment portfolio
2012	1.0x	1.8%
2011	1.0x	10.4%
2010	1.2x	15.3%
2009	1.4x	3.1%
2008	1.1x	13.5%
2007	1.3x	25.0%
2006	1.3x	16.8%
2005	1.2x	2.9%
2004	2.3x	6.8%
2003	1.3x	1.0%
2002 and before	0.8x	3.4%
Total	1.2x	100.0%

Portfolio - Sector of underlying companies

	% of total investment portfolio
Business services	20.2%
Consumer goods and services	14.9%
Industrials	14.1%
Healthcare and education	11.2%
Leisure	10.4%
Financials	9.3%
Automotive supplies	7.3%
Media	5.0%
Technology and communications	4.1%
Basic materials	3.5%
Total	100.0%

Portfolio – valuation of underlying companies as a multiple of their original cost

	% of total investment portfolio
> 3 x cost	5.2%
> 2 x cost	10.6%
1.5 - 2 x cost	24.2%
1 - 1.5 x cost	25.0%
At or near cost	17.4%
< cost	13.5%
Quoted	4.1%
Total	100.0%

The 30 Largest Underlying Investments

The tables below and on the following pages present the 30 companies in which Graphite Enterprise had the largest investments by value at 31 January 2012. These investments may be held directly, through funds, or in some cases both. 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	3.8%
2	NES Group Provider of recruitment services	Graphite Capital	2006	UK	2.3%
3	National Fostering Agency Provider of foster care services	Graphite Capital	2012	UK	2.3%
4	Park Holidays UK Operator of caravan parks	Graphite Capital	2006	UK	2.2%
5	U-POL Manufacturer and distributor of automotive refinishing products	Graphite Capital	2010	UK	1.7%
6	Data Explorers Group Provider of information to the global securities lending industry	Bowmark Capital	2007	UK	1.7%
7	Stork Provider of technical engineering services	Candover	2008	Netherlands	1.6%
8	Parques Reunidos Operator of attraction parks	Candover	2007	Spain	1.6%
9	Alexander Mann Solutions Provider of recruitment process outsourcing	Graphite Capital	2007	UK	1.6%
10	Ziggo Operator of cable TV networks	Cinven	2006	Netherlands	1.5%
11	Tumi Manufacturer and retailer of luggage and accessories	Doughty Hanson	2004	USA	1.5%
12	Evonik Industries Manufacturer of speciality chemicals	CVC	2008	Germany	1.5%
13	Hellerman Tyton Manufacturer of cable management products	Doughty Hanson	2006	UK	1.4%
14	London Square Developer of residential housing	Graphite Capital	2010	UK	1.3%
15	Spire Health Club Provider of healthcare	Cinven	2007	UK	1.2%

16	Avio Manufacturer of aerospace engine components	Cinven	2007	Italy	1.2%
17	CEVA Manufacturer and distributor of animal health products	Euromezzanine	2007	France	1.1%
18	Ceridian Provider of payment processing services	Thomas H Lee Partners	2007	USA	1.1%
19	Weetabix Manufacturer of breakfast cereals	Lion Capital	2004	UK	1.1%
20	Teaching Personnel Provider of temporary staff for the education sector	Graphite Capital	2010	UK	1.0%
21	Preh Manufacturer of control system devices	Deutsche Beteiligungs	2003	Germany	1.0%
22	CPA Global Provider of patent and legal services	ICG 2006	2010	UK	1.0%
23	Acromas Provider of financial, motoring and travel services	CVC / Charterhouse	2007	UK	1.0%
24	Dominion Gases Supplier of specialist gases to the oil and gas industries	Graphite Capital	2007	UK	0.9%
25	TMF Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	0.9%
26	Avanza Group Operator of buses	Doughty Hanson	2007	Spain	0.9%
27	Algeco Scotsman Supplier and operator of modular buildings	TDR Capital	2007	USA	0.8%
28	Willowbrook Healthcare Operator of care homes for the elderly	Graphite Capital	2008	UK	0.8%
29	Vue Entertainment Operator of cinemas	Doughty Hanson	2010	UK	0.8%
30	Elior Provider of contract catering services	Charterhouse	2006	France	0.7%
	Total of the 30 largest underlying investments				41.5%

30 largest investments – EBITDA growth

% growth	% value
<0%	11.4%
0-10%	32.8%
10-20%	26.0%
20-30%	8.9%
>30%	20.9%
Total	100%

30 largest investments – revenue growth

% growth	% value
<0%	4.9%
0-10%	39.9%
10-20%	22.9%
20-30%	26.3%
>30%	6.0%
Total	100%

30 largest investments – enterprise value as a multiple of EBITDA

Multiple	% value
6.0-6.9x	10.1%
7.0-7.9x	29.4%
8.0-8.9x	18.9%
9.0-9.9x	22.0%
10.0-11.9x	10.2%
12.0-13.9x	9.4%
Total	100%

30 largest investments – net debt as a multiple of EBITDA

Multiple	% value
<2.0x	20.4%
2.0-2.9x	13.1%
3.0-3.9x	36.4%
4.0-5.9x	18.9%
6.0-7.9x	5.8%
8.0-8.9x	5.4%
Total	100%

The 30 Largest Fund Investments

The largest funds by value at 31 January 2012 are set out below:

	Fund	Outstanding commitment	Fund vintage	Country/ region	Value £m
1	Graphite Capital Partners VI Mid-market buy-outs	5.0	2003	UK	30.2
2	Fourth Cinven Fund Large buy-outs	7.7	2006	Europe	28.1
3	ICG European Fund 2006 Mezzanine loans to buy-outs	2.7	2007	Europe	26.1
4	Euromezzanine 5 Mezzanine loans to mid-market buy-outs	1.8	2006	France	18.1
5	Graphite Capital Partners VII Mid-market buy-outs	19.1	2007	UK	17.9
6	Candover 2005 Fund Large buy-outs	1.3	2005	Europe	17.8
7	Thomas H Lee Parallel Fund VI Large buy-outs	6.2	2007	USA	17.0
8	Doughty Hanson & Co IV Mid-market and large buy-outs	1.0	2005	Europe	16.1
9	CVC European Equity Partners V Large buy-outs	9.4	2008	Global	14.6
10	Doughty Hanson & Co V Large buy-outs	7.6	2006	Europe	13.3
11	Apax Europe VII Large buy-outs	2.2	2007	Global	12.7
12	TDR Capital II Large buy-outs	5.3	2006	Europe	10.7
13	CVC European Equity Partners IV Large buy-outs	1.6	2008	Global	8.6
14	Activa Capital Fund II Mid-market buy-outs	7.0	2007	France	8.2
15	CVC European Equity Partners Tandem Large buy-outs	1.5	2006	Global	8.1

16	Charterhouse Capital Partners VIII Mid-market buy-outs	1.3	2006	Europe	7.3
17	Deutsche Beteiligungs AG Fund V Mid-market buy-outs	4.7	2006	Germany	5.7
18	Vision Capital Partners VII Secondary portfolios	4.1	2008	Europe	5.7
19	Charterhouse Capital Partners VII Large buy-outs	1.6	2002	Europe	5.3
20	Apax Europe VII Sidecar 2 Large buy-outs	0.9	2007	Global	4.7
21	CSP Secondary Opportunities Fund II Secondary fund interests	-	2008	Global	4.5
22	Graphite Capital Partners VII Top Up Fund Mid-market buy-outs	4.4	2007	UK	4.2
23	Bowmark Capital Partners IV Mid-market buy-outs	5.7	2007	UK	4.0
24	Deutsche Beteiligungs AG Fund IV Mid-market buy-outs	-	2002	Germany	3.9
25	Corpfin Capital Fund II Mid-market buy-outs	-	2000	Spain	3.9
26	Graphite Capital Partners VII Top Up Fund Plus Mid-market buy-outs	2.2	2009	UK	3.8
27	PAI Europe V Large buy-outs	2.0	2007	Europe	3.6
28	Advent CEE IV Buy-outs	3.9	2008	Europe	2.9
29	Piper Private Equity Fund IV Small buy-outs	1.2	2006	UK	2.8
30	Steadfast Capital II Mid-market buy-outs	0.3	2007	Germany	2.7
	Total of the largest 30 fund investments	111.7			312.5
	Percentage of total investment portfolio				82.7%

Investment activity

New investments – 10 year record

inancial period ending	Drawdowns £m	Co-investments and secondary fund purchases £m	Total new investments £m
31 December 2002	46.7	0.4	47.1
31 December 2003	28.5	6.5	35.0
31 December 2004	22.8	6.6	29.4
31 December 2005	41.6	3.9	45.5
31 December 2006	74.6	5.7	80.3
31 December 2007	95.2	7.9	103.1
31 December 2008	65.8	12.1	77.9
31 December 2009	21.5	2.5	24.0
31 January 2011	65.6	19.2	84.8
31 January 2012	51.3	29.9	81.2

Largest new underlying investments in the year

Investment	Description	Country	£m
National Fostering Agency	Provider of foster care services	UK	8.5
Lowell Group	Purchaser of non-performing consumer debt	UK	2.5
Spheros*	Provider of air-conditioning systems for buses	Germany	2.4
ASCO Group	Provider of outsourced logistics services	UK	2.1
Gerflor	Manufacturer of PVC flooring	France	2.1
Abrisud	Manufacturer of swimming pools	France	1.9
Primavista	Provider of web-based photography services	France	1.8
Findis	Distributor of electrical products	France	1.8
SLV	Distributor of lighting products	Germany	1.4
Marlow Funds	Producer of meat substitute food	UK	1.3
Total of 10 largest new investments			**25.9**

** In addition, a co-investment in Spheros is expected to be completed shortly.*

Realisations – 10 year record*

Financial period ending	£m	% of opening portfolio
31 December 2002	39.9	23.0%
31 December 2003	39.4	23.7%
31 December 2004	116.7	60.4%
31 December 2005	93.8	61.9%
31 December 2006	92.9	53.3%
31 December 2007	112.4	54.5%
31 December 2008	25.8	12.9%
31 December 2009	14.0	7.3%
31 January 2011	19.8	8.5%
31 January 2012	92.9	26.0%

**Excluding secondary sales of fund interests.*

Largest underlying realisations in the year

Investment	Manager	Buyer type	Proceeds £m
Wagamama	Direct	Private equity	17.0
Kurt Geiger	Graphite Capital	Trade	11.9
Kwik-Fit	Direct	Trade	9.0
Phadia	Cinven	Trade	5.4
Preh	DBAG/Direct	Trade	4.9
Capital Safety Group	Candover	Private equity	3.9
Salient Surgical Technologies	Direct	Trade	3.8
FEP	Steadfast Capital	Trade	2.8
Norit*	Doughty Hanson	Trade	2.6
Kisimul School Group	Bowmark	Financial	2.6
Total of 10 largest realisations			**64.0**

**Partial disposal*

Commitments

Closing commitments - remaining investment period	% of commitments
<1 year	33.6%
1-2 years	17.7%
2-3 years	15.4%
3-4 years	1.2%
4-5 years	11.3%
>5 years	5.8%
Investment period complete	15.0%
Total	**100.0%**

Movement in commitments	Year to 31 January 2012 £m
Opening at 1 February 2011	173.7
Drawdowns	(51.3)
New commitments	22.5
Secondary purchases	5.9
Commitments released	(12.0)
Currency	(2.1)
Recallable distributions	3.8
Other	2.3
Closing	**142.8**

New commitments during the year

Fund	Strategy	£m
BC European Capital IX	Europe large buy-outs	8.5
Fifth Cinven Fund	Europe large buy-outs	8.5
Steadfast Capital III	Germany mid-market buy-outs	4.5
Hollyport Secondary Opportunities III	Secondary portfolio	1.0
Total primary fund commitments		**22.5**
Candover 2005 Fund	Europe large buy-outs	0.6
Charterhouse Capital Partners VII	Europe large buy-outs	1.6
Charterhouse Capital Partners VIII	Europe large buy-outs	0.7
Fourth Cinven Fund	Europe large buy-outs	2.0
Graphite Capital Partners VI	UK mid-market buy-outs	0.7
Steadfast Capital II	Germany mid-market buy-outs	0.3
Total secondary fund commitments		**5.9**
Total new commitments		**28.4**

Closing commitments

	Original commitment[1] £m	Outstanding commitment £m	Average drawdown percentage	% of commitments
Funds in investment period	356.3	121.3	65.9%	85.0%
Funds post investment period	330.5	21.5	93.5%	15.0%
Total	**686.8**	**142.8**	**79.2%**	**100.0%**

[1] Original commitments are at 31 January 2012 exchange rates

Currency exposure

Currency denomination	31 January 2012 £m	31 January 2012 %	31 January 2011 £m	31 January 2011 %
Total assets				
- sterling	153.6	36.3%	184.7	46.2%
- euro	244.6	57.7%	191.0	47.8%
- other	25.4	6.0%	23.8	6.0%
Total	423.6	100.0%	399.5	100.0%
Commitments				
- sterling	45.5	31.9%	55.1	31.7%
- euro	89.4	62.6%	108.6	62.5%
- other	7.9	5.5%	10.0	5.8%
Total	142.8	100.0%	173.7	100.0%

Consolidated Income Statement

	Year ended 31 January 2012			13 months to 31 January 2011		
	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	8,365	28,376	36,741	2,467	59,309	61,776
Income from cash and cash equivalents	126	-	126	316	-	316
Return from current asset investments	527	-	527	310	(62)	248
Other income	44	-	44	508	-	508
Foreign exchange gains and losses	-	(498)	(498)	-	(659)	(659)
	9,062	27,878	36,940	3,601	58,588	62,189
Expenses						
Investment management charges	(1,301)	(3,904)	(5,205)	(813)	(3,195)	(4,008)
Other expenses	(1,510)	(809)	(2,319)	(1,249)	(89)	(1,338)
	(2,811)	(4,713)	(7,524)	(2,062)	(3,284)	(5,346)
Profit/(loss) before taxation	6,251	23,165	29,416	1,539	55,304	56,843
Taxation	(1,633)	1,633	-	(435)	435	-
Profit/(loss) for the period from continuing operations	4,618	24,798	29,416	1,104	55,739	56,843
Attributable to:						
Equity shareholders	4,619	22,857	27,476	1,104	51,507	52,611
Non-controlling interest	-	1,941	1,941	-	4,232	4,232
Basic and diluted earnings per share			37.7p			72.2p

The columns headed 'Total' represent the income statement for the relevant financial periods and the columns headed 'Revenue return' and 'Capital return' are supplementary information. There is no Other Comprehensive Income.

Consolidated Balance Sheet

	31 January 2012		31 January 2011	
	£'000s	£'000s	£'000s	£'000s
Non-current assets				
Investments held at fair value				
– Unquoted investments	374,915		353,140	
– Quoted investments	2,768		3,419	
		377,683		356,559
Current assets				
Trade and other receivables	2,740		441	
Current asset investments held at fair value	34,946		15,248	
Cash and cash equivalents	9,218		28,306	
	46,904		43,995	
Current liabilities				
Trade and other payables	1,021		1,071	
Net current assets		45,883		42,924
Total assets less current liabilities		423,566		399,483
Capital and reserves				
Called up share capital		7,292		7,292
Capital redemption reserve		2,112		2,112
Share premium		12,936		12,936
Capital reserve		378,813		355,956
Revenue reserve		14,017		11,038
Equity attributable to equity holders		415,170		389,334
Non-controlling interest		8,396		10,149
Total equity		423,566		399,483
Net asset value per share (basic and diluted)		569.4p		534.0p

Consolidated Cash Flow Statement

	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £'000s
Operating activities		
Sale of portfolio investments	88,385	18,646
Purchase of portfolio investments	(81,132)	(84,674)
Net purchase of current asset investments held at fair value	(19,170)	(15,000)
Interest income received from portfolio investments	7,650	2,329
Dividend income received from portfolio investments	512	275
Other income received	170	826
Investment management charges paid	(5,279)	(4,718)
VAT reclaimed on investment management charges	-	726
Taxation paid	(55)	(58)
Other expenses paid	(1,491)	(1,723)
Net cash outflow from operating activities	(10,410)	(83,371)
Financing activities		
Investments by non-controlling interests	290	593
Distributions to non-controlling interests	(3,976)	(586)
Credit facility fee	(2,853)	-
Equity dividends paid	(1,641)	(1,641)
Net cash outflow from financing activities	(8,180)	(1,634)
Net decrease in cash and cash equivalents	(18,590)	(85,005)
Cash and cash equivalents at the beginning of year	28,306	113,970
Net decrease in cash and cash equivalents	(18,590)	(85,005)
Effect of changes in foreign exchange rates	(498)	(659)
Cash and cash equivalents at the end of the period	9,218	28,306

Consolidated Statement of Changes in Equity

	Year ended 31 January 2012 £'000s	13 months to 31 January 2011 £,000s
Total equity at the beginning of the financial period	399,483	344,597
Profit attributable to equity shareholders	27,477	52,611
Profit attributable to non-controlling interests	1,941	4,232
Total profit for the period and total recognised income and expenses	29,418	56,843
Dividends to equity shareholders	(1,641)	(1,641)
Net distribution to non-controlling interests	(3,694)	(316)
Total equity at the end of the financial period	423,566	399,483

Notes to the Accounts

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 address and principal place of business of the Company and the Partnerships 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, mostly through specialist funds but also directly.

2 UNAUDITED RESULTS

The consolidated financial information is for the year to 31 January 2012 and does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has not been audited.

Statutory accounts for the 13 month period to 31 January 2011 were approved by the Board of Directors on 18 April 2011 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 498 of the Companies Act 2006.

Statutory accounts for the year to 31 January 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held at the Westbury Hotel, Bond Street, London, W1S 2YF at 3.30pm on 11 June 2012.

3 BASIS OF PREPARATION

This preliminary results announcement was approved by the Board on 3 April 2011. The condensed consolidated financial information has been prepared in accordance with applicable accounting standards and with Listing Rule 9.7A 'Preliminary statement of annual results'. The accounting policies applied are consistent with those of the annual financial statements for the 13 month period to 31 January 2011, as described therein.

4 DIVIDENDS

Group and Parent company	Year ending 31 January 2012 £'000s	Period ending 31 January 2011 £'000s
Final paid: 2.25p (2011: 2.25p) per share	1,641	1,641

The Board has proposed a final dividend of 5.0p (£3,645,650) per share in respect of the period to 31 January 2012 which, if approved by shareholders, will be paid on 20 June 2012, to shareholders on the register of members at the close of business on 1 June 2012.

5 EARNINGS PER SHARE

	Year ending 31 January 2012	Period ending 31 January 2011
Revenue return per ordinary share	6.33p	1.51p
Capital return per ordinary share	31.35p	70.64p
Earnings per ordinary share (basic and diluted)	37.68p	72.15p

6 CHANGES IN EQUITY

Group	Share capital	Capital redemption reserve	Share premium	Capital Reserve	Revenue reserve	Total shareholder equity	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 January 2012								
Opening Balance at 1 February 2011	7,292	2,112	12,936	355,956	11,038	389,334	10,149	399,483
Profit for the period attributable to recognised income and expense	-	-	-	22,857	4,620	27,477	1,941	29,418
Dividends paid or approved	-	-	-	-	(1,641)	(1,641)	-	(1,641)
Purchase of own shares	-	-	-	-	-	-	-	-
Net distribution to non-controlling interest	-	-	-	-	-	-	(3,694)	(3,694)
Closing Balance	7,292	2,112	12,936	378,813	14,017	415,170	8,396	423,566

Group	Share capital	Capital redemption reserve	Share premium	Capital reserve	Revenue reserve	Total shareholder equity	Non-controlling interest	Total equity
	£'000	£'000	£'000	£’000	£'000	£'000	£'000	£'000
13 months to 31 January 2011								
Opening Balance at 1 January 2010	7,292	2,112	12,936	304,448	11,576	338,364	6,233	344,597
Profit for the period attributable to recognised income and expense	-	-	-	51,508	1,103	52,611	4,232	56,843
Dividends paid or approved	-	-	-	-	(1,641)	(1,641)	-	(1,641)
Net distribution to non-controlling interest	-	-	-	-	-	-	(316)	(316)
Closing Balance	7,292	2,112	12,936	355,956	11,038	389,334	10,149	399,483

7 INVESTMENT MANAGEMENT CHARGES

	31 January 2012			31 January 2011		
Group and Parent Company	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	1,290	3,870	5,160	1,171	3,512	4,683
Irrecoverable VAT	11	34	45	12	39	51
Irrecoverable VAT (reclaim)	-	-	-	(370)	(356)	(726)
	1,301	3,904	5,205	813	3,195	4,008

The allocation of the total investment management charges was unchanged in the year to 31 January 2012 with 75% of the total allocated to capital and 25% allocated to income.

The Company has borne a management charge of £482,000 (2011: £479,000) in respect of Graphite Capital Partners VI and £822,000 (2011: £778,000) in respect of Graphite Capital Partners VII and Graphite Capital Partners Top Up Fund. These charges are at the same level as those paid by third party investors. The Company does not pay any additional fees to the Manager on these investments. The total investment management charges payable by the Group to the Manager (excluding VAT), including the amounts set out in the table on the previous page, were therefore £6,510,000 (2011: £5,265,000).

Graphite Capital Management LLP was a related party of Graphite Enterprise Trust PLC during the period. The amounts payable during the period are set out above. There was an accrued amount outstanding of £123,000 (excluding VAT) as at 31 January 2011 (2011: £193,000).

8 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is an investment company as defined by section 833 of the Companies Act 2006 and conducts its affairs so as to qualify as an investment trust under the provisions of section 1158 of the Corporation Tax Act 2010 ("Section 1158"). The Group's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly.

Investments in funds have anticipated lives of approximately ten years. Direct investments are made with an anticipated holding period of between three and five years. Investment agreements will, however, usually provide that any loans advanced to investee companies are for a longer period than this. The agreements will usually provide for repayments to be made by installments with provision for full repayment on sale or flotation.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (comprising currency risk, interest rate risk and price risk), investment risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Manager has overall responsibility for managing the risks and the framework for monitoring and coordinating these risks. This is monitored by the Board. The Group's financial risk management objectives and processes used to manage these risks have not changed from the previous period and the policies are set out below:

Market risk

(i) Currency

The Group's investments are principally in the UK and continental Europe and are primarily denominated in sterling and in euros. There are also smaller amounts in US dollars and in other European currencies. The Group is exposed to currency risk in that movements in the value of sterling against these foreign currencies will affect the net asset value and the cash required to fund undrawn commitments. The Board regularly reviews the level of foreign currency denominated assets and outstanding commitments in the context of current market conditions and may decide to buy or sell currency or put in place currency hedging arrangements.

(ii) Interest rate risk

The fair value of the Group's investments, money market funds and cash balances are not directly affected by changes in interest rates. The fair value of fixed income funds classified as current assets will vary with changes in interest rates but the impact of a rise in interest rates is not material to the company.

(iii) Price Risk

The risk that the value of a financial instrument will change as a result of changes to market prices is one that is fundamental to the Group's objective, which is to provide long term capital growth through investment in unquoted companies. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Group's objective. No hedging of this risk is undertaken.

The Group is exposed to the risk of change in value of its private equity investments. For all investments the market variable is deemed to be the price its self.

Credit and investment risk

(i) Investment risk

Investment risk is the risk that the financial performance of the companies in which Graphite Enterprise invest either improves or deteriorates, thereby affecting the value of that investment. Investments in unquoted companies whether indirectly or directly are by their nature subject to potential investment losses. The investment portfolio is highly diversified and the Group complies with the Section 1158 requirement for investment trusts not to invest more than 15% of the portfolio in the securities of any one company at the time of initial or subsequent purchase.

(ii) Credit risk

The Group's exposure to credit risk arises principally from its investment in money market funds and its cash deposits. This risk is managed through diversification across a number of separate funds which have strong credit ratings. The Group's policy is to limit exposure to any one fund to 15% of gross assets. This is regularly monitored by the Manager as a part of its cash management process.

The Manager does not expect any losses from non-performance by these counterparties.

Liquidity risk

The Group has significant investments in unquoted companies which are inherently illiquid. The Group also has substantial undrawn commitments to funds, the great majority of which are likely to be called over the next five years. The Group aims to manage its affairs to ensure sufficient cash, other liquid assets and undrawn borrowing facilities will be available to meet contractual commitments when they are called and also seeks to have cash generally available to meet other short term financial needs. All cash and cash equivalents are available on demand. The Group's liquidity management policy involves projecting cashflows and considering the level of liquidity necessary to meet these.

The Group has power to enter into borrowing arrangements, both short and long term. The group agreed a four year £30 million committed bank facility in April 2011 and added a further £30 million to this facility in October 2011.

As at 31 January 2012 the Group's financial liabilities amounted to £1,021,000 of trade and other payables (2011: £1,071,000) which were due in less than one year.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status), return capital to shareholders or issue new shares. The Group currently has no debt.

9 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group. Transactions between the Company and the Manager are disclosed in note 7.

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

Subsidiary	Nature of transaction	Year ending 31 January 2012 £'000s	Period ending 31 January 2011 £'000s
Graphite Enterprise Trust LP	Increase/(decrease) in loan balance	(1,717)	2,927
	Income allocated	1,322	361
Graphite Enterprise Trust (2) LP	Increase in loan balance	5,868	6,478
	Income allocated	101	100

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	31 January 2012 £'000s	31 January 2011 £'000s	31 January 2012 £'000s	31 January 2011 £'000s
Graphite Enterprise Trust LP	3,870	5,587	–	–
Graphite Enterprise Trust (2) LP	16,421	10,553	–	–