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## Talisman First Venture Capital Trust PLC

Annual Report  
Year ended 31 March 2008



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# Financial Highlights

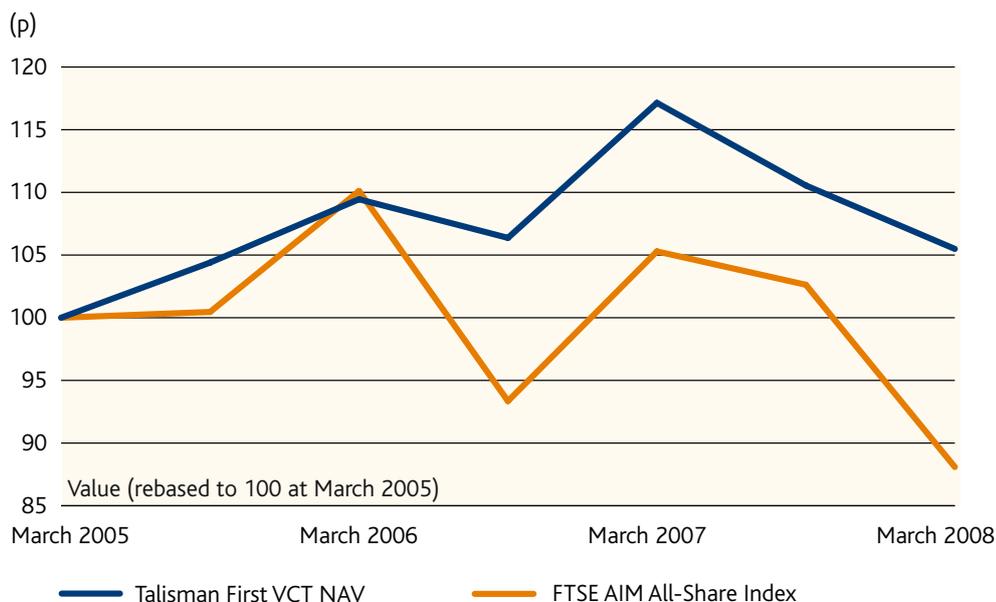
## Financial history

	31 March 2008	31 March 2007	31 March 2006 (restated) <sup>A</sup>	31 March 2005 (restated) <sup>A</sup>
Net assets	£2,547,000	£2,829,000	£2,646,000	£2,405,000
Net Asset Value per share	48.0p	53.3p	49.8p	45.5p
Revenue return for year	0.6p	(2.0p)	(2.3p)	(3.0p)
Capital return for year	(5.9p)	5.5p	6.8p	(1.0p)
Total return for year	(5.3p)	3.5p	4.5p	(4.0p)
Share price <sup>B</sup>	23.0p	24.0p	38.75p	52.5p
Discount to Net Asset Value	52.1%	55.0%	22.2%	15.4%
Ordinary Shares in issue at year end	5,309,102	5,309,102	5,309,102	5,309,102

<sup>A</sup> The number of Ordinary Shares in issue and the related amounts per share in prior years have been restated to reflect the share capital consolidation effective from 23 August 2006.

<sup>B</sup> Closing mid-market price

## NAV Performance



The above graph compares the Company's NAV movement to that of the FTSE AIM All-share index, both rebased to 100p at 31 March 2005, the closest accounting period-end date to the appointment of Aberdeen Asset Managers Limited.

# Chairman's Statement

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## Performance

The Net Asset Value (NAV) per Ordinary Share at 31 March 2008 was 48.0p compared with 53.3p at 31 March 2007. The NAV has decreased by 9.9% over the year, which compares favourably to the decrease of 16.3% in the FTSE AIM All-share Index over the same period. The change in the value of the invested portfolio is analysed in the Summary of Portfolio Performance on page 8 between those investments held at the time of the change of Manager and new investments.

The performance of the Company is closely linked to that of AIM, having had 71.1% of the value of the portfolio invested in AIM or PLUS quoted holdings at 31 March 2007. Stock markets generally, including AIM, were affected by the "credit crunch" in the summer of 2007 and the resultant fears over the economic conditions which would prevail during 2008. The AIM All-share Index fell by 16.3% from March 2007 to the end of the reporting period whilst the Company's AIM/PLUS portfolio declined by 14.6% over the same period; of this 12.7% is accounted for by one investment, Managed Support Services (formerly Worthington Nicholls Group). The Manager was instrumental in taking action which resulted in the entire management team leaving that company when it became clear that the team was not able to adequately manage the enlarged business following several acquisitions that had been undertaken during 2007. These acquisitions had generally been funded by rights issues. The new executive team have now made it clear that the financial information presented in connection with those share issues was misleading or inaccurate and that the previous management team were complicit in the presentation of this information to shareholders.

The NAV has declined by £282,000 over the year, of which £168,000 is accounted for by the expenses of running the Company. These expenses are partly offset by the income received from investments of £93,000; this is almost double the amount of income received in the previous year, as anticipated in line with the strategy of also investing in yielding unlisted companies.

Despite the significant market movements which have occurred affecting many of the AIM investments, the underlying performance of the businesses in the AIM portfolio has remained sound. It is anticipated that this will be reflected in upward share price movements when market conditions improve, although the timing of any recovery remains uncertain.

The unlisted investments are in growing private companies that are not directly affected by short-term quoted market pricing movements, where performance remains generally encouraging and, in some cases, increases in valuations have been achieved during the reporting period.

Since 31 March 2005, when the change of Manager was implemented, the Company has seen its NAV rise by

£142,000 after management expenses, which is an increase of 5.9%, whereas the FTSE AIM All-share index has declined by 11.9% over the same period. The Board is pleased with this out-performance.

## Dividends

The Board is not proposing that the Company should pay a dividend. The Company does not currently have reserves from which to pay a dividend; reserves will be created by the continued realisation of investments above their cost.

## Investment strategy and gearing

The prime objective is to continue to build a diversified portfolio of AIM or PLUS quoted companies and unlisted investments that provide a yield, while maintaining VCT qualifying status. Both will offer excellent growth prospects and, therefore, the opportunity to realise capital gains in the medium and longer term.

Unlisted investments will typically comprise 10% of equity and 90% of loan stock that will provide a yield of up to 12% and hold a debenture over the assets of the business, normally ranking just behind the bank.

In order to allow the Manager to continue the process of rebuilding of the portfolio, the Board has sanctioned the use of a borrowing facility with an upper limit of £400,000 which is around 16% of NAV. For this facility to be used to make new investments, the yield from that investment must at least cover the cost of borrowing on the facility. The Manager also continues to have discretion to make investments in companies which do not represent qualifying holdings for VCTs, but always subject to ensuring that the Company itself continues to qualify as a VCT at all times.

## Valuation process

Investments held by Talisman First Venture Capital Trust in unquoted companies are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments quoted or traded on a recognised stock exchange, including the PLUS Market and the Alternative Investment Market (AIM), are valued at their bid price.

## Realisations and portfolio developments

Further details of disposals and unrealised valuation movements can be found in the Investment Manager's Review on pages 5 to 8.

The level of realisations for the year reduced significantly compared to the previous year, mainly in the second half when the markets experienced most turbulence. Nevertheless, gains over the cost of the investment totalling £49,000 were achieved from realisations of unlisted and AIM/PLUS quoted holdings during the course of the year, including the settlement of deferred consideration due from the sale of EIG (Investments) in January 2007.

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The legacy portfolio now consists of two unlisted, one PLUS and three AIM investments for which there were no transactions during the year. A net increase of £56,000 was achieved in the value of those holdings compared to the March 2007 values as a result of continuing increase in the share price of Associated Network Solutions. The new portfolio saw an overall reduction in value of £263,000 over the previous year's valuations, including an increase of £91,000 on the unlisted investments as a number had matured and their performance justified an increase in carrying value. The performance of the AIM portfolio, which showed a reduction over the March 2007 value, was overshadowed by market movement and the one investment referred to earlier.

### Articles of Association

In the Notice of Meeting on pages 39 to 41, you will note that the Directors are asking Shareholders to approve a number of amendments to the Company's Articles of Association, primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and existing Articles of Association is set out in the Appendix to the Notice of Meeting on pages 42 and 43.

The Board considers that the Resolution to be put to the meeting is in the best interests of the Company and its Shareholders; the Directors will be voting in favour of it and unanimously recommend that Shareholders do so as well.

### Co-investment scheme of the Manager

A co-investment scheme which allows executive members of the Manager to invest alongside the Company continued to operate during the year. The scheme operates through a nominee company which invests alongside the Company in each and every transaction made by the Company, including any follow-on investments. The scheme more closely aligns the interests of the executives and the Company's Shareholders while providing an incentive to enable the Manager to retain the existing skills and capacity of its investment team in a highly competitive market.

### Outlook and future strategy

The Board will continue to consider various options, such as merger or wind up, for the future development of the Company; however, the Board considers that the costs associated with a merger does not justify its pursuit from a Shareholder value perspective at the present time and the Shareholders have previously rejected a winding up. The Board believes that Shareholders' interests are best served by continuing the reconstruction process which has delivered the increase in NAV achieved since March 2005.

The Manager has continued to invest in unlisted companies alongside a selection of AIM and PLUS quoted investments and this strategy will continue with each unlisted investment contributing to a reduction in the deficit on the revenue account through the income generated from the loan stock holdings.

The Board remains supportive of the active management style adopted by Aberdeen, whose performance given the prevailing market conditions has continued to be encouraging.

**Jonathan D Carr**

Chairman

30 June 2008

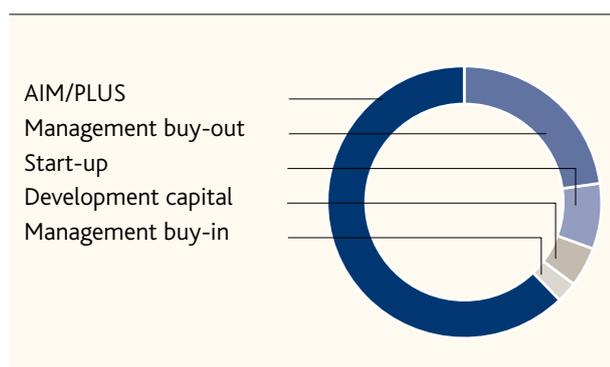
# Analysis of Unlisted and AIM/PLUS Portfolio

As at 31 March 2008

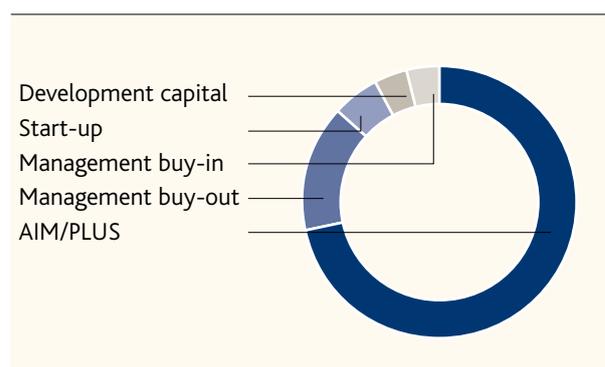
FT industrial sector	Unlisted		AIM/PLUS		Total	
	Valuation £'000	%	Valuation £'000	%	Valuation £'000	%
Support services	381	13.7	516	18.6	897	32.3
Software & computer services	–	–	547	19.7	547	19.7
Oil & gas	159	5.7	–	–	159	5.7
Media & entertainment	–	–	157	5.7	157	5.7
Electricity	135	4.9	–	–	135	4.9
Speciality & other finance	–	–	116	4.2	116	4.2
Transport	–	–	95	3.4	95	3.4
Household goods & textiles	94	3.4	–	–	94	3.4
Engineering & machinery	–	–	89	3.2	89	3.2
Telecommunication services	75	2.7	–	–	75	2.7
Electronic & electrical equipment	75	2.7	–	–	75	2.7
Food producers & processors	–	–	52	1.9	52	1.9
Utilities (ex-electricity)	50	1.8	–	–	50	1.8
Chemicals	50	1.8	–	–	50	1.8
Leisure & hotels	–	–	49	1.8	49	1.8
Mining	–	–	43	1.5	43	1.5
Electronic & electrical equipment	–	–	36	1.3	36	1.3
Finance (general)	29	0.9	–	–	29	0.9
Household goods & textiles	–	–	25	0.9	25	0.9
Health	–	–	4	0.2	4	0.2
<b>Total</b>	<b>1,048</b>	<b>37.6</b>	<b>1,729</b>	<b>62.4</b>	<b>2,777</b>	<b>100.0</b>

Deal type	Number	Valuation	
		£'000	%
<b>Unlisted</b>			
Management buy-out	8	632	22.8
Start-up	3	218	7.9
Development capital	2	126	4.5
Management buy-in	2	72	2.4
<b>Total unlisted</b>	<b>15</b>	<b>1,048</b>	<b>37.6</b>
<b>AIM/PLUS</b>	<b>38</b>	<b>1,729</b>	<b>62.4</b>
<b>Total unlisted and AIM/PLUS</b>	<b>53</b>	<b>2,777</b>	<b>100.0</b>

Deal type by valuation



Deal type by number of deals



# Investment Manager's Review

## Completed investments

During the year ended 31 March 2008, twenty major unlisted and AIM investments were completed and a total of £0.9 million was invested in all companies. At the year end, the portfolio comprised 54 unlisted, PLUS and AIM

investments at a total cost of £3.8 million. Since 31 March 2008, one further new investment has been made at a total cost of £250,000.

The following major investments were completed during the year:

Investment	Date	Activity	Investment cost £'000	Website
<b>Unlisted</b>				
Adler & Allan Holdings	June 2007	Provider of services for the handling and disposal of liquid waste	50	www.adlerandallan.co.uk
Silkwat Holdings (trading as Cyclotech)	May 2007	Provider of services to the energy sector	50	www.cyclotech.com
Funeral Services Partnership	October 2007	Operator of funeral directors	60	No website available
Stemnic (trading as MS Industrial Services)	April 2007	Provider of industrial cleaning and waste management services to the oil and industrial sectors	74	www.ms.uk.com
Other			37	
<b>Total unlisted investment</b>			<b>271</b>	
<b>AIM/PLUS</b>				
Avanti Communications Group	April 2007	Provider of satellite telecommunications services in Europe using leased satellite capacity	25	www.avanti-communications.com
Betbrokers	March 2008	Provider of independent betting brokerage services	55	www.betbrokers.com
Bglobal	April 2007	Provider of smart meters allowing the remote reading of electricity and gas meters	25	www.bglobalmetering.com
Craneware	September 2007	Provider of billing and auditing software for use in the US healthcare market	35	www.craneware.com
Darwen Group	September 2007	Bus manufacturer and low emission technology group	50	www.elcb.co.uk
DM	April 2007	Direct marketing group specialising in gathering consumer data for use in direct marketing campaigns	50	www.dmplc.com
Essentially Group	July 2007	Provider of sports marketing, media management and professional services	49	www.essentiallygroup.com
eXpansys	April 2007	Provider of mobile and wireless technology products over the internet	25	www.expansys.com

## Investment Manager's Review continued

Investment	Date	Activity	Investment cost £'000	Website
Formation Group	June 2007	Provider of wealth management and related professional services	50	www.formationgroupplc.com
Melorio	October 2007	Provider of on-site assessment and training within the construction industry	48	www.melorio.com
Mount Engineering	June 2007	Manufacturer, stockist and distributor of engineering products for oil, gas, power, water and general industrial markets	49	www.mountengineering.com
Plastics Capital	December 2007	Manufacturer of plastic components	30	www.plasticcapital.com
SDI Group	June 2007	Provider of automated warehouse handling systems within the retail distribution sector	25	www.sdigroup.com
Smart Identity <sup>A</sup>	September 2007	Software developer of identity management solutions	25	www.smartidentity.co.uk
St Helen's Capital <sup>A</sup>	June 2007	Provider of corporate advisory services	25	www.sthelenscapital.com
Universe Group	April 2007	Provider of managed services and payment solutions to the petrol retail sector	40	www.universe-group.co.uk
Managed Support Services (formerly Worthington Nicholls Group)	May 2007	Provider of air conditioning units in the hotel and retail markets	33	www.managedsupportservicesplc.com
Other			7	
<b>Total AIM/PLUS investment</b>			<b>646</b>	
<b>Total</b>			<b>917</b>	

<sup>A</sup>Quoted on PLUS

Talisman First Venture Capital Trust has co-invested with Aberdeen Income and Growth VCT, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT and Aberdeen Growth Opportunities VCT 2 in some or all of the above transactions and is expected to continue to do so with these as well

as other clients of the Manager. The advantage is that, together, these companies are able to underwrite a wider range and size of transaction than would be the case on a stand alone basis.

## Portfolio developments

The following table summarises all sales of unlisted and AIM/PLUS quoted holdings completed during the year:

	Date first invested	Complete/partial exit	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
<b>Unlisted</b>					
EIG (Investments)	2005	Complete	–	4	4
Lime Investments	2007	Partial	57	57	–
<b>Total unlisted disposals</b>			<b>57</b>	<b>61</b>	<b>4</b>
<b>AIM</b>					
Avanti Screenmedia	2004	Complete	32	31	(1)
Bglobal	2007	Complete	25	27	2
Cohort	2006	Partial	39	56	17
Darwen Group	2007	Partial	7	16	9
eXpansys	2007	Complete	25	22	(3)
Hambledon Mining	2006	Partial	8	18	10
Inspicio	2005	Complete	29	50	21
K3 Business Technology	2007	Complete	50	64	14
Mattioli Woods	2005	Complete	9	20	11
Neutrahealth	2005	Partial	21	24	3
Velosi	2006	Complete	43	56	13
Zetar	2005	Complete	21	36	15
Others			100	34	(66)
<b>Total AIM disposals</b>			<b>409</b>	<b>454</b>	<b>45</b>
<b>Total disposals</b>			<b>466</b>	<b>515</b>	<b>49</b>

Talisman First Venture Capital Trust has an objective of building a diversified portfolio of unlisted and AIM investments with good growth prospects and, therefore, the opportunity to generate capital gains in the medium and longer term.

The Summary of Portfolio Performance on page 8 demonstrates that those new investments made by Aberdeen Asset Managers have suffered a net reduction in value, comprising amounts realised and unrealised, of £263,000 over the valuation at 31 March 2007 or subsequent cost of the investment; this represents a decrease of 11.4%. On the legacy portfolio, a gain of £56,000 has been achieved, representing an increase of 8.1% for the year. Over the three years since Aberdeen was appointed Manager, an increase of 16.3% has been generated on new investments over their cost while the legacy portfolio has generated £1.3 million in cash and generated an overall gain of 11.0% over its value on 31 March 2005.

The legacy portfolio remains as one PLUS (formerly OFEX) traded investment, three active AIM quoted investments and two active unlisted investments. The Manager has re-invested the proceeds of £1.3 million from the realisation of the legacy portfolio since the change of Manager and this, combined with cash from the discretionary dealing account and realisations from the new investments, has enabled over £3.3 million to be invested in new opportunities by the Manager. Of this total, over £800,000 has been invested in 14 unlisted companies, three of which have been realised; each of these investments carries an entitlement to a running yield, the income from which will help to offset the expenses of running the Company.

The AIM portfolio created by the Manager has been spread more widely during the year and now consists of 33 active holdings. This portfolio is actively traded and gains of £45,000 over the value at 31 March 2007, or subsequent cost, have been generated during the year from new holdings.

## Investment Manager's Review continued

### Outlook

While the NAV has reduced since 31 March 2007, the underlying performance of the investee companies has been good, with profits reported by the AIM investments being generally in line with expectations and no profits warnings issued (with the one exception of Managed Support Services, formerly Worthington Nicholls Group). The underlying businesses in the AIM portfolio remain sound and their values are expected to recover when market conditions improve. Meanwhile, the unlisted investments are robust and their valuations are not directly affected by market sentiment.

Recent volatility has seen fewer new IPOs in the early part of 2008 and we expect this trend to continue for the immediate future. However, the pipeline of new private company investments still remains healthy, with several opportunities under investigation.

### Aberdeen Asset Managers Limited

Manager  
30 June 2008

## Summary of Portfolio Performance

	Opening value 31 March 2007 £'000	Purchases £'000	Sales proceeds £'000	Realised gain/(loss) over opening value £'000	Unrealised gain/(loss) £'000	Closing value 31 March 2008 £'000	Total gain/(loss) £'000
<b>Legacy portfolio</b>							
Unlisted	220	–	–	–	–	220	–
PLUS	326	–	–	–	107	433	107
AIM	144	–	–	–	(51)	93	(51)
Total legacy portfolio	690	–	–	–	56	746	56
<b>Investment made after the appointment of Aberdeen Asset Managers</b>							
Unlisted	527	271	61	4	87	828	91
PLUS	–	50	–	–	1	51	1
AIM	1,365	596	454	45	(400)	1,152	(355)
Total new portfolio	1,892	917	515	49	(312)	2,031	(263)
<b>Total portfolio</b>	<b>2,582</b>	<b>917</b>	<b>515</b>	<b>49</b>	<b>(256)</b>	<b>2,777</b>	<b>(207)</b>

# Investment Portfolio Summary

Investment name	Nature of business	Valuation	Cost	% of total assets	% of equity held	% of equity held by other clients <sup>A</sup>
<b>Unlisted</b>						
Fotolec Technologies	Developer of fluoropolymer coating for tube lighting and domestic light bulbs	136	250	5.3	4.2	–
ID Support Services Holdings	Provider of CCTV security and air conditioning systems	120	75	4.7	0.8	32.5
Funeral Services Partnership	Operator of funeral directors	99	99	3.9	0.7	29.3
Homelux Nenplas	Manufacturer of plastic tiling trims and related products	94	50	3.7	0.8	44.2
Spectral Fusion Technologies	Designer and developer of industrial imaging systems	83	202	3.3	4.8	–
Camwatch	Provider of CCTV monitoring and installation services	75	75	2.9	1.2	41.3
Martel Instruments Holdings	Manufacturer of compact, hand-held printers and display devices	75	75	2.9	1.1	32.3
Steminic (trading as MS Industrial Services)	Provider of industrial cleaning and waste management services to the oil and industrial sectors	74	74	2.9	1.3	43.8
Oliver Kay Holdings	Supplier of fresh produce to the on-trade catering industry in the UK	70	70	2.7	0.4	19.6
Silkwater Holdings (trading as Cyclotech)	Provider of services to the energy sector	61	50	2.4	0.7	19.3
Empure Holdings	Provider of process engineering and project management services	50	50	2.0	0.2	79.4
Adler & Allan Holdings	Provider of services for the handling and disposal of liquid waste	50	50	2.0	0.2	40.8
Others		61	268	2.4		
		<b>1,048</b>	<b>1,388</b>	<b>41.1</b>		
<b>AIM/PLUS</b>						
Associated Network Solutions <sup>B</sup>	Provider of IT solutions	434	193	17.1	3.2	–
Concateno	Provider of services for the testing of employees for drugs and alcohol	124	114	4.9	0.2	2.3
Darwen Group	Bus manufacturer and low emission technology group	95	42	3.7	0.6	8.1
Litcomp	Supplier of medical reports in support of legal actions	85	50	3.3	–	4.9
Work Group	Provider of recruitment services	79	101	3.1	0.5	2.8
Betbrokers	Provider of independent betting brokerage services	56	55	2.2	0.2	1.7
Brulines (Holdings)	Provider of management information systems for draught alcoholic drinks	53	47	2.1	0.2	1.0
Formation Group	Provider of wealth management and related professional services	53	50	2.1	0.1	1.2

## Investment Portfolio Summary continued

Investment name	Nature of business	Valuation	Cost	% of total assets	% of equity held	% of equity held by other clients <sup>A</sup>
Mount Engineering	Manufacturer, stockist and distributor of engineering products for oil, gas, power, water and general industrial markets	52	49	2.0	0.3	2.9
Melorio	Provider of on-site assessment and training within the construction industry	51	48	2.0	0.2	2.7
Hasgrove	Provider of communication services in public relations, public affairs, graphic design, advertising and on-line marketing	49	49	1.9	0.2	1.8
DM	Direct marketing group specialising in gathering consumer data for use in direct marketing campaigns	48	47	1.9	0.2	1.3
Hambledon Mining	Exploration and mining of precious metals in Kazakhstan	43	32	1.7	0.1	0.2
Craneware	Provider of billing and auditing software for use in the US healthcare market	42	33	1.6	0.2	2.4
Lo-Q	Developer of computer systems for leisure applications	41	194	1.6	1.2	–
Essentially Group	Provider of sports marketing, media management and professional services	38	49	1.5	0.3	2.1
Datong	Producer of devices that enable government intelligence and defence agencies to covertly track vehicles and mobile phones	36	47	1.4	0.3	1.7
St Helen's Capital <sup>B</sup>	Provider of corporate advisory services	32	25	1.3	0.6	4.2
Individual Restaurant Company	Restaurant operator	31	38	1.2	0.1	1.1
Universe Group	Provider of managed services and payment solutions to the petrol retail sector	27	40	1.1	0.5	2.1
Others		260	1,148	10.2		
		<b>1,729</b>	<b>2,451</b>	<b>67.9</b>		
<b>Total</b>		<b>2,777</b>	<b>3,839</b>	<b>109.0</b>		

<sup>A</sup>Other clients of the Aberdeen Asset Management Group.

<sup>B</sup>Quoted on PLUS.

## Largest Unlisted and AIM/PLUS Investments

<b>Associated Network Solutions<sup>A</sup></b>		<b>Manchester</b>	<b>www.ansplc.com</b>		
	Cost (£'000)	193	Year ended 31 March	2007	2006
	Valuation (£'000)	434		£'000	£'000
	Basis of valuation	Bid price	Sales	6,280	5,107
	Equity held	3.2%	Profit/(loss) before tax	634	549
	Income received (£'000)	14	Retained profit/(loss)	488	403
	First invested	July 2000	Net assets	1,489	1,464
		Provider of IT solutions			
<b>Other AAMPE Clients invested:</b>	There are no other clients of the Manager invested in this company.				
<b>Fotolec Technologies</b>		<b>Birmingham</b>	<b>www.fotolec.com</b>		
	Cost (£'000)	250	Year ended 30 June	2007	2006
	Valuation (£'000)	136		£'000	£'000
	Basis of valuation	Market value assessment	Sales	2,020	1,818
	Equity held	4.2%	Profit/(loss) before tax	181	163
	Income received (£'000)	Nil	Retained profit/(loss)	160	395
	First invested	March 2001	Net assets	1,915	1,755
		Developer of fluoropolymer coating for tube lighting and domestic light bulbs			
<b>Other AAMPE Clients invested:</b>	There are no other clients of the Manager invested in this company.				
<b>Concateno<sup>B</sup></b>		<b>London</b>	<b>www.concateno.com</b>		
	Cost (£'000)	114	Year ended 31 March	2007	2006
	Valuation (£'000)	124		£'000	£'000
	Basis of valuation	Bid price	Sales	721	Nil
	Equity held	0.2%	Profit/(loss) before tax	(843)	(645)
	Income received (£'000)	Nil	Retained profit/(loss)	(670)	(645)
	First invested	October 2006	Net assets	5,684	3,973
		Provider of services for the testing of employees for drugs and alcohol			
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I and Aberdeen Income and Growth VCT.				
<b>ID Support Services Holdings</b>		<b>Manchester</b>	<b>www.id-group.co.uk</b>		
	Cost (£'000)	75	Year ended <sup>C</sup>		
	Valuation (£'000)	120		£'000	£'000
	Basis of valuation	Market value assessment	Sales		
	Equity held	0.8%	Profit/(loss) before tax		
	Income received (£'000)	Nil	Retained profit/(loss)		
	First invested	March 2007	Net assets		
		CCTV security and air conditioning systems			
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Aberdeen Income and Growth VCT, Laminvest and West Yorkshire Pension Fund.				
<b>Funeral Services Partnership</b>		<b>Midlands</b>	<b>No website available</b>		
	Cost (£'000)	99	Year ended <sup>C</sup>		
	Valuation (£'000)	99		£'000	£'000
	Basis of valuation	Cost	Sales		
	Equity held	0.7%	Profit/(loss) before tax		
	Income received (£'000)	Nil	Retained profit/(loss)		
	First invested	March 2007	Net assets		
		Operator of funeral directors			
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Aberdeen Income and Growth VCT, Guinness Flight Venture Capital Trust and Laminvest.				

## Largest Unlisted and AIM/PLUS Investments continued

<b>Darwen Group<sup>B</sup></b>		<b>London</b>	<b>www.elcb.co.uk</b>	
	Cost (£'000)	42	Year ended <sup>C</sup>	
	Valuation (£'000)	95		£'000    £'000
	Basis of valuation	Bid price	Sales	
	Equity held	0.6%	Profit/(loss) before tax	
	Income received (£'000)	Nil	Retained profit/(loss)	
	First invested	September 2007	Net assets	
		Bus manufacturer & low emission technology group		
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I and Aberdeen Income and Growth VCT.			
<b>Homelux Nenplas</b>		<b>Ashbourne, Derbyshire</b>	<b>www.homelux.co.uk</b>	
	Cost (£'000)	50	Year ended 31 May	2007
	Valuation (£'000)	94		£'000    £'000
	Basis of valuation	Earnings	Sales <sup>P</sup>	
	Equity held	0.8%	Profit/(loss) before tax	1,134
	Income received (£'000)	9	Retained profit/(loss)	901
	First invested	May 2006	Net assets	1,390
		Manufacturer of plastic tiling trims and related products		
<b>Other AAMPE Clients invested:</b>	Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Aberdeen Income and Growth VCT and Laminvest.			
<b>Litcomp<sup>B</sup></b>		<b>Grantham, Lincolnshire</b>	<b>www.litcomp-plc.com</b>	
	Cost (£'000)	50	Year ended 31 March	2007    2006
	Valuation (£'000)	85		£'000    £'000
	Basis of valuation	Bid price	Sales	6,231    2,950
	Equity held	Nil	Profit/(loss) before tax	828    (583)
	Income received (£'000)	4	Retained profit/(loss)	596    (583)
	First invested	October 2005	Net assets	1,794    1,023
		Supplier of medical reports in support of legal actions		
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2 and Aberdeen Growth VCT I.			
<b>Spectral Fusion Technologies</b>		<b>Birmingham</b>	<b>www.spectralft.co.uk</b>	
	Cost (£'000)	202	Year ended 31 May	2007    2006
	Valuation (£'000)	83		£'000    £'000
	Basis of valuation	Market value assessment	Sales	1,623    1,796
	Equity held	4.8%	Profit/(loss) before tax	(192)    (254)
	Income received (£'000)	Nil	Retained profit/(loss)	(127)    (169)
	First invested	May 2002	Net assets	962    1,054
		Designer and developer of industrial imaging systems		
<b>Other AAMPE Clients invested:</b>	There are no other clients of the Manager invested in this company.			
<b>Work Group<sup>B</sup></b>		<b>London</b>	<b>www.workgroup.plc.uk</b>	
	Cost (£'000)	101	Year ended 31 December	2006    2005
	Valuation (£'000)	79		£'000    £'000
	Basis of valuation	Bid price	Sales	33,147    31,308
	Equity held	0.5%	Profit/(loss) before tax	1,910    834
	Income received (£'000)	1	Retained profit/(loss)	1,510    750
	First invested	February 2006	Net assets	10,153    7,300
		Provider of recruitment services		
<b>Other AAMPE Clients invested:</b>	Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2 and Aberdeen Growth VCT I.			

<sup>A</sup>Quoted on PLUS.

<sup>B</sup>Quoted on AIM.

<sup>C</sup>These companies have not yet produced their first report and accounts.

<sup>P</sup>This company does not reveal its turnover as permitted under the Companies Act provisions relating to medium-sized companies.

## Your Board

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The Board of four Directors, all of whom are non-executive and the majority of whom 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 and Independent Non-executive Director

**Relevant experience and other directorships:** Jonathan 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 Eaglet Investment Trust plc, Galaxy Asset Management Limited and Royal London UK Equity & Income Trust plc.

**Length of service:** He was appointed as a Director and as Chairman on 22 March 2000.

**Last re-elected to the Board:** 29 August 2007

**Age:** 69

**Committee membership:** Chairman of Audit, Management Engagement, Nomination and Remuneration Committees.

**Employment by the Manager:** None

**Other connections with the Manager:** From April 2005 to March 2006 he was a director of the Income & Growth Trust PLC and Income & Growth Securities PLC.

**Shared directorships with other Directors:** None

**Shareholding in Company:** 10,000 Ordinary Shares

### Stephen J Barclay

Independent Non-executive Director

**Relevant experience and other directorships:** Stephen 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. Stephen is a former executive chairman of Seymour Pierce Limited and was a director of Investment Management Holdings plc until 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.

**Length of service:** He was appointed as a Director on 22 March 2000.

**Last re-elected to the Board:** 25 August 2005

**Age:** 66

**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:** 87,500 Ordinary Shares

### Brian O J May

Independent Non-executive Director

**Relevant experience and other directorships:** Brian 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 and he is a director of a number of other small companies.

**Length of service:** He was appointed as a Director on 22 March 2000.

**Last re-elected to the Board:** 23 August 2006

**Age:** 47

**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:** 45,000 Ordinary Shares

### William R Nixon

Non-Executive Director

**Relevant experience and other directorships:** Bill is Head of the Growth Capital team at Aberdeen Asset Management Private Equity (AAMPE) and a member of the executive management committee of AAMPE. He has led more than 40 completed private equity transactions throughout the UK since commencing his career in private equity in 1991. He is a Fellow of the Chartered Institute of Bankers in Scotland and obtained a Masters of Business Administration degree from Strathclyde University in 1996. Before joining Aberdeen Asset Managers Limited in 1999, he was head of the private equity business at Clydesdale Bank plc, a subsidiary of National Australia Bank. He is a director of Gateway VCT plc and an alternate director of Aberdeen Growth VCT I PLC, Aberdeen Growth Opportunities VCT PLC and Aberdeen Growth Opportunities VCT 2 PLC and is also a director of a number of private companies.

**Length of service:** He was appointed as a Director on 21 February 2006.

**Last re-elected to the Board:** 29 August 2007

**Age:** 45

**Committee membership:** None

**Employment by the Manager:** Since 1999

**Other connections with the Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** None

# Directors' Report

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The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2008.

## Articles of Association

At the Annual General Meeting of the Company, a Special Resolution numbered 10 in the Notice of Meeting will be put to Shareholders to approve a number of amendments to the Company's Articles of Association. These amendments are primarily to reflect the provisions of the Companies Act 2006 and an explanation of the main changes between the proposed and the existing Articles of Association is set out in the Appendix to the Notice of Meeting on pages 42 and 43. Other changes to the Articles of Association, which are of a minor, technical or clarifying nature, and some more minor changes which also reflect changes made by the Companies Act 2006 have not been noted in the Appendix.

As the Resolution is proposed as a Special Resolution, to be passed, at least three quarters of the votes cast must be in favour of the Resolution.

A copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the changes being proposed in the Resolution will be available for inspection at the offices of Aberdeen Asset Management PLC at Sutherland House, 149 St Vincent Street, Glasgow G2 5NW and at the office of Biggart Baillie LLP, Solicitors, Dalmore House, 310 St Vincent Street, Glasgow, G2 5QR from 30 June 2008 until the time of the Annual General Meeting and at the Registered Office of the Company from 15 minutes before the Annual General Meeting until it closes.

The Directors consider that the Resolution to be put to the Meeting is in the best interests of the Company and its Shareholders as a whole. Your Directors will be voting their aggregate Shareholding of 142,500 Ordinary Shares of 50p each in favour of the Resolution and unanimously recommend that Shareholders do so as well.

## Results and dividends

The loss attributable to Equity Shareholders, for the year ended 31 March 2008, was £282,000 (2007: gain of £183,000). The Directors do not recommend the payment of a final dividend. The Net Asset Value per Ordinary Share at 31 March 2008 was 48.0p (2007: 53.3p). The Net Asset Value per Ordinary Share has been calculated using the number of shares in issue at 31 March 2008 of 5,309,102 (2007: 5,309,102).

## Business review

A full review of the Company's operations is given in the Chairman's Statement on pages 2 and 3 and in the Investment Manager's Review on pages 5 to 8. In addition, the Directors' Report includes a summary of the business objectives, the Board's strategy for achieving them, the key performance indicators and the principal risks faced by the Company.

## Investment objective

The Company aims to achieve long term capital appreciation and generate maintainable levels of income for Shareholders.

## Statement of investment policy

The Company intends to achieve its objective by:

- investing the majority of its funds in a diversified portfolio of shares and securities of smaller, unquoted UK companies and in AIM/PLUS quoted companies which meet the criteria for VCT qualifying investments and have strong growth potential;
- investing in line with VCT regulations, no more than £1 million in any company in one year and no more than 15% of the Company's assets by cost in one business at any time;
- maintaining a qualifying investment level of at least 70% according to VCT regulations;
- borrowing up to £400,000 on a selective basis in pursuit of investment strategy; and
- retaining the services of a Manager that can provide the breadth and depth of resources to achieve the investment objective.

The Company manages and minimises investment risk by:

- diversifying across a large number of companies;
- diversifying across a range of economic sectors;
- actively and closely monitoring the progress of investee companies;
- seeking to appoint a non-executive director to the board of each private investee company, provided from the Manager's investment management team or from its pool of experienced independent directors;
- co-investing with other companies run by the Manager in larger deals, which tend to carry less risk;
- not investing in hostile public to private transactions; and
- retaining the services of a Manager that can provide the breadth and depth of resources required to meet the criteria stated above.

Other risks are managed as follows:

- VCT qualifying status is monitored continuously and risk is minimised by retaining the services of a Manager with the resources to provide sufficient flow of investment opportunities and integrated administrative and management systems to ensure continuing compliance with regulations; and
- risks of political change, exchange controls, taxation or other regulations that might affect investee companies are monitored and taken account of before investments are made and in determining the valuations of unlisted investments.

## Statement of compliance with investment policy

That the Company is adhering to its stated investment policy and managing the risks arising from it can be seen in various tables and charts throughout the Annual Report and from figures provided in the Chairman's Statement on pages 2 and 3 and in the Investment Manager's Review on pages 5 to 8.

The management of the investment portfolio has been delegated to Aberdeen Asset Managers Limited (the Manager), which also provides administrative and financial management services and, through its parent company, company secretarial services to the Company. The Board is satisfied with the depth and breadth of the Manager's resources and its network of offices, which both supply new deals and enable Aberdeen to monitor the geographically widespread portfolio companies effectively.

The Investment Portfolio Summary on pages 9 and 10 shows the number of investments in the portfolio and the degree of co-investing with other clients of the Manager. The tabular analyses of the unlisted and AIM/PLUS portfolio by FTSE industrial sector and deal type on page 4 show that the portfolio is diversified across a variety of economic sectors and deal types. The level of qualifying investments is monitored by the Manager on a daily basis and reported to the Board quarterly.

### Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicator is Net Asset Value per share and a historical record of the Company's financial performance is shown in the Financial Highlights on page 1. In addition, the Board considers peer group comparative performance.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to its investment activities and include market price, interest rate and liquidity risk. An explanation of these risks and how they are managed is contained on page 44 and in Note 19 to the Financial Statements on page 34 to 36. Additional risks faced by the Company, and the mitigation approach adopted by the Board, are as follows:

- investment objective: the Board's aim is to maximise absolute returns to Shareholders while managing risk by ensuring an appropriate diversification of investments;
- investment policy: inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Manager mitigates by operating within investment guidelines and regularly monitoring performance against the peer group. The regulations affecting Venture Capital Trusts (see page 37) are central to the Company's investment policy;
- discount volatility: due to lack of liquidity in the secondary market, venture capital trust shares tend to trade at discounts to their net asset values which the Board could seek to manage, through the Manager, by making purchases of shares in the market from time to time and within established guidelines; and
- regulatory risk: the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 842AA of the Income and Corporation Taxes Act 1988 could result in the Company

being subject to capital gains tax on the sale of its investments. A breach of the VCT Regulations could result in the loss of VCT status and a consequent loss of tax reliefs currently available to Shareholders.

A serious breach of other regulations, such as the UKLA Listing Rules or the Companies Act, could lead to suspension of trading in the Company's shares at the Stock Exchange and reputational damage. The Board receives quarterly reports from the Manager in order to monitor compliance with regulations.

At least twice each year the Board considers all of the above risks and the measures in place to manage them.

### Directors

Biographies of the Directors who held office during the year ended 31 March 2008 are shown on page 13 along with their interests in the shares of the Company, which are also shown below. No contract or arrangement significant to the Company's business and in which any of the Directors is interested has subsisted during the year.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years. Mr Barclay, whose biography appears on page 13, retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. In addition, Mr Nixon, whose biography also appears on page 13 and who is deemed not to be independent of the Manager, retires at the Annual General Meeting in accordance with corporate governance best practice and, being eligible, offers himself for annual re-election. In respect of these re-elections, Resolutions 3 and 4 respectively will be proposed at the Annual General Meeting.

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

	31 March 2008 Ordinary Shares of 50p	31 March 2007 Ordinary Shares of 50p
J D Carr (Chairman)	10,000	10,000
S J Barclay	87,500	75,000
B O J May	45,000	45,000
W R Nixon	—	—

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

### Manager and Company Secretary

Investment management, accounting and administrative services are provided to the Company by Aberdeen Asset Managers Limited and company secretarial services are supplied by Aberdeen Asset Management PLC. The key features of the Management and Administration Deed include:

- the initial term is for a period of five 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 fees payable by the Company to the independent 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 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 for the year ended 31 March 2007 are detailed in Notes 3 and 4 to the Financial Statements on page 30. In the March 2008 Budget, the Chancellor of the Exchequer announced draft legislation that would exempt venture capital trusts from VAT on management fees with effect from 1 October 2008.

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

### Auditors

The Directors who held office at the date of approval of the Director's Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's Auditors are unaware and that each Director has taken all the steps that he should have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

During the year ended 31 March 2008, the Directors carried out a review of the provision of audit services. As a result, on 6 December 2007, CLB Littlejohn Frazer resigned as Auditors to the Company and Deloitte & Touche LLP were subsequently appointed on 13 February 2008 to fill the resultant vacancy. Resolution 5, to re-appoint Deloitte & Touche LLP as Auditors, will be proposed at the forthcoming Annual General Meeting along with Resolution 6, to authorise the Directors to fix their remuneration.

### 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 2008.

A Special Resolution, numbered 7 in the Notice of Meeting, will be put to Shareholders at the Annual General Meeting for their authority for the Company to purchase in the market a maximum of 14.99% of Ordinary Shares in issue (795,834 Ordinary Shares) at 31 March 2008. 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 Annual General Meeting of the Company to be held in 2009.

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 50p 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 can only be made from available reserves and the purchase cost 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 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 for the Company to issue up to an aggregate nominal amount of £265,455 (equivalent to 530,910 Ordinary Shares or 10% of the total issued share capital at 31 March 2008). 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. This means, in effect, that the authority will have to be renewed at the Annual General Meeting of the Company to be held in 2009.

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 530,910 Ordinary Shares or 10% of the total issued share capital at 31 March 2008) 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.

### Share capital

As at 31 March 2008, the Ordinary Share capital of the Company amounted to 5,309,102 Ordinary Shares of 50p each. Full details are included in Note 13 to the Financial Statements on page 33.

### Share interests

At 30 June 2008, as far as the Directors have been made aware and in addition to the interests of the Directors as noted on page 15, the following have aggregate interests in the Company's issued share capital:

	Ordinary Shares of 50p	% of ordinary capital
Pershing Keen Nominees Limited	426,008	8.0
Mr E Lovett-Turner, Mr N Lovett-Turner and Miss A Lovett- Turner	300,000	5.7
The Corporation of Lloyds	200,000	3.8
Mr R G Lagden and Mrs E V Lagden	200,000	3.8

### 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. HM Revenue & Customs 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.

### Corporate governance

The Statement of Corporate Governance is shown on pages 20 to 24.

### Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations, including accrued income and purchases and sales awaiting settlement. The main risks that the Company faces arising from its financial instruments are disclosed in Note 19 to the Financial Statements on pages 34 to 36.

### 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 material trade creditors at the year end.

### 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.

### True and fair view

In accordance with the Statement of Directors' Responsibilities on page 24, the Directors believe that, to the best of their knowledge:

- the Financial Statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2008 and for the year to that date; and
- the Directors' Report includes a fair review of the development and performance of the Company, together with a description of the principal risks and uncertainties that it faces.

### Annual General Meeting

The Notice of the Annual General Meeting, which will be held on 8 September 2008, is contained on pages 39 to 43.

149 St Vincent Street  
Glasgow G2 5NW  
30 June 2008

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 25.

## Remuneration Committee

At 31 March 2008, the Company had four non-executive Directors and the three independent Directors fulfil 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 19, 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, 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 2009 and for 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 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. In practice, and as noted in the Directors' Report on page 16, the Manager pays, on behalf of the Company, the fees due to the Directors from the amount paid to the Manager under the terms of the Management and Administration Deed. 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 125p per share has been distributed to the holders of Ordinary Shares, each of the independent Directors are entitled to an equal share of ten per cent of any further dividends or capital distributions.

At its meeting in February 2008, the Remuneration Committee carried out a review of Directors' fees and concluded that there would be no change to the level of the remuneration of the independent Directors. The Committee's policy would be to continue to review the rates of Directors' remuneration from time to time.

## Directors' and Officers' liability insurance

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

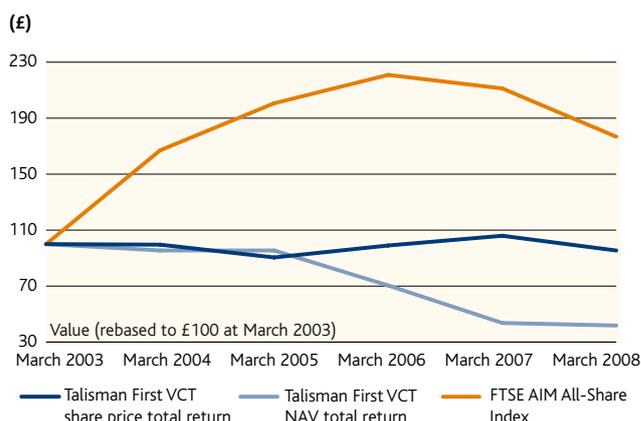
None of the Directors has a contract of service or contract for services and a Director may resign by giving three months' notice in writing to the Board at any time.

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 below compares the total return on an investment of £100 in the Ordinary Shares of the Company, for each annual accounting period for the five years to 31 March 2008, assuming any 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.

### Total return



Source: Aberdeen Asset Managers Limited/Factset

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The NAV total return in periods prior to the year ended 31 March 2005 reflects investments in listed and AIM quoted securities valued at mid-market price. Please note that past performance is not necessarily a guide to future performance.

#### Directors' emoluments for the year (audited)

The Directors who served during the year ended 31 March 2008 received the following emoluments in the form of fees:

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Directors</b>		
J D Carr (Chairman)	6,500	6,500
S J Barclay <sup>A</sup>	5,000	5,000
B O J May	5,000	5,000
W R Nixon	–	–
<b>Total</b>	<b>16,500</b>	<b>16,500</b>

<sup>A</sup>Mr Barclay's fees were 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 2008 (2007: nil).

#### Approval

The Directors' Remuneration Report on pages 18 and 19 was approved by the Board of Directors and signed on its behalf by:

**Joanathan D Carr**

Director  
30 June 2008

# Statement of Corporate Governance

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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 Combined Code published in July 2006. The Listing Rules of the UK Listing Authority require the Board to report on compliance with the provisions of the Combined Code throughout the year ended 31 March 2008. The exception to Compliance with the Combined Code was that a senior non-executive Director has not been appointed (Code requirement A3.3) as 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.

In addition, some of the Directors of the Company and members of their close families have invested, and may continue to invest, in companies in which the Company has invested; any such interests are declared at Board Meetings.

## The Board

The Board currently consists of four Directors who, with the exception of Mr Nixon, 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.

However, the following points should be noted:

- Mr W R Nixon is an employee of Aberdeen Asset Management PLC, the parent company of the Manager; and
- Mr J D Carr was independent of the Manager at the time of his appointment as a Director and continues to be so by virtue of his lack of connection with the Manager and of cross-directorships with his fellow Directors.

The biographies of the Directors appear on page 13 of this Report and indicate their high level and range of investment, industrial, commercial and professional experience.

The Board sets the Company's values and objectives and ensures that its obligations to Shareholders are met. 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:

- the 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;

- Companies Act requirements such as the approval of the Interim and Annual Financial Statements and recommendation of any 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 for, 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 within the Board and its Committees; and
- advising on corporate governance matters.

An induction meeting will be arranged by the Manager on the appointment of any new Director, covering details about the Company, the Manager, legal responsibilities and venture capital trust 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 and is Chairman of the Audit, Management Engagement, Nomination and Remuneration Committees as the Board considers that he has the skills and experience relevant to these roles.

The Board meets at least four times a year and, between these meetings, maintains contact with the Manager. 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. During the year ended 31 March 2008, the Directors held four scheduled Board Meetings and a further two meetings were held by telephone. In addition, there were two meetings of the Audit Committee and one each of the Nomination, Management Engagement and Remuneration Committees.

Directors have attended Board and Committee meetings during the year ended 31 March 2008 as follows:

	Board	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
<b>Director</b>					
J D Carr (Chairman)	5	2	–	–	–
S J Barclay	3	1	1	1	1
B O J May	5	2	1	1	1
W R Nixon <sup>A</sup>	5	–	–	–	–

<sup>A</sup>Mr Nixon is not a member of the Audit, Nomination, Management Engagement and Remuneration Committees.

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 where necessary.

The Board and its Committees have undertaken a process for their annual performance evaluation, using questionnaires and discussion to ensure that Directors have devoted sufficient time and contribute adequately to the work of the Board and its Committees. As part of this process, the Chairman is subject to evaluation by his fellow Directors.

### 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.

### Policy on tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he has to make and, therefore, the length of service will be determined on a case by case basis.

### Committees

The Board has established a number of Committees, each of which comprises the independent Directors and is chaired by the Chairman of the Company. Each of the Committees has written terms of reference that are available on request from the Registered Office of the Company and which are reviewed and re-assessed for their adequacy at each meeting.

### Audit Committee

The Audit Committee comprises all of the independent Directors and the Board is satisfied that 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. Two meetings were held during the year ended 31 March 2008.

The Audit Committee 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' Board Report and any required response;
- meetings with representatives of the Manager; and
- making appropriate recommendations to the Board.

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. Shareholders are asked to approve the re-appointment, and the Directors' responsibility for the remuneration, of the Auditors at each Annual General Meeting. Any non-audit work, other than interim reviews, requires the specific approval of the Audit Committee in each case. Non-audit work, where independence may be compromised or conflicts arise, is prohibited and the Audit Committee considers the external Auditors, Deloitte & Touche LLP which also provides tax services to the Company, to be independent.

Details of the amounts paid to the Auditors during the year for audit and other services are set out in Note 6 to the Financial Statements on page 31.

## Management Engagement Committee

The Management Engagement Committee comprises all of the independent Directors and annually reviews the management contract with Aberdeen Asset Managers Limited, details of which are shown in the Directors' Report on pages 15 and 16. There was one meeting held during the year ended 31 March 2008, at which the Committee considered the management contract and, based on the performance of the portfolio, recommended the continued appointment of the Manager.

## Nomination Committee

The Nomination Committee comprises all of the independent Directors and makes recommendations to the Board on the following matters:

- the evaluation of the performance of the Board and its Committees;
- succession planning;
- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board;
- 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.

The Committee met once during the year ended 31 March 2008 and recommended to the Board the nomination for re-election of Mr S J Barclay and Mr W R Nixon, whose biographies appear on page 13 of this Report, for the following reasons:

- Mr Barclay has, inter alia, detailed knowledge of, and significant experience in, corporate finance and stockbroking; and
- Mr Nixon has, inter alia, considerable knowledge of, and experience in, the private equity industry and the venture capital trust sector.

The Board has endorsed these recommendations and, accordingly, Resolutions 3 and 4 will be put to the Annual General Meeting.

## Remuneration 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 comprising all of the independent Directors. The Committee held one meeting during the year ended 31 March 2008 to review the policy for, and the level of, Directors' Remuneration.

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 Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 18 and 19.

## 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 have delegated the investment management of the Company to Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC which provides company secretarial and administrative services to the Company. Therefore, the Board considers that it is appropriate for the Company's internal controls to be monitored by the internal audit team of Aberdeen Asset Management PLC, rather than by the Company itself. 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. The Directors have delegated the investment management of the Company to the Manager 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 the internal audit function of Aberdeen Asset Management PLC, 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 and Secretary's

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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 which functions to 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 the 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 operations of the Manager and Secretary;
- 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 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.

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 Company's Audit Committee agenda includes an item for the consideration for risks and controls and receives reports thereon from Aberdeen Management PLC. During the year ended 31 March 2008, the Board has considered 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 those risks are managed.

### 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. 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 when requested.

### Accountability and audit

The Directors' Statement of Responsibilities in relation to the Financial Statements is on page 24 and the Statement of Going Concern is included in the Directors' Report on page 17. The Independent Auditors' Report is on page 25. It should be noted that the Auditors, Deloitte & Touche LLP, rotate the partner responsible for the Company's audit every five years.

### Exercise of voting powers

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.

### Socially responsible investment policy

The Directors are aware of their duty to act in the interests of the Company. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, therefore, ensure that they take regular account of the social environment and ethical factors that may affect the performance or value of the Company's investments.

### Communication with Shareholders

The Company places a great deal of importance on communication with its Shareholders. The Annual General Meeting is an event which all Shareholders are welcome to attend. The Notice of Meeting on pages 39 to 43 sets out the business of the Annual General Meeting and the Resolutions are explained more fully in the Directors' Report on pages 14 to 17 and in the Directors' Remuneration Report on pages 18 and 19. Separate Resolutions are proposed for each substantive issue and Shareholders have the opportunity to put questions to the Board and

to the Manager. The results of proxy voting are relayed to Shareholders after each Resolution has been voted on by a show of hands. It is in the nature of a venture capital trust that it generally has no major Shareholders. Nominated persons, often the beneficial owners of shares held for them by nominee companies, may attend Shareholder meetings and are invited to contact the registered Shareholder, the nominee company, in the first instance in order to be nominated to attend the meeting and to vote in respect of the shares held for them.

As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting. Annual and Interim Reports and Financial Statements are 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 and the Manager respond to letters from Shareholders on a wide range of issues. Shareholders also have direct access to the Company via the free Shareholder information telephone service run by the Manager. In order to ensure that the Directors develop an understanding of the views of Shareholders, correspondence between the Manager or the Chairman and Shareholders is copied to the Board. The Company's web pages are hosted on Aberdeen's website, and can be visited at [www.talismanfirst.co.uk](http://www.talismanfirst.co.uk) from where Annual and Interim Reports, Stock Exchange Announcements and other information can be viewed, printed or downloaded. Access to further information about the Manager can be gained from [www.aberdeenasset.com/privateequity](http://www.aberdeenasset.com/privateequity).

## Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

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We have audited the Financial Statements of Talisman First Venture Capital Trust PLC for the year ended 31 March 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related Notes 1 to 19.

These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This 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 auditors' report and for no other purpose. To the fullest extent permitted by 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, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Manager's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider

whether the Board's statements on internal control cover all risks 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 as described in the contents section and consider whether it is consistent with the audited Financial Statements. 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 further information outside the Annual Report.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its return for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
Glasgow, United Kingdom  
30 June 2008

# Income Statement

For the year ended 31 March 2008

	Notes	Year ended 31 March 2008			Year ended 31 March 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	10	–	(207)	(207)	–	337	337
Income	2	93	–	93	48	–	48
Investment management fees	3	(22)	(91)	(113)	(114)	–	(114)
Performance fees	4	(2)	(9)	(11)	–	(46)	(46)
Finance costs	5	(2)	(8)	(10)	–	–	–
Other expenses	6	(34)	–	(34)	(42)	–	(42)
<b>(Loss)/return on ordinary activities before taxation</b>		<b>33</b>	<b>(315)</b>	<b>(282)</b>	<b>(108)</b>	<b>291</b>	<b>183</b>
Tax on ordinary activities	7	(2)	2	–	–	–	–
<b>(Loss)/return on ordinary activities after taxation</b>	<b>9</b>	<b>31</b>	<b>(313)</b>	<b>(282)</b>	<b>(108)</b>	<b>291</b>	<b>183</b>
<b>Earnings per share (pence)</b>		<b>0.6</b>	<b>(5.9)</b>	<b>(5.3)</b>	<b>(2.0)</b>	<b>5.5</b>	<b>3.5</b>

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

For the year ended 31 March 2008

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Opening Shareholders' funds	2,829	2,646
Total (loss)/return for year	(282)	183
<b>Closing Shareholders' funds</b>	<b>2,547</b>	<b>2,829</b>

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

# Balance Sheet

As at 31 March 2008

	Notes	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
<b>Investments at fair value through profit or loss</b>	10		2,777		2,618
<b>Current assets</b>					
Debtors	11	51		9	
Cash and overnight deposits	17	96		300	
			147		309
<b>Creditors</b>					
Amounts falling due within one year	12	43		98	
Bank overdraft	17	334		–	
			377		98
<b>Net current (liabilities)/assets</b>			(230)		211
<b>Net assets</b>			<b>2,547</b>		<b>2,829</b>
<b>Capital and reserves</b>					
Called up share capital	13		2,655		2,655
Share premium account	14		2,389		2,389
Capital reserve - realised	14		(445)		(412)
Capital reserve - unrealised	14		(1,062)		(782)
Revenue reserve	14		(990)		(1,021)
<b>Net assets attributable to Ordinary Shareholders</b>			<b>2,547</b>		<b>2,829</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	<b>15</b>		<b>48.0</b>		<b>53.3</b>

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

30 June 2008

**Jonathan D Carr**  
Director

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

# Cash Flow Statement

For the year ended 31 March 2008

	Notes	Year ended 31 March 2008		Year ended 31 March 2007	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		51		209	
Deposit interest received		4		10	
Investment management fees paid		(113)		(125)	
Performance fees paid		(40)		(60)	
Other cash payments		(39)		(9)	
<b>Net cash (outflow)/inflow from operating activities</b>	<b>16</b>		<b>(137)</b>		<b>25</b>
<b>Taxation</b>					
Corporation tax			–		–
<b>Financial investment</b>					
Purchase of investments		(942)		(1,984)	
Sale of investments		551		1,949	
<b>Net cash outflow from financial investment</b>			<b>(391)</b>		<b>(35)</b>
<b>Equity dividends paid</b>					
Equity dividends paid			–		–
<b>Net cash outflow before financing</b>			<b>(528)</b>		<b>(10)</b>
<b>Financing</b>					
Bank overdraft interest paid		(10)		–	
<b>Net cash outflow from financing</b>			<b>(10)</b>		<b>–</b>
<b>Decrease in cash</b>	<b>17</b>		<b>(538)</b>		<b>(10)</b>

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

# Notes to the Financial Statements

For the year ended 31 March 2008

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## 1 Accounting policies

### (a) Basis of preparation

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' (the SORP) issued in December 2005.

### (b) Income

Dividends receivable on equity shares and unit trusts are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective interest rate on the debt securities and shares. Provision is made for any fixed income not expected to be received. Interest receivable from cash and short-term deposits and interest payable are accrued to the end of the year.

### (c) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition and disposal of an investment are charged to capital; and
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee, performance fee and finance costs have been allocated 20% to revenue and 80% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

### (d) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital reserves and revenue account on the same basis as the particular item to which it relates using the Company's effective rate of tax for the period.

### (e) Investments

In valuing unlisted investments the Directors follow the criteria set out below. These procedures comply with the revised International Private Equity and Venture Capital Valuation Guidelines for the valuation of private equity and venture capital investments. Investments are recognised at their trade date and are valued at fair value, which represent the Directors' view of the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have an intention to sell their holding in the near future.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1. For investments completed within the 12 months prior to the reporting date and those at an early stage in their development, fair value is determined using the Price of Recent Investment Method, except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in the relevant sector of the stock market.
2. Whenever practical, recent investments will be valued by reference to a material arm's length transaction or a quoted price.

## Notes to the Financial Statements continued

3. Mature companies are valued by applying a multiple to their fully taxed prospective earnings to determine the enterprise value of the company.
  - 3.1 To obtain a valuation of the total ordinary share capital held by management and the institutional investors, the value of third party debt, institutional loan stock, debentures and preference share capital is deducted from the enterprise value. The effect of any performance related mechanisms is taken into account when determining the value of the ordinary share capital.
  - 3.2 Preference shares, debentures and loan stock are valued using the Price of Recent Investment Method. When a redemption premium has accrued, this will only be valued if there is a reasonable prospect of it being paid. Preference shares which carry a right to convert into ordinary share capital are valued at the higher of the Price of Recent Investment Method basis and the price/earnings basis, both described above.
4. Where there is evidence of impairment, a provision may be taken against the previous valuation of the investment.
5. In the absence of evidence of a deterioration, or strong defensible evidence of an increase in value, the fair value is determined to be that reported at the previous balance sheet date.
6. All unlisted investments are valued individually by Aberdeen Private Equity's Portfolio Management Team. The resultant valuations are subject to detailed scrutiny and approval by the Directors of the Company.
7. In accordance with normal market practice, investments listed on the Alternative Investment Market or a recognised stock exchange are valued at their bid market price.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>2 Income</b>		
<b>Income from investments:</b>		
UK dividends	23	18
UK unfranked investment income	67	20
	90	38
<b>Other income:</b>		
Deposit interest	3	10
<b>Total income</b>	<b>93</b>	<b>48</b>

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3 Investment management fees</b>						
Investment management fees	19	77	96	97	–	97
Irrecoverable VAT	3	14	17	17	–	17
	<b>22</b>	<b>91</b>	<b>113</b>	<b>114</b>	<b>–</b>	<b>114</b>

Details of the fee basis are contained in the Directors' Report on pages 15 and 16.

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>4 Performance fees</b>						
Performance fees	2	8	10	–	39	39
Irrecoverable VAT	–	1	1	–	7	7
	<b>2</b>	<b>9</b>	<b>11</b>	<b>–</b>	<b>46</b>	<b>46</b>

Details of the fee basis are contained in the Directors' Report on pages 15 and 16.

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5 Finance costs</b>						
Bank overdraft interest	2	8	10	–	–	–
	2	8	10	–	–	–

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>6 Other expenses</b>						
Other expenses	23	–	23	32	–	32
Fees paid to Auditors - statutory audit	8	–	8	9	–	9
Fees paid to Auditors - tax services	3	–	3	1	–	1
	34	–	34	42	–	42

The above expenses include VAT where applicable.

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>7 Tax on ordinary activities</b>						
Corporation tax	2	(2)	–	–	–	–
<b>Charge for year</b>	<b>2</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	33	(315)	(282)	(108)	291	183
Revenue return on ordinary activities multiplied by standard rate of corporation tax	10	(94)	(84)	(32)	87	55
Effect of income not subject to taxation	(7)	–	(7)	(5)	–	(5)
Non taxable losses on investments	–	62	62	–	(101)	(101)
Smaller companies relief	(1)	–	(1)	–	–	–
Movement in excess management expenses	–	30	30	37	14	51
	<b>2</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Company has not recognised a deferred tax asset of £327,000 (2007: £297,000) arising as a result of having unutilised management expenses. It is unlikely that the Company will obtain relief for these in the future, so no deferred tax asset has been recognised.

## Notes to the Financial Statements continued

### 8 Dividends

The Directors have not proposed a dividend for the year ended 31 March 2008 (2007: nil).

### 9 Return per Ordinary Share

The returns per share have been based on the following figures:

	Year ended 31 March 2008	Year ended 31 March 2007
Weighted average number of Ordinary Shares	5,309,102	5,309,102
Revenue return	£31,000	(£108,000)
Capital return	(£313,000)	£291,000
<b>Total return</b>	<b>(£282,000)</b>	<b>£183,000</b>

### 10 Investments

	Year ended 31 March 2008				
	Unlisted £'000	PLUS £'000	AIM £'000	Unit trusts £'000	Total £'000
<b>Movements during the year:</b>					
Valuation at 1 April 2007	747	326	1,509	36	2,618
Unrealised (losses)/gains	(427)	133	(512)	24	(782)
Cost at beginning of year	1,174	193	2,021	12	3,400
Purchases	271	50	596	–	917
Sales proceeds	(61)	–	(454)	(36)	(551)
Realised gains	4	–	45	24	73
Cost at 31 March 2008	1,388	243	2,208	–	3,839
Unrealised (losses)/gains	(340)	241	(963)	–	(1,062)
<b>Valuation at 31 March 2008</b>	<b>1,048</b>	<b>484</b>	<b>1,245</b>	<b>–</b>	<b>2,777</b>

	31 March 2008 £'000	31 March 2007 £'000
<b>The portfolio valuation</b>		
<b>Held at market valuation:</b>		
AIM quoted investments	1,245	1,509
PLUS quoted investments	484	326
UK authorised unit trust	–	36
	1,729	1,871
<b>Unlisted at Directors' valuation:</b>		
Unquoted investments	1,048	747
<b>Total</b>	<b>2,777</b>	<b>2,618</b>
Realised gains/(losses) on historical basis	73	(192)
Movement in net unrealised (losses)/gains	(280)	529
	<b>(207)</b>	<b>337</b>

	31 March 2008 £'000	31 March 2007 £'000
<b>11 Debtors</b>		
Other debtors	48	9
Prepayments	3	–
	<b>51</b>	<b>9</b>

	31 March 2008 £'000	31 March 2007 £'000
<b>12 Creditors</b>		
<b>Amounts falling due within one year:</b>		
Accruals	43	73
Brokers outstanding	–	25
	<b>43</b>	<b>98</b>

	31 March 2008		31 March 2007	
	Number	£'000	Number	£'000
<b>13 Share capital</b>				
At 31 March 2008, the authorised share capital comprised:				
allotted, issued and fully paid:				
Ordinary Shares of 50p each				
Balance brought forward	5,309,102	2,655	26,545,500	2,655
Share consolidation	–	–	(21,236,398)	–
Balance carried forward	5,309,102	2,655	5,309,102	2,655
Unissued unclassified shares of 50p each	2,690,898	1,345	2,690,898	1,345
	<b>8,000,000</b>	<b>4,000</b>	<b>8,000,000</b>	<b>4,000</b>

	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
<b>14 Reserves</b>				
At 31 March 2007	2,389	(412)	(782)	(1,021)
Net return on ordinary activities	–	(33)	(280)	31
<b>At 31 March 2008</b>	<b>2,389</b>	<b>(445)</b>	<b>(1,062)</b>	<b>(990)</b>

	Net Asset Value per share p	Net Asset Value attributable £'000	Net Asset Value per share p	Net Asset Value attributable £'000
<b>15 Net Asset Value per share</b>				
Ordinary Shares	48.0	2,547	53.3	2,829

The number of Ordinary Shares used in this calculation is set out in Note 13.

## Notes to the Financial Statements continued

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>16 Reconciliation of revenue return before taxation to net cash (outflow)/inflow from operating activities</b>		
Return on ordinary activities before taxation	(282)	183
Losses/(gains) on investments	207	(337)
(Increase)/decrease in accrued income	(38)	172
Increase in prepayments	(3)	–
(Decrease)/increase in accruals	(32)	7
Finance costs	11	–
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(137)</b>	<b>25</b>

	31 March 2007 £'000	Cash flows £'000	31 March 2008 £'000
<b>17 Analysis of changes in net funds</b>			
Cash and overnight deposits	300	(204)	96
Bank overdraft	–	(334)	(334)
<b>Net funds</b>	<b>300</b>	<b>(538)</b>	<b>(238)</b>

	31 March 2006 £'000	Cash flows £'000	31 March 2007 £'000
Cash and overnight deposits	310	(10)	300

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>18 Capital commitments</b>		
Conditional capital commitments on unlisted investments	73	–

### 19 Derivatives and other financial instruments

The Company's financial instruments comprise securities and other investments, cash balances, overnight deposits and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company may not enter into derivative transactions in the form of forward foreign currency contracts, futures and options without the written permission of the Directors. It is not the Company's policy to enter into derivative transactions. The purpose of these financial instruments is efficient portfolio management.

The main risks the Company faces from its financial instruments are: (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movement; (ii) interest rate risk; and (iii) liquidity risk. In line with the Company's investment objective, the portfolio comprises UK securities and therefore has no exposure to foreign currency risk.

The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures below exclude short-term debtors and creditors which are included in the Balance Sheet at fair value.

### (i) Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 14. Adherence to investment guidelines and to investment and borrowing powers set out in the Management and Administration Deed mitigates the risk of excessive exposure to any particular type of security or issuer and, in particular, no purchase can be made in any one company where this would result in a holding that would exceed 15% of the Company's investments.

These powers and guidelines include the requirement to invest in a number of companies across a range of industrial and service sectors at varying stages of development but with the emphasis on well established businesses. The Company complied with the stated investment guidelines and borrowing powers throughout the year ended 31 March 2008.

Further information on the investment portfolio (including sector analysis, concentration and deal type analysis) is set out in the Analysis of Unlisted and AIM/PLUS Portfolio, Investment Manager's Review, Summary of Portfolio Performance, Investment Portfolio Summary and Largest Unlisted and AIM/PLUS Investments on pages 4 to 12.

### (ii) Interest rate risk

	31 March 2008			Total £'000
	Fixed interest £'000	Floating rate £'000	Non-interest bearing £'000	
Sterling				
Unlisted and AIM	686	–	2,091	2,777
Cash	–	96	–	96
Bank overdraft	–	(334)	–	(334)
	<b>686</b>	<b>(238)</b>	<b>2,091</b>	<b>2,539</b>

	31 March 2007			Total £'000
	Fixed interest £'000	Floating rate £'000	Non-interest bearing £'000	
Sterling				
Listed	–	36	–	36
Unlisted and AIM	530	–	2,052	2,582
Cash	–	300	–	300
	<b>530</b>	<b>336</b>	<b>2,052</b>	<b>2,918</b>

The listed fixed interest assets have a weighted average life of nil (2007: 1.6 years) and weighted average interest rate of nil (2007: 10%) per annum. These assets are held to provide liquidity for the unlisted investments. The floating rate assets consist of cash deposits on call. These assets are earning interest at prevailing money market rates. The unlisted and AIM assets have a weighted average life of 3.7 years (2007: 5.2 years) and a weighted average interest rate of 9.4% (2007: 10.8%). The non-interest bearing assets represent the equity element of the portfolio. All assets and liabilities of the Company are included in the Balance Sheet at fair value.

### Maturity profile

The interest rate profile of the Company's financial assets at the balance sheet date was as follows:

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 March 2008</b>							
Fixed interest							
Unlisted	–	–	75	208	340	63	686
	<b>–</b>	<b>–</b>	<b>75</b>	<b>208</b>	<b>340</b>	<b>63</b>	<b>686</b>

Within "more than 5 years" there is a figure of £8,700 in respect of preference shares which have no redemption date.

## Notes to the Financial Statements continued

<b>At 31 March 2007</b>	<b>Within 1 year £'000</b>	<b>Within 1-2 years £'000</b>	<b>Within 2-3 years £'000</b>	<b>Within 3-4 years £'000</b>	<b>Within 4-5 years £'000</b>	<b>More than 5 years £'000</b>	<b>Total £'000</b>
Fixed interest							
Unlisted	–	73	–	–	212	245	530
	<b>–</b>	<b>73</b>	<b>–</b>	<b>–</b>	<b>212</b>	<b>245</b>	<b>530</b>

Within "more than 5 years" there is a figure of £13,000 in respect of preference shares which have no redemption date.

It is the Directors opinion that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date.

### **(iii) Liquidity risk**

Due to their nature, unlisted investments may not be readily realisable and, therefore, a portfolio of AIM/PLUS quoted assets is held to offset the liquidity risk.

The Company, generally, does not hold significant cash balances and any cash held is with reputable banks with high quality external credit ratings.

### **(iv) Price risk sensitivity**

The following details the Company's sensitivity to a 10% increase and decrease in the market prices, with 10% being the Manager's assessment of a reasonable possible change in market prices.

At 31 March 2008, if market prices of unit trusts and AIM/PLUS quoted securities had been 10% higher or lower with all other variables held constant, the increase or decrease in net assets attributable to Ordinary Shareholders for the year would have been £173,000 (2007: £187,000), due to the change in valuation of financial assets at fair value through profit or loss.

# Venture Capital Trusts

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Venture Capital Trusts (VCTs) are companies broadly similar to investment trusts and need to have been approved by the HM Revenue & Customs. 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 not retain 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) 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. For VCTs raised after 5 April 2006 these limits are reduced to £7 million before investment and £8 million after investment.

For funds raised after 5 April 2007, for an investment to qualify for VCT purposes, it must have no more than 50 full-time employees at the date of the issue of securities and no more than £2 million may be invested by venture capital schemes in the 12 month period up to and including the date of investment.

# Tax Position of Individual Investors

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

## 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 is entitled to claim income tax relief of up to 30 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 five years. Relief is limited to the amount which reduces the investor's income tax liability to nil. For subscriptions prior to 6 April 2006, the minimum holding period is three years.

An investor who subscribes for or acquires up to a maximum of £200,000 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 realised capital gains 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 of £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. purchased in the market)

An investor who acquires up to a maximum of £200,000 in value 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 VCT. The permitted maximum of £200,000 is the total of VCT shares subscribed for and acquired in the tax year.

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

## 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 HM Revenue and Customs or by waiting until the end of the tax year and using his tax return to claim relief.

## 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 VCT as they may be subject to tax in other jurisdictions as well as in the UK.

**This is only a summary 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 VCT should consult a professional adviser.**

## Risk warnings

Past performance is not necessarily a guide to future performance. You should be aware that share values 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 HM Revenue and Customs. 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

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**This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Talisman First Venture Capital Trust PLC, please forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

Notice is hereby given that the Annual General Meeting of Talisman First Venture Capital Trust PLC will be held on Monday 8 September 2008 at 2.00 p.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 2008.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr S J Barclay<sup>A</sup> as a Director.
4. To re-elect Mr W R Nixon<sup>A</sup> as a Director.
5. To re-appoint Deloitte & Touche LLP 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 50p each in the capital of the Company provided always that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 795,834 representing 14.99% of the Company's issued Ordinary Share capital as at 31 March 2008;
- (b) the minimum price which may be paid for an Ordinary Share shall be 50p 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 2008) 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:

## Notice of Meeting continued

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- (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 2008).

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

THAT the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

149 St Vincent Street  
Glasgow G2 5NW  
30 June 2008

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretary

### Notes:

1. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A reply-paid form of proxy for your use is enclosed.
2. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 2.00 p.m. on Saturday 6 September 2008.
3. The return of a completed proxy form, or other instrument of proxy, will not prevent you attending the Meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 48 hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, 48 hours before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting referred to above.
5. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Capita Registrars (ID RA10), not later than 48 hours before the time fixed for the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instruments. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
  9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
  10. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
    - (i) if a corporate Shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
    - (ii) if more than one corporate representative for the same corporate Shareholder attends the Meeting but the corporate Shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure.
  11. Except as provided above, members who have general queries about the Meeting should write to the Company Secretary or the Registrar at appropriate address, as shown under Corporate Information on page 45 of the Annual Report. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Annual Report and proxy form) to communicate with the Company for any purpose other than those expressly stated.
  12. No Director has a service contract with the Company, but copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.

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

<sup>^</sup>The biographies of the Directors are detailed on page 13 of the Annual Report.

The Directors' Remuneration Report, referred to in Resolution 2, is on pages 18 and 19.

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

Resolutions 3 and 4	Page 15	Directors
Resolutions 5 and 6	Page 16	Auditors
Resolution 7	Page 16	Purchase of Ordinary Shares
Resolutions 8 and 9	Pages 16 and 17	Issue of new Ordinary Shares

Details of the proposed changes to the Company's Articles of Association, referred to in Resolution 10, are contained in the Directors' Report on page 14 and in the Appendix to the Notice of Meeting on pages 42 and 43.

Registered in England and Wales - Company Number 3870187

# Appendix to the Notice of Meeting

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Explanatory Notes of Principal Changes to the Articles Of Association of the Company ("the Articles")

## 1. Articles which duplicate statutory provisions

Provisions in the existing Articles which replicate provisions contained in the Companies Act 2006 are, in the main, amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of Resolutions and provisions regarding the period of notice required to convene General Meetings. The main changes made to reflect this approach are detailed below.

## 2. Form of Resolution

The Current Articles contain a provision that, where for any purpose an Ordinary Resolution is required, a Special or Extraordinary Resolution is also effective and that, where an Extraordinary Resolution is required, a Special Resolution is also effective. The provision is being amended as the concept of Extraordinary Resolutions has not been retained under the Companies Act 2006.

The current Articles enable members to act by Written Resolution. Under the Companies Act 2006, public companies can no longer pass written resolutions and these provisions have, therefore, been removed in the new Articles.

## 3. Convening Extraordinary and Annual General Meetings

The provisions in the current Articles dealing with the convening of General Meetings and the length of notice required to convene General Meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, an Extraordinary General meeting to consider a Special Resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

## 4. Votes of members

Under the Companies Act 2006, proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed, provided that each proxy is appointed to exercise the rights attached to a different share held by the Shareholder. The new Articles reflect all of these new provisions.

## 5. Age of Directors on appointment

The current Articles contain provisions requiring a Director's age to be disclosed if he has attained the age of 70 years or more in the Notice convening a Meeting at which the Director is proposed to be elected or re-elected and limiting the age at which a Director can be appointed. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and, therefore, has been removed from the new Articles.

## 6. Conflicts of interest

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008, Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows a company's articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the new Articles should contain provisions relating to confidential information, attendance at Board Meetings and availability of information to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's power to authorise conflicts are operated effectively.

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## **7. Notice of Board Meetings**

Under the current Articles, when a Director is abroad he can request that notice of Directors' Meetings are sent to him at a specified address and, if he does not do so, he is not entitled to receive notice while he is away. This provision has been amended, as modern communications mean that there may be no particular obstacle to giving notice by e-mail to a Director who is abroad.

## **8. Distribution of assets otherwise than in cash**

The current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the new Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the Articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the current Articles.

## **9. Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with the member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information by them by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can request a hard copy version of the document or information.

## **10. Directors' indemnities and loans to fund expenditure**

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify its directors and to fund expenditure incurred in connection with certain actions against its directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with that company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

## **11. Classes of shares**

The new Articles have been updated to remove any provisions relating to classes of shares which are no longer in issue.

# Corporate Summary

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## 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 2 November 1999.

## Objective

The Company aims to achieve long term capital appreciation for Shareholders.

## Benchmark

There is no meaningful venture capital trust index against which to compare the performance of the Company. However, for reporting to the Board and Shareholders, the Manager uses comparisons with appropriate indices and the Company's peer group.

## Capital structure

As at 31 March 2008, the Company's issued share capital consisted of 5,309,102 Ordinary Shares of 50p each.

## Total assets and Net Asset Value

At 31 March 2008, the Company had total assets of £2,547,000 and a Net Asset Value of 48.0p 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 three yearly intervals and the next vote on the continuation of the Company as a venture capital trust will take place at the Annual General Meeting to be held in 2009. For such a resolution not to be passed, a majority of the votes cast must be against the resolution.

## Risk and uncertainties

Investments in smaller unlisted and AIM or PLUS quoted companies carry substantially greater risk, in terms of price and liquidity, than investments in larger companies or companies listed on the Official List. In addition, many of the businesses in which the Company invests may be exposed to the risk of political change, exchange controls, tax or other regulations that may affect their value and marketability.

The levels and bases of tax reliefs may change.

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

In order to qualify as a VCT, within the accounting period beginning not more than three years after the receipt of applications, the Company must have at least 70% by value of its investments in qualifying holdings. The Company may invest in a number of companies which are not considered to be qualifying investments for a VCT. The criteria that must be met for a qualifying investment and the conditions that are required to be met by the Company in order for it to be approved as a VCT are detailed in Venture Capital Trusts on page 37.

Further details of the Company's risk profile are contained in the Directors' Report on pages 14 and 15, in Note 19 to the Financial Statements on pages 34 to 36 and in Tax Position of Individual Investors on page 38.

## Management and Administration Deed

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of investment management, company secretarial and administrative services. Please refer to pages 15 and 16 for details of the management and secretarial fees payable.

## Share dealing

Shares in the Company can be purchased and sold in the open market through a stockbroker. Seymour Pierce Limited is stockbroker to Talisman First Venture Capital Trust PLC.

# Corporate Information

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## Directors

J D Carr (Chairman)  
S J Barclay  
B O J May  
W R Nixon

## Manager

Aberdeen Asset Managers Limited  
Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW

Customer Services Department: 0845 300 2830  
(open Monday to Friday, 9am to 5pm)

e-mail: [vcts@aberdeen-asset.com](mailto:vcts@aberdeen-asset.com)

## Secretary

Aberdeen Asset Management PLC  
Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW

## Points of Contact

The Chairman and/or the Company Secretary at:

Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW

e-mail: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

## Registered Office

One Bow Churchyard  
Cheapside  
London EC4M 9HH

Registered in England and Wales Company No. 3870187

## Registrar

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
West Yorkshire HD8 0LA

Shareholder Helpline: 0870 162 3100  
(calls cost 10p per minute plus network extras)

## Bankers

J P Morgan Chase Bank

## Stockbrokers

Seymour Pierce Limited

## Solicitors

Field Fisher Waterhouse

## Auditors

Deloitte & Touche LLP

## Website

[www.talismanfirst.co.uk](http://www.talismanfirst.co.uk)

**Aberdeen Asset Managers Limited**

10 Queen's Terrace

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Authorised and Regulated by The Financial Services Authority  
Member of the Aberdeen Asset Management Group of Companies