# Talisman First Venture Capital Trust PLC

## Annual Report and Financial Statements
## Year ended 31 March 2010

MAVEN
CAPITAL PARTNERS

# Contents



## Annual Report



## Directors' Reports and Financial Statements



## General Information



# Shareholders' Calendar

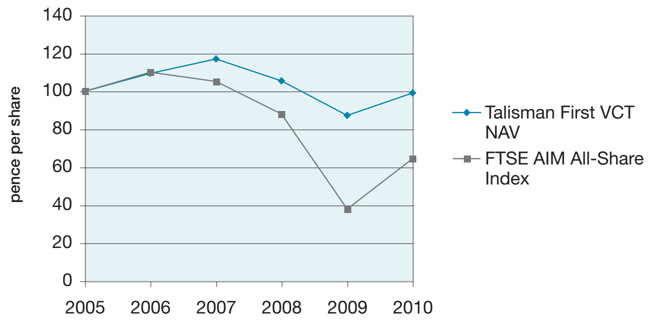
| | |
|---|---|
| **1 September 2010** | **Annual General Meeting** |

# Financial Highlights

## Financial history

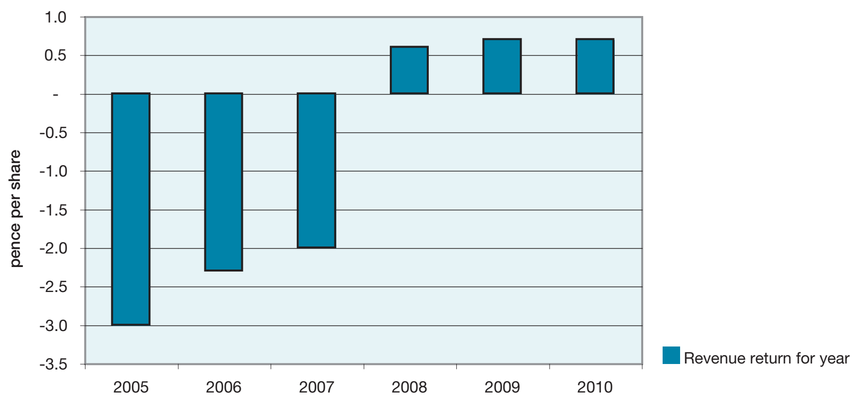
| | 31 March 2010 | 31 March 2009 | 31 March 2008 | 31 March 2007 | 31 March 2006 | 31 March 2005 |
|---|---|---|---|---|---|---|
| Net assets | £2,396,000 | £2,107,000 | £2,547,000 | £2,829,000 | £2,646,000 | £2,405,000 |
| Net Asset Value per share | 45.1p | 39.7p | 48.0p | 53.3p | 49.8p | 45.5p |
| Revenue return for the year | 0.7p | 0.7p | 0.6p | (2.0p) | (2.3p) | (3.0p) |
| Capital return for the year | 4.7p | (9.0p) | (5.9p) | 5.5p | 6.8p | (1.0p) |
| Total return for the year | 5.4p | (8.3p) | (5.3p) | 3.5p | 4.5p | (4.0p) |
| Share price | 19.5p | 14.5p | 23.0p | 24.0p | 38.75p | 52.5p |
| Discount to Net Asset Value | 56.8% | 63.5% | 52.1% | 55.0% | 22.2% | 15.4% |
| Ordinary Shares in issue | 5,309,102 | 5,309,102 | 5,309,102 | 5,309,102 | 5,309,102 | 5,309,102 |

## NAV performance




The above graph compares the Company's NAV per share 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 the current management team.

## Revenue return




The chart shows the revenue return per share to 31 March in each year.

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.

# Chairman's Statement

## Performance

The Net Asset Value (NAV) per Ordinary Share at 31 March 2010 was 45.1p compared with 39.7p at 31 March 2009. This represents an increase of 13.6% over the year. The change in the value of the investment portfolio is analysed in the Summary of Portfolio Performance on page 10.

It is worth noting that your Company gained access to a number of high quality opportunities during the year. These included the public-to-private acquisition of LitComp plc, a transaction led by the Manager over a 15 month period, and participation in the syndicate which acquired the general insurer, esure, from Lloyds Banking Group. In addition, two new later stage oil and gas assets were secured via the Manager's longstanding presence in the energy services market.

In addition to the uplift in NAV, the liquidity of the fund also improved by £323,000 due to increased income generated by the private equity holdings and the net cash inflow from investment activity arising from the receipt of proceeds of two significant realisations during the year. The overdraft facility has been repaid in full and, as a result, there has been a corresponding decrease in finance costs from the previous year.

The underlying performance of the businesses in the AIM portfolio has also improved as market conditions recovered. This has been reflected in upward share price movements throughout the year. The Manager has taken the opportunity to sell holdings where it was perceived that there was limited future upside, while in other cases sales were enforced by other corporate events.

## Dividends

The Board is not proposing payment of a dividend, because the Company does not currently have reserves from which to make such a distribution. Although reserves may be created by further realisations of investments above their cost, alongside a continuing improvement in the level of revenue receipts, the cancellation of the share premium account will also assist in the payment of future dividends, as set out later in this statement. The Company has also revoked investment company status to enable the distributions of gains arising on the disposals of investments, subject to the approval of the Board.

## Investment strategy

The prime objective is to continue to build a diversified portfolio of private company holdings that will provide strong levels of yield, while maintaining an exposure to complementary investments in attractive AIM quoted companies with sufficient scale. A key element of the investment strategy is to complete transactions which fulfil VCT qualifying criteria so that the Company continues to meet all of the regulatory requirements necessary to preserve its VCT qualifying status.

## Valuation process

Investments held by Talisman First Venture Capital Trust in private 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 tables in the Investment Manager's Review on page 8 and in the Summary of Portfolio Performance on page 10.

Gains totalling £103,000 over the cost of the investment were achieved from realisations of unlisted investments during the course of the year while gains of £25,000 were realised on disposals of AIM investments.

Compared to the March 2009 valuations unrealised gains on the unlisted portfolio of £18,000 were recognised and unrealised gains amounting to £81,000 arose on the AIM/PLUS portfolio as the markets improved during the year.

## The Manager

Following the management buy-out from Aberdeen Asset Management PLC, completed by the senior members of the Manager's team in June 2009, the Company novated the investment management agreement to Maven Capital Partners UK LLP (Maven), as the entire investment team previously responsible for managing the Company had migrated to Maven.

## Recovery of VAT

The Company is entitled to recover VAT paid on management fees for the period from inception until October 2008, when a European Court ruling dictated that such fees were exempt from VAT. The previous manager, Aberdeen Asset Managers, has recently offered to refund £56,501 representing the VAT charged on management fees for the period from 1 October 2005 to 1 October 2008. The Board has accepted this offer and the amount, which was received on 7 June 2010, has been recognised in the Financial Statements.

## Co-investment schemes

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 the Manager's investment team in a highly competitive market.

Similarly, the Manager operates a separate scheme that allows high net worth individuals, as defined by Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, to invest alongside its clients; the independent Directors may opt to participate in this.

## VCT qualifying status

The Company has to continuously meet certain criteria for it to remain qualified as a Venture Capital Trust. The Board regularly reviews the Company's compliance with these criteria and I am pleased to confirm that all tests continue to be met.

## Articles of Association

Following the final implementation of the Companies Act 2006, it is advisable to bring the Company's Articles of Association up to date. A Resolution to amend the Company's Articles of Association will be put to the Annual General Meeting and the appendix to the Notice of Annual General Meeting explains the proposed changes.

## Share premium account and distributable reserve

To date, the Company has been unable to pay dividends to Shareholders or buy back shares for cancellation due to previously incurred losses, both capital and revenue, and the lack of a distributable reserve.

While the Company is now capable of producing a revenue surplus on an annual basis and its portfolio now contains some assets that are capable of generating meaningful capital gains on disposal, dividends can only be paid out of distributable reserves and the purchase of shares by the Company can only be funded through distributable reserves or the proceeds of a fresh issue of shares made for that purpose. Subject to the approval of Shareholders and clearance by the Companies Court, your Board considers it sensible to cancel the share premium account to give the Company greater flexibility in returning funds to Shareholders, whether through the payment of dividends, share buy-backs or other means.

In a Circular to Shareholders, enclosed with this Annual Report, the Board has set out proposals for the cancellation of the share premium account and recommends that Shareholders support these proposals at the General Meeting to be held on 1 September 2010. If the proposals are approved, the Company will seek to have the cancellation of the share premium account and the creation of a special distributable reserve confirmed by the Companies Court.

## Outlook and future strategy

The primary focus will be to continue to grow the number of unquoted holdings in profitable and yield producing private companies. Despite the impact of the recession, the NAV has proved resilient in recent years and the Board is very encouraged by the increasing breadth in the portfolio, as well as the income being generated from these assets.

AIM has improved over the reporting period, but new IPOs are in short supply and liquidity remains difficult. Shareholders can, therefore, anticipate a continuing focus on realising the AIM portfolio unless there is a specific higher value exit potential for those companies through an M&A process identifiable by the Manager in the short to medium term.

One of the effects of the recent economic difficulties and the lack of liquidity in the banking market has been to increase the range and quality of companies seeking capital from generalist VCTs. While the Board notes the quality of new deal flow that the Manager is currently seeing across its UK regional network, increased competition appears to be re-emerging for later stage private equity transactions. These market trends and conditions are expected to persist for some time and the Manager will remain focussed on acquiring well priced and proven companies capable of generating an attractive paid yield from the outset. Overall, your Company is well placed to continue its recent upward trends in Net Asset Value and revenue generation and has sufficient cash to participate in suitable new transactions.

**Jonathan D Carr**
**Chairman**
**23 July 2010**

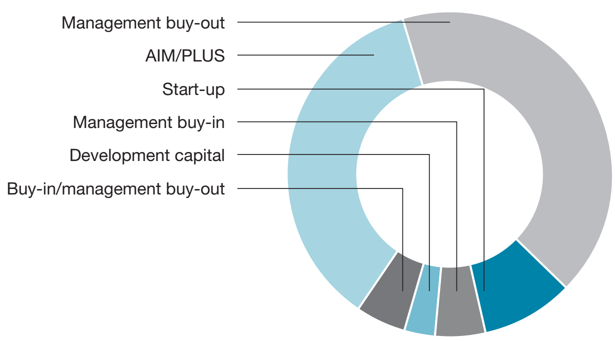
# Analysis of Unlisted and AIM/PLUS Portfolio

## As at 31 March 2010

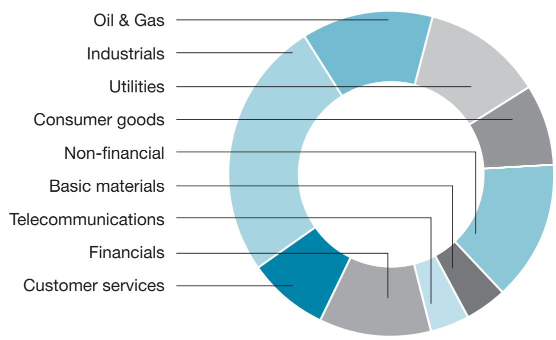
| FT industrial sector | Unlisted valuation £'000 | % | AIM/PLUS valuation £'000 | % | Total valuation £'000 | % |
|---|---|---|---|---|---|---|
| Support services | 216 | 11.1 | 153 | 7.8 | 369 | 18.9 |
| Software & computer services | - | - | 268 | 13.8 | 268 | 13.8 |
| Oil & gas | 254 | 13.1 | - | - | 254 | 13.1 |
| Insurance | 178 | 9.2 | - | - | 178 | 9.2 |
| Electricity | 170 | 8.7 | - | - | 170 | 8.7 |
| Leisure & hotels | 57 | 2.9 | 102 | 5.2 | 159 | 8.1 |
| Electronic & electrical equipment | 76 | 3.9 | 16 | 0.8 | 92 | 4.7 |
| Household goods & textiles | 82 | 4.2 | 8 | 0.4 | 90 | 4.6 |
| Telecommunication services | 75 | 3.9 | - | - | 75 | 3.9 |
| Utilities (ex-electricity) | 68 | 3.5 | - | - | 68 | 3.5 |
| Chemicals | 62 | 3.2 | - | - | 62 | 3.2 |
| Media & entertainment | - | - | 49 | 2.5 | 49 | 2.5 |
| Engineering & machinery | - | | 42 | 2.2 | 42 | 2.2 |
| Speciality & other finance | - | - | 33 | 1.7 | 33 | 1.7 |
| Finance (general) | 14 | 0.7 | - | - | 14 | 0.7 |
| Mining | - | | 13 | 0.7 | 13 | 0.7 |
| Food producers & processors | - | - | 5 | 0.3 | 5 | 0.3 |
| Health | - | - | 3 | 0.2 | 3 | 0.2 |
| **Total unlisted** | **1,252** | **64.4** | **692** | **35.6** | **1,944** | **100.0** |

| Deal type | Number | Valuation £'000 | % |
|---|---|---|---|
| **Unlisted** | | | |
| Management buy-out | 13 | 805 | 41.4 |
| Start-up | 3 | 178 | 9.2 |
| Management buy-in | 2 | 105 | 5.4 |
| Buy-in/management buy-out | 2 | 99 | 5.1 |
| Development capital | 1 | 65 | 3.3 |
| **Total unlisted** | **21** | **1,252** | **64.4** |
| | | | |
| **AIM/PLUS** | **29** | **692** | **35.6** |
| **Total unlisted and AIM/PLUS** | **50** | **1,944** | **100.0** |

## Valuation by deal type




## Valuation by industrial sector



# Investment Manager's Review

## Investment activity

During the year ended 31 March 2010, nine unlisted investments were completed and a total of £0.3 million was invested. At the year end, the portfolio stood at 50 unlisted and AIM/PLUS investments at a total cost of £2.9 million.

The Manager announced its first public to private transaction, forming Torridon Capital Limited to buy LitComp PLC, a specialist insurance business quoted on AIM. The Company also participated in the investment syndicate formed to purchase the unlisted investment Tosca Penta Insurance LP, a newly established private equity vehicle which acquired the esure group of companies.

The following new investments have been completed during the year:

| Investment | Date | Activity | Investment cost £'000 | Website |
|---|---|---|---|---|
| **Unlisted** | | | | |
| Adler & Allan Holdings | July 2009 | Provider of services for the handling and disposal of liquid waste | 12 | www.adlerandallan.co.uk |
| Dalglen 1150 (trading as Walker Technical Resources) | June 2009 | Energy service sector business specialising in pipeline repairs | 50 | www.wtr.uk.com |
| Intercede (Scotland) 1 | Dec 2009 | Provider of integrated mechanical and electrical solutions to the rig newbuild and upgrade markets | 50 | www.electroflowcontrols.com |
| Torridon Capital | Jan 2010 | National supplier of specialist financial and legal insurance products and litigation services | 103 | No website available |
| Tosca Penta Insurance | Feb 2010 | Insurance provider | 75 | No website available |
| Westway Services | June 2009 | Provider of design, installation and maintenance services on air-conditioning and associated building services plant | 50 | www.westwaycooling.co.uk |
| Others | | | 6 | |
| **Total unlisted investment** | | | **346** | |
| **AIM/PLUS** | | | | |
| Chime Communications[1] | Nov 2009 | Provider of PR, advertising, market research and direct marketing, design and event management consultancy services | 26 | www.chime.plc.uk |
| Others | | | 2 | |
| **Total AIM/PLUS investment** | | | **28** | |
| **Total investment** | | | **374** | |

[1]The investment in Chime Communications arose as a result of a share for share exchange for the holding in Essentially Group.

Talisman First Venture Capital Trust has co-invested with Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4 and Ortus VCT (formed as result of the merger between Gateway VCT and Guinness Flight Venture Capital Trust) 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, the funds are able to underwrite a wider range and size of transaction than would be the case on a stand alone basis.

## Portfolio developments

There were two successful realisations from the unlisted portfolio during the year; Funeral Services Partnership was sold for proceeds of £115,000 plus income and redemption premium amounting to £12,000 and realised a gain of £16,000 on exit, which is equivalent to 1.53 times subscription cost. In addition, the Company retained a non dilutive stake in the business which is set to benefit from substantial investment from its new owners as it seeks to become one of the largest independent operators of funeral services in the UK.

Silkwater Holdings (trading as Cyclotech) was sold for proceeds of £137,000 plus income and redemption premium amounting to £13,000 paid on exit, thereby achieving a healthy overall return of 3.3 times cost and an overall gain of £87,000. In the case of Cyclotech a commercial agreement has been reached with the multinational purchaser whereby your Company will receive further consideration dependent upon future revenues. Prudently, no recognition of this potential future consideration has been included in the accounts.

In addition a repayment of loan stock was received from Westway Services as shown in the table below.

Opportunities to invest in new IPOs and on AIM were significantly reduced during the year and no such investments were made. The Manager has taken the opportunity to sell holdings where there was perceived to be limited future upside, while in other cases sales were enforced by other corporate events.

## Disposals made during the year

| | Date first invested | Complete/ partial exit | Cost of shares disposed of £'000 | Sales proceeds £'000 | Realised gain/(loss) £'000 |
|---|---|---|---|---|---|
| **Unlisted** | | | | | |
| Cyclotech | 2007 | Complete | 50 | 137 | 87 |
| Funeral Services Partnership | 2007 | Complete | 99 | 115 | 16 |
| Westway Services | 2009 | Partial | 6 | 6 | - |
| **Total unlisted disposals** | | | **155** | **258** | **103** |
| **AIM/PLUS** | | | | | |
| Associated Network Solutions | 2000 | Partial | 86 | 215 | 129 |
| Avanti Communications | 2007 | Partial | 19 | 25 | 6 |
| Concateno | 2006 | Complete | 114 | 121 | 7 |
| Essentially Group[1] | 2007 | Complete | 49 | 26 | (23) |
| Lo-Q | 2000 | Partial | 94 | 58 | (36) |
| Melorio | 2007 | Complete | 41 | 62 | 21 |
| Relax Group | 2006 | Complete | 51 | 9 | (42) |
| Others | | | 50 | 13 | (37) |
| **Total AIM/PLUS disposals** | | | **504** | **529** | **25** |
| **Total disposals** | | | **659** | **787** | **128** |

[1]Shares in Essentially Group were exchanged for a new investment in Chime Communications.

## Outlook

The early signs are that the assets acquired in 2009 will prove to be high quality additions to the portfolio, both in terms of the yield derived from these holdings as well as the potential for medium term capital gain. Current market conditions are also likely to persist as debt remains scarce, helping to drive down prices for private company assets. The lack of availability of debt remains a significant challenge, as an active banking market is important in order to allow the leveraging of returns using prudent levels of gearing. As economic conditions improve we anticipate a continuing increase in the number of private company investment opportunities.

We will continue to select only those private companies which are well managed, sensibly priced and are capable of providing a premium yield together with the prospects of a capital gain in the medium to longer term. The opportunity will be taken to exit AIM/PLUS quoted holdings on a case by case basis either by selling parcels of stock where demand exists or in full on the back of corporate activity.

**Maven Capital Partners UK LLP**
**Manager**

**23 July 2010**

# Summary of Portfolio Performance

## For the year ended 31 March 2010

| | Opening value 31 March 2009 £'000 | Purchases £'000 | Sales proceeds £'000 | Realised gain over opening value £'000 | Unrealised gain over opening value £'000 | Closing value 31 March 2010 £'000 | Total gain/ (loss) £'000 |
|---|---|---|---|---|---|---|---|
| Unlisted | 1,082 | 346 | (258) | 64 | 18 | 1,252 | 82 |
| PLUS | 424 | - | (215) | 21 | 22 | 252 | 43 |
| AIM | 575 | 28 | (314) | 92 | 59 | 440 | 151 |
| **Total portfolio** | **2,081** | **374** | **(787)** | **177** | **99** | **1,944** | **276** |

# Investment Portfolio Summary

| Investment | Valuation £'000 | Cost £'000 | % of total assets | % of equity held | % of equity held by other clients[1] |
|---|---|---|---|---|---|
| **Unlisted** | | | | | |
| Fotolec Technologies | 170 | 250 | 7.1 | 4.2 | - |
| Torridon Capital | 103 | 103 | 4.4 | 1.3 | 38.7 |
| Oliver Kay Holdings | 91 | 70 | 3.8 | 0.4 | 19.6 |
| Steminic (trading as MSIS) | 89 | 89 | 3.7 | 1.2 | 50.4 |
| Homelux Nenplas | 82 | 37 | 3.4 | 0.8 | 39.2 |
| Martel Instruments Holdings | 76 | 76 | 3.2 | 1.4 | 42.8 |
| Tosca Penta Insurance | 75 | 75 | 3.1 | 0.1 | 0.3 |
| Camwatch | 75 | 75 | 3.1 | 1.2 | 50.6 |
| Enpure Holdings | 68 | 50 | 2.8 | 0.2 | 2.4 |
| Westway Services | 67 | 44 | 2.8 | 0.4 | 21.5 |
| Adler & Allan Holdings | 62 | 62 | 2.6 | 0.2 | 6.7 |
| Training for Travel Group | 57 | 50 | 2.4 | 0.6 | 29.4 |
| Lawrence Recycling & Waste Management | 50 | 50 | 2.1 | 0.6 | 49.4 |
| Dalglen 1150 (trading as Walker Technical Resources) | 50 | 50 | 2.1 | 1.1 | 62.0 |
| Intercede (Scotland) 1 | 50 | 50 | 2.1 | 0.5 | 28.0 |
| Nessco Group Holdings | 50 | 50 | 2.1 | 0.7 | 37.2 |
| Other unlisted investments | 37 | 397 | 1.5 | | |
| **Total unlisted** | **1,252** | **1,578** | **52.3** | | |

# Investment Portfolio Summary (continued)

| Investment | Valuation £'000 | Cost £'000 | % of total assets | % of equity held | % of equity held by other clients[1] |
|---|---|---|---|---|---|
| **AIM/PLUS** | | | | | |
| Associated Network Solutions | 248 | 98 | 10.3 | 1.6 | - |
| Lo-Q | 98 | 87 | 4.1 | 0.5 | - |
| LitComp | 58 | 50 | 2.4 | - | - |
| Mount Engineering | 30 | 35 | 1.3 | 0.2 | 2.3 |
| Betbrokers | 30 | 66 | 1.3 | 0.2 | 1.7 |
| DM | 28 | 41 | 1.2 | 0.2 | 1.2 |
| Chime Communications | 25 | 26 | 1.0 | - | 3.0 |
| Hasgrove | 20 | 49 | 0.8 | 0.2 | 1.6 |
| Work Group | 19 | 101 | 0.8 | 0.5 | 2.8 |
| Datong | 16 | 47 | 0.7 | 0.3 | 1.7 |
| Brulines Group | 16 | 16 | 0.7 | 0.1 | 0.3 |
| Universe Group | 14 | 40 | 0.6 | 0.5 | 2.1 |
| Hambledon Mining | 13 | 32 | 0.5 | 0.1 | 0.2 |
| Avanti Communications Group | 12 | 6 | 0.5 | - | 0.2 |
| Melorio | 11 | 7 | 0.5 | - | 0.4 |
| Managed Support Services | 10 | 105 | 0.4 | 0.1 | 0.7 |
| Other AIM/PLUS investments | 44 | 541 | 1.8 | | |
| **Total AIM/PLUS** | **692** | **1,347** | **28.9** | | |
| **Total portfolio** | **1,944** | **2,925** | **81.2** | | |

[1] Other clients of Maven Capital Partners UK LLP.

# Largest Unlisted and AIM/PLUS Investments

## As at 31 March 2010

### Associated Network Solutions[1] — Manchester — www.ansgroup.co.uk

| | | | | |
|---|---|---|---|---|
| Cost (£'000) | 98 | Year ended 31 March | 2009 | 2008 |
| Valuation (£'000) | 248 | | £'000 | £'000 |
| Basis of valuation | Bid price | Sales | 12,361 | 10,286 |
| Equity held | 1.6% | Profit/(loss) before tax | 1,406 | 1,395 |
| Income received (£'000) | 37 | Retained profit/(loss) | 1,104 | 1,288 |
| First invested | July 2000 | Net assets | 2,819 | 2,196 |

Provider of IT solutions.

Other Maven clients invested: There are no other clients of the Manager invested in this company.

### Fotolec Technologies — Birmingham — www.fotolec.com

| | | | | |
|---|---|---|---|---|
| Cost (£'000) | 250 | Year ended 30 June | 2009 | 2008 |
| Valuation (£'000) | 170 | | £'000 | £'000 |
| Basis of valuation | Market value assessment | Sales | 2,529 | 2,954 |
| Equity held | 4.2% | Profit/(loss) before tax | 281 | 380 |
| Income received (£'000) | Nil | Retained profit/(loss) | 230 | 316 |
| First invested | Mar 2001 | Net assets | 2,460 | 2,231 |

Developer of fluoropolymer coating for tube lighting and domestic light bulbs.

Other Maven clients invested: There are no other clients of the Manager invested in this company.

### Torridon Capital — Grantham, East Midlands — No website available

| | | |
|---|---|---|
| Cost (£'000) | 103 | Period ended[3] |
| Valuation (£'000) | 103 | |
| Basis of valuation | Cost | Sales |
| Equity held | 1.3% | Profit/(loss) before tax |
| Income received (£'000) | Nil | Retained profit/(loss) |
| First invested | Jan 2010 | Net assets |

National supplier of specialist financial and legal insurance products and litigation services.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4, Ortus VCT.

### Lo-Q[2] — Henley-on-Thames — www.lo-q.com

| | | | | |
|---|---|---|---|---|
| Cost (£'000) | 87 | Year ended 31 December | 2008 | 2007 |
| Valuation (£'000) | 98 | | £'000 | £'000 |
| Basis of valuation | Bid price | Sales | 13,520 | 7,806 |
| Equity held | 0.5% | Profit/(loss) before tax | 1,851 | 551 |
| Income received (£'000) | Nil | Retained profit/(loss) | 2,024 | 546 |
| First invested | Oct 2000 | Net assets | 3,344 | 1,199 |

Developer of computer systems for leisure applications.

Other Maven clients invested: There are no other clients of the Manager invested in this company.

### Oliver Kay Holdings — Bolton — www.oliverkayproduce.co.uk

| | | | | |
|---|---|---|---|---|
| Cost (£'000) | 70 | Year ended 30 September | 2008 | 2007 |
| Valuation (£'000) | 91 | | £'000 | £'000 |
| Basis of valuation | Earnings | Sales | 16,867 | 11,.820 |
| Equity held | 0.4% | Profit/(loss) before tax | 711 | 727 |
| Income received (£'000) | 24 | Retained profit/(loss) | 257 | 261 |
| First invested | Jan 2007 | Net assets | 4,436 | 4,081 |

Supplier of fresh produce to the on-trade catering industry in the UK.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4.

| Steminic (trading as MSIS) | | Aberdeen | | | www.msis.uk.com |
|---|---|---|---|---|---|
| **Cost (£'000)** | 89 | **Year ended** | **31 December** | **2008** | **2007** |
| **Valuation (£'000)** | 89 | | | **£'000** | **£'000** |
| **Basis of valuation** | Cost | **Sales** | | 5,244 | 5,296 |
| **Equity held** | 1.2% | **Profit/(loss) before tax** | | (97) | 406 |
| **Income received (£'000)** | Nil | **Retained profit/(loss)** | | (264) | 104 |
| **First invested** | Apr 2007 | **Net assets** | | 501 | 593 |

Provider of industrial cleaning and waste management services to the oil and industrial sectors.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4.

| Homelux Nenplas | | Ashbourne, Derbyshire | | | www.homelux.co.uk |
|---|---|---|---|---|---|
| **Cost (£'000)** | 37 | **Year ended** | **31 May** | **2008** | **2007** |
| **Valuation (£'000)** | 82 | | | **£'000** | **£'000** |
| **Basis of valuation** | Earnings | **Sales**[4] | | | |
| **Equity held** | 0.8% | **Profit/(loss) before tax** | | 995 | 1,134 |
| **Income received (£'000)** | 19 | **Retained profit/(loss)** | | 729 | 901 |
| **First invested** | May 2006 | **Net assets** | | 2,119 | 1,390 |

Manufacturer of plastic tiling trims and related products.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4.

| Martel Instruments Holdings | | Co Durham | | | www.martelinstruments.com |
|---|---|---|---|---|---|
| **Cost (£'000)** | 76 | **Year ended** | **31 December** | **2008** | **2007** |
| **Valuation (£'000)** | 76 | | | **£'000** | **£'000** |
| **Basis of valuation** | Cost | **Sales** | | 2,624 | 2,702 |
| **Equity held** | 1.4% | **Profit/(loss) before tax** | | (212) | (153) |
| **Income received (£'000)** | Nil | **Retained profit/(loss)** | | (217) | (168) |
| **First invested** | Jan 2007 | **Net assets** | | 350 | 567 |

Manufacturer of compact, hand-held printers and display devices.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4.

| Tosca Penta Insurance | | Glasgow | No website available |
|---|---|---|---|
| **Cost (£'000)** | 75 | **Year ended**[3] | |
| **Valuation (£'000)** | 75 | | |
| **Basis of valuation** | Cost | **Sales** | |
| **Equity held** | 0.1% | **Profit/(loss) before tax** | |
| **Income received (£'000)** | Nil | **Retained profit/(loss)** | |
| **First invested** | Feb 2010 | **Net assets** | |

Insurance provider.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4, Ortus VCT.

| Camwatch | | Sheffield, South Yorkshire | | | www.camwatch.co.uk |
|---|---|---|---|---|---|
| **Cost (£'000)** | 75 | **Year ended** | **31 March** | **2009** | **2008** |
| **Valuation (£'000)** | 75 | | | **£'000** | **£'000** |
| **Basis of valuation** | Cost | **Sales** | | 3,895 | 3,741 |
| **Equity held** | 1.2% | **Profit/(loss) before tax** | | (775) | (327) |
| **Income received (£'000)** | 19 | **Retained profit/(loss)** | | (775) | (327) |
| **First invested** | Mar 2007 | **Net assets** | | (266) | 44 |

Provider of CCTV monitoring and installation services.

Other Maven clients invested: Maven Income and Growth VCT, Maven Income and Growth VCT 2, Maven Income and Growth VCT 3, Maven Income and Growth VCT 4.

[1] Quoted on PLUS.

[2] Quoted on AIM.

[3] This company has not yet produced its first report and accounts.

[4] This company does not reveal its turnover as permitted under the Companies Act provisions for medium-sized companies.

# Your Board

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 was director in charge of the London office of Bell Lawrie White from 1990 to 1993. From 1993 to 1997 he was a director of S G Warburg Securities (now UBS), specialising in investment trust corporate broking. He is currently chairman of Galaxy Asset Management Limited and is a former director of Directors' Dealing Investment 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:** 71

**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, clients of the former Manager.

**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:** 8 September 2008

**Age:** 68

**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:** 137,500 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:** 3 September 2009

**Age:** 49

**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 managing partner of Maven Capital Partners UK LLP (Maven) and has 30 years experience in banking and private equity. 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. In the mid 1990s he was head of the private equity business at Clydesdale Bank plc, a subsidiary of National Australia Bank, before joining the Aberdeen Asset Management Group (Aberdeen) in 1999. In 2004 he was appointed as principal fund manager to all Aberdeen managed VCTs. In 2009, Bill and his senior colleagues led a management buy-out from Aberdeen to form Maven. He is a director of Maven Income and Growth VCT 2 PLC, Maven Income and Growth VCT 3 PLC, Maven Income and Growth VCT 4 PLC, and Ortus VCT PLC.

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

**Last re-elected to the Board:** 3 September 2009

**Age:** 47

**Committee membership:** None

**Employment by the Manager:** Since 1999 (1999-2009 with Aberdeen)

**Other connections with the Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** 95,000 Ordinary Shares

# Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2010.

## Results and dividends

The return attributable to Equity Shareholders, for the year ended 31 March 2010, was £289,000 (2009: loss of £440,000). The Directors do not recommend the payment of a final dividend. The Net Asset Value per Ordinary Share at 31 March 2010 was 45.1p (2009: 39.7p). The Net Asset Value per Ordinary Share has been calculated using the number of shares in issue at 31 March 2010 of 5,309,102 (2009: 5,309,102).

## Business review

A full review of the Company's operations is given in the Chairman's Statement and in the Investment Manager's Review. 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 business 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 industrial 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 of a breach 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 or changes to 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 and in the Investment Manager's Review.

The management of the investment portfolio has been delegated to Maven Capital Partners UK LLP (the Manager), which also provides administrative, financial management and 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 generates new deals and enables the geographically widespread portfolio companies to be monitored effectively.

The Investment Portfolio Summary shows the number of investments in the portfolio and the degree of co-investment with other clients of the Manager. The tabular analyses of the unlisted and AIM/PLUS portfolio by FTSE industrial sector and deal type 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 principal performance indicator is Net Asset Value per share and a historical record of the Company's financial performance is shown in the Financial Highlights. 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 in Note 18 to the Financial Statements. 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 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 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 and can be subject to influence by market volatility; and
- regulatory risk: the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 274 of the Income Tax Act 2007 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, or previously, 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 2010 are shown under Your Board along with their interests in the shares of the Company, which are also shown on page 19. 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 Carr retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. In addition, Mr Nixon, 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 2010 | 31 March 2009 |
|---|---|---|
| | Ordinary Shares of 50p | Ordinary Shares of 50p |
| J D Carr (Chairman) | 10,000 | 10,000 |
| S J Barclay | 137,500 | 87,500 |
| B O J May | 45,000 | 45,000 |
| W R Nixon | 75,000 | - |

Mr Nixon acquired a further 20,000 shares on 21 June 2010. All of the interests shown above are beneficial and there have been no further changes to any of the above share interests since the end of the financial year.

## Manager and Company Secretary

Following the completion, on 9 June 2009, of a management buy-out by the growth capital team at Aberdeen Asset Management PLC (Aberdeen), investment management, company secretarial, accounting and administrative services have been provided to the Company by Maven Capital Partners UK LLP. Prior to this date, investment management services were provided by Aberdeen Asset Managers Limited and company secretarial, accounting and administrative services were provided by Aberdeen Asset Management PLC. For the year ended 31 March 2010, the remuneration payable to the Aberdeen Asset Management Group and Maven Capital Partners UK LLP have been calculated and charged pro-rata to their respective periods of service.

The key features of the Management and Administration Deed include:

- the initial term is for a period of five years from the date of the appointment of the Manager 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 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 on which an incentive fee was payable.

The effects of these arrangements for the year ended 31 March 2010 are detailed in Note 3 to the Financial Statements.

In order to ensure that the Manager's staff are appropriately incentivised in relation to the management of the portfolio, there exists a co-investment scheme that requires individuals nominated by the Manager to participate in investments in portfolio companies alongside the Company. All such investments are made through a nominee and under terms previously agreed by the Board. The terms of the scheme ensure that all investments are made on identical terms to those of the Company and that no selection of investments will be allowed. Total investment by participants in the co-investment scheme is set at 5% of the aggregate amount of ordinary shares subscribed for by the Company and the co-investing executives, except where the only securities to be acquired by the Company are ordinary shares or are securities quoted on AIM, in which case the co-investment percentage will be 1.5%. Any dilution of the Company's interests is, therefore, minimal and the Directors believe that the scheme provides a useful incentive which closely aligns the interests of key individuals within the Manager's staff with those of the Shareholders.

The Board considers the continued appointment of the Manager on the agreed terms to be in the best interests of the Company's Shareholders because of the quality of the investment management, company secretarial and administrative services provided and, in particular, the breadth and depth of the experience, knowledge and skill of the Manager's staff and its network of offices across the country from which it sources new investments and monitors portfolio companies.

Following the statement by the Chancellor of the Exchequer in the March 2008 Budget, Her Majesty's Revenue and Customs (HMRC) announced that, from 1 October 2008, all VCTs would be exempt from VAT on management fees and, in addition, VCTs would be able to be able to claim back VAT paid in the previous three years. The Manager has been in negotiations with HMRC and Aberdeen in relation to the amount of VAT previously paid by the Company to Aberdeen that may be reclaimed, and which may then be repaid to the Company. A settlement offer of £56,501 from Aberdeen was accepted and received. Therefore, the Board has considered it appropriate to make a related accrual in the Financial Statements for the year ended 31 March 2010.

## Auditors

So far as the Directors who held office at the date of approval of the Director's Report are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's Auditors are unaware, and each of the Directors 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.

Deloitte LLP have expressed their willingness to continue in office and Resolution 5, to re-appoint Deloitte 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 2010. A Special Resolution, numbered 9 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 2010. 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 2011.

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% 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 7 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 2010). 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 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 2011.

When shares are to be allotted for cash, Section 561(1) of the Companies Act 2006 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 8 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 2010) as if Section 561(1) does not apply. This is the same amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 7. The Company will not use this authority in connection with a rights issue. The authority will 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 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 2011.

## Share capital

As at 31 March 2010, the Ordinary Share capital of the Company amounted to 5,309,102 Ordinary Shares of 50p each. Full details are included in Note 12 to the Financial Statements.

## Share interests

At 23 July 2010, as far as the Directors have been made aware and in addition to the interests of the Directors, 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 obtain approval as a Venture Capital Trust under Section 274 of the Income Tax Act 2007. H M Revenue & Customs will grant Section 274 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that Section of the Act. Such approval was last granted in respect of the year ended 31 March 2009.

As mentioned in the Chairman's Statement on page 4, the Company revoked investment company status on 12 July 2010 and this will allow the distribution of realised gains, subject to the cancellation of the share premium account, the process for which is set out on page 22.

## Corporate governance

The Statement of Corporate Governance is shown on pages 25 to 30.

## Political and charitable donations

The Company did not make any political or charitable donations during the year ended 31 March 2010 (2009: nil).

## 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.

## 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 18 to the Financial Statements.

## Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in this Directors' Report, and the financial position of the Company is described in the Chairman's Statement. In addition, Note 18 to the Financial Statements includes the Company's objectives, policies and processes for managing its financial risks; details of its financial instruments; and its exposures to market price risk, interest rate risk, liquidity risk and credit risk. The Directors believe that, despite the current economic outlook, the Company is well placed to manage its business risks.

As highlighted in Notes 4 and 16 to the Financial Statements, the Company has utilised an overdraft facility for the purpose of making investments, but only when the prospective yield from the investment in question exceeded the total cost of the related borrowing. The prevailing economic conditions create uncertainty, particularly over the performance of underlying investments and the availability of bank finance in the foreseeable future. The overdraft facility had been repaid in full as at 31 March 2010.

Having made suitable enquiries, the Directors have a reasonable expectation that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future and, accordingly, they have continued to adopt the going concern basis when preparing the Annual Report and Financial Statements.

## Articles of Association

Following the final implementation of the Companies Act 2006, it is advisable to bring the Company's Articles of Association up to date. Resolution 10 to amend the Company's Articles of Association will be put to the Annual General Meeting and the appendix to the Notice of Annual General Meeting sets out and explains the principal proposed changes.

## Annual General Meeting

The Notice of the Annual General Meeting, which will be held on 1 September 2010, is contained on pages 47 to 52.

## General Meeting and cancellation of the share premium account

As mentioned in the Chairman's Statement in the Circular to Shareholders dated 23 July 2010, enclosed with this Annual Report, the Board has set out proposals for the cancellation of the Company's share premium account and these proposals will be put to Shareholders at a General Meeting held on 1 September 2010. Subject to the approval of these proposals by Shareholders, the Company will apply to the Companies Court to sanction the proposed cancellation of the share premium account and the creation of special distributable reserve from which the Company can, subject to certain conditions, fund the payment of future dividends and the purchase of its own shares.

**By order of the Board**
**Maven Capital Partners UK LLP**
**Secretary**

**23 July 2010**

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of the Companies Act 2006. 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 pages 32 and 33.

## Remuneration Committee

At 31 March 2010, the Company had four non-executive Directors, whose biographies are provided on pages 15 and 16, and the three independent Directors fulfil the function of a Remuneration Committee, which is chaired by Mr Carr. The names of the Directors who served during the year are shown on page 24, 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. However, the Directors expect, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies in order to provide an appropriate comparison when reviewing their own remuneration.

## 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.

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 Directors' fees 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, 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 2010, 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. It is intended that this policy will continue for the year ending 31 March 2011 and subsequent years, and the Committee will 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.

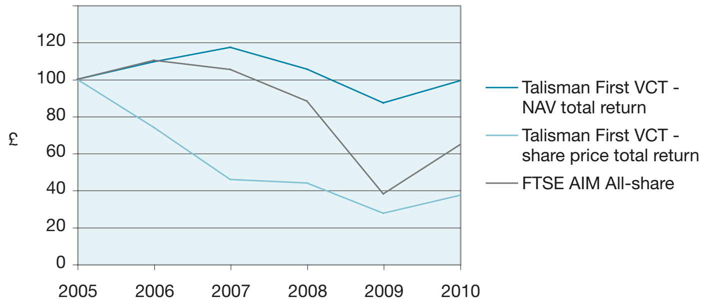
## Directors' service contracts

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 2010, 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.




Source: Maven Capital Partners UK LLP/Factset.

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 2010 received the following emoluments in the form of fees:

| | Year ended 31 March 2010 £ | Year ended 31 March 2009 £ |
|---|---|---|
| **Directors** | | |
| J D Carr (Chairman) | 6,500 | 6,500 |
| S J Barclay[1] | 5,000 | 5,000 |
| B O J May | 5,000 | 5,000 |
| W R Nixon | - | - |
| **Total** | **16,500** | **16,500** |

[1]Mr Barclay's fees for the year ended 31 March 2009 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 2010 (2009: nil).

## Approval

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

**Jonathan D Carr**
**Director**

**23 July 2010**

# Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the Combined Code published in June 2008. 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 2010. 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 (Maven Capital Partners UK LLP 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 Nixon is a partner in Maven Capital Partners UK LLP; and
- Mr 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 either a connection with the Manager or cross-directorships with his fellow Directors.

The biographies of the Directors appear under Your Board 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.

As required by the Companies Act 2006 and permitted by the Articles of Association, Directors notify the Company of any situation which might give rise to the potential for a conflict of interest, so that the Board may consider and, if appropriate, approve such situations. A register of potential conflicts of interest for Directors has been created, which will be reviewed regularly by the Board. Directors notify the Company whenever there is a change in the nature of a registered conflict, or whenever a new conflict situation arises.

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 flow within the Board and its Committees; and
- advising on corporate governance matters.

An induction meeting will be arranged 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 2010, the Directors held four scheduled quarterly Board Meetings and a further two Meetings were held by telephone. In addition, there were two Meetings of both the Audit and Management Engagement Committees and one Meeting each of the Nomination and Remuneration Committees.

Directors have attended Board and Committee Meetings during the year ended 31 March 2010 as follows:

| | Board | Audit Committee | Management Engagement Committee | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|---|
| **Director** | | | | | |
| J D Carr (Chairman) | 6 | 2 | 2 | 1 | 1 |
| S J Barclay | 4 | 1 | 2 | 1 | 1 |
| B O J May | 6 | 2 | 2 | 1 | 1 |
| W R Nixon[1] | 4 | - | - | - | - |

[1]Mr Nixon is not a member of the Audit, Nomination, Management Engagement and Remuneration Committees.

Meetings of the Management Engagement, Nomination and Remuneration Committees were held to review, among other things, the performance of the Manager and the effectiveness of the Board and its Committees.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given by the Manager and Secretary 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 a time to be determined by either party and subject to 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. In addition, Mr Nixon is subject to annual re-election in view of his position as a partner in Maven Capital Partners UK LLP, the Manager.

## 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 Committee 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 2010.

The terms of reference of the Audit Committee include:

- the review of the effectiveness of the internal control environment of the Company including by the receipt of 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.

At each Meeting, the Audit Committee examined the Annual or Interim Report and Financial Statements, reviewed the Company's internal controls and reviewed the scope of the audit and the Auditors' management report to the Board. No significant weaknesses in the control environment were identified.

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 of, 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 is prohibited where independence may be compromised or conflicts arise and the Audit Committee considers the external Auditors, Deloitte 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 5 to the Financial Statements.

**Management Engagement Committee**

The Management Engagement Committee comprises all of the independent Directors and annually reviews the management contract with the Manager, details of which are shown in the Directors' Report. Two Meeting were held during the year ended 31 March 2010, at the first of which the Committee recommended the novation of the management contract from Aberdeen Asset Managers Limited to Maven Capital Partners UK LLP; and, at the second, recommended the continued appointment of Maven Capital Partners UK LLP as the Company's Manager.

**Nomination Committee**

The Nomination Committee comprises all of the independent Directors and one Meeting was held during the year ended 31 March 2010. The Committee 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;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time; and
- the appointment of any Director to another office, such as Chairman of the Audit Committee, other than to the position of Chairman.

At its Meeting in February 2010, the Committee recommended to the Board the nomination for re-election of Mr Carr and Mr Nixon for the following reasons:

- Mr Carr has, inter alia, detailed knowledge of, and significant experience in, the investment management and investment trust sectors; 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 Rules, 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 2010 to review the policy for, and the level of, Directors' Remuneration.

The level of 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.

## 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 Maven Capital Partners UK LLP, which also 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 Manager, 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 the Manager, 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 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 is 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, specific 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 function of the Manager continually reviews its operations and those of the 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 year 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.

Maven Capital Partners UK LLP provide the systems and reports essential to the Company's internal control system

## 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 31 and the Statement of Going Concern is included in the Directors' Report on page 22. The Independent Auditors' Report is on pages 32 and 33 and it should be noted that the Auditors, Deloitte 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 Annual General Meeting sets out the business of the Meeting and the Resolutions are explained more fully in the Directors' Report and in the Directors' Remuneration Report. 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. 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. It is in the nature of a venture capital trust that it generally has no major shareholders.

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 potential 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 access to the Company via the 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 the Manager's website, and can be visited at www.mavencp.com/talismanfirst from where Annual and Interim Reports, Stock Exchange Announcements and other information can be viewed, printed or downloaded. Further information about the Manager can be found at: www.mavencp.com.

# Statement of Directors' Responsibilities

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 2006. 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.

## Responsibility Statement of the Directors in respect of the Annual Report and Financial Statements

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, financial position and profit or loss of the Company as at 31 March 2010 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.

**By order of the Board**
**Maven Capital Partners UK LLP**
**Secretary**

**23 July 2010**

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

We have audited the Financial Statements of Talisman First Venture Capital Trust PLC for the year ended 31 March 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

## Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**David Claxton ACA (Senior Statutory Auditor)**
**for and on behalf of Deloitte LLP**
**Chartered Accountants and Statutory Auditors**
**Glasgow, United Kingdom**

**23 July 2010**

# Income Statement

## For the year ended 31 March 2010

| | | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(losses) on investments | 9 | - | 276 | 276 | - | (390) | (390) |
| Income from investments | 2 | 99 | - | 99 | 105 | - | 105 |
| Investment management fees | 3 | (8) | (32) | (40) | (21) | (84) | (105) |
| Finance costs | 4 | - | - | - | (2) | (6) | (8) |
| Other expenses | 5 | (46) | - | (46) | (42) | - | (42) |
| **Net return/(loss) on ordinary activities before taxation** | | **45** | **244** | **289** | **40** | **(480)** | **(440)** |
| Tax on ordinary activities | 6 | (7) | 7 | - | (1) | 1 | - |
| **Return attributable to Equity Shareholders** | | **38** | **251** | **289** | **39** | **(479)** | **(440)** |
| **Earnings per share (pence)** | | **0.7p** | **4.7p** | **5.4p** | **0.7p** | **(9.0)p** | **(8.3)p** |

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 2010

| | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| Opening Shareholders' funds | 2,107 | 2,547 |
| Net return for year | 289 | (440) |
| **Closing Shareholders' funds** | **2,396** | **2,107** |

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

# Balance Sheet

## As at 31 March 2010

| | Notes | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|---|
| Investments at fair value through profit or loss | 9 | 1,944 | 2,081 |
| **Current assets** | | | |
| Debtors | 10 | 171 | 68 |
| Cash and overnight deposits | 16 | 301 | 14 |
| | | **472** | **82** |
| **Creditor** | | | |
| Amounts falling due within one year | 11 | 20 | 20 |
| Bank overdraft | 16 | - | 36 |
| | | 20 | 56 |
| Net current assets | | 452 | 26 |
| **Net assets** | | **2,396** | **2,107** |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 2,655 | 2,655 |
| Share premium account | 13 | 2,389 | 2,389 |
| Capital reserve – realised | 13 | (754) | (857) |
| Capital reserve – unrealised | 13 | (981) | (1,129) |
| Revenue reserve | 13 | (913) | (951) |
| **Net assets attributable to Ordinary Shareholders** | | **2,396** | **2,107** |
| **Net Asset Value per Ordinary Share (pence)** | **14** | **45.1** | **39.7** |

The Financial Statements of Talisman First Venture Capital Trust PLC, registered number 3870187, were approved by the Board and were signed on its behalf by:

**Jonathan D Carr**
**Director**

**23 July 2010**

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

# Cash Flow Statement

## For the year ended 31 March 2010

| | Notes | Year ended 31 March 2010 | | Year ended 31 March 2009 | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Operating activities** | | | | | |
| Investment income received | | 112 | | 89 | |
| Deposit interest received | | - | | 2 | |
| Investment management fees paid | | (96) | | (133) | |
| Other cash payments | | (46) | | (36) | |
| **Net cash outflow from operating activities** | 15 | | (30) | | (78) |
| **Financial investment** | | | | | |
| Purchase of investments | | (371) | | (202) | |
| Sale of investments | | 724 | | 504 | |
| **Net cash inflow from financial investment** | | | 353 | | 302 |
| Equity dividends paid | | | - | | - |
| **Net cash inflow before financing** | | | 323 | | 224 |
| **Financing** | | | | | |
| Bank overdraft interest paid | | - | | (8) | |
| **Net cash outflow from financing** | | | - | | (8) |
| **Increase in cash** | 16 | | **323** | | **216** |

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

# Notes to the Financial Statements

## For the year ended 31 March 2010

### 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 January 2009. The disclosures on going concern on page 22 of the Annual Report form part of these Financial Statements.

#### (b) Income

Dividends receivable on equity shares 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.
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 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 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 the Manager'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.

**(f) Fair value measurement**

Fair value is defined as the price that the Company would receive upon selling an investment in a timely transaction to an independent buyer in the principal or the most advantageous market of the investment. A three-tier hierarchy has been established to maximise the use of observable market data and minimise the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on best information available in the circumstances

The three-tier hierarchy of inputs is summarised in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical investments;
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk etc); and
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

**(g) Gains and losses in investments**

When the Company sells or revalues its investments during the year, any gains or losses arising are credited/charged to the Income Statement.

## 2 Income

| Income from investments: | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| UK dividends | 12 | 36 |
| UK unfranked investment income | 87 | 67 |
| | **99** | **103** |
| **Other income:** | | |
| Deposit interest | - | 2 |
| **Total income** | **99** | **105** |

## 3 Investment management fees

| | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Investment management fees | 19 | 77 | 96 | 21 | 84 | 105 |
| Less: VAT recovery | (11) | (45) | (56) | - | - | - |
| | **8** | **32** | **40** | **21** | **84** | **105** |

Details of the fee basis are contained in the Directors' Report.

In June 2007 the European Court of Justice ruled that investment management fees should be exempt from VAT. As a result, the Company has accepted an offer of £56,501 from Aberdeen Asset Managers Limited in respect of VAT charged on investment management fees between 1 October 2005 and 1 October 2008. This refund, which was received on 7 June 2010, has been allocated to revenue and capital on the same basis as it was originally charged.

## 4 Finance costs

| | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Bank overdraft interest | - | - | - | 2 | 6 | 8 |

## 5 Other expenses

| | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Other expenses | 36 | - | 36 | 32 | - | 32 |
| Fees paid to Auditors – statutory audit | 8 | - | 8 | 8 | - | 8 |
| Fees paid to Auditors – tax services | 2 | - | 2 | 2 | - | 2 |
| | **46** | **-** | **46** | **42** | **-** | **42** |

The above expenses include VAT where applicable.

## 6 Tax on ordinary activities

| | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Corporation tax | 7 | (7) | - | 1 | (1) | - |
| **Charge for year** | **7** | **(7)** | **-** | **1** | **(1)** | **-** |

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%).
The differences are explained below:

| | Year ended 31 March 2010 | | | Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Return on ordinary activities before taxation | 45 | 244 | 289 | 40 | (480) | (440) |
| Revenue return on ordinary activities multiplied by standard rate of corporation tax | 13 | 68 | 81 | 11 | (134) | (123) |
| Effect of income not subject to taxation | (4) | - | (4) | (10) | - | (10) |
| Non taxable (gains)/losses on investments | - | (77) | (77) | - | 109 | 109 |
| Smaller companies relief | (2) | 2 | - | - | - | - |
| Movement in excess management expenses | - | - | - | - | 24 | 24 |
| | **7** | **(7)** | **-** | **1** | **(1)** | **-** |

The Company has not recognised a deferred tax asset of £329,000 (2009: £329,000) 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.

## 7 Dividends

The Directors have not proposed a dividend for the year ended 31 March 2010 (2009: nil).

## 8 Return per Ordinary Share

| | Year ended 31 March 2010 | Year ended 31 March 2009 |
|---|---|---|
| The returns per share have been based on the following figures: | | |
| Weighted average number of Ordinary Shares | 5,309,102 | 5,309,102 |
| Revenue return | £38,000 | £39,000 |
| Capital return | £251,000 | (£479,000) |
| **Total return** | **£289,000** | **(£440,000)** |

## 9 Investments

| | Year ended 31 March 2010 Unlisted (unobservable inputs) £'000 | AIM/PLUS (quoted prices) £'000 | Total £'000 |
|---|---|---|---|
| **Movements during the year:** | | | |
| Valuation at 31 March 2009 | 1,082 | 999 | 2,081 |
| Unrealised losses | (305) | (824) | (1,129) |
| Cost at beginning of year | 1,387 | 1,823 | 3,210 |
| Purchases | 346 | 28 | 374 |
| Sales proceeds | (258) | (529) | (787) |
| Realised gains | 103 | 25 | 128 |
| Cost at 31 March 2010 | 1,578 | 1,347 | 2,925 |
| Unrealised losses | (326) | (655) | (981) |
| **Valuation at 31 March 2010** | **1,252** | **692** | **1,944** |

| **The portfolio valuation** <br> **Held at market valuation:** | **31 March 2010 £'000** | **31 March 2009 £'000** |
|---|---|---|
| AIM traded investments (quoted prices) | 440 | 575 |
| PLUS traded investments (quoted prices) | 252 | 424 |
| | 692 | 999 |
| **Unlisted at Directors' valuation:** | | |
| Unlisted investments (unobservable inputs) | 1,252 | 1,082 |
| **Total** | **1,944** | **2,081** |
| Realised gains/(losses) on historical basis | 128 | (323) |
| Movement in net unrealised gains/(losses) | 148 | (67) |
| | 276 | (390) |

Purchases of investments above include £3,000 held with solicitors awaiting completion. Deducting this amount from the purchases above equates to the acquisitions of £371,000 shown in the Cash Flow Statement.

Sales of investments above include £63,000 of sales awaiting settlement. Deducting this amount from the sales proceeds above equates to the sales of £724,000 shown in the Cash Flow Statement.

The sale of certain investments has given rise to deferred considerations. The amounts to be recovered cannot yet be measured accurately and, therefore, no asset has been recognised in the Financial Statements.

## 10 Debtors

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Other debtors | 49 | 62 |
| Prepayments | 3 | 3 |
| Brokers outstanding | 63 | 3 |
| VAT recovered on investment management fees | 56 | - |
| | **171** | **68** |

## 11 Creditors

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Accruals | 20 | 20 |
| | **20** | **20** |

## 12 Share capital

| | 31 March 2010 | | 31 March 2009 | |
|---|---|---|---|---|
| | Number | £'000 | Number | £'000 |
| *At 31 March 2010, the authorised share capital comprised:* | | | | |
| allotted, issued and fully paid: Ordinary Shares of 50p each | | | | |
| Balance brought forward | 5,309,102 | 2,655 | 5,309,102 | 2,655 |
| Unissued unclassified shares of 10p each | 2,690,898 | 1,345 | 2,690,898 | 1,345 |
| | **8,000,000** | **4,000** | **8,000,000** | **4,000** |

## 13 Reserves

| | Share premium account £'000 | Capital reserve - realised £'000 | Capital reserve - unrealised £'000 | Revenue reserve £'000 |
|---|---|---|---|---|
| At 31 March 2009 | 2,389 | (857) | (1,129) | (951) |
| Net return on ordinary activities | - | 103 | 148 | 38 |
| At 31 March 2010 | 2,389 | (754) | (981) | (913) |

## 14 Net Asset Value per share

| | Net Asset Value per share p | Net Asset Value attributable £'000 | Net Asset Value per share p | Net Asset Value attributable £'000 |
|---|---|---|---|---|
| Ordinary Shares | 45.1 | 2,396 | 39.7 | 2,107 |

The number of Ordinary Shares used in this calculation is set out in Note 12.

| 15 Reconciliation of revenue return before taxation to net cash outflow from operating activities | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| Return on ordinary activities before taxation | 289 | (440) |
| (Gains)/losses on investments | (276) | 390 |
| Decrease/(increase) in accrued income | 13 | (14) |
| Increase in accruals | (56) | (23) |
| Finance costs | - | 9 |
| **Net cash outflow from operating activities** | **(30)** | **(78)** |

| 16 Analysis of changes in net funds | 31 March 2009 £'000 | Cash flows £'000 | 31 March 2010 £'000 |
|---|---|---|---|
| Cash and overnight deposits | 14 | 287 | 301 |
| Bank overdraft | (36) | 36 | - |
| **Net funds** | **(22)** | **323** | **301** |

| | 31 March 2008 £'000 | Cash flows £'000 | 31 March 2009 £'000 |
|---|---|---|---|
| Cash and overnight deposits | 96 | (82) | 14 |
| Bank overdraft | (334) | 298 | (36) |
| **Net funds** | **(238)** | **216** | **(22)** |

| 17 Capital commitments, contingencies and financial guarantees | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| Financial guarantees | 73 | 73 |

These financial guarantees represent potential further investment in unlisted securities.

## 18 Derivatives and other financial instruments

The Company's financial instruments comprise securities and other investments, financial commitments and guarantees, cash balances 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 approval of the Directors. It is not the Company's policy to enter into derivative transactions.

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; (iii) liquidity risk; and (iv) credit 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. Adherence to investment guidelines and to investment 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 value of the Company's total 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 an emphasis on well established businesses. The Company complied with the stated investment guidelines and borrowing powers throughout the year ended 31 March 2010.

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.

### (ii) Interest rate risk

| | 31 March 2010 | | | |
|---|---|---|---|---|
| **Sterling** | **Fixed interest £'000** | **Floating rate £'000** | **Non-interest bearing £'000** | **Total £'000** |
| Unlisted | 810 | - | 442 | 1,252 |
| AIM/Plus | 89 | - | 603 | 692 |
| Cash | - | 301 | - | 301 |
| | **899** | **301** | **1,045** | **2,245** |

| | 31 March 2009 | | | |
|---|---|---|---|---|
| **Sterling** | **Fixed interest £'000** | **Floating rate £'000** | **Non-interest bearing £'000** | **Total £'000** |
| Unlisted | 696 | - | 386 | 1,082 |
| AIM/Plus | 105 | - | 894 | 999 |
| Cash | - | 14 | - | 14 |
| Bank overdraft | - | (36) | - | (36) |
| | **801** | **(22)** | **1,280** | **2,059** |

The floating rate assets consist of cash deposits on call. These assets are earning interest at prevailing money market rates, the bank overdraft interest rate at the balance sheet date was nil (2009: 2.5%). The unlisted and AIM/PLUS assets have a weighted average life of 3.4 years (2009: 3.8 years) and a weighted average interest rate of 10.7% (2009: 10.7%). 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:

| At 31 March 2010 | Within 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 |
|---|---|---|---|---|---|---|
| **Fixed interest** | | | | | | |
| Unlisted | 164 | 146 | 200 | 237 | 152 | 899 |
| | **164** | **146** | **200** | **237** | **152** | **899** |

Within "more than 5 years" there is a figure of £5,150, in respect of preference shares which have no redemption date.

| At 31 March 2009 | Within 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 |
|---|---|---|---|---|---|---|
| **Fixed interest** | | | | | | |
| Unlisted | 45 | 207 | 348 | 62 | 139 | 801 |
| | **45** | **207** | **348** | **62** | **139** | **801** |

Within "more than 5 years" there is a figure of £4,200 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 a portfolio of AIM/PLUS quoted assets is held to offset the liquidity risk. Note 9 details the three-tier hierarchy of inputs used as at 31 March 2010.

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

The bank overdraft with the Royal Bank of Scotland was repaid during the year and the borrowing facility has been withdrawn.

### (iv) Credit risk

This is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's financial assets exposed to credit risk amounted to the following:

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Investments in unlisted debt securities | 810 | 696 |
| Investments in AIM/PLUS debt securities | 89 | 105 |
| Cash and cash equivalents | 301 | 14 |
| | **1,200** | **815** |

All fixed interest assets which are traded on a recognised exchange and all of the Company's cash balances are held by JP Morgan Chase (JPM), the Company's custodian. Should the credit quality or the financial position of JPM deteriorate significantly the Manager will move these assets to another financial institution.

The Manager evaluates credit risk on unlisted debt securities and financial commitments and guarantees prior to investment, and as part of the ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held.

Typically, unlisted debt securities have a fixed charge over the assets of the investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies and members of the investment management team sit on the boards of investee companies; this enables the close identification, monitoring and management of investment specific credit risk.

There were no significant concentrations of credit risk to counterparties at 31 March 2010 or 31 March 2009.

### (v) Price risk sensitivity

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

At 31 March 2010, if market prices of AIM and 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 £69,000 (2009: £100,000), due to the change in valuation of financial assets at fair value through the Income Statement.

# Notice of Annual General Meeting

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 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 Wednesday 1 September 2010 at 11.00 a.m. at 9-13 St Andrew Street, London EC4A 3AF, to transact the following business.

## Ordinary Resolutions

To consider and, if thought fit, pass the following Resolutions as Ordinary Resolutions:

1. To receive the Directors' Report and audited Financial Statements for the year ended 31 March 2010.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr J D Carr as a Director.
4. To re-elect Mr W R Nixon as a Director.
5. To re-appoint Deloitte LLP as Auditors.
6. To authorise the Directors to fix the remuneration of the Auditors.
7. THAT the Directors be, and they are hereby, generally and unconditionally authorised under Section 551 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £265,455 (representing 10% of the Company's issued Ordinary Share capital on 31 March 2010) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

## Special Resolutions

To consider and if thought fit pass the following Resolutions as Special Resolutions:

8. THAT, subject to the passing of Resolution 7, the Directors be, and they are hereby, empowered under Section 571 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) under the authority conferred by Resolution 7 for cash as if Section 561(1) of the 2006 Act did not apply to the allotment, provided that this power shall be limited to the allotment:

    (a) of equity securities in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as practicable) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

    (b) (other than under paragraph (a) above) of equity securities up to an aggregate nominal amount not exceeding £265,455 (representing 10% of the Company's issued Ordinary Share capital on 31 March 2010) and shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the 2006 Act to make one or more market purchases (within the meaning of Section 693(4) 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 2010;

   (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:

      (i) an amount equal to 105 per cent of the average of the closing middle market price for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Shares are purchased; and

      (ii) the price stipulated by Article 5(1) of Commission Regulation (EC) No. 273/2003 (the Buy-back and Stabilisation Regulation);

      (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 15 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.

10. THAT the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose 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.

11. THAT a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

### Recommendation

The Directors consider that all the Resolutions to be put to the Annual General Meeting are in the best interests of the Company and its Shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

**By order of the Board**

**Maven Capital Partners UK LLP**
**Secretary**
**9-13 St Andrew Street**
**London EC4A 3AF**

**23 July 2010**

## Notes:

### Entitlement to attend and vote

1. Only those members registered on the Company's register of members 48 hours before the date and time set for the Meeting or, if this Meeting is adjourned, 48 hours before the date and time set for the adjourned Meeting, shall be entitled to attend and vote at the Meeting.

### Website giving information regarding the Meeting

2. Information regarding the Meeting, including the information required by section 311A of the Companies Act 2006, is available from www.mavencp.com/talismanfirst.

### Attending in person

3. If you wish to attend the Meeting in person, please bring some form of identification.

### Appointment of proxies

4. If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this Notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

5. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
6. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
7. 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 rights attached to any one share. To appoint more than one proxy, please copy the proxy form, indicate on each copy the number of shares that it relates to and attach them together.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of a proxy using hard copy proxy form

9. The notes to the proxy form explain how to direct your proxy how to vote on each Resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed, signed and sent or delivered to Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and must be received by Capita Registrars no later than 11.00 a.m. on 27 August 2010.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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.

    In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by the no later than 48 hours before the date and time set 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 Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. 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(s), 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. 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.

### Appointment of a proxy by joint members

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### Changing proxy instructions

12. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see Note 9) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars; contact details are provided in the Corporate Information section of the Annual Report.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### Termination of proxy appointments

13. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Capita Registrars no later than 48 hours before the date and time set for the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### Corporate representatives

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### Issued shares and total voting rights

15. As at 11.00 a.m. on 23 July 2010 the Company's issued share capital comprised 5,309,102 Ordinary Shares of 50p each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 11.00 a.m. on 23 July 2010 is 5,309,102.

The website referred to in Note 2 will include information on the number of shares and voting rights.

### Questions at the Meeting

16. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the Meeting unless:

    - answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

### Website publication of audit concerns

17. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at Note 18 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting.

    Where the Company is required to publish such a statement on its website:

    - it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
    - it must forward the statement to the Company's Auditors no later than the time the statement is made available on the Company's website; and
    - the statement may be dealt with as part of the business of the Meeting.

The request:

- may be in hard copy form or in electronic form (see Note 19 below);
- either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;
- must be authenticated by the person or persons making it (see Note 20 below); and
- be received by the Company at least one week prior to the Meeting.

### Members' qualification criteria

18. In order to be able to exercise the members' right to require the Company to publish audit concerns (see Note 17). The relevant request must be made by:

- a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or
- at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total number of voting rights, see Note 15 and the website referred to in Note 2.

### Submission of hard copy and electronic requests and authentication requirements

19. To circulate a Resolution to be proposed at the Meeting (see Note 23); to include a matter of business to be dealt with at the Meeting (see Note 24); and where a member or members wishes to request the Company to publish audit concerns (see Note 17), such request be must be made in accordance with one of the following ways:

- a hard copy request which is signed by you, states your full name and address and is sent to The Secretary, Talisman First Venture Capital Trust PLC, 149 St Vincent Street, Glasgow G2 5NW;
- a request which is signed by you, states your full name and address and is sent by fax to 0141 248 8093 marked for the attention of The Secretary, Talisman First Venture Capital Trust PLC; or
- a request which states your full name, address and investor code, and is sent to enquiries@mavencp.com stating "AGM" in the subject line of the e-mail.

### Nominated persons

20. If you are a person who has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):

- you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting;
- if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
- your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

### Documents on display

21. The following documents will be available for inspection at 9-13 St Andrew Street, London, EC4A 3AF from the date of the Notice of Annual General Meeting until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:

- copies of the letters of appointment of the Directors of the Company;
- a copy of the proposed new Articles of Association of the Company, together with a copy of the existing Articles of Association of the Company marked to show the changes being proposed.

### Communication

22. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling the Manager and Secretary on 0141 306 7400; or
    - e-mailing enquiries@mavencp.com.

    You may not use any electronic address provided either in this Notice of Annual General Meeting; or in any related documents (including the Annual Report and proxy form), to communicate with the Company for any purposes other than those expressly stated.

### Members' right to require circulation of Resolution to be proposed at the Meeting

23. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 18, may, subject to conditions, require the Company to give to members notice of a Resolution which may properly be moved and is intended to be moved at that Meeting.

    The conditions are that: the Resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); the Resolution must not be defamatory of any person, frivolous or vexatious; the request may be in hard copy form or in electronic form and must identify the Resolution of which notice is to be given by either setting out the Resolution in full or, if supporting a Resolution sent by another member, clearly identifying the Resolution which is being supported; it must be authenticated by the person or persons making it (see Note 19); and it must be received by the Company not later than six weeks before the Meeting to which the requests relate. In the case of a request made in hard copy form, such request must be authenticated by providing your full name, address and investor code and sent to The Secretary at the address stated in Note 19; in the case of a request made in electronic form, such request must be authenticated as set out above and sent to enquiries@mavencp.com, stating 'AGM' in the subject line of the email.

### Member's right to have a matter of business dealt with at the Meeting

24. Under Section 338A of the Companies Act 2006, a members or members meeting the qualification criteria set out at Note 18, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed Resolution) which may properly be included in the business (a matter of business).

    The conditions are that: the matter of business must not be defamatory of any person, frivolous or vexatious; the request may be in hard copy form or in electronic form (see Note 19); it must identify the matter of business by either setting it out in full or, if supporting the statement sent by another member, clearly identify the matter of business which is being supported; it must be accompanied by a statement setting out the grounds for the request; it must be authenticated by the person or persons making it (see Note 19); and it must be received by the Company not later than six weeks before the Meeting to which the requests relate.

**Registered in England and Wales – Company Number 3870187.**

# Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages given an explanation of the proposed Resolutions.

Resolutions 1 to 7 are proposed as Ordinary Resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution. Resolutions 8 to 11 are proposed as Special Resolutions. This means that for each of those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution.

### Resolution 1 – Annual Report and Financial Statements

The Directors of the Company must present to the Annual General Meeting the audited annual accounts and the Directors' and Auditors' reports for the financial year ended 31 March 2010.

### Resolution 2 – Directors' Remuneration Report

The Company's Shareholders will be asked to approve the Directors' Remuneration Report contained in the Annual Report and Accounts at the Annual General Meeting.

### Resolution 3 – Re-election of a Director

Mr J D Carr will retire by rotation this year in accordance with the Articles of Association of the Company, is proposed for re-election by the Company's Shareholders. Biographical details for Mr Carr are set out on page 15 of the Annual Report.

### Resolution 4 – Re-election of a Director

Mr Nixon, as a non-independent Director, retires annually in accordance with corporate governance best practice, and is proposed for re-election by the Company's Shareholders. Biographical details for Mr W R Nixon are set out on page 16 of the Annual Report.

### Resolutions 5 and 6 – Appointment and remuneration of Auditors

The Company must appoint Auditors at each General Meeting at which accounts are presented to Shareholders to hold office until the conclusion of the next such Meeting. Resolution 5 seeks Shareholder approval to reappoint Deloitte LLP as the Company's Auditors. In accordance with normal practice, Resolution 6 seeks authority for the Directors to determine their remuneration.

### Resolution 7 – Authority to allot shares

Under Section 549 of the Companies Act 2006, the Directors are prevented, subject to certain exceptions, from allotting shares in the Company or rights to subscribe for such shares without the authority of the Shareholders in General Meeting. Resolution 7 is proposed as an Ordinary Resolution to authorise the Directors to allot shares or rights to subscribe for them up to an aggregate nominal value of £265,455. This amounts to 530,910 Ordinary Shares representing approximately one-tenth of the share capital of the Company in issue at 31 March 2010. The Directors' authority will expire at the conclusion of the next Annual General Meeting of the Company following the passing of Resolution 7. At the date of this notice the Company does not hold any Ordinary Shares in the capital of the Company in treasury.

### Resolution 8 – Waiver of statutory pre-emption rights

Under Section 561 of the Companies Act 2006, when new shares are allotted they must first be offered to existing shareholders pro rata to their holdings. Shareholders are being asked to grant authority to the Directors to: (a) allot shares of the Company on such a pre-emptive basis as far as possible, subject to excluding circumstances where it is impractical to apply the strict pro rating; and (b) otherwise allot shares of the Company or rights to subscribe for shares of the Company up to an aggregate nominal value of £265,455 (representing approximately 10 per cent of the share capital in issue at 31 March 2010) as if the pre-emption rights of Section 561 of the Companies Act 2006 did not apply. This authority will expire at the conclusion of the next Annual General Meeting of the Company following the passing of Resolution 8.

### Resolution 9 – Purchase of own shares

At the last Annual General Meeting, the Company's shareholders passed a Resolution granting to the Company authority to make market purchases of the Company's Ordinary Shares subject to certain specified limits. Under Resolution 9, the Company's Shareholders are being asked to renew the Directors' authority to make market purchases of up to 795,834 Ordinary Shares of the Company (which represents approximately 14.99 per cent of the issued share capital of the Company at 31 March 2010) and the Resolution sets out the minimum and maximum prices that can be paid, exclusive of expenses. The minimum price is equal to the nominal value of an Ordinary Share from time to time and maximum price is equal to the higher of: (i) 105 per cent of the average of the closing middle market price of an Ordinary Share of the Company for the five business days, prior to the date of purchase; and (ii) the price stipulated by Article 5(1) of Commission Regulation (EC) No. 2273/2003 (the Buy-back and Stabilisation Regulation), being the higher of the last independent trade for an Ordinary Share or the highest current independent bid for an Ordinary Share as derived from the trading venue where the purchase is carried out. Any Ordinary Shares in the Company purchased pursuant to the authority sought under Resolution 9 may either be cancelled (and not be available for reissue) or held in treasury. Once held in treasury, such shares may be cancelled or sold for cash.

### Resolution 10 – Adoption of new Articles of Association

It is proposed in Resolution 10 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006. The principal changes introduced in the New Articles are summarised in the Explanatory Notes on pages 55 and 56. Other changes, which are of a minor, technical or clarifying nature and some minor changes which merely reflect changes made by the Companies Act 2006 or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform have not been noted in the Explanatory Notes. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 51 of this Annual Report.

### Resolution 11 – Notice of General Meetings

This resolution is required to reflect the implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive increased the notice period for General Meetings of the Company to 21 days. The Company is currently able to call General Meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, Shareholders must have approved the calling of General Meetings on 14 days' notice. Resolution 11 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar Resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a General Meeting on 14 days' notice.

# Explanatory Notes of Principal Changes to the Company's Articles of Association

## 1. The Company's objects

Prior to 1 October 2009 the provisions regulating the operations of the Company were set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contained, among other things, an objects clause which set out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope. The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum.

The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which were contained in a company's memorandum, for existing companies at 1 October 2009, are now deemed to be contained in a company's articles of association but a company can remove these provisions by passing a special resolution adopting a new set of articles. The Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason there is no objects clause in the New Articles.

## 2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

## 3. Change of Company name

Currently, a company can only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a Resolution to change the Company's name.

## 4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

## 5. Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but, if it did so, the Directors would need Shareholders' authority to issue new shares in the usual way.

## 6. Authority to purchase own shares, consolidate and sub-divide shares and reduce share capital

Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

## 7. Use of seals

A company currently requires authority in its articles to have an official seal for use abroad. After 1 October 2009 such authority will no longer be required. Accordingly the relevant authorisation has been removed in the New Articles. The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

8. Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

9. Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

10. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

**Registered in England and Wales – Company Number 3870187**

# Corporate Summary

## Company profile

Talisman First Venture Capital Trust PLC (the Company) is a venture capital trust. It has one class of share and was incorporated on 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 2010, 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 2010, the Company had total assets of £2,396,000 and a Net Asset Value of 45.1p per share.

## Continuation vote

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 2012. For the Resolution not to be passed, a majority of the votes cast must be against the Resolution.

## Risks 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 in 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.

Further details of the Company's risk profile are contained in the Directors' Report and in Note 18 to the Financial Statements.

## Management agreement

The Company has an agreement with Maven Capital Partners UK LLP for the provision of investment management, company secretarial and administrative services. Please refer to the Directors' Report and Note 3 to the Financial Statements for details of the management 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.

For qualifying investors buying shares on the open market:

- dividends are free of income tax;
- no capital gains tax is payable on a disposal of shares;
- there is no minimum holding period;
- the value of shares, and income from them, can fall as well as rise;
- tax regulations and rates of taxation may be subject to change;
- VCTs tend to be invested in smaller, unlisted companies with a higher risk profile; and
- the secondary market for VCT shares can be illiquid.

# Corporate Information

## Directors

J D Carr (Chairman)

S J Barclay

B O J May

W R Nixon

## Manager and Secretary

Maven Capital Partners UK LLP
Sutherland House
149 St Vincent Street
Glasgow G2 5NW

Telephone: 0141 306 7400

e-mail: enquiries@mavencp.com

## Points of Contact

The Chairman and/or the Company Secretary at:
Sutherland House
149 St Vincent Street
Glasgow G2 5NW

## Registered Office

9-13 St Andrew Street
London EC4A 3AF

Registered in England and Wales
Company Number 3870187

## Registrars

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

Shareholder Helpline: 0871 664 0300

(Calls cost 10p per minute plus network extras and lines are open 8.30 am until 5.30pm, Monday to Friday)

## Auditors

Deloitte LLP

## Bankers

J P Morgan Chase Bank

## Stockbrokers

Seymour Pierce Limited

## Website

www.mavencp.com/talismanfirst

**Maven Capital Partners UK LLP**
Sutherland House
149 St Vincent Street
Glasgow G2 5NW
Tel 0141 306 7400