05

Talisman First Venture Capital Trust PLC

Annual Report and Financial Statements
31 March 2005

Aberdeen

Contents

Financial Calendar

25 August 2005	Annual General Meeting

Corporate Summary

Company profile

Talisman First Venture Capital Trust PLC ("the Company") is a venture capital trust. It has one class of share and was incorporated on 5 April 2000.

Objective

The Company aims to achieve long term capital appreciation principally through investment in smaller unquoted companies in the United Kingdom with strong growth potential.

Benchmark

There is no meaningful venture capital trust index against which to compare the performance of the Company. Accordingly, the Manager uses peer group comparisons for reporting to the Board.

Capital structure

The Company's issued share capital, as at 31 March 2005, consisted of 26,545,500 Ordinary shares of 10p each.

Total assets and Net Asset Value

At 31 March 2005, the Company had total assets of £2,522,000 and a Net Asset Value of 9.50p per share.

Continuation date

The Articles of Association require the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at the Company's sixth Annual General Meeting, and thereafter at three yearly intervals. For such a resolution not to be passed, Shareholders holding at least 50% of the shares then in issue must vote against the resolution.

Risk

Many of the stocks in which the Company invests are exposed to the risk of political change, exchange controls, tax or other regulations, which may affect their value and marketability. Investments in smaller unquoted companies are substantially riskier than investments in larger companies or in companies listed on the Official List.

As the volume of shares traded on the market in the early years of the Company is likely to be small, the shares may trade at a significant discount to Net Asset Value.

Management and Administration Deed

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management and administrative services. Please refer to pages 17 and 18 for details of the management and secretarial fees payable.

Your Board

The Board of three Directors, all of whom are non-executive and are considered by the Board to be independent of the Manager, supervises the management of Talisman First Venture Capital Trust PLC and looks after the interests of its Shareholders.

Jonathan D Carr *Chairman*

Status: Independent Non-executive Director
Age: 66
Length of service: He was appointed as a Director and as Chairman on 22 March 2000.
Relevant experience and other directorships: He worked at Phillips and Drew from 1962 to 1967 and at L Messel & Co from 1968 to 1986, specialising in investment trusts. He was manager of the corporate division of Thomson T-Line from 1987 to 1989 and from 1990 to 1993 was director in charge of the London office of Bell Lawrie White. From 1993 to 1997 he was a director of S G Warburg Securities (now UBS), specialising in investment trust corporate broking. He is currently chairman of Galaxy Asset Management Limited and Royal London UK Equity & Income Trust plc and is a non-executive director of BFS Income and Growth Trust PLC, The Income and Growth Trust PLC and Framlington Second Dual Trust PLC.
Last re-elected to the Board: 12 September 2002
Committee membership: Chairman of Audit, Management Engagement, Nomination and Remuneration Committees.
Employment by the Manager: None
Other connections with the Manager: None
Shared directorships with other Directors: None
Shareholding in Company: 50,000 Ordinary shares

Stephen J Barclay

Status: Independent Non-executive Director
Age: 63
Length of service: He was appointed as a Director on 22 March 2000.
Relevant experience and other directorships: He qualified as a chartered accountant in 1964 with Robson Rhodes before obtaining an MBA degree from Wharton Business School in 1967. In 1989, after a career during which he reorganised various companies, he established Clifton Financial Associates Plc (now Clink Wharf Associates Limited) to provide corporate finance advice to small to medium sized private and public companies. In August 1998, Clifton Financial Associates Plc was purchased by Talisman House Plc (now Investment Management Holdings plc), where he became group executive chairman. In December 1998, Talisman House Plc purchased the institutional stockbroker, Butterfield Securities Limited, which reverted to its former name of Seymour Pierce Limited and where he became executive chairman. He resigned as a director of Investment Management Holdings plc and various other group companies at the end of March 2001. He is a director of a number of public companies and is a governor of the London School of Economics and Political Science.
Last re-elected to the Board: 12 September 2002
Committee membership: Audit, Management Engagement, Nomination and Remuneration Committees.
Employment by the Manager: None
Other connections with the Manager: None
Shared directorships with other Directors: None
Shareholding in Company: 375,000 Ordinary shares

Brian O J May

Status: Independent Non-executive Director
Age: 44
Length of service: He was appointed as a Director on 22 March 2000.
Relevant experience and other directorships: He graduated from Stanford University, California in 1983. From 1984 to 1988 he worked for Aitken Hume Plc as a small companies fund manager for Sentinel Funds Management Limited. Since 1989, he has been managing director of Berthon Boat Company Limited.
Last re-elected to the Board: 5 October 2004
Committee membership: Audit, Management Engagement, Nomination and Remuneration Committees.
Employment by the Manager: None
Other connections with the Manager: None
Shared directorships with other Directors: None
Shareholding in Company: 225,000 Ordinary shares

Financial History

	31 March 2005	31 March 2004	31 March 2003	31 March 2002	31 March 2001*
Assets					
Net assets	£2,522,000	£2,660,000	£2,668,000	£4,162,000	£4,924,000
Ordinary shares					
Revenue return for year	(0.59p)	(0.72p)	(0.73p)	(0.73p)	(0.21p)
Capital return for year	0.07p	0.69p	(4.69p)	(2.46p)	(0.14p)
Total return for year	(0.52p)	(0.03p)	(5.42p)	(3.19p)	(0.35p)
Net Asset Value	9.50p	10.02p	10.05p	15.68p	18.66p
Share price	10.50p	10.50p	11.00p	13.50p	30.50p
Discount/(premium) to Net Asset Value	(10.50%)	(4.80%)	(9.45%)	13.90%	(63.45%)
Ordinary shares in issue at year end	26,545,500	26,545,500	26,545,500	26,545,500	26,545,500

* Period 4 April 2000 to 31 March 2001

Chairman's Statement

Introduction
The last twelve months have seen signs of a recovery in the share prices of smaller quoted companies which has been reflected, to a certain extent, in the valuation of a number of the quoted stocks in your Company's portfolio. The portfolio has been through an extremely difficult period, which has meant that opportunities for realisations have not materialised, despite stronger markets.

The Manager
The Board is pleased to confirm, as announced on 12 April 2005, that it has signed a Management and Administration Deed with Aberdeen Asset Managers Limited, effective from 2 February 2005. Aberdeen Asset Managers Limited is a subsidiary of Aberdeen Asset Management PLC, which is listed on both the London and Singapore stock exchanges with a market capitalisation of over £200 million. Aberdeen Murray Johnstone Private Equity is the private equity division of the Aberdeen Group and will have responsibility for all of the Company's investments apart from the discretionary account.

During the year under review, the discretionary account, managed by Seymour Pierce Ellis Limited, has continued to perform well and at 31 March 2005 comprised a total of 8 investments with a value of £437,512, representing 17.34% of the Company's net assets. The Board, with the agreement of Aberdeen Asset Managers Limited, has decided to maintain this arrangement and for it to be kept under regular review. It is intended that, in future, the discretionary account will represent, in aggregate, no more than 15% of the Company's net assets.

Net Asset Value
Based on the valuation method used at 31 March 2005, the Company's Net Asset Value per share was 9.50p, representing a decrease of 0.52p since the previous year-end.

Investment strategy
The prime objective in the short term is to continue to build a diversified portfolio of unlisted and Alternative Investment Market ("AIM") investments which offer growth prospects and therefore the opportunity for capital gains in the medium and longer term while maintaining VCT qualifying status. Further to the Preliminary Announcement of 16 June 2005, it has been confirmed that two companies in which the Company had invested, both of which had previously been in administration, had been struck off by the Registrar of Companies; further detail is included in the Investment Manager's Report on page 6. As a result of this, qualifying investments now represent over 78% of total investments, thereby continuing to exceed the Venture Capital Trust qualifying criteria of a minimum of 70%. Your Board and the Manager continue to monitor the Company's compliance with the VCT legislation.

Valuation process
Talisman First VCT's investments in unquoted companies are valued in accordance with the British Venture Capital Association guidelines. In accordance with normal market practice, investments listed on AIM or OFEX are valued at their mid-market price, discounted where necessary to reflect any trading restrictions.

Expenses
Expenses for the year ended 31 March 2005 totalled £174,000 and represented 6.9% of net assets at the year end, compared to £199,000 and 7.5% respectively for the prior year. The Directors and Manager intend to seek further reductions in the total expense ratio through a combination of the careful management of costs and a continued improvement in investment performance.

Dividend
The Board is not proposing to pay a dividend. As stated in the Company's Prospectus it is expected that dividends will arise principally from the realisation of successful investments offset against administration costs and losses.

The Board
Mr D A Horner and Mr M Rowlinson both resigned with effect from 3 March 2005 and Mr J L Scaife resigned with effect from 24 March 2005. The Board would like to take this opportunity to express its appreciation for the work and commitment that these Directors have put into the Company during their term in office.

Annual General Meeting
The Company's Annual General Meeting will take place on 25 August 2005 at 10:00 a.m. at the offices of Aberdeen Asset Management, One Bow Churchyard, London, EC4M 9HH. I look forward to welcoming you to the meeting.

Outlook
The Manager will continue to work with the companies in which we have invested in order to maximise proceeds from eventual exits. As well as closely monitoring the underlying portfolio, your Board and the Manager will continue to devote significant time and effort in considering strategic options for your Company.

Jonathan D Carr
Chairman
22 July 2005

Investment Manager's Report

Investment activity and portfolio developments
During the year ended 31 March 2005, five new and follow-on unlisted and AIM investments were made at a total cost of £252,600. The following three new investments have been made in the period from the publication of the Interim Report up to the year end date:

Gladstone plc* – £50,200. Gladstone, a developer of specialised membership software for the leisure industry (specifically gym membership), is building a strong and profitable share in this niche market. The Company has recently embarked on measured geographical expansion into Australia and Ireland. Gladstone's products combine comprehensive membership management functionality with analysis, marketing and web bookings capability to deliver a unique member relationship management system.

Talarius plc* – £50,200. Talarius is a newly incorporated company established for the purpose of acquiring, or making investments in, companies or businesses engaged primarily in the "high street" gambling market with associated property assets and related opportunities for differentiation.

Zetar plc* – £52,000. Zetar has acquired Kinnerton, one of the leading independent chocolate confectionery manufacturers in the UK, with production facilities in Norfolk and a head office in Kentish Town, London. Kinnerton supplies retailers with private label chocolate and has recently extended the range of products it manufactures for Cadbury. Further growth is expected to result from production innovation, particularly extending the all-year round "countline" range.

As indicated in the Chairman's Statement on page 5, subsequent to the Preliminary Announcement of 16 June 2005, it has been confirmed that two companies in the investment portfolio that had been in administration, Object Support Group and Global Money Transfer Holdings, have been struck off by the Registrar of Companies with effect from 21 September 2004 and 19 January 2005 respectively.

Since the year end, four further investments totalling £249,000 have been made, increasing the number of investments to 21 and the total cost to £4.5 million, the following being the new investments made:

Inspicio plc* – £50,000. Inspicio operates in the international testing, inspection and performance conformity markets from its London base.

Original Shoe Company Limited – £50,000. Original Shoe is a retailer of branded leisurewear and footwear from 43 retail outlets centred on Scotland and the North of England.

United Clearing plc* – £49,000. United Clearing provides software based solutions to mobile communications operators and is based in London.

In addition to these new investments, a further investment of £100,000 was made in Talarius during May 2005 to enable that company to complete an acquisition.

Outlook
Talisman First VCT will continue to invest in new unlisted and AIM investments and the regional network of Aberdeen Murray Johnstone Private Equity offices is seeing a steady and increasing flow of investment opportunities.

Aberdeen Asset Managers Limited
22 July 2005

(*) Quoted on AIM

Investment Portfolio Summary

As at 31 March 2005

	Cost £	Valuation £	% of net assets
AIM INVESTMENTS			
Bank Restaurant Group	250,000	23,500	0.93
Computer Software	309,452	258,985	10.27
Flightstore Group	100,000	9,000	0.36
Gladstone	50,200	46,500	1.84
Hotgroup	124,998	26,562	1.05
Huveaux	217,309	274,286	10.87
Interactive Digital Solutions	375,000	272,475	10.80
Lo-Q	350,001	11,755	0.47
Maverick Entertainment Group	176,000	36,160	1.43
Talarius	50,200	50,000	1.98
Transport Systems	305,900	215,600	8.55
Zetar	50,200	80,000	3.17
OFEX INVESTMENTS			
Associated Network Solutions	250,000	230,000	9.12
UNLISTED INVESTMENTS			
Equities			
Fotolec Technologies	250,000	75,000	2.97
Isle of Wight Cable & Telephone Company	221,600	–	–
Patersons Consulting	362,000	–	–
Spectral Fusion Technologies	126,992	40,244	1.60
Loan stock			
Spectral Fusion Technologies	75,000	75,000	2.97
Other			
Barclays Global Investors Liquidity Funds	41,395	110,716	4.39
Pershing Nominees *	321,455	437,512	17.34
Net current assets/cash	249,375	249,375	9.89
Total net assets as at 31 March 2005	**4,257,077**	**2,522,670**	**100.00**

* Pershing Nominees, representing the discretionary account managed by Seymour Pierce Ellis Limited, is made up as follows:

Bioprojects	16,652	13,750	0.54
Buckland Group	50,000	38,000	1.51
Croatia Ventures	24,500	56,752	2.25
Hardide Placing	45,000	45,000	1.78
Nanotech Energy	37,500	74,690	2.96
Process Handling	50,000	99,570	3.95
Seashell Group (Wraith)	37,803	29,750	1.18
Sectorguard	60,000	80,000	3.17
	321,455	**437,512**	**17.34**

AIM, OFEX and Unlisted Investments

A summary of the investments held by the Company as at 31 March 2005 is set out below and was prepared by the Manager. All of the companies are incorporated in England & Wales.

Associated Network Solutions plc

Associated Network Solutions (ANS) delivers personalised identity based solutions allowing access to information and applications, 24/7, simply and securely. Delivering world leading projects answering real business issues, ANS has built up a portfolio of over 300 medium to large sized customers across the UK in a variety of market sectors, including Local Government, NHS, Legal, Financial Services and Education. Using open standards such as JAVA, XML and LDAP along with open source and LINUX solutions, ANS is giving customers choice in the way that it implements its networks and manages identity. ANS also develops tailored solutions which specifically address customers individual business needs including taking legacy systems and enabling them to communicate with each other. Annual revenue streams are generated from the development of IT business solutions along with the associated sales of hardware, software and support services. ANS targets medium to large sized businesses, within both the public and private sectors, operating throughout the UK.

	2004	**2003**
Year ended 31 March	**£'000**	**£'000**
Turnover	3,700	5,185
Operating (loss)/profit	(250)	37
Net (loss)/profit	(255)	4
Fixed assets	50	488
Net current assets	1,260	908
Shareholders' equity	1,310	1,396
Equity held		4.3%

Bank Restaurant Group plc

Bank Restaurant Group (BRG) was incorporated and listed on AIM for the purpose of acquiring the entire business and assets of BRG's three signature restaurants, Bank Kingsway, Bank Birmingham and Bank Westminster. The Board, as in previous periods, continues to concentrate on minimising costs and strengthening the Bank name through high profile promotions and activities. Overall, turnover is ahead of last year, once the two week closure of Bank Aldwych is taken into account, and gross margins continue to be closely controlled. The reported loss has continued to reduce and management remains focused on improving performance and cutting costs.

However, the improved trading will not of itself address the problems associated with the company's very small size for a public listed company, both in terms of market capitalisation and overhead recovery from only three sites. Therefore, the directors have continued to assess all realistic options with a view to maximising shareholder value, including proposals to either merge with other restaurant groups and/or raise funds to strengthen the existing balance sheet. The board is continuing to explore all opportunities to maximise shareholder value, and believes that the improvement in its own operating performance will increase the range of options available.

The company continues to progress claims in connection with the original sale and purchase agreement for the acquisition of the restaurants in November 2000, particularly in regard to hire purchase liabilities.

On 18 May 2005, the company announced that it was in discussions with Conran concerning the possible acquisition of the Zinc Bar and Grill Limited restaurants, and that, if completed, this deal would represent the first planned acquisition under the new strategic direction adopted by the business.

	2004	**2003**
Year ended 31 October	**£'000**	**£'000**
Turnover	8,599	8,603
Operating profit/(loss) before exceptional items	1,740	(204)
Net loss before exceptional items	(181)	(346)
Fixed assets	5,301	5,742
Net current liabilities	(1,462)	(1,367)
Shareholders' equity	2,730	2,911
Equity held		1.1%

Computer Software Plc (formerly Software for Sport)

The company was admitted to trading on AIM in August 2000. Its main activity, at that time, was the provision of cross industry TALENT integrated software solutions on an IBM iSeries platform. In the period since flotation, the company has grown by the careful acquisition of companies that the directors have considered offered strategic synergies with the existing group in relation to product type and customer base. This has afforded the group opportunities to cross-sell to a broader customer base and to explore new markets.

In September 2004, the Company raised £3.5 million by way of a placing and detailed its acquisitions of Advatech Computer Systems Limited and Pinnacle Computer Systems Limited, two companies operating in the field services software market. Both the acquisitions and the placing were noted in the circular to shareholders dated 6 September 2004, and have now completed. Since September 2004, the company has acquired Alveston Holdings Limited (trading as "Systems Team"), a company operating in the membership and charities market, for a total consideration of £4,800,000, and Prolog Systems Limited, a company operating in the field services market, for a total consideration of £814,000.

The company now intends to extend the Not For Profit division with the acquisition of Consensus. This acquisition will create an opportunity for cost rationalisation but, more importantly, will bring a significant customer base into the group for cross-selling activities.

	2004	**2003**
Year ended 28 February	**£'000**	**£000**
Turnover	3,941	3,584
Operating profit/(loss)	607	(1,380)
Net profit/(loss)	128	(1,359)
Fixed assets	4,791	2,958
Net current assets	2,831	1,290
Shareholders' equity	6,285	2,505
Equity held		1.0%

Flightstore Group Plc

Flightstore Inflight Retailing Limited was acquired by Flightstore Group Limited in November 2003 with the result that the company made a partial disposal and now has an investment of £208,000 in Flightstore Group Plc.

As the company stated previously, it has become increasingly apparent that the scope of Flightstore's technology is potentially much broader. Following the appointment of Andy Mitchell as Chief Executive in March 2004, the company has been engaged in a number of initiatives aimed at realising this potential.

The company's starting point was the premise that, while steady growth in digital media and in the internet advertising market represents an opportunity for Flightstore, its original business model, with its concentration strictly on the aviation industry, was inherently limited. Therefore, the company made it a priority to transition the business model, to be better able to exploit the main stream internet advertising market and other interactive channels.

	2003	**2002**
Year ended 31 December	**£'000**	**£'000**
Turnover	274	44
Operating loss	(1,131)	(899)
Net loss	(950)	(858)
Fixed assets	116	19
Net current assets	1,361	801
Shareholders' equity	1,478	819
Equity held		1.0%

Fotolec Technologies PLC

Fotolec has developed a fluoropolymer coating which renders the latest generation of energy efficient tube lighting shatter resistant. The company also applies a similar process to domestic light bulbs. Sales growth is continuing from both new business in the food manufacturing market in the UK and mainland Europe and also from competitors in the pest control sector. The sales efforts made previously with selected European distributors are to continue as the results have been promising. The company's balance sheet remains strong, with the net asset value up £109,000 on a year ago. Stock levels decreased during the quarter in line with expectations and the company expects this trend to continue, with a commensurate increase in cash reserves.

	2003	**2002**
Year ended 30 June	**£'000**	**£'000**
Turnover	1,108	946
Operating loss	(543)	(935)
Net loss	(521)	(903)
Fixed assets	673	731
Net current assets	613	151
Shareholders' equity	1,286	881
Equity held		4.17%

Gladstone PLC

Gladstone, a developer of specialised membership software for the leisure industry (specifically, gym membership), is building a strong and profitable share in this niche market. The company has recently embarked on measured geographical expansion into Australia and Ireland. Gladstone's products combine comprehensive membership management functionality with analysis, marketing and web bookings capability to deliver a unique member relationship management system. The business has grown stronger over the last six months, with good growth in software sales to public sector and private clients. The company's financial resources have grown significantly from operational cash generation and the recent institutional fund raising.

	2004
Year ended 31 August	**£'000**
Turnover	7,650
Operating profit	900
Net profit	527
Fixed assets	6,661
Net current assets	8,832
Shareholders' equity	8,832
Equity held	0.4%

Hot Group plc (formerly Rexonline)

The company has been pursuing a strategy of growth through the acquisition of complementary online and recruitment consultancy businesses with a view to building Hot Group into a leading supplier of online and recruitment consultancy services within the UK. The company has completed ten acquisitions in the last 16 months, which have been substantially integrated resulting in driving profits growth, with organic profit growth in the online business in excess of 40% over the last 12 months, reflecting the growing use of the internet by both employers and jobseekers. The company's strategy continues to centre on the operation of two distinct but complementary divisions; an online division and a traditional recruitment consultancy division. Each division contains companies serving dedicated sections of the market and both divisions continue to be successful.

	2004	**2003**
Year ended 31 December	**£'000**	**£'000**
Turnover	19,499	2,626
Operating profit/(loss)	17,817	(5,808)
Net loss	(15,981)	(4,762)
Fixed assets	20,392	8,420
Net current assets	10,506	4,176
Shareholders' equity	16,866	11,517
Equity held		0.9%

Huveaux PLC

The company was founded in December 2001 with the broad objective of building, over the next 15 years, a substantial publishing and media company by acquisition and organic growth. To date, Huveaux has raised a total of nearly £20 million from four placings of new ordinary shares. 2004 has been an active year, involving 3 acquisitions and significant reorganisation and restructuring of the operations under strengthened senior management team. Gerry Murray now has responsibility for all UK operations, and Jean-Marie Simon heads European political activities. Both have actively integrated acquisitions and positioned the businesses for growth. The benefits of the actions taken this year are expected to flow through for years to come. Overall, the outlook for 2005 is for continued significant growth. The board is continuing to evaluate and negotiate acquisitions which meet its strict criteria of enhancing profits, being highly cash generative, with strong market positions in growing markets and selling important information to end users.

	2004	**2003**
Year ended 31 December	**£'000**	**£'000**
Turnover	14,433	4,575
Operating profit	7,561	3,078
Net profit	1,783	955
Fixed assets	38,846	19,966
Net current assets	351	2,803
Shareholders' equity	39,120	21,585
Equity held		0.7%

Interactive Digital Solutions plc

The company is a software development company and has developed an advanced system for providing interactive digital business and entertainment services within a network aimed at hospitality markets. The underlying concept is to replace a variety of existing pieces of equipment (e.g. TVs, VCRs, computers and fax machines) with a single device, which is simple to use. The business has expanded to cover hospitality, retail and B2B sectors. The business opportunities for 2004/5 continue to improve with the emphasis being on digital hospital systems both nationally and internationally, domestic residential triple play systems in the UK and Europe, and retail media streaming solution which, thanks to successful installations of the system within Compass Group UK, has attracted the attention of a number of significant retail outlets, including cross channel ferries.

	2004	**2003**
Year ended 30 September	**£'000**	**£'000**
Turnover	314	191
Operating loss	(1,024)	(1,127)
Net loss	(1,011)	(1,107)
Fixed assets	642	985
Net current liabilities	(452)	(275)
Shareholders' equity	(61)	454
Equity held		7.5%

Isle of Wight Cable & Telephone Company Limited

Isle of Wight Cable & Telephone Company was formed to develop, construct and manage a modern interactive switched broadband digital communications network throughout the main residential and business areas on the Isle of Wight. The company went into liquidation on 31 December 2002 and, therefore, the value of the investment has been written down to nil.

Equity held	1.88%

Lo-Q plc

The company's patented "Lo-Q Guest Services System" uses a computer generated virtual queue to enable visitors at theme parks to avoid long queues for popular rides and attractions, reducing the time customers spend physically waiting in line to a few minutes. The company made progress in a number of areas this year, in particular in increased customer penetration resulting in a good operating season. As an example, there was an increase in Q-bot rental revenue of 28%, in a park whose attendance grew by 6%. Six Flags have reported a small increase in "in-park" spending by their guests in the key July to September quarter. The company's record user reached 34 daily rentals in the season.

	2004	**2003**
Year ended 30 September	**£'000**	**£'000**
Turnover	846	197
Operating profit/(loss)	696	(541)
Net loss	(348)	(541)
Fixed assets	891	135
Net current assets	781	452
Shareholders' equity	832	587
Equity held		2.25%

Maverick Entertainment Group plc

Maverick specialises in children's entertainment products and has focused on the creation, organisation and development of intellectual property rights ("IPR") in children's films, television programmes, characters and related entertainment products and the exploitation of such IPR in various territories around the world, principally through merchandising, third party licensing and video distribution. The company's strategy remains the investment, development and distribution of IPR, and the creation and exploitation of their own long-term brands. The year ended 31 December 2003 was a challenging one for Maverick and its results revealed the expected loss. However, as stated at the time, the board remains confident that the continuing outlook for the company is positive.

	2003	2002
Year ended 31 December	**£'000**	**£'000**
Turnover	256	1,478
Operating (loss)/profit	(898)	262
Net (loss)/profit	(903)	262
Fixed assets	2,396	2,246
Net current assets	1,251	264
Shareholders' equity	3,075	2,514
Equity held		1.3%

Spectral Fusion Technologies Limited

Founded in 1995, Spectral Fusion Technologies produces high-speed x-ray inspection and analysis systems. Current applications are in the food industry, with a special focus on the meat, poultry and fish processing sectors.

	2004	2003
Year ended 31 May	**£'000**	**£'000**
Turnover	903	1,116
Operating loss	(532)	(398)
Net loss	(443)	(314)
Fixed assets	43	43
Net current assets	404	303
Shareholders' equity	(377)	47
Equity held		4.80%

Patersons Consulting Limited

Patersons Consulting was a multi-disciplinary management consultancy specialising in payroll, human resource and IT solutions. Services also included related management, employment and taxation issues and middleware IT solutions. The company's clients operated in markets as diverse as biotechnology, retailing, internet service provision, oil and gas, computer games, transport/logistics, mobile communications and military defence. The company went into receivership in December 2002 and, therefore, the value of the investment has been written down to nil.

Equity held 20%

Talarius plc

Talarius is a newly incorporated company established for the purpose of acquiring, or making investments in, companies or businesses engaged primarily in the "high street" gambling market, with associated property assets and related opportunities for differentiation. The directors' initial strategy following admission is to use the company as a vehicle to identify and acquire one or more businesses, or interests in businesses, that are suitably positioned to take advantage of the growth opportunities perceived by the directors to exist within the "high street" gambling market in the UK and Europe.

Equity held 0.4%

Transport Systems plc

Transport Systems is involved in the supply of traffic management services to a wide variety of customers including utilities, local authorities and contractors, from the provision of a single set of traffic lights to the planning and management of major road projects. The company achieved record profits for the year ended 31 March 2004. This was a continuation of the trend which was apparent at the interim stage and is confirmation that the strong actions taken to improve the business are becoming increasingly effective. To reflect the greatly improved financial position, and the board's confidence in future prospects, the company intends to pay a dividend of 0.25p per share in respect of the year ended 31 March 2005.

	2004	**2003**
Year ended 31 March	**£'000**	**£'000**
Turnover	3,298	2,653
Operating profit/(loss)	155	(316)
Net profit/(loss)	155	(344)
Fixed assets	1,208	1,873
Net current assets	619	55
Shareholders' equity	2,450	1,852
Equity held		11.7%

Zetar Plc

Zetar has acquired Kinnerton, one of the leading independent UK manufacturers of novelty and niche chocolate confectionery, with production facilities in Norfolk and a head office in Kentish Town, London. Kinnerton supplies retailers with private label chocolate and has recently extended the range of products it manufactures for Cadbury. The management of Zetar, led by the ex-chief executive of Perkins Foods, Ian Blackburn, has a buy and build strategy within the confectionery, snack foods and related markets. Kinnerton represents the first stage of this process and further acquisitions are anticipated in due course.

	2004
Year ended 30 April	**£'000**
Turnover	42,086
Operating profit	3,509
Net profit	2,440
Fixed assets	8,557
Net current assets	10,485
Shareholders' equity	17,370
Equity held	0.3%

Talisman First Venture Capital Trust PLC

Directors' Reports & Financial Statements

Year ended 31 March 2005

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2005.

Review of the business
A review of the Company's operations is given in the Chairman's Statement on page 5 and in the Investment Manager's Report on page 6.

Results and dividends
The loss on ordinary activities after taxation, for the year ended 31 March 2005, was £138,000 (2004 – loss of £8,000). The sum of £138,000 has been transferred from the Company's reserves (2004 – £8,000) and the Directors do not recommend the payment of a final dividend. The Net Asset Value per Ordinary share at 31 March 2005 was 9.50p (2004 – 10.02p). The Net Asset Value per Ordinary share has been calculated using the number of shares in issue at 31 March 2005 of 26,545,500 (2004 – 26,545,500).

Purchase of Ordinary shares
The Company has authority to make market purchases of its own shares, although no such transactions have been effected during the year ended 31 March 2005.

A special resolution, numbered 7 in the notice of Annual General Meeting, will be put to Shareholders for their authority to purchase in the market a maximum of 14.99% of Ordinary shares in issue (3,979,170 Ordinary shares) at 31 March 2005. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is the earlier. This means, in effect, that the authority will have to be renewed at the next Annual General Meeting of the Company. Purchases of Ordinary shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its Shareholders taken as a whole. Purchases will be made in the market for cash only at prices below the prevailing Net Asset Value per Ordinary share. Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority must not exceed 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price that may be paid is 10p per share. In making purchases, the Company will deal only with member firms of the London Stock Exchange. Shares which are purchased will be cancelled.

Purchases of Ordinary shares by the Company will be made from reserves and the purchase price will normally be paid out of cash balances held by the Company from time to time. The purchase of Ordinary shares by the Company is intended to provide liquidity in the shares and enhance the Net Asset Value for the remaining shareholders. Since it is anticipated that any purchases will be made at a discount to Net Asset Value at the time of purchase, the Net Asset Value of the remaining Ordinary shares in issue should increase as a result of any such purchase. Shares will not be purchased by the Company in the period of two months immediately preceding the notification of the Company's interim results and the two months immediately preceding the preliminary announcement of the annual results or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement.

Issue of new Ordinary shares
Resolution numbered 8 in the Notice of Meeting will be put to Shareholders at the Annual General Meeting for their approval to issue up to an aggregate nominal amount of £265,455 (equivalent to 2,654,550 Ordinary shares or 10% of the total issued share capital at 31 March 2005). Further issues of new Ordinary shares may only be made at a premium to Net Asset Value per share, thus ensuring existing investors will not be disadvantaged by such issues. The proceeds of any issue may be used to purchase the Company's Ordinary shares in the market or to fund further investments in accordance with the Company's investment policy. This authority shall expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing Shareholders have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing shareholdings. However, Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders. Resolution 9 will, if passed, give the Directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £265,455 (equivalent to 2,654,550 Ordinary shares or 10% of the total issued share capital at 31 March 2005) as if Section 89(1) does not apply. This is the same amount of share capital that the Directors are seeking the authority to allot pursuant to resolution 8. The authority will also expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur. The Company will not use this authority in connection with a rights issue.

Directors

Biographies of the Directors who held office at 31 March 2005 are shown on pages 2 and 3. In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years and, accordingly, Mr J D Carr and Mr S J Barclay, whose biographies appears on page 2, retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Resolutions to this effect will be proposed at the Annual General Meeting.

No contract or arrangement significant to the Company's business and in which any of the Directors is interested has subsisted during the year.

The interests of the Directors in the share capital of the Company are as follows:

	31 March 2005 Ordinary shares of 10p	**31 March 2004 Ordinary shares of 10p**
J D Carr (Chairman)	50,000	50,000
S J Barclay	375,000	375,000
B O J May	225,000	225,000
D A Horner (resigned 3/3/05)*	5,000	5,000
J L Scaiffe (resigned 24/3/05)*	5,000	5,000
M Rowlinson (resigned 3/3/05)*	50,000	50,000

* on resignation.

There have been no changes to any of the above share interests since the end of the financial year. All of the interests shown above are beneficial.

Share interests

At 22 July 2005, as far as the Directors have been made aware and in addition to the interests of the Directors as noted above, the following have individual interests in the Company's issued share capital:

	Ordinary shares of 10p	**Percentage of ordinary capital**
Mr E Lovett-Turner, Mr N Lovett-Turner and Miss A Lovett-Turner	1,500,000	5.7%
The Corporation of London	1,000,000	3.8%
Mr R G Lagden and Mrs E V Lagden	1,000,000	3.8%
Pershing Keen Nominees Limited	988,500	3.7%

Manager and Company Secretary

For the period from 1 April 2004 to 2 February 2005, the Company was provided with investment administration services by Seymour Pierce Limited.

With effect from 2 February 2005, Aberdeen Asset Managers Limited ("the Manager") now provides investment management, accounting, secretarial and administrative services to the Company and the key features of the management contract include:

- the initial term is for a period of two years and, thereafter, the Management and Administration Deed is terminable by the Manager giving to the Company not less than 12 months' notice in writing or by the Company giving to the Manager not less than 12 months' notice in writing. Notwithstanding these terms, the Deed may be terminated by either party giving written notice to the other if that other commits a material breach of the Deed and, if the breach is capable of remedy, fails to rectify the same within 30 days of being requested to do so. The Deed may also be terminated immediately if the Manager ceases to be authorised or permitted to act as discretionary investment manager, or if either party enters into liquidation or has a receiver or administrator appointed over it or any of its undertakings or assets;
- the Company shall pay remuneration for the services to the Manager by way of an annual fee of £96,500, payable quarterly in advance. Out of this fee, the Manager shall pay, on behalf of the Company, the annual Directors' fees payable by the Company to the Directors (excluding any performance payments); and
- an incentive fee, at the rate of 20% of any uplift, shall become payable if the value of the Company's assets, excluding the discretionary account, at the agreed reference date exceeds that at the previous reference date and the anniversary of the Commencement Date and the fund value on each anniversary of the Commencement Date.

The effects of these arrangements, including amounts payable prior to the appointment of the Manager, for the year ended 31 March 2005 are detailed in Note 3 on page 31.

The Board considers that the appointment of Aberdeen Asset Managers Limited as Manager, on the agreed terms, is in the best interests of the Company and its Shareholders.

Corporate governance

The Statement of Corporate Governance is shown on pages 21 to 24.

Principal activity and status

The Company's affairs have been conducted, and will continue to be conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as a venture capital trust under Section 842AA of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842AA status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that Section.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements, as the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future.

Creditor payment policy

The Company's creditor payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any trade creditors at the year end.

Annual General Meeting

The notice of the Annual General Meeting, which will be held on 25 August 2005, is contained on pages 39 and 40.

Auditors

CLB have resigned as Auditors to the Company, following the re-organisation of the firm into CLB Littlejohn Frazer. A resolution to re-appoint CLB Littlejohn Frazer as the Company's Auditors will be put to the forthcoming Annual General Meeting, along with a further resolution to authorise the Directors to fix their remuneration.

One Bow Churchyard
Cheapside
London EC4M 9HH
22 July 2005

By order of the Board
Aberdeen Asset Management PLC
Secretary

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the Members of the Company at the forthcoming Annual General Meeting. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 26.

Remuneration Committee

At 31 March 2005, the Company had three non-executive Directors and the whole Board fufils the function of a Remuneration Committee, which is chaired by Mr J D Carr. The names of the Directors who served during the year are shown on page 20, together with the fees paid during the year. During the year under review, the Board has not been provided with advice and services in respect of its consideration of the Directors' remuneration. The Directors expect, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies.

Policy on Directors' remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole and be fair and comparable to that of other venture capital trusts with a similar capital structure and similar investment objectives. It is intended that this policy will continue for the year ended 31 March 2006 and subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. The fees for the Directors, all of whom are non-executives, are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £250,000 per annum. The Company's policy is that fees payable to the Directors should reflect the performance of the Company and the time spent by the Directors on the Company's affairs, and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. However, there is an arrangement whereby, once the sum of 25p per share has been distributed to the holders of Ordinary shares, all independent Directors are each entitled to 2 per cent of any further dividends or capital distributions.

At its meeting on 6 April 2005, the Remuneration Committee carried out a review of Directors' fees and concluded that, although there would be no change to the level of remuneration, the policy would be to continue to review these rates from time to time.

Directors' and Officers' liability insurance

As permitted by Section 310(s) of the Companies Act 1985, the Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

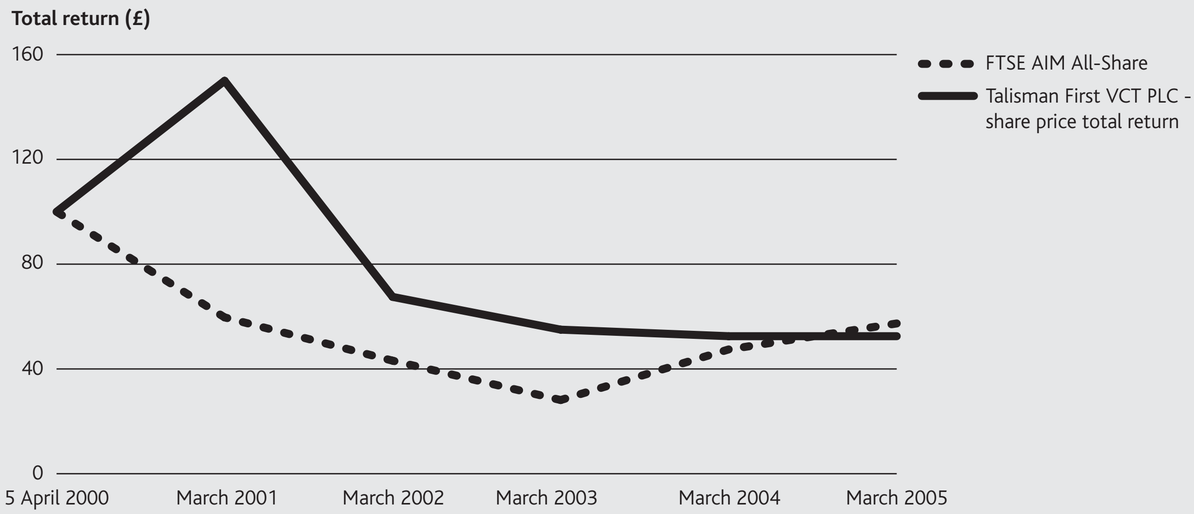
Directors' service contracts

None of the Directors has a contract of service or contract for services and a Director may resign by giving three months' notice in writing to the Board at any time.

The Articles of Association provide that, at the Annual General Meeting each year, one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one third) shall be subject to retirement by rotation. Directors, therefore, shall retire and be subject to re-election at the first Annual General Meeting following their appointment and, thereafter, shall be obliged to retire by rotation, and offer themselves for re-election, at least every three years. No compensation is payable for loss of office, save any arrears of fees which may be due.

Company performance

The graph on page 20 compares the total return on an investment of £100 in the Ordinary shares of the Company, for each accounting period from inception to 31 March 2005, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE AIM All-Share Index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.



Directors' emoluments for the year (audited)

The following emoluments were receivable by the Directors who served during the year ended 31 March 2005:

Directors	For the year ended 31 March 2005 £	For the year ended 31 March 2004 £
J D Carr (Chairman)	6,500	9,375
S J Barclay*	5,000	7,500
B O J May	5,000	7,500
D A Horner (resigned 3/3/05)	4,583	7,500
J L Scaiffe (resigned 24/3/05)	4,583	7,500
M Rowlinson (resigned 3/3/05)	4,583	3,750
Total	30,249	43,125

*Mr Barclay's fees are paid to Clink Wharf Associates Limited.

No performance fees, other remuneration, benefit or pension retirement benefits were paid during the year.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 31 March 2005 (2004 – nil).

Approval

The Directors' Remuneration Report on pages 19 and 20 was approved by the Board of Directors and signed on its behalf by:

J D Carr
Director

22 July 2005

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the new Combined Code prepared by the Committee on Corporate Governance and published in July 2003.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the provisions of the new Combined Code throughout the year ended 31 March 2005. The exceptions to Compliance with the new Combined Code, which are explained more fully under the headings of "The Board" and "Directors' Remuneration", were as follows:

- a senior non-executive Director has not been appointed;
- non-executive Directors are not appointed for specific terms. However, and without prejudice to the provision for retirement contained in the Company's Articles of Association, under appointment letters between each of the Directors and the Company, each of the Directors was appointed until determined by either party on three months' notice; and
- as the Company is a venture capital trust and all of its Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive Directors' remuneration.

The Board

Following the resignations of Mr D A Horner and Mr M Rowlinson on 3 March 2005 and Mr J L Scaife on 24 March 2005, the Board currently consists of three Directors, all of whom are considered to be independent of the investment manager ("Aberdeen Asset Managers Limited" or the "Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement. The biographies of the Directors appear on pages 2 and 3 of this report and indicate their high level and range of investment, industrial, commercial and professional experience. The Board meets at least four times a year and between these meetings maintains contact with the Manager. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- appointment and removal of the Manager and the terms and conditions of the management and administration deed;
- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from comparable investment performance through to annual budgeting and quarterly forecasting;
- Companies Act requirements such as the approval of the interim and annual financial statements and approval and recommendation of the interim and final dividends;
- major changes relating to the Company's structure, including share buy-backs and share issues;
- Board appointments and related matters;
- terms of reference and membership of Board Committees; and
- Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars, listing particulars and releases concerning matters decided by the Board.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board for:

- ensuring that Board procedures are complied with;
- under the direction of the Chairman, ensuring good information flows with the Board and its committees; and
- advising on corporate governance matters.

When a Director is appointed, the Manager will arrange for a tailored induction meeting, covering details about the Company, the Manager, legal responsibilities and venture capital industry matters. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all of the Directors are non-executive and the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead. Consequently, no individual has unfettered powers of decision.

During the year ended 31 March 2005, the Board met seven times. In addition, there were two meetings of the Audit Committee. Subsequent to the year end, Nomination, Management Engagement and Remuneration Committees were established, with written terms of reference, and one meeting of each of the Committees took place. The primary focus of quarterly Board meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues.

Directors have attended Board and Committee meetings during the year ended 31 March 2005 as follows:

Director	Board meetings	Audit Committee meetings
J D Carr (Chairman)	7	2
S J Barclay	7	1
B O J May	6	–
D A Horner (resigned 3/3/05)*	6	–
J L Scaiffe (resigned 24/3/05)*	6	–
M Rowlinson (resigned 3/3/05)*	6	1

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's review and discussion documents regarding specific matters. The Directors make further enquiries when necessary.

External agencies

The Board has contractually delegated to external agencies, including the Manager, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

Committees

Each of the Committees has been established, with written terms of reference that are available on request, and comprise the full Board, the members of which are all independent and free from any relationship that would interfere with important judgement in carrying out their responsibilities.

Audit Committee

The Committee, comprising the full Board and chaired by Mr J D Carr, discharges its responsibilities through:

- the review of the effectiveness of the internal control environment of the Company including by receiving reports from internal and external auditors on a regular basis;
- the review of the Interim and Annual Reports and Financial Statements;
- the review of the terms of appointment of the Auditors, together with their remuneration, as well as any non-audit services provided by the Auditors;
- the review of the scope and results of the audit and the independence and objectivity of the Auditors;
- the review of the Auditors' management letter and the management response; and
- meetings with representatives of the Manager.

Two meetings were held during the year. The terms of reference of the Committee are reviewed and reassessed for their adequacy at each meeting and at least one member of the Committee has recent and relevant financial experience. The Chairman of the Company is also the Chairman of the Audit Committee, as the other Directors' consider that his knowledge and experience are relevant to the position.

During the year ended 31 March 2005, the Company's external Auditors were CLB, Chartered Accountants who have subsequently become CLB Littlejohn Frazer. Shareholders are asked to approve the re-appointment of the Auditors at each Annual General Meeting. The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditors, so as to safeguard their independence and objectivity. This is achieved by prohibiting non-audit work where independence may be compromised or conflicts arise. Any non-audit work, other than interim reviews, requires specific approval of the Audit Committee in each case. Details of the amounts paid to the Auditors during the year for audit and other services are set out in Note 4 to the Financial Statements, on page 31.

Management Engagement Committee

A Management Engagement Committee has been established comprising all of the Directors and chaired by Mr J D Carr. It will annually review the management contract with Aberdeen Asset Managers Limited, details of which are shown on pages 17 and 18. The Committee was established and met in April 2005 to consider the management contract.

Nomination Committee

The Nomination Committee was established in April 2005 and considers and makes recommendations in respect of the appointment of new Directors. It comprises the full Board and is chaired by Mr J D Carr. The Committee makes recommendations to the Board on the following matters:

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board;
- succession planning;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time; and
- the appointment of any Director to another office, such as Chairman of the Audit Committee, other than to the position of Chairman.

At its meeting in April 2005, the Nomination Committee recommended to the Board the nomination for re-election of Mr J D Carr and Mr S J Barclay, whose biographies appear on page 2 of this Report, for the following reasons:

- Mr Carr has, inter alia, detailed knowledge of, and significant experience in, the investment trust sector; and
- Mr Barclay has, inter alia, considerable experience in the reorganisation and corporate finance of small to medium sized businesses in both the private and public sectors.

Renumeration Committee and Directors' Remuneration

Under the UK Listing Authority Listing Rule 26.9(d), where a venture capital trust has only non-executive Directors, the Combined Code principles relating to Directors' remuneration do not apply. However, the Company does have a Remuneration Committee, chaired by Mr J D Carr and comprising the full Board.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The remuneration of each Director is detailed in the Directors' Remuneration Report on page 20.

Directors' terms of appointment

Non-executive Directors are not appointed for specific terms as, under appointment letters between each of the Directors and the Company, each of the Directors was appointed until determined by either party on three months' notice. However, all non-executive Directors are subject to Companies Act provisions and, in accordance with the Articles of Association, stand for election at the first Annual General Meeting following their appointment and at least once every three years thereafter.

Relations with Shareholders

The Company places a great deal of importance on communication with its Shareholders. The Company has adopted a nominee code, which ensures that, where notification has been received in advance, nominee operators will be provided with copies of Shareholder communications for distribution to their customers. Investors whose shares are held on their behalf by nominees may attend general meetings and speak when invited by the Chairman. The Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting, as required under Code Provision C2.4. The notice of Annual General Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 16 to 18. Separate resolutions are proposed for each substantive issue. Annual and Interim reports and Financial Statements are widely distributed to Shareholders and other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager and the Company responds to letters from Shareholders on a wide range of issues. All Shareholders have direct access to the Company via the shareholder information service run by Aberdeen Asset Management and have the opportunity to put questions at the Company's Annual General Meeting. The results of proxy voting are relayed to Shareholders at the Annual General Meeting, after each resolution has been dealt with on a show of hands.

Accountability and audit

The Directors' Statement of Responsibilities in Relation to the Financial Statements is on page 25 and the Statement of Going Concern is included in the Directors' Report on page 18. The Independent Auditors' Report is on page 26. It should be noted that the Auditors, CLB (now known as CLB Littlejohn Frazer), rotate the partner responsible for the Company's audit every five years.

Internal control

The Board of Directors of Talisman First Venture Capital Trust PLC has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full year under review and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board and accords with the guidance for directors on internal control "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull Guidance"). The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed. With effect from 2 February 2005, the Directors have delegated the investment management of the Company to Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit function, which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Turnbull Guidance and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk model identify those functions for review. Any errors or weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control for the year under review and up to the date of this report are:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course, the compliance department of Aberdeen Asset Management PLC continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- the Board carries out an annual assessment of internal controls by considering reports from the Manager, including its internal audit and compliance functions, and taking account of events since the relevant period end.

In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations. The Internal Audit Committee of Aberdeen Asset Management PLC reports six monthly to the Audit Committee of the Company and has direct access to the Directors at any time. The Board has reviewed the effectiveness of the system of internal control, and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed. The Company's Audit Committee agenda includes an item for the consideration of risk and control and receives reports thereon from the Manager.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business goals and, by their nature, can provide reasonable but not absolute assurance against material misstatement of loss.

Exercise of voting powers

The Company has approved a voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns. The Directors believe that the exercise of voting rights lies at the heart of regulation and promotion of corporate governance and, in respect of the Company's investments, the Board has given discretionary voting powers to the Manager. The Manager votes against resolutions that it considers might damage Shareholders' rights or economic interests and gives due weight to what it considers to be socially responsible investment when making investment decisions. However, the overriding objective is to produce good investment returns for Shareholders.

Statement of Directors' Responsibilities in Relation to the Financial Statements

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the Financial Statements.

The Directors are responsible for ensuring that proper accounting records are maintained, which enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Talisman First Venture Capital Trust PLC

We have audited the Financial Statements on pages 27 to 36 which have been prepared under the historical cost convention and the accounting policies set out in Note 1 on page 30. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

The report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities on page 25.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance statements on pages 21 to 24 reflect the Company's compliance with the nine provisions of the FRC Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risk and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. This other information comprises the Corporate Summary, Your Board, Financial History, Chairman's Statement, Investment Manager's Report, Investment Portfolio Summary, AIM, OFEX and Unlisted Investments, Directors' Report, the unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Venture Capital Trusts, Tax Position of Individual Investors, Notice of Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of eveidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the Company at 31 March 2005 and of the revenue return, capital return and the total return of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CLB Littlejohn Frazer
Chartered Accountants & Registered Auditors
1 Park Place
Canary Wharf
London
E14 4HJ
22 July 2005

Statement of Total Return (Incorporating the Revenue Account*)

For the year ended 31 March 2005

		Year ended 31 March 2005			Year ended 31 March 2004		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments							
- realised	9	–	(247)	(247)	–	(30)	(30)
- unrealised	9	–	266	266	–	214	214
Income	2	17	–	17	7	–	7
Management fee	3	(134)	–	(134)	(158)	–	(158)
Other expenses	4	(40)	–	(40)	(41)	–	(41)
(Loss)/profit on ordinary activities before taxation		**(157)**	**19**	**(138)**	**(192)**	**184**	**(8)**
Tax on ordinary activities	6	–	–	–	–	–	–
(Loss)/profit on ordinary activities after taxation		**(157)**	**19**	**(138)**	**(192)**	**184**	**(8)**
Dividends	7	–	–	–	–	–	–
Balance transferred (from)/to reserves		**(157)**	**19**	**(138)**	**(192)**	**184**	**(8)**
Basic and diluted return per share	8	**(0.59p)**	**0.07p**	**(0.52p)**	**(0.72p)**	**0.69p**	**(0.03p)**

*The revenue column of this statement is the profit and loss account of the Company.

Statement of Total Recognised Gains and Losses

		Year ended 31 March 2005			Year ended 31 March 2004		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit on ordinary activities after taxation		(157)	19	(138)	(192)	184	(8)
Total recognised gains and losses relating to the year	17	**(157)**	**19**	**(138)**	**(192)**	**184**	**(8)**

All items in the above statements are derived from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
The accompanying Notes are an integral part of the Financial Statements.

Balance Sheet

As at 31 March 2005

		31 March 2005		31 March 2004	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Investments	9		2,273		2,395
Current assets					
Debtors	12	158		168	
Cash and overnight deposits	18	130		103	
		288		271	
Creditors					
Amounts falling due within one year	13	(39)		(6)	
Net current assets			249		265
Net assets			**2,522**		**2,660**
Capital and reserves					
Called up share capital	14		2,655		2,655
Share premium account	15		2,389		2,389
Capital reserve - realised	15		7		254
- unrealised			(1,735)		(2,001)
Revenue reserve	15		(794)		(637)
Equity Shareholders' funds			**2,522**		**2,660**
Net Asset Value per Ordinary share (pence)	16		**9.50**		**10.02**

The Financial Statements were approved by the Board of Directors on 22 July 2005 and were signed on its behalf by:

J D Carr
Director
22 July 2005

The accompanying Notes are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 March 2005

	Notes	Year ended 31 March 2005 £'000	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000	Year ended 31 March 2004 £'000
Reconciliation of operating loss to net cash outflow from operating activities					
Net revenue from ordinary activities before tax		(157)		(192)	
Decrease/(increase) in debtors		10		(156)	
Increase/(decrease) in creditors		33		(2)	
Net cash outflow from operating activities			(114)		(350)
Taxation					
Corporation tax			–		–
Financial investment					
Purchase of investments		(1,881)		(762)	
Sale of investments		2,022		1,099	
Net cash inflow from financial investment			141		337
Equity dividends paid			–		–
Increase/(decrease) in cash for the year			**27**		**(13)**
Reconciliation of net cash flow to movement in net funds					
Increase/(decrease) in cash for the year		27		(13)	
Net funds at 31 March 2004		103		116	
Net funds at 31 March 2005			**130**		**103**

The accompanying Notes are an integral part of the Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

Basis of accounting

These Financial Statements have been prepared under the historical cost convention, as modified to include the revaluation of fixed asset investments, and on the assumption that approval as a venture capital trust is forthcoming. The Financial Statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust companies".

Investments

Quoted investments, including those traded on the Alternative Investment Market (AIM) and OFEX are stated at middle market prices. Investments in unquoted companies are valued in accordance with the British Venture Capital Association (BVCA) guidelines. Accordingly, the Directors' policy in valuing those investments is to carry them at cost except in the following circumstances:

- where a company's underperformance against budget indicates a diminution in the value of the investment, provision against cost is made, as appropriate;
- where a company is well established and profitable, the shares may be valued by applying a suitable price-earnings ratio to that company's historic post-tax earnings. The ratio used is based on a comparable listed company or discounted to reflect lack of marketability. Unquoted investments will not normally be revalued upwards for a period of at least twelve months from the date of acquisition; and
- where a value is indicated by a material arm's length transaction by a third party in the shares of a company.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. Expenses, including any finance costs, are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate.

Deferred taxation

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Going concern

The Financial Statements have been prepared on the going concern basis.

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
2. Income		
Interest receivable	2	–
Dividends receivable	15	7
Total income	**17**	**7**

It is a requirement of the VCT legislation that a VCT's income in an accounting period has been derived at least 70% from shares and securities.

		Year ended 31 March 2005			Year ended 31 March 2004		
		Revenue	Capital	Total	Revenue	Capital	Total
3.	**Investment management fees**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Investment management fees	114	–	114	134	–	134
	Irrecoverable VAT	20	–	20	24	–	24
		134	**–**	**134**	**158**	**–**	**158**

Details of the fee basis are contained in the Directors' Report on pages 17 and 18.

		Year ended 31 March 2005	Year ended 31 March 2004
4.	**Other expenses**	**£'000**	**£'000**
	Other expenses	33	34
	Audit fee	5	5
	Non audit fees paid to Auditor	2	2
		40	**41**

5. **Directors and employees**

(i) The Company had no employees during the year.

(ii) Director's remuneration

The total fees paid by the Company to the Directors were as follows:

	Year ended 31 March 2005	Year ended 31 March 2004
	£	**£**
Johnathan D Carr	6,500	9,375
Stephen J Barclay	5,000	7,500
John Q A Findlater	–	3,333
Anne V Higgins	–	3,333
John L Scaife (resigned 24/3/05)	4,583	7,500
David A Horner (resigned 3/3/05)	4,583	7,500
Brian O J May	5,000	7,500
Mark Rowlinson (resigned 3/3/05)	4,583	3,750
	30,249	**49,791**

None of the Directors received any other remuneration, benefit or pension retirement benefits during the year except as disclosed in these accounts.

		Year ended 31 March 2005			Year ended 31 March 2004		
		Revenue	Capital	Total	Revenue	Capital	Total
6.	**Tax on ordinary activities**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Corporation tax payable (at 30% for the current year)	–	–	–	–	–	–

Tax losses available to be carried forward by the Company at 31 March 2005 are estimated at £645,000 (2004: £479,000). The deferred tax asset has not been recognised as it is unlikely that these expenses will be utilised.

7. Dividends

The Directors propose no dividends for the year ended 31 March 2005 (2004: £nil)

	Year ended 31 March 2005		Year ended 31 March 2004	
8. Return per share	**Revenue**	**Capital**	**Revenue**	**Capital**
The returns per share have been based on the following figures:				
Average number of Ordinary shares	26,545,500	26,545,500	26,545,500	26,545,500
Profit/(loss) on ordinary activities after taxation	(£157,000)	£19,000	(£192,000)	£184,000

9. Investments	**31 March 2005 £'000**	**31 March 2004 £'000**
AIM traded investments	1,305	1,704
OFEX traded investments	230	75
Unlisted investments	301	563
Nominee funds	437	53
Valuation at 31 March 2005	**2,273**	**2,395**

	AIM traded £'000	**OFEX traded £'000**	**Unlisted £'000**	**Nominee fund £'000**	**Total £'000**
Valuation at 1 April 2004	1,704	75	563	53	2,395
Purchases at cost	226	–	27	1,628	1,881
Disposals					
- proceeds	(87)	–	(300)	(1,635)	(2,022)
- realised (loss)/gain	(53)	–	(476)	282	(247)
Net unrealised (loss)/profit	(485)	155	487	109	266
Valuation at 31 March 2005	**1,305**	**230**	**301**	**437**	**2,273**
Bookcost at 31 March 2005	2,359	250	1,077	322	4,008
Net unrealised (loss)/profit	(1,054)	(20)	(776)	115	(1,735)
Valuation at 31 March 2005	**1,305**	**230**	**301**	**437**	**2,273**

The investments made in companies traded on AIM and OFEX consist of ordinary shares. Investments in unlisted companies comprise ordinary shares and loan stock.

Other nominee funds represent funds under discretionary management with Seymour Pierce Ellis Limited.

Disposals of investments during the year were as follows:

	Proceeds £'000	**Cost £'000**	**Net gains/(loss) on disposal £'000**
Barclays Global Investors Funds	300	276	24
Huveaux PLC	59	32	27
Flightstore Group Plc	29	109	(80)
	388	**417**	**(29)**

The overall profit/(loss) on investments for the year, shown in the statement of total return on page 27 is analysed as follows:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Net realised (losses)/profits on disposal	(247)	(30)
Net unrealised profits/(losses)	266	214
	19	**184**

	31 March 2005		31 March 2004	
	£'000	£'000	£'000	£'000
10. Unlisted investments	**Cost**	**Value**	**Cost**	**Value**
Units held in:				
Barclays Global Investors Liquidity Fund	41	111	317	399
Ordinary shares held in:				
Fotolec Technologies PLC	250	75	250	75
Isle of Wight Cable & Telephone Company Limited	222	–	222	–
Patersons Consulting Limited	362	–	362	–
Special Fusion Technologies Limited – ordinary shares	127	40	100	14
– loan stock	75	75	75	75
	1,077	**301**	**1,326**	**563**

11. Significant interests

Details of shareholdings in those companies where the Company's holding at 31 March 2005 represents: (i) more than 10% of the allotted equity share capital of any class; (ii) more than 10% of the total allotted share capital; or (iii) more than 10% of the assets of the Company itself, are given below. All of the companies named are incorporated in England and Wales.

Company	Class of shares	Number held	% of share capital
Patersons Consulting Limited	Ordinary shares of 5p	80,667	20

	31 March 2005	31 March 2004
12. Debtors	**£'000**	**£'000**
Other debtors	157	158
Prepayments	1	10
	158	**168**

	31 March 2005	31 March 2004
13. Creditors	**£'000**	**£'000**
Accruals	39	6
	39	**6**

	31 March 2005		31 March 2004	
14. Called up equity share capital	**Number**	**£'000**	**Number**	**£'000**
At 31 March 2005 the authorised share capital comprised:				
allotted, issued and fully paid: Ordinary shares of 10p each				
Balance brought forward	26,545,500	2,655	26,545,500	2,655
Issued during year	–	–	–	–
Repurchased and cancelled in year	–	–	–	–
Balance carried forward	26,545,500	2,655	26,545,500	2,655
Unissued unclassified shares of 10p each	13,454,500	1,345	13,454,500	1,345
	40,000,000	**4,000**	**40,000,000**	**4,000**

	Year ended 31 March 2005			
	Share premium account	Capital reserve realised	Capital reserve unrealised	Revenue reserve
15. Reserves	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2004	2,389	254	(2,001)	(637)
Net (decrease)/increase in value of investments	–	(247)	266	–
Retained loss for year	–	–	–	(157)
At 31 March 2005	**2,389**	**7**	**(1,735)**	**(794)**

16. Net Asset Value per share

The calculation of Net Asset Value per share at 31 March 2005 is based on net assets of £2,522,000 (2004: £2,660,000) divided by the 26,545,500 Ordinary shares in issue at that date.

	Year ended 31 March 2005	Year ended 31 March 2004
17. Reconciliation of movements in Shareholders' funds	**£'000**	**£'000**
Opening Shareholders' funds	2,660	2,668
Total recognised losses for year	(138)	(8)
Closing Shareholders' funds	**2,522**	**2,660**

	Year ended 31 March 2005		
	At 1 April 2004	Cash flows	At 31 March 2005
18. Analysis of changes in net funds	**£'000**	**£'000**	**£'000**
Cash and overnight deposits	**103**	**27**	**130**

	Year ended 31 March 2004		
	At 1 April 2003	Cash flows	At 31 March 2004
	£'000	**£'000**	**£'000**
Cash and overnight deposits	**116**	**(13)**	**103**

19. Financial instruments

Management of Risk

As a venture capital trust, the Company's objective is to provide Shareholders with an attractive total return by investing its funds in a broad spread of quoted and unquoted UK companies, which meet the relevant criteria for venture capital trusts.

The Company's financial instruments comprise:

- shares in unquoted and quoted companies, which are held in accordance with the Company's investment objective; and
- cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are fluctuations in market price for quoted investments and fluctuations in valuations, including the issue of going concern.

Short term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been excluded from the numerical disclosures in this note.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market position in the face of price movements mitigated by stock selection.

Interest rate risk profile of financial assets

The following analysis sets out the interest rate risk of the Company's financial assets:

	2005	2004
	£'000	£'000
Floating rate	430	502
Non-interest bearing	2,131	2,164
	2,561	**2,666**

The floating rate financial assets comprise bank and investment deposits earning interest at rates based on individual bank base rates of LIBOR depending upon which type of deposit facility is used.

Interest rate risk

The Company finances its operations through share capital raised and retained profits including both realised and unrealised capital profits.

The cash balances held on deposit rather than in bond markets mitigate, in part, the interest rate risk.

At the year end, and throughout the year under review, the Company had no liabilities that were subject to interest rate risk.

Liquidity risk

The funds raised since incorporation are currently used to fund the Company's primary objective of investing in venture capital opportunities, including AIM traded companies. Over 83% of the funds raised since incorporation have now been utilised in this investment process. As at the year end, the Company had no borrowings.

Foreign currency risk

The functional currency of the Company is sterling. The Company's profit and loss and net assets are not affected by foreign currency risk.

Fair values

There is no material difference between the fair value of financial assets and liabilities and their book value at the balance sheet date.

20. Related party disclosures

Some of the Directors of the Company and members of their close families have invested in the companies in which the Company has invested.

		Related party investment at cost	
	No. of connected Directors	31 March 2005 £'000	31 March 2004 £'000
Bank Restaurant Group Plc	1	15	15
Flightstore Group Plc	1	100	100
HotGroup plc	1	20	20
Interactive Digital Solutions plc	1	35	35
Patersons Consulting Limited	1	20	20
	1	20*	20
Spectral Fusion Technologies Limited	1	29	29

* Convertible loan notes

21. Ultimate controlling party

There is no ultimate controlling party.

22. Post balance sheet events

New and follow-on investments

Since 31 March 2005 the Company has made the following new investments:

- Inspicio plc* – £50,000. Inspicio operates in the international testing, inspection and performance conformity markets from its London base.
- Original Shoe Company Limited – £50,000. Original Shoe is a retailer of branded leisurewear and footwear from 43 retail outlets centred on the Scotland and the North of England.
- United Clearing plc* – £49,000. United Clearing provides software based solutions to mobile communications operators and is based in London.

In addition to these new investments, a further investment of £100,000 was made in Talarius during May 2005 to enable that company to complete an acquisition.

* Quoted on AIM

Venture Capital Trusts

Venture Capital Trusts (VCTs) are companies broadly similar to investment trusts and need to have been approved by the Inland Revenue. The conditions for approval are:

- a VCT's income must be derived wholly or mainly from shares or securities;
- no holding in any company can represent more than 15% by value of a VCT's investments;
- the shares making up a VCT's ordinary share capital must be traded on the London Stock Exchange and listed on the Official List of the UK Listing Authority; and
- a VCT must retain not more than 15% of its income derived from shares or securities.

Within the accounting period beginning not more than three years after application, the following requirements must be met:

- at least 70% by value of a VCT's investments must be in shares, or loans of at least five years, in "qualifying holdings"; and
- at least 30% by value of a VCT's qualifying holdings must be in ordinary shares.

Qualifying holdings

Qualifying holdings are defined as holdings of shares or securities (including loans of terms of at least five years duration) in unquoted companies (including companies whose shares are traded on the Alternative Investment Market (AIM)) which exist wholly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The holding must consist of shares or securities which were first issued to and have been ever since continuously held by the VCT.

A qualifying trade is any other than:

- dealing in land, commodities, futures, shares or other financial instruments;
- dealing in goods other than in the course of an ordinary trade of wholesale or retail distribution;
- banking, insurance or other financial activities;
- leasing or receiving royalties or license fees, with certain exceptions;
- providing legal or accountancy services;
- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment;
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home; and
- providing ancillary services to any of the above by a related party.

VCTs may count an investment of up to £1 million in total in a qualifying trading company in any one year towards the 70% qualifying trading company requirement, provided that the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment (these qualifying limits were increased from £10 million and £11 million respectively for investments made after 5 April 1998).

Investments in qualifying companies held by VCTs at a time when such companies become quoted on the London Stock Exchange may be treated as investments in qualifying trading companies for up to a further five years.

Tax Position of Individual Investors

This section highlights the tax reliefs available to individual investors and the methods for claiming such tax reliefs.

1. **Tax reliefs for individual investors resident in the UK**
   Investors must be individuals aged 18 or over to qualify for the tax reliefs below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts (VCTs) in any tax year do not exceed the qualifying limit, which is currently £200,000.

   Relief from income tax
   An investor subscribing for new ordinary shares in a VCT will be entitled to claim income tax relief of up to 40 per cent on amounts subscribed up to a maximum of £200,000. This relief must be repaid should the shares be sold or otherwise disposed of within three years. Relief is limited to the amount which reduces the investor's income tax liability to nil. Relief of up to 40 per cent applies only to tax years 2004/05 and 2005/06 and, thereafter, may be restricted to 20 per cent.

   An investor who subscribes for or acquires up to the maximum number of ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by a VCT, which may include capital gains realised by the VCT.

   Relief from capital gains tax
   A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit, currently £200,000, for any tax year.

   On the death of an investor or a spouse who has acquired VCT shares within marriage, no deferred capital gains tax or income tax will become payable by either the investor, their spouse or anyone inheriting the VCT shares.

   Shares acquired other than by subscription (i.e. existing shares)
   An investor who acquires up to the permitted maximum of ordinary shares in a VCT in any year will be exempt from income tax on dividends from the VCT, which may include realised capital gains from investments made by the VCT and capital gains on disposal of the VCTs. The permitted maximum of £200,000 is the total of VCT shares subscribed for (new shares) and acquired (existing shares) in the tax year.

   A loss on disposal of shares within the permitted maximum is not an allowable loss.

2. **Obtaining tax reliefs**
   Claims for income tax relief on amounts subscribed for new ordinary shares
   A venture capital trust will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to his tax coding from the Inland Revenue or by waiting until the end of the tax year and using his tax return to claim relief.

3. **Investors who are not resident in the UK**
   Such investors should seek their own professional advice as to the consequences of making an investment in a venture capital trust as they may be subject to tax in other jurisdictions as well as in the UK.

This is a summary only of the law concerning the tax position of individual investors in VCTs. Any potential investor in doubt as to the taxation consequences of investment in a venture capital trust should consult a professional adviser.

Risk warnings
Past performance is not necessarily a guide to future performance. You should be aware that the value of shares and income from them may go down as well as up and that you may not get back the amount you originally invested. Existing tax levels and reliefs may change and the value of reliefs depends on personal circumstances; in particular, reliefs may be lost on ceasing to be a UK resident. An investment in a VCT carries a higher risk than other forms of investment. A VCT's shares, although listed, are likely to be illiquid. Prospective investors should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objective and policy and the three year period for which shareholders must hold their shares in order to retain their income tax reliefs. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and investments in such companies are substantially riskier than those in larger companies.

The tax reliefs are dependent on the VCT obtaining unconditional approval from the Inland Revenue. Reliefs will be given during a period when provisional approval only is in force, but if provisional approval is withdrawn all tax reliefs will be cancelled with retrospective effect. If unconditional approval is withdrawn, any tax reliefs are no longer available and substantial tax liabilities can be expected to be incurred by shareholders and the VCT.

Potential investors are strongly urged to seek independent professional advice when considering investment in a VCT.

Notice of Meeting

The Annual General Meeting of Talisman First Venture Capital Trust PLC will be held on Thursday 25 August 2005 at 10.00 a.m. at One Bow Churchyard, London EC4M 9HH, to transact the following business.

Ordinary Business

1. To receive the Directors' Report and audited Financial Statements for the year ended 31 March 2005.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr J D Carr* as a Director.
4. To re-elect Mr S J Barclay* as a Director.
5. To re-appoint CLB Littlejohn Frazer as Auditors.
6. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

7. To consider and, if thought fit, pass the following Resolution as a Special Resolution:

   THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 10p each in the capital of the Company provided always that:

   (a) the maximum number of Ordinary shares hereby authorised to be purchased is 3,979,170 representing 14.99% of the Company's issued Ordinary share capital as at 31 March 2005;
   (b) the minimum price which may be paid for an Ordinary share shall be 10p per share;
   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be not more than the lower of: (i) Net Asset Value per share and; (ii) 105 per cent of the average of the middle market quotations for an Ordinary share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary shares are purchased; and
   (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this resolution, save that the Company may before such expiry enter into a contract to purchase Ordinary shares which will or may be completed wholly or partly after such expiry.

8. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

   THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £265,455 (representing 10% of the Company's issued Ordinary share capital on 31 March 2005) during the period expiring (unless previously revoked, varied, or extended by the Company in general meeting) on the date of the next Annual General Meeting or on the expiry of fifteen months from the passing of this Resolution, whichever is the first to occur, save that the Company may make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.

9. To consider and, if thought fit, pass the following Resolution as a Special Resolution:

   THAT, subject to passing of Resolution number 8 set out above, the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity shares (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution number 8 as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) during the period expiring on the earlier of the date of the next Annual General Meeting of the Company or on the expiry of fifteen months from the passing of this resolution, whichever is the first to occur, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power; and
   (b) up to an aggregate nominal amount of £265,455 (representing 10% of the Company's issued Ordinary share capital on 31 March 2005.

One Bow Churchyard
Cheapside
London EC4M 9HH
22 July 2005

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, has specified that only those Shareholders on the register of members of the Company as at 10.00 a.m. on 23 August 2005 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 10.00 a.m. on 23 August 2005 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him/her.
4. A proxy need not be a Member. Appointment of a proxy need not preclude a Member from attending and voting at the meeting should he/she subsequently decide to do so.
5. Instruments of proxy and the power of attorney or other authority should be sent to the Registrar of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not less that 48 hours before the time fixed for the meeting.
6. The Register of Directors' Interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

A reply-paid form of proxy for your use is enclosed.

* The biographies of the Directors are detailed on pages 2 and 3.

The Directors' Remuneration Report, referred to in Resolution 2, is on pages 19 and 20.

Details of Resolutions 3 to 9 are shown in the Directors' Report as follows:

Resolutions 3 and 4	Page 17	Directors
Resolutions 5 and 6	Page 18	Auditors
Resolution 7	Page 16	Purchase of Ordinary shares
Resolutions 8 and 9	Page 16	Issue of new Ordinary shares

Registered in England and Wales - Company Number 03870187

Corporate Information

Directors
J D Carr (Chairman)
S J Barclay
B O J May

Manager
Aberdeen Asset Managers Limited
Customer Services Department: 0845 300 2830
(open Monday to Friday, 9am to 5pm)
e-mail: inv.trusts@aberdeen-asset.com

Secretary
Aberdeen Asset Management PLC

Points of Contact
The Chairman and/or the Company Secretary at:
123 St Vincent Street
Glasgow G2 5EA
e-mail: company.secretary@invtrusts.co.uk

Website
www.aberdeen-asset.com

Registered Office
One Bow Churchyard
London EC4M 9HH

Registered in England and Wales
Company No. 03870187

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Shareholder Helpline: 0870 162 3100

Auditors
CLB Littlejohn Frazer

Bankers
Barclays Bank Plc

Solicitors
Field Fisher Waterhouse

Stockbrokers
Seymour Pierce Limited

Proxy

Please complete in block capitals

I/we...

of ....

being (a) member(s) of Talisman First Venture Capital Trust PLC hereby appoint (Note 3) the Chairman of the meeting/

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 25 August 2005 and at any adjournment thereof.

I/we direct my/our proxy to vote on the resolutions as set out in the Notice convening the Annual General Meeting as follows:

Resolution	**For**	**Against**
1. To receive the Directors' Report and Financial Statements		
2. To approve the Directors' Remuneration Report		
3. To re-elect Mr J D Carr* as a Director		
4. To re-elect Mr S J Barclay* as a Director		
5. To re-appoint CLB Littlejohn Frazer as Auditors		
6. To authorise the Directors to fix the remuneration of the Auditors		
7. To renew the Company's authority to purchase its own shares		
8. To renew the Company's authority to allot shares		
9. To authorise the Directors to disapply pre-emption rights		

* The biographies of the Directors are detailed on pages 2 and 3 of the Annual Report.

Please indicate how you wish your proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the proxy will vote, or abstain from voting, as though fit.

Signed .... this .... day of 2005

Notes

1. To be valid this form of proxy must reach Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the meeting.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. If any other proxy be desired strike out the words "the Chairman of the meeting" and insert the name or names preferred. Any alteration must be initialled. Appointment of a proxy will not preclude a Member from attending the meeting and voting in person. A proxy need not be a Member of the Company.
4. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.

Third Fold and Tuck In

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars
PO Box 125
Beckenham
Kent
BR3 4BR

First Fold

Second Fold

Aberdeen Asset Managers Limited
10 Queen's Terrace
Aberdeen AB10 1YG
Tel 01224 631999 Fax 01224 647010

123 St. Vincent Street, Glasgow G2 5EA
Tel 0141 306 7400 Fax 0141 306 7401

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Aberdeen