

06

Talisman First Venture Capital
Trust PLC

Interim Report
Six months ended 30 September 2006



Aberdeen

Key Facts

	Six months to 30 September 2006	Six months to 30 September 2005*	Year ended 31 March 2006*
Assets			
Net assets	£2,567,000	£2,521,000	£2,646,000
Ordinary Shares			
Revenue return for period	(1.0p)	(1.2p)	(2.3p)
Capital return for period	(0.4p)	3.4p	6.8p
Total return for period	(1.4p)	2.2p	4.5p
Net Asset Value	48.4p	47.5p	49.8p
Ordinary Shares in issue at period end*	5,309,102	5,309,102	5,309,102

* The number of Ordinary Shares in issue and related amounts per share in prior periods have been restated to reflect 1 for 5 consolidation, effective from 23 August 2006.

Investment Review

For the six months ended 30 September 2006

Returns

The Net Asset Value per share ("NAV") at 30 September 2006 was 48.4p per share compared with 49.8p as at 31 March 2006, adjusted for the 1 for 5 share consolidation which was approved by the Shareholders at the Annual General Meeting in August 2006. The decrease in NAV over the period of 2.8% compares favourably with the FTSE AIM All-Share Index, which decreased by 15.2% over the period; the FTSE Small Cap Index increased by 1.2%. The NAV has increased by 6.4% since 31 March 2005, being the nearest valuation date to the appointment of Aberdeen Asset Managers Limited ("the Manager" or "Aberdeen") in February 2005.

Co-investment

Talisman has co-invested with other funds managed by the Aberdeen Asset Management Group in a number of investments and is expected to continue to do so. The advantage of this arrangement is that, by investing together, the funds are able to participate in a wider range and size of transaction in more mature companies with more experienced management teams than they would if they were investing on an individual basis. In addition, following the agreement of all of the boards of the VCTs managed by the Growth Capital team of Aberdeen, the staff co-investment scheme made its first investment on 30 May 2006 and has co-invested alongside the Company in each investment made since then. Details of the scheme were contained in the Annual Report for the year ended 31 March 2006.

Dividends and returns to date

The Board is not proposing the payment of a dividend. Future dividends will depend upon the profitable realisation of investments after offsetting losses and administrative costs.

Investment activity

During the six months to 30 September 2006, one new unlisted investment was made at a cost of £50,000 and five AIM investments were made at an aggregate cost of £298,000. A total of £408,000 was invested during the six month period, including amounts invested in existing investee companies. At the period end, the investment portfolio consisted of 34 unlisted and AIM investments having a total cost of £3,364,332 at 30 September 2006.

The following new investments were made during the reporting period:

Debts.co.uk plc (May 2006) - £50,000: Debts.co.uk provides individuals with solutions to their debt problems, including IVAs. (www.debts.co.uk)

Fairground Gaming Holdings plc (June 2006) - £74,000: Fairground Gaming intends to build a broad-based, diversified gaming portfolio by acting as a consolidator of the fragmented on-line gaming sector. (www.fairgroundgaming.com)

Homelux Nenplas Limited* (May 2006) - £50,000: Homelux Nenplas is a manufacturer of tile trims and other wet room furnishing accessories. Its products are distributed through major DIY retail outlets and trade product distributors. (www.homelux.co.uk)

Interactive World plc (April 2006) - £50,000: Interactive World is a mobile content technology company and provides internet services. (www.interactiveworld.com)

Velosi plc (August 2006) - £50,000: Velosi is a leading provider of quality assurance and quality control to a number of leading national and multinational oil and gas companies including BP, Shell, Exxon Mobil and Chevron. (www.velosi.com)

Worthington Nicholls Group plc (June 2006) - £74,000: Worthington Nicholls is a supplier of air conditioning and heating and ventilating services. (www.worthington-nicholls.co.uk)

Since the period end, the following three new AIM investments have been made:

Brulines plc (October 2006) - £50,000: Brulines provides volume and revenue protection systems for draught alcoholic drinks in the UK licensed on-trade, in particular the tenanted pub sector. (www.brulines.com)

Concateno plc (October 2006) - £50,000: Concateno provides services for the testing of employees for drugs and alcohol. (www.concateno.com)

Hasgrove plc (November 2006) - £50,000: Hasgrove is the holding company for a diverse group of profitable and cash generative companies which provide communication services in public relations, public affairs, graphic design, advertising and digital on-line marketing. The group has a network of eight offices in four European countries. (www.hasgrove.com)

** Unlisted investment*

Portfolio developments

Unlisted investments

The sale of Original Shoe Company completed for cost subsequent to the acceptance by the major shareholder of an offer for his shares following an approach from a privately owned competitor seeking to increase its geographic coverage. Under the terms of the investment, a similar offer had to be made to the Manager's clients in respect of their shareholdings. While the Manager could have rejected the offer, to do so would have left its clients in a minority position in a subsidiary of the new parent, having little or no influence over the future course of the investment and no prospects of realisation. In these circumstances, the Manager accepted the offer on behalf of all its clients. A yield greater than would have been earned in bank interest was paid over the life of the investment.

Valuations

The Directors have increased the valuation of the unlisted investment in Fotolec Technologies to reflect positive trading, a strengthened balance sheet and an improved cash position.

Unlisted investments held by Talisman are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which superseded the British Venture Capital Guidelines for reporting periods beginning after 1 January 2005. Investments which are quoted or traded on the Alternative Investment Market (AIM) or a recognised stock exchange are valued at their bid price, discounted where necessary to reflect any trading restrictions.

AIM investments

The AIM portfolio has continued to be actively managed, resulting in net realised gains over cost of £59,700 for the six-month reporting period, equivalent to 1.1p per share.

In the legacy portfolio, the only transaction which was completed was the sale of the remaining holding in Computer Software during June on which a gain of £23,400 was achieved. Interactive Digital Solutions was placed in administration during September and the value written has been down to nil; at 31 March 2006 the investment had been carried at a value of £100,425.

Of the new portfolio, partial realisations were achieved from Avanti Screenmedia, Hambledon Mining, Invocas, Leisure & Gaming, Mattioli Woods, MTI Wireless Edge, Neutrahealth and Talaris, each of which produced a gain over the cost of the investment and aggregating £75,200. The Manager also disposed of the holding in Billing Services Group, which had been obtained when United Clearing was acquired in a share for share transaction. A loss of £38,900 was incurred on the realisation while a gain of £31,600 had previously been achieved on the holding in United Clearing. The Manager had not supported the sale of United Clearing to Billing Services due to concerns over the future strategy for the business and, subsequent to the sale, the Billing Services share price fell further.

Realisations

The table below shows all realisations effected by the Manager during the period under review.

	Date first invested	Complete/partial exit	Cost of shares disposed of £	Sales proceeds £	Realised gain/(loss) £
Legacy portfolio					
AIM					
Computer Software	2000	Complete	66,300	89,700	23,400
New portfolio					
Unlisted					
Original Shoe Company	2005	Complete	50,000	50,000	–
AIM					
Avanti Screenmedia	2004	Partial	8,500	9,300	800
Billing Services Group	2006	Complete	81,100	42,200	(38,900)
Hambledon Mining	2006	Partial	9,700	17,900	8,200
Invocas	2006	Partial	26,300	44,400	18,100
Leisure & Gaming	2005	Partial	24,700	41,200	16,500
Mattioli Woods	2005	Partial	6,200	10,000	3,800
MTI Wireless Edge	2006	Partial	20,500	28,100	7,600
Neutrahealth	2005	Partial	17,400	22,700	5,300
Talaris	2005	Partial	14,700	29,600	14,900
Total AIM			209,100	245,400	36,300
Total			325,400	385,100	59,700

Discretionary dealing account

The discretionary dealing account, managed by Seymour Pierce Ellis Limited, contributed a further £37,800 from gains on the sale of investments during the reporting period. At the period end, the value of the remaining investments was £199,800, 7.8% of total assets compared with £231,750 (8.8%) at 31 March 2006. During the period, a further £50,000 was transferred to the main portfolio for investment in new opportunities. As part of its strategy to invest a higher proportion of the portfolio in yielding private equity transactions, and as a sign of its continued confidence in the Manager, the Board has initiated a process to wind up the discretionary dealing account with a view to giving investment control of the entire portfolio to Aberdeen.

Market overview

The UK stock markets, including AIM, entered a period of instability around the middle of May 2006, resulting in a fall in the FTSE AIM 100 index of around 25% between mid May and the end of the reporting period. Over the six-month period the value of the AIM portfolio, after taking account of gains and losses against year-end valuations, declined by £88,500, 6.2% of the value of the portfolio, in contrast to the FTSE AIM 100 index which declined by 20.2% over the period.

Outlook

There is a steady flow of new opportunities for unlisted investment and in the AIM market which has stabilised following the disruption experienced during May. The intensive work which has been undertaken to reposition the investment portfolio will continue for the remainder of the year and beyond. The Manager remains focused on building a properly diversified portfolio of good quality, smaller company assets which will improve the level of income received by the Company and that are capable of delivering sustained long term performance.

29 November 2006

On behalf of the Board
Aberdeen Asset Management PLC
Secretary

Investment Portfolio Summary

As at 30 September 2006

	Cost £	Value £	% of net assets	% of equity held	% of equity held by other clients*
AIM					
Autoclenz	45,098	39,325	1.53	0.3	1.4
Avanti Screenmedia	27,485	34,327	1.34	–	1.7
Bank Restaurant Group	200,000	32,500	1.27	1.4	–
Cohort	50,988	63,241	2.46	0.5	2.0
Datong Electronics	46,180	35,356	1.38	0.3	1.7
Debts.co.uk	51,015	57,726	2.25	0.1	0.3
Fairground Gaming Holdings	74,882	38,153	1.49	0.3	1.4
Flightstore Group	100,000	500	0.02	1.0	–
Forest Support Services (formerly Transport Systems)	142,025	91,000	3.54	4.4	–
Gold Frost	43,023	44,252	1.72	0.2	1.2
Hambleton Mining	40,278	57,396	2.24	0.1	0.3
Imprint	51,412	47,589	1.85	–	0.5
Inspicio	28,278	36,608	1.43	–	0.2
Interactive Digital Solutions	367,857	–	–	7.7	–
Interactive World	51,016	61,449	2.39	0.2	1.3
Invocas	24,767	40,585	1.58	0.1	0.3
Leisure & Gaming	41,951	16,650	0.65	0.1	0.8
Litcomp	50,000	67,500	2.63	–	5.5
Lo-Q	193,681	37,170	1.45	1.3	–
Mattioli Woods	9,177	14,484	0.56	–	0.3
MTI Wireless Edge	29,473	37,031	1.44	0.1	0.4
Neutrahealth	31,120	35,363	1.38	0.2	2.0
Talarius	45,037	102,110	3.98	0.1	0.6
Velosi	50,000	51,112	1.99	0.1	0.7
Work Group	101,012	97,828	3.81	0.5	3.1
Worthington Nicholls Group	74,887	103,808	4.04	0.2	1.6
Zetar	66,412	91,363	3.56	0.2	1.1
Total AIM	2,037,054	1,334,426	51.98		
OFEX **					
Associated Network Solutions	191,941	355,839	13.86	3.2	–
Unlisted					
EIG Investments (formerly Fieldstreet)	50,007	49,950	1.95	–	1.4
Fotolec Technologies	250,000	135,000	5.26	4.2	–
Homelux Nenplas	49,738	49,738	1.94	0.8	44.2
Isle of Wight Cable & Telephone Company	221,600	–	–	1.9	–
Patersons Consulting	362,000	–	–	20.0	–
Spectral Fusion Technologies	201,992	83,453	3.25	4.8	–
Total unlisted	1,135,337	318,141	12.40		

	Cost £	Value £	% of net assets	% of equity held	% of equity held by other clients*
Other					
Barclays Global Investors Funds	12,318	35,239	1.37		
Pershing Nominees ***	304,173	199,800	7.78		
Net current assets/cash	323,764	323,764	12.61		
Total assets	4,004,587	2,567,209	100.00		

* Other clients of the Aberdeen Asset Management Group.

** With effect from 23 October 2006, OFEX became known as PLUS and companies previously quoted on OFEX are now quoted on the PLUS market.

*** Pershing Nominees made up as follows:

	Cost £	Value £	% of net assets
Angel Biotech	21,199	8,750	0.34
Buckland Group	30,000	8,000	0.31
Bulgarian Land Development	59,547	48,600	1.89
Elephant Loan & Mortgage	21,451	18,750	0.73
Millwall Holdings	50,000	37,500	1.46
Networkers International	5,763	6,800	0.27
One Media Holdings	46,500	12,400	0.48
Real Affinity	22,713	12,000	0.47
White Star Property	27,000	27,000	1.05
Zyzygy	20,000	20,000	0.78
	304,173	199,800	7.78

Income Statement

For the six months to 30 September 2006 (unaudited)

	Six months to 30 September 2006 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments			
- realised	–	98	98
- unrealised	–	(126)	(126)
Investment income and deposit income	22	–	22
Investment management fees	(57)	–	(57)
Performance fees	–	–	–
Other expenses	(16)	–	(16)
Net return/(loss) on ordinary activities before taxation	(51)	(28)	(79)
Tax on ordinary activities	–	–	–
Return/(loss) on ordinary activities after taxation	(51)	(28)	(79)
Return per Ordinary Share (pence) (Note 3)	(1.0)	(0.4)	(1.4)

A Statement of Total Recognised Gains and Losses has not been prepared, as all gains and losses are recognised in the Income Statement.

All items in the above statement 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 total column of this statement is the Profit and Loss Account of the Company.

Reconciliation of movements in Shareholders' funds

	Six months to 30 September 2006 (unaudited) £'000	Six months to 30 September 2005 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Opening Shareholders' funds	2,646	2,405	2,405
Return/(loss) attributable to Equity Shareholders	(79)	116	241
Closing Shareholders' funds	2,567	2,521	2,646

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

Six months to 30 September 2005
(unaudited)

Year ended 31 March 2006
(audited)

Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	245	245	–	(120)	(120)
–	(67)	(67)	–	541	541
13	–	13	28	–	28
(58)	–	(58)	(114)	–	(114)
–	–	–	–	(61)	(61)
(17)	–	(17)	(33)	–	(33)
(62)	178	116	(119)	360	241
–	–	–	–	–	–
(62)	178	116	(119)	360	241
(1.2)	3.4	2.2	(2.3)	6.8	4.5

Balance Sheet

As at 30 September 2006

	30 September 2006 (unaudited)	30 September 2005 (unaudited)	31 March 2006 (audited)
	£'000	£'000	£'000
Fixed assets			
Investments	2,244	2,290	2,246
Current assets			
Debtors	60	103	181
Cash and overnight deposits	300	225	310
	360	328	491
Creditors: amounts falling due within one year	37	97	91
Net current assets	323	231	400
Net assets	2,567	2,521	2,646
Capital and reserves			
Called up share capital	2,655	2,655	2,655
Share premium	2,389	2,389	2,389
Realised capital reserve	(76)	252	(174)
Unrealised capital reserve	(1,437)	(1,919)	(1,311)
Revenue reserve	(964)	(856)	(913)
Equity Shareholders' funds	2,567	2,521	2,646
Net Asset Value per Ordinary Share (pence) (Note 3)	48.4	47.5	49.8

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

29 November 2006

J D Carr
Director

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

Cash Flow Statement

For the six months to 30 September 2006

	Six months to 30 September 2006 (unaudited)	Six months to 30 September 2005 (unaudited)	Year ended 31 March 2006 (audited)
	£'000	£'000	£'000
Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities			
Net revenue from ordinary activities before tax	(51)	(62)	(119)
Performance fees	–	–	(61)
Decrease/(increase) in debtors	121	55	(23)
(Decrease)/increase in creditors	(54)	58	52
Net cash inflow/(outflow) from operating activities	16	51	(151)
Taxation	–	–	–
Financial investment			
Purchase of investments	(1,008)	(1,358)	(2,814)
Sale of investments	982	1,402	3,145
Net cash (outflow)/inflow from financial investment	(26)	44	331
Equity dividends paid	–	–	–
(Decrease)/increase in cash	(10)	95	180
Reconciliation of net cash flow to movements in net funds			
(Decrease)/increase in cash for the period	(10)	95	180
Net funds at the start of the period	310	130	130
Net funds at the end of the period	300	225	310

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

Notes to the Financial Statements

1. Accounting policies

The financial information for the six months to 30 September 2006 and the six months to 30 September 2005 comprises non statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information contained in this report has been prepared on the basis of the accounting policies set out in the Annual Report and Financial Statements for the year ended 31 March 2006.

The results for the year ended 31 March 2006 are extracted from the full accounts for that year, which received an unqualified report from the Auditors and have been filed with the Registrar of Companies.

	Share premium	Realised capital reserve	Unrealised capital reserve	Revenue reserve
	£'000	£'000	£'000	£'000
2. Statement of changes in equity				
As at 31 March 2006	2,389	(174)	(1,311)	(913)
Gains on sales of investments	–	98	–	–
Net increase/(decrease) in value of investments	–	–	(126)	–
Profit/(loss) on ordinary activities	–	–	–	(51)
At 30 September 2006	2,389	(76)	(1,437)	(964)

3. Returns per Ordinary Share

On 23 August 2006, the Company's share capital was consolidated whereby every five Ordinary Shares of 10p each were replaced by one new Ordinary Share of 50p. All prior period returns have been restated to enable appropriate comparison.

	Six months to 30 September 2006	Six months to 30 September 2005	Year ended 31 March 2006
	£'000	£'000	£'000
<i>The returns per share have been based on the following figures:</i>			
Revenue return	(51)	(62)	(119)
Capital return	(28)	178	360
Total return	(79)	116	241
Weighted average number of Ordinary Shares in issue	5,309,102	5,309,102	5,309,102
Revenue return per Ordinary Share	(1.0p)	(1.2p)	(2.3p)
Capital return per Ordinary Share	(0.4p)	3.4p	6.8p
Return per Ordinary Share	(1.4p)	2.2p	4.5p

The Net Asset Value per Ordinary Share has been calculated using the number of Ordinary Shares in issue at 30 September 2006 of 5,309,102.

Corporate Information

Directors	J D Carr (Chairman) S J Barclay B O J May W R Nixon
Manager	Aberdeen Asset Managers Limited Customer Services Department: Freephone 0845 300 2830 (open Monday to Friday, 9am to 5pm) email: vcts@aberdeen-asset.com
Secretary	Aberdeen Asset Management PLC 123 St Vincent Street Glasgow G2 5EA
Points of Contact	<i>The Chairman and/or the Company Secretary at:</i> 123 St Vincent Street Glasgow G2 5EA email: company.secretary@invtrusts.co.uk
Website	www.aberdeen-asset.com
Registered Office	One Bow Churchyard Cheapside London EC4M 9HH Registered in England and Wales Company Registration Number: 3870187
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA Shareholder Helpline: 0870 162 3100
Auditors	CLB Littlejohn Frazer, Chartered Accountants
Custodian Bankers	J P Morgan Chase Bank
Solicitors	Field Fisher Waterhouse
Stockbroker	Seymour Pierce Limited

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Member of the Aberdeen Asset Management Group of Companies