



Murray
VCT 4
PLC

Long term capital and income growth principally through investment
in smaller unquoted companies in the United Kingdom.

Annual Report & Financial Statements
28 February 2003

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Financial Calendar

10 July 2003 Annual General Meeting

Dividend Schedule

	Rate	xd date	Record date	Payment date
Interim dividend	1.0p	13 November 2002	15 November 2002	10 December 2002
Proposed final dividend	1.5p	18 June 2003	20 June 2003	18 July 2003
Total	2.5p			



Murray
VCT 4 PLC

Corporate Summary

Investment Objective

Murray VCT 4's objective is to achieve long term growth in capital and income principally through investment in smaller unquoted companies in the United Kingdom.

Life of the Company

It is not intended that the Company should have a limited life, but it is considered desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at the tenth Annual General Meeting following listing and thereafter at five year intervals. Murray VCT 4 PLC was listed in April 2000.

Capital Structure

The Company's share capital consisted of 38,462,957 Ordinary shares of 10p each at 30 May 2003.

Summary Management Agreement

The Manager has agreed to provide investment management services for a fee calculated on gross asset value, together with a secretarial fee, as detailed in Note 3 on page 28. The management agreement is for an initial period of four years to 6 April 2004. It is terminable by the Company on giving the Manager six months' notice. It is terminable by the Manager on giving the Company one year's notice, such notice not to be effective before 6 April 2005.

Dividend History

Year ended February	Payment date	Interim/ final	Rate (p)
2001	8 December 2000	Interim	1.0
	13 July 2001	Final	1.8
2002	7 December 2001	Interim	1.0
	22 July 2002	Final	1.5
2003	10 December 2002	Interim	1.0
	18 July 2003	Proposed final	1.5
			7.8

Corporate Information

Directors

A E Whitworth (Chairman)
S J Dobbie, CBE
W E Holt (appointed 17 April 2003)
Sir Gavin Laird, CBE
A G MacMillan
C G Stuart-Menteth

Manager & Secretary

Murray Johnstone Limited
123 St Vincent Street
Glasgow G2 5EA
Customer Services Department: 0500 00 00 40

Stockbrokers

UBS Warburg

Solicitors

S J Berwin

Registered Office

One Bow Churchyard
Cheapside
London EC4M 9HH
Company Registration Number: 3908220

Auditors

Ernst & Young LLP

Custodian Bankers

J P Morgan Chase Bank

Registrars

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

Board Members

Chairman

Anthony Whitworth (68) was appointed a Director in January 2000 and Chairman in October 2002. He has been an independent non-executive director to a wide range of private equity backed businesses for over 10 years. He is currently chairman of a number of private companies including Chilwood Holdings Limited and a director of Crompton Group Limited.

Directors

Scott Dobbie CBE (63) was appointed a Director in January 2000. He was formerly chairman of CRESTCo Ltd. He is chairman of The Securities Institute and Standard Life European Private Equity Trust, and a director of The Edinburgh Investment Trust plc, Deutsche (Scotland) Limited, and a commissioner of the Jersey Financial Services Commission. He will resign from the Board at the Annual General Meeting to be held on 10 July 2003.

Will Holt (56) was appointed a Director on 17 April 2003. He is a solicitor, now acting as a legal consultant, following 14 years in private practice with major law firms specialising in corporate finance and mergers and acquisitions, including activity in the development capital and private equity sectors. From 1973 to 1985 he was the group secretary of British Vita PLC, a company with UK and international manufacturing interests and, from 1979 to 1985, he served on the company's main board as legal director, playing a key role in the group's expansion, through acquisition, into mainland Europe.

Sir Gavin Laird CBE (70) was appointed a Director in January 2000 and served as Chairman until October 2002. He was formerly General Secretary of the Amalgamated Engineering and Electrical Union. He is a director of The Edinburgh Investment Trust plc and a former director of Britannic Asset Management Limited. He will resign from the Board at the Annual General Meeting to be held on 10 July 2003.

Arthur MacMillan (40) was appointed a Director in January 2000. He is the chief executive of Clyde Marine plc, a Glasgow-based leisure marine company. Before joining Clyde Marine plc (formerly Clyde Shipping Limited) in 1995, he was a corporate financier with West Merchant Bank and Samuel Montagu & Co Limited in London. He is also a director of Gartmore SNT plc, a split capital investment trust.

Charles Stuart-Menteth (52) was appointed a Director in January 2000. He was founder and chief executive of Datavault plc, the largest independent records management company in the UK until it was sold in February 1999. Prior to that he was managing director of a venture capital company and has also worked in the engineering and banking sectors. He is now a business angel seeking to invest in and help early stage businesses.

All of the Directors are members of the Management Engagement Committee, the Audit Committee and the Nomination Committee.

Manager

Murray Johnstone Limited is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC whose group companies, as at 30 April 2003, managed approximately £20 billion for institutions, unit trusts, OEICs, investment trusts, venture capital trusts, private equity funds, private clients and offshore funds. The Manager's private equity division, Aberdeen Murray Johnstone Private Equity, operates through a network of seven regional offices and as at 30 April 2003 had approximately £470 million under management.

Analysis of Unlisted Portfolio

As at 28 February 2003

FTSE Actuaries industry sector	£'000	%
Transport	2,415	16.8
Engineering & Machinery	1,966	13.7
Support Services	1,739	12.1
General Retailers	1,674	11.7
Health	1,607	11.2
Food Producers & Processors	1,400	9.8
Leisure, Entertainment & Hotels	1,053	7.3
Oil & Gas	850	5.9
Media & Photography	750	5.2
Distributors	641	4.5
Construction & Building Materials	130	0.9
Telecommunication Services	130	0.9
Total	14,355	100.0

Deal type	No. of deals	£'000	%
Development capital	16	6,497	45.3
Management buy-out	8	6,476	45.1
Acquisition finance	3	732	5.1
Management buy-in	2	650	4.5
Total	29	14,355	100.0

Aberdeen Murray Johnstone regional office	No. of deals	£'000	%
Birmingham	10	6,992	48.7
Manchester	8	3,024	21.1
Glasgow	5	2,238	15.6
Aberdeen	1	850	5.9
Leeds	3	650	4.5
London	2	601	4.2
Total	29	14,355	100.0

Note: The total portfolio of investments, including both listed and unlisted stocks, is valued at £21,279,000.

Chairman's Statement

Performance

Market conditions continue to be difficult and this is evident in reduced investor confidence in the stock market and increasing reports of weakening profits. These conditions continue to have an adverse impact on corporate performance and therefore on the valuations of the Company's investment portfolio. Realisations are also difficult to achieve in these depressed markets.

The Net Asset Value (NAV) per share at 28 February 2003, before payment of all dividends in respect of the year then ended, was 81.5p per share (pps) compared with 88.6pps at 28 February 2002. This decrease in NAV of 8.0% compares with the significant reduction in stock market indices generally and, in particular, the FTSE SmallCap Index which fell by 28.6% over the period and the FTSE AIM Index which fell by 31.9%.

Dividends and returns to date

An interim dividend of 1.0pps for the year ended 28 February 2003 was paid to Shareholders on 10 December 2002. The Board is proposing a final dividend of 1.5pps to be paid on 18 July 2003 to Shareholders on the register on 20 June 2003. The total dividend for the year ended 28 February 2003 will therefore amount to 2.5pps.

Since the Company's launch, most Shareholders will have received 7.8pps in tax free dividends. To an investor who took advantage of the initial income tax relief, this represents a return of over 9.7% of the effective initial investment cost of 80pps. This is equivalent to an annual dividend yield of 4.5% from a conventional listed equity for a higher rate taxpayer. This yield ignores the benefit of capital gains tax deferrals, which some Shareholders may have received, and compares with the FTSE SmallCap yield of 2.8% and the FTSE All-Share yield of 2.7%. The total return since launch is 86.8pps, being the sum of dividends paid plus NAV per share.

Valuation process

Murray VCT 4's investments in unquoted companies are valued in accordance with the British Venture Capital Association guidelines. Investments are normally valued at cost, or cost less a provision, until they have been held for at least one year. As a result, should performance be ahead of plan, which may imply an increase in the value of the investment, this would not be reflected for at least 12 months; on the other hand, material underperformance will be immediately reflected in a reduced valuation. AIM stocks are valued at their mid-market price, discounted where necessary to reflect any trading restrictions.

The most important measures for a VCT are the long-term record of dividend payments and the timing of those payments over the life of the Company. In the short-term, the NAV is a less important measure of performance, as the valuations do not necessarily reflect the true potential value of the underlying investments.

Board changes

The Board of Murray VCT 4 announced, on 16 April 2003, that it had accepted the resignations of Sir Gavin Laird, who attained the age of 70 on 14 March 2003, and Mr Scott Dobbie, due to increased business commitments, both resignations to be effective from the Annual General Meeting of the Company to be held on 10 July 2003.

The Directors wish to record their gratitude for the contributions made, by both Sir Gavin and Scott, to the deliberations of the Board over their periods in office. I would also like to thank Sir Gavin for serving as Chairman from January 2000 to October 2002.

The Board also announced, on 16 April 2003, that Mr W E Holt would be appointed a Director with effect from 17 April 2003. Mr Holt is a legal consultant with considerable experience in corporate finance and mergers and acquisitions, including activity in the development capital and private equity sectors.

Chairman's Statement

Outlook

The results reported in the Financial Statements reflect continuing poor market conditions; prospects for the current year remain uncertain. The portfolio includes a core of investments that have good prospects, but it could be some time before those prospects can be demonstrated in profitable realisations. The Manager is continuing to work with the portfolio companies to improve performance with a view to maximising the proceeds from eventual exits.

The falls in stock market indices over the last three years have led to more realistic pricing expectations in the private equity market. However, although there is a continuing flow of suitable transactions being generated by the Aberdeen Murray Johnstone Private Equity regional network of offices, the market has been, and is expected to remain, challenging. The transaction process has become more protracted through vendor resistance to price reductions and the Manager's caution regarding future prospects. This has had an impact on the investment rate to date and the Manager intends to maintain a cautious approach to investment for the foreseeable future.

A E Whitworth

9 June 2003

Chairman

Investment Manager's Review

Investment activity

Further investment during the year ended 28 February 2003 totalled £8.9 million. At 28 February 2003 the portfolio stood at 29 investments having a total cost of £20.9 million. It has been confirmed that 70% of the Company's investments are in qualifying holdings.

Four new investments have been made since the publication of the interim report:-

PLM Dollar Group Limited (November 2002) – £401,785: Based in Inverness, PLM which trades as PDG Helicopters, is an operator of a fleet of commercial helicopters.

PSCA International Limited (December 2002) – £750,000: Based in Newcastle Upon Tyne, PSCA produces high quality publications aimed at public sector officials in central and local government.

ScotNursing Limited (December 2002) – £750,000: Based in Glasgow, ScotNursing is an independent provider of temporary and agency nursing and care staff.

TMI Foods Limited (January 2003) – £750,000: Based in Northampton, TMI Foods is a supplier of cooked bacon products to multiple retailers in the food industry.

Portfolio developments

Further reductions in valuations have been necessary, reflecting the difficult economic conditions prevailing at the moment. Sales of investee companies will be pursued, but are only likely to occur when market conditions improve and/or when underlying performance offers attractive exits.

Outlook

The Manager is continuing to assist the portfolio companies in an effort to improve performance which should result in higher proceeds from eventual exits. The continuing poor economic and market conditions and the uncertain prospects for the current year are working against this ambition.

Murray VCT 4 is not yet fully invested, and the Manager will continue to make new investments, where possible in larger companies, until an investment level of around 85% is achieved. The deal flow from the regional network of offices should ensure an adequate supply from which to make those investments.

John Simpson

Investment Manager

9 June 2003

Summary of Investment Changes

For the year ended 28 February 2003

	Valuation as at 28 February 2002		Net investment (disinvestment)	Appreciation (depreciation)	Valuation as at 28 February 2003	
	£'000	%	£'000	£'000	£'000	%
Unlisted investments						
Equities	3,048	8.9	1,733	(1,327)	3,454	11.4
Preference shares	449	1.3	536	(444)	541	1.8
Loan stock	5,732	16.8	6,604	(1,976)	10,360	34.1
	9,229	27.0	8,873	(3,747)	14,355	47.3
Listed investments						
Fixed income	24,671	72.2	(17,936)	189	6,924	22.8
Total investments	33,900	99.2	(9,063)	(3,558)	21,279	70.1
Other net assets	270	0.8	8,832	—	9,102	29.9
Total assets*	34,170	100.0	(231)	(3,558)	30,381	100.0

*Total assets represents equity Shareholders' funds

Investment Portfolio Summary

As at 28 February 2003

		Valuation	% of
	Nature of business	£'000	total assets
Unlisted investments			
Conveco	Operator of convenience stores	1,674	5.5
TLC (Tender Loving Childcare)	Operator of day care nurseries	1,137	3.7
CCM Motorcycles	Manufacturer of motorcycles	1,008	3.3
Tuscan Energy Group	Oil production	850	2.8
Transys Projects	Provider of engineering services to the rail industry	825	2.7
TMI Foods	Cooked bacon food processor	750	2.5
PSCA International	Government sector publishing	750	2.5
ScotNursing	Provider of temporary and agency nursing and care staff	750	2.5
Synexus	Management of clinical trials	695	2.3
House of Dorchester	Manufacturer of high quality chocolate confectionary	650	2.1
Other investments valued individually at less than £650,000		5,266	17.4
		14,355	47.3
Listed fixed income investments			
European Investment Bank 6% 26/11/2004		3,645	12.0
Treasury 8.5% 7/12/2005		1,131	3.7
Treasury 5% 7/6/2004		1,124	3.7
Treasury 6.5% 7/12/2003		1,024	3.4
		6,924	22.8
Total investments		21,279	70.1

Ten Largest Unlisted Investments

CONVECO LIMITED

Operator of convenience stores

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	1,674	1,000
Directors' valuation	1,674	1,000
Effective equity interest	7.1%	7.4%
Gross income received in the year	—	—
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	—	—

TLC (TENDER LOVING CHILDCARE) LIMITED

Operation of daycare nurseries

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	1,137	831
Directors' valuation	1,137	831
Effective equity interest	24.2%	24.2%
Gross income received in the year	21	57
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	—	—

Conveco, trading as Local Plus, operates convenience stores in the South West of England.

Murray VCT 4 participated in the management buy-out in May 2001. The transaction was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

TLC specialises in the provision of full day nursery care and out of school care for children 0–11 years. The company bases its operations primarily in NHS related nurseries. The business is based in Rugby.

Murray VCT 4 participated in the development capital funding in November 2000. The transaction was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

Nine months ended 28 October

	2001 £'000
Turnover	22,242
Profit before interest and tax	1,189
Profit before tax	242
Profit after tax	776
Ordinary share dividend	—
Preference share dividend	—
Net assets attributable to ordinary and preference shareholders	6,484
Earnings per ordinary share	123.2p
Dividend per preference share	—
Preference dividend cover	—
Dividend per ordinary share	—
Ordinary dividend cover	—

Year ended 31 December

	2001 £'000
Turnover	581
Loss before interest and tax	(504)
Loss before tax	(670)
Loss after tax	(670)
Preference share dividend	—
Ordinary share dividend	—
Net assets attributable to ordinary and preference shareholders	1,434
Earnings per ordinary share	(348.9p)
Dividend per preference share	—
Preference dividend cover	—
Dividend per ordinary share	—
Ordinary dividend cover	—

Ten Largest Unlisted Investments

CCM MOTORCYCLES LIMITED

Manufacturer of motorcycles

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	2,015	1,370
Directors' valuation	1,008	1,027
Effective equity interest	19.5%	28.6%
Gross income received in the year	—	—
Basis of valuation	50%	25%
Provision	Provision	
Cumulative realisation proceeds	—	—

TUSCAN ENERGY GROUP LIMITED

Oil production

Incorporated in Scotland

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	850	255
Directors' valuation	850	255
Effective equity interest	1.5%	1.5%
Gross income received in the year	—	—
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	—	—

The company manufactures both on and off-road motorcycles at its premises in Blackburn, Lancashire.

The development capital investment in November 2000 was led, structured and arranged by Murray Johnstone. A further investment of £1.5 million by Aberdeen Murray Johnstone Private Equity clients was made in tranches between October 2001 and February 2002. A further investment of £1.6 million was made by Aberdeen Murray Johnstone clients as part of an external refinancing process which was completed in January 2003. As part of this process Merseyside Special Investment Fund made an investment of £1.25million in ordinary shares, loan stock and mezzanine finance.

The company is located in Aberdeen and was awarded the licence to re-develop the Ardmore Field, formerly known as the Argyll Field, in the North Sea, in association with another party on a shared risks/rewards basis. The investment was drawn down in stages as key milestones were achieved; the final being DTI approval to operate and develop the field.

Murray VCT 4 first invested in January 2002 and subsequently in February and October 2002 in a fund raising which totalled £10.0m. The fund raising was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

Year ended 30 September	2002 £'000	2001 £'000
Turnover	3,937	1,706
Loss before interest and tax	(1,770)	(1,052)
Loss before tax	(1,911)	(1,146)
Loss after tax	(1,911)	(1,146)
Preference share dividend	—	—
Ordinary share dividend	—	—
Net assets attributable to ordinary and preference shareholders	173	1,868
Earnings per ordinary share	(2,167p)	(1,300p)
Dividend per preference share	—	—
Preference dividend cover	—	—
Dividend per ordinary share	—	—
Ordinary dividend cover	—	—

Year ended 30 June	2002 £'000	*2001 £'000
Turnover	Nil	Nil
Loss before interest and tax	(317)	(62)
Loss before tax	(410)	(54)
Loss after tax	(410)	(54)
Net assets attributable to ordinary shareholders	836	133
Earnings per ordinary share	(6.8p)	(28.8p)
Dividends per ordinary share	—	—
Ordinary dividend cover	—	—

*for the period from date of incorporation 11 August 2000.

These accounts reflect the costs incurred in preparing for the application to the DTI for Licence Interests and Operatorship of the Argyll Field. Revenues are not expected to be generated for some time.

Ten Largest Unlisted Investments

TRANSYS PROJECTS LIMITED

Provider of engineering services to the rail industry

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	825	825
Directors' valuation	825	825
Effective equity interest	21.6%	19.3%
Gross income received in the year	35	—
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	—	—

TMI FOODS LIMITED

Cooked bacon food processor

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000
Cost of investment	750
Directors' valuation	750
Effective equity interest	23.5%
Gross income received in the year	—
Basis of valuation	Cost
Cumulative realisation proceeds	—

Transys Projects Limited provides engineering solutions to the rolling stock and train operating companies within the rail industry. The services provided range from engineering and design consultancy through to the design, subcontract manufacture and fitting of equipment such as automatic sanders and train protection warning systems. The business is based in Birmingham.

The management buy-out in April 2002 was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

As the company was only formed in April 2002, audited accounts have not yet been produced.

TMI Foods Limited cures and cooks bacon products for the catering and supermarket sectors. The business is based in Northampton and employs 130 members of staff. The management buy-out in January 2003 was led, structured and arranged by Aberdeen Murray Johnstone Private equity.

As the company was only formed in January 2003, audited accounts have not yet been produced.

Ten Largest Unlisted Investments

PSCA INTERNATIONAL LIMITED

Government sector publishing

Incorporated in England and Wales

Holding details as at 28 February

	2003 £'000
Cost of investment	750
Directors' valuation	750
Effective equity interest	7.6%
Gross income received in the year	–
Basis of valuation	Cost
Cumulative realisation proceeds	–

SCOTNURSING LIMITED

Provider of temporary and agency nursing and care staff

Incorporated in Scotland

Holding details as at 28 February

	2003 £'000
Cost of investment	750
Directors' valuation	750
Effective equity interest	18.8%
Gross income received in the year	–
Basis of valuation	Cost
Cumulative realisation proceeds	–

The company was formed in December 2002 to undertake the management buy-out of Public Sector Communication Agency Limited. The company is a producer of high quality publications on titled "Public Sector Review" that are aimed at public sector officials in central and local government. The company currently publishes eleven titles.

The company is based in Newcastle under Lyme, Staffordshire and employs 45 people.

ScotNursing is a provider of temporary and agency nursing care staff into the healthcare sector. The company is based in Clydebank near Glasgow and operates from a network of nine branches.

Murray VCT 4 invested to fund the ongoing development of the company in a development capital transaction led by Aberdeen Murray Johnstone Private Equity.

As the company was only formed in December 2002, audited accounts have not yet been produced.

Year ended 31 March	2002 £'000	2001 £'000
Turnover	10,029	8,269
Profit/(loss) before interest and tax	60	(52)
Loss before tax	(83)	(143)
Loss after tax	(83)	(133)
Ordinary share dividends	Nil	Nil
Net assets attributable to ordinary shareholders	126	213
Earnings per ordinary share	(8.3p)	(14.3p)
Dividend per ordinary share	–	–

Ten Largest Unlisted Investments

SYNEXUS LIMITED

Management of clinical trials

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000	2002 £'000
Cost of investment	927	927
Directors' valuation	695	927
Effective equity interest	9.3%	9.3%
Gross income received in the year	–	–
Basis of valuation	25% Provision	Cost
Cumulative realisation proceeds	–	–

HOUSE OF DORCHESTER LIMITED

Manufacturer of high quality chocolate confectionery

Incorporated in England and Wales

Holding details as at 28 February	2003 £'000
Cost of investment	650
Directors' valuation	650
Effective equity interest	24.7%
Gross income received in the year	8
Basis of valuation	Cost
Cumulative realisation proceeds	–

Synexus Limited is one of the UK's leading clinical trials patient recruitment organisations serving the international pharmaceutical industry. It operates from nine clinical research centres throughout the UK, with its head office in Chorley, Lancashire.

The management buy-out in February 2001 was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

House of Dorchester is a manufacturer of high quality chocolates, selling to a wide range of customers.

The BIMBO of the business was led, structured and arranged by Aberdeen Murray Johnstone Private Equity clients in September 2002.

Year ended 31 March

	2002 £'000	2001 £'000
Turnover	5,037	839
Loss before interest and tax	(912)	(348)
Loss before tax	(1,407)	(413)
Loss after tax	(1,389)	(413)
Preference share dividend	–	–
Ordinary share dividend	–	–
Net assets attributable to ordinary and preference shareholders	9	1,397
Earnings per ordinary share	(15.2p)	(4.5p)
Dividend per preference share	–	–
Preference dividend cover	–	–
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

As the company was only formed in July 2002, audited accounts have not yet been produced.

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies for the first time to this financial year. An Ordinary Resolution No. 2 for the approval of this report will be put to the members 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 23.

Remuneration Committee

The Company has previously operated under the guidance of five non-executive Directors, increasing to six following the appointment of Mr W E Holt on 17 April 2003. The number of Directors will reduce to four following the resignations of Sir Gaving Laird and Mr S J Dobbie at the Annual General Meeting to be held on 10 July 2003. The whole Board fulfils the function of a Remuneration Committee. The names of the Directors are shown on page 15 together with the fees paid during the year. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors expect, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies).

Policy on Directors' remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, be fair and comparable to that of other venture capital trusts, have a similar capital structure and similar investment objectives. The primary aim of Murray VCT 4 PLC is to achieve long-term growth in capital and income, principally through investment in smaller unquoted companies in the United Kingdom. It is intended that this policy will continue for the year ended 29 February 2004 and subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. The fees for the Directors, all of whom are non-executives, are determined within the limits set out in the Company's Articles of Association, which limits the aggregate of the fees payable to the Directors to £100,000 per annum. The Company's policy is that fees payable to the Directors should reflect the time spent by them 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.

The Nominations Committee carried out a review of the level of Directors' fees and concluded that the amounts payable per annum should remain as £12,000 for the Chairman and £9,000 for each Director. The policy is to continue to review these rates from time to time.

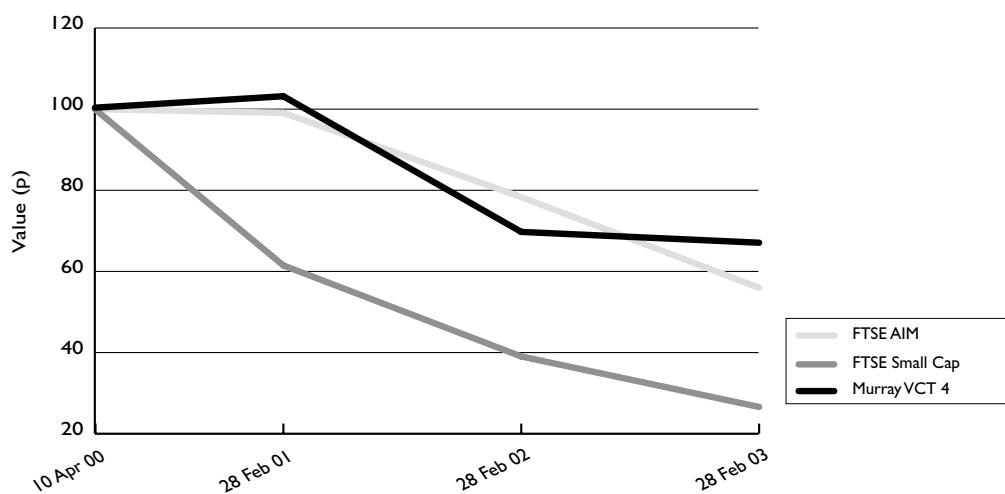
Directors' service contracts

None of the Directors has a contract of service or services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. 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. Any Director who attains the age of 70 is subject to annual re-election. No compensation is payable for loss of office, save any arrears of fees which may be due.

Directors' Remuneration Report (continued)

Company performance

The graph below compares, for the period from inception, accounting periods up to 28 February 2003, the total return (assuming all dividends are reinvested) to Ordinary Shareholders in each period, with the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE AIM and FTSE SmallCap Indices are calculated. These indices were chosen for comparison purposes as they are the most relevant to the Company's investment portfolio.



Directors emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	For the year ended 28 February 2003	For the year ended 28 February 2002
	£	£
Chairman:		
A E Whitworth (appointed Chairman October 2002)	10,170	9,000
Directors:		
S J Dobbie CBE	9,000	9,000
Sir Gavin Laird CBE (Chairman until October 2002)	10,830	12,000
A G MacMillan*	9,000	9,000
C G Stuart-Menteth	9,000	9,000
Total	48,000	48,000

*Mr A G MacMillan's fees are paid to Clyde Marine plc.

Directors' and Officers' liability insurance

The Company purchases and maintains liability insurance covering the Directors and Officers of the Company.

Approval

The Directors' Remuneration Report on pages 14 and 15 was approved by the Board of Directors on 15 April 2003 and signed on its behalf by:

9 June 2003

A E Whitworth
Director

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 28 February 2003.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £640,000. An interim dividend of 1.0p per share was paid on 10 December 2002 to Shareholders on the register at close of business on 15 November 2002. The Directors now recommend a final dividend for the year of 1.5p per Ordinary share payable on 18 July 2003 to Ordinary Shareholders on the register at close of business on 20 June 2003 and a resolution to this effect will be proposed at the Annual General Meeting. The sum of £319,000 has been transferred from the Company's reserves.

The Net Asset Value per Ordinary share at 28 February 2003 was 79.0p (2002 – 88.6p). The Net Asset Value per Ordinary share has been calculated using the number of shares in issue at 28 February 2003 of 38,462,957.

Review of the business

The objective of the Company is to achieve long term capital and income growth principally through investment in smaller unquoted companies in the United Kingdom.

A review of the Company's operations is given in the Chairman's Statement on pages 5 and 6 and in the Investment Manager's Review on page 7.

New investment during the year took the unlisted portfolio to 29 investments at a total cost of £20.86 million. This represented a qualifying investment level of 70 per cent.

Purchase of Ordinary shares

At the Annual General Meeting of the Company on 16 July 2002, Shareholders authorised the repurchase in the market of a maximum of 10 per cent of the Ordinary shares in issue. During the year ended 28 February 2003, a total of 262,680 Ordinary shares of 10p each, representing 0.68 per cent of the Ordinary shares in issue at 31 May 2002, were purchased at a weighted average price of 66.6p per share and an aggregate consideration of £175,000.

A special resolution, numbered 7 in the notice of Annual General Meeting, will ask Shareholders for their approval to renew the authority to purchase in the market a maximum of 14.99 per cent of Ordinary shares in issue (5,765,597 Ordinary shares) at 30 May 2003. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is the earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting of the Company.

Purchases of Ordinary shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its Shareholders taken as a whole. Purchases will be made in the market for cash only at prices below the prevailing Net Asset Value per Ordinary share. Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority must not exceed 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price that may be paid is 10p per share. In making purchases, the Company will deal only with member firms of the London Stock Exchange. Shares which are purchased will be cancelled. Purchases of Ordinary shares by the Company will be made from reserves and the purchase price will normally be paid out of cash balances held by the Company from time to time.

The purchase of Ordinary shares by the Company is intended to reduce the discount at which Ordinary shares trade in the market because the Company will be a new source of demand for Ordinary shares. 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.

Shares will not be purchased by the Company in the period of two months immediately preceding the notification of the Company's interim results and the two months immediately preceding the preliminary announcement of the annual results or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement.

Directors' Report

Issue of new Ordinary shares

During the year ended 28 February 2003, a total of 170,698 Ordinary shares of 10p each were issued, under the dividend reinvestment scheme, at a weighted average price of 88p per share and a total consideration of £150,174.

Resolution numbered 8 in the Notice of Meeting will be put to Shareholders at the Annual General Meeting for their approval to issue up to an aggregate nominal amount of £384,629 (equivalent to 3,846,290 Ordinary shares or 10 per cent of the total issued share capital at 30 May 2003). If further issues of new Ordinary shares are made they will be made only at a premium to Net Asset Value per share, thus ensuring existing investors will not be disadvantaged by such issues. The proceeds of any issue may be used to purchase the Company's Ordinary shares in the market or to fund further investments in accordance with the Company's investment policy. This authority shall expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing Shareholders have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing shareholdings. However Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders. Resolution 9 will, if passed, also give the Directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £384,629 (equivalent to 3,846,290 Ordinary shares or 10 per cent of the total issued share capital at 30 May 2003) as if Section 89(1) does not apply. This is the same amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 8. The authority will also expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur. The Company will not use this authority in connection with a rights issue.

Share capital

Following the issue of Ordinary shares by means of the dividend reinvestment scheme and the purchase by the Company of its Ordinary shares, the issued share capital at 28 February 2003 amounted to 38,462,957 Ordinary shares of 10p each.

Directors

The Directors who held office during the year under review and their interests in shares of the Company are shown in Note 19 on page 38.

Mr S J Dobbie and Sir Gavin Laird, whose biographies are shown on page 3, retire at the Annual General Meeting and do not seek re-election. Mr W E Holt, who was appointed a Director on 17 April 2003 and whose biography appears on page 3, retires at the Annual General Meeting, being the first following his appointment and seeks re-election. A resolution to this effect will be proposed at the Annual General Meeting.

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

Manager and Company Secretary

Murray Johnstone Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, provides investment management, accounting, secretarial and administrative services, to the Company. The details of the management and secretarial fees are shown in Note 3 on page 28.

Corporate governance

The Statement of Corporate Governance is shown on pages 19 to 21.

Directors' Report

Principal activity and status

The Company is no longer an investment company within the meaning of Section 266 of the Companies Act 1985, having revoked such status with effect from 23 October 2001. However, its 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 842AA of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842AA status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section.

Going concern

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

Creditor payment policy

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

Annual General Meeting

The notice of Annual General Meeting, which will be held on 10 July 2003, is contained on pages 43 and 44.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office.

A resolution to re-appoint Ernst & Young LLP as the Company's Auditor will be put to the forthcoming Annual General Meeting, along with a further resolution to authorise the Directors to fix their remuneration.

By order of the Board

Murray Johnstone Limited

Secretary

Authorised Signatory

9 June 2003

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, which it believes is appropriate for a venture capital trust and which enables it to comply with the Principles of Good Governance and Code of Best Practice (“the Combined Code”) prepared by the Committee on Corporate Governance and published in June 1998.

The Board is accountable to the Company’s Shareholders for good governance and this statement describes how the principles identified in the Combined Code have been applied by the Company throughout the year to 28 February 2003, except where disclosed below.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the forty-five Combined Code provisions throughout the year. Save the limited exceptions outlined below, the Company has complied throughout the year ended 28 February 2003 with the provisions set out in Section 1 of the Combined Code.

The exceptions to compliance with the Combined Code, which are explained more fully under the headings of ‘The Board’ and ‘Directors’ remuneration’, were as follows:

- a senior non-executive Director has not been appointed; and
- as the Company is a venture capital trust and all Directors are non-executive, it is not required to comply with the principles of the Combined Code in respect of executive Directors’ remuneration.

The Board

The Board currently consists of six Directors, all of whom are considered to be independent of the investment manager (“Murray Johnstone Limited” or the “Manager”) and free of any relationship which could materially interfere with the exercise of their independent judgement.

The biographies of the Directors appear on page 3 of this report and indicate their high level and range of investment, industrial, commercial and professional experience.

The Board meets at least four times a year and between these meetings maintains contact with the Manager. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- the maintenance of clear investment objectives and risk management policies; and
- the monitoring of the business activities of the Company ranging from comparable investment performance through to annual budgeting and quarterly forecasting and variance analysis.

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 followed and that applicable rules and regulations are complied with.

When a Director is appointed, the Manager arranges an induction meeting. Directors are provided, on a regular basis, with key information on the Company’s policies, regulatory and statutory requirements and internal financial controls. Changes affecting Directors’ responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all the Directors are non-executive and the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead.

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

External agencies

The Board has contractually delegated to external agencies certain services, including to the Manager: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the

Statement of Corporate Governance

registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

Committees

Nomination Committee

The Nomination Committee makes recommendations and considers the appointment of new Directors and comprises the full Board.

Audit Committee

An Audit Committee has been established with written terms of reference and comprising the full Board who are independent and free from any relationship that would interfere with impartial judgement in carrying out their responsibilities. The terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis. This committee reviews the effectiveness of the internal control environment of the Company and receives reports from the internal and external auditors on a regular basis.

The Audit Committee is responsible for review of the Annual and Interim Reports and Financial Statements, the terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors and reviewing the scope and the results of the audit and the objectivity of the Auditors. It should be noted that the Auditors, Ernst Young LLP, rotate the partner responsible for the audit every five years. The Audit Committee also meets with representatives of the Manager.

Management Engagement Committee

The full Board comprises the Management Engagement Committee and annually reviews matters concerning the management contract with Murray Johnstone Limited.

Directors' terms of appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment.

The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who attains the age of 70 is subject to annual re-election.

Directors' remuneration

Under the UK Listing Authority Listing Rule 26.9 (d), where a venture capital trust has only non-executive Directors, the code principles relating to Directors' remuneration do not apply.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The remuneration of each Director is detailed in the Directors' Remuneration Report on pages 14 and 15.

Communications with Shareholders

The Company places a great deal of importance on communication with its Shareholders. The Company has adopted a nominee code, which ensures that, where notification has been received in advance, nominee operators will be provided with copies of Shareholder communications for distribution to their customers. Nominee investors may attend general meetings and speak at meetings when invited by the Chairman.

Annual and Interim Reports and Financial Statements are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager, and the Company responds to letters from Shareholders on a wide range of issues. All Shareholders have access to the Company via the free shareholder information service run by Aberdeen Asset

Statement of Corporate Governance

Management and have the opportunity to put questions to the Company's Annual General Meeting.

The Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting as required under Code Provision C2.4.

The Notice of Annual General Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 16 to 18. Separate resolutions are proposed for each substantive issue.

Accountability and audit

The Directors' Statement of Responsibilities in Respect of the Financial Statements is on page 22 and a statement of going concern is included in the Directors Report on page 18.

The Independent Auditors' Report is on page 23.

Internal control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Guidance for Directors on internal control "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull guidance") was published in September 1999. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the full year and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Directors have delegated the investment management of the Company to Murray Johnstone Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit function, which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified through an annual risk assessment model that prioritises activities for review by assessing risk under five separate headings of financial, regulatory, market, operational and reputational risk. An overall risk assessment is attributed to each activity and a systems approach is taken in monitoring activities performed on behalf of the Company, with priority given to higher risk activities. Any errors or weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Company. In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

The Internal Audit Committee of the Manager reports six monthly to the Audit Committee of the Company and has direct access to the Directors at any time.

The Board has reviewed the effectiveness of the system of internal control, and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed. The Company's Audit Committee agenda includes an item for the consideration of risk and control and receives reports thereon from the Audit Committee of the Manager.

Exercise of voting powers

The Company has approved a corporate governance voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

In the case of the Company's investments, the Company has given discretionary voting powers to the Manager, Murray Johnstone Limited. The Manager votes against resolutions that are considered might damage Shareholders' rights or economic interests. The Manager gives due weight to what it considers to be socially responsible investment when making investment decisions, but the overriding objective is to produce good investment returns for Shareholders.

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Murray VCT 4 PLC

We have audited the Company's Financial Statements for the year ended 28 February 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet, Cash Flow Statement, and the related Notes 1 to 20. These Financial Statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors' are responsible for preparing the Annual Report, including the Financial Statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the Financial Statements.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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

We review whether the Statement of Corporate Governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider if the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the Company as at 28 February 2003 and of its profit for the year then ended; and the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor, Edinburgh

Profit and Loss Account

For the year ended 28 February 2003

	Notes	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
Investment income and deposit interest	2	1,919	2,064
Investment management fees	3	(1,002)	(854)
Other expenses		(164)	(224)
Operating profit	4	753	986
Profit on realisation of investments	8	147	3
Profit on ordinary activities before taxation		900	989
Tax on ordinary activities	5	(260)	(308)
Profit on ordinary activities after taxation		640	681
Dividends	6	(959)	(963)
Balance transferred from reserves	13	(319)	(282)
Earnings per share (pence)	7	1.7	1.8

Statement of Total Recognised Gains and Losses

For the year ended 28 February 2003

	Notes	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
Profit on ordinary activities after taxation		640	681
Unrealised loss on revaluation of investments	8	(3,705)	(2,463)
Current taxation attributable to unrealised losses on investments		260	305
Total recognised losses relating to the year	15	(2,805)	(1,477)

Note of Historical Cost Profits and Losses

For the year ended 28 February 2003

	Notes	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
Profit on ordinary activities before taxation		900	989
Realisation of revaluation gains of previous years	8	309	85
Historical cost profit on ordinary activities before taxation		1,209	1,074
Historical cost loss for the year retained after taxation and dividends		(102)	(223)

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

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

Balance Sheet

As at 28 February 2003

		28 February 2003	28 February 2002
	Notes	£'000	£'000
Fixed assets			
Investments	8	21,279	33,900
Current assets			
Debtors	10	877	805
Cash and overnight deposits		9,118	343
		9,995	1,148
Creditors			
Amounts falling due within one year	11	893	878
Net current assets		9,102	270
		30,381	34,170
Capital and reserves			
Called up share capital	12	3,846	3,856
Share premium account	13	17,155	17,021
Revaluation reserve	13	(5,727)	(2,065)
Capital redemption reserve	13	27	–
Profit and loss account	13	15,080	15,358
Equity Shareholders' funds	15	30,381	34,170
Net Asset Value per Ordinary share (pence)	14	79.0	88.6

The Financial Statements were approved by the Board of Directors on 15 April 2003 and were signed on its behalf by:

A E Whitworth

9 June 2003

Director

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

Cash Flow Statement

For the year ended 28 February 2003

		Year ended 28 February 2003	Year ended 28 February 2002
	Notes	£'000	£'000
Operating activities			
Investment income received		2,055	2,028
Deposit interest received		10	19
Investment management fees paid		(964)	(807)
Secretarial fees paid		(63)	(60)
Cash paid to and on behalf of Directors		(40)	(56)
Other cash payments		(74)	(114)
Net cash inflow from operating activities	16	924	1,010
Taxation		36	(544)
Financial investment			
Purchase of investments		(13,407)	(4,444)
Sale of investments		22,268	4,420
Net cash inflow/(outflow) from financial investment		8,861	(24)
Equity dividends paid		(960)	(1,075)
Net cash inflow/(outflow) before financing		8,861	(633)
Financing			
Issue of Ordinary shares		90	178
Repurchase of Ordinary shares		(176)	–
Net cash (outflow)/inflow from financing		(86)	178
Increase/(decrease) in cash	17	8,775	(455)

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

Notes to the Financial Statements

I. Accounting policies

(a) Basis of preparation

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of fixed asset investments.

(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 yield 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 profit and loss account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(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 that result 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 substantively enacted at the balance sheet date.

(e) Investments

Listed investments and shares quoted on the Alternative Investment Market (AIM) are valued in the financial statements at middle market prices and unlisted investments at a valuation determined by the Directors. In determining the valuation of unlisted investments the Directors, in accordance with the British Venture Capital Association guidelines, adopt the middle market price where a dealing facility exists and apply a discount if considered appropriate. Where no dealing facility exists the factors which the Directors have regard include, inter alia, the earnings record and growth prospects of the security, the rating of comparable listed companies, the yield of the security, where appropriate, and any recent transactions.

Notes to the Financial Statements

	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
2. Investment income and deposit interest		
Income from investments:		
UK franked investment income	14	—
UK unfranked investment income	1,257	1,735
Income from participating interests	210	49
Income from significant interests	428	263
	1,909	2,047
Interest receivable and similar income:		
Deposit interest	10	17
Total income	1,919	2,064

	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
3. Investment management fees		
Investment management fees	853	727
Irrecoverable VAT	149	127
	1,002	854

The management and secretarial fees payable to Murray Johnstone Limited have been calculated and charged on the following basis:

- (a) an investment management fee of 2.5% (2002 – 2.0%) per annum of the gross assets of the Company.
- (b) a secretarial fee of £63,870 (2002 – £60,000) per annum which is subject to an annual adjustment to reflect movement in the retail prices index.

The agreement is for an initial period of four years to 6 April 2004. It is terminable by the Company giving the Manager six months' notice. It is terminable by the Manager giving the Company one year's notice, such notice not to be effective before 6 April 2005.

	Year ended 28 February 2003 £'000	Year ended 28 February 2002 £'000
4. Operating profit is stated after charging:		
Directors' remuneration	48	48
Audit fees - audit services	14	11

Notes to the Financial Statements

5. Tax on ordinary activities

The tax charge for the year is reduced by the tax consequences of unrealised losses on loan relationships reflected in the Statement of Total Recognised Gains and Losses.

	Profit and loss account	Statement of total recognised gains and losses	Total
	£'000	£'000	£'000
2003 corporation tax	260	(260)	–
2002 corporation tax	308	(305)	3

Factors affecting the tax charge for the year

The tax charge for the year shown in the Profit and Loss Account is lower than the standard rate of corporation tax in the UK of 30%. (2002 – 30%). The differences are explained below:

	Year ended 28 February	Year ended 28 February
	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	900	989
Profit on ordinary activities multiplied by standard rate of corporation tax	270	297
Effect of disallowed expenditure	(3)	5
Effect of income not subject to taxation	(7)	6
	260	308

No provision for deferred tax has been made in the current or prior accounting period.

The Company has not recognised a deferred tax asset of £320,060 (2002 – £nil) arising as a result of having unutilised management expenses. These losses will only be utilised if the tax treatment of capital gains made by approved venture capital trusts, or the Company's investment profile, changes.

6. Dividends

	Year ended 28 February	Year ended 28 February
	2003	2002
	£'000	£'000
Interim dividend of 1.0p (2002 – 1.0p)	384	385
Proposed final dividend of 1.5p (2002 – 1.5p)	577	578
Over accrual in prior years	(2)	–
	959	963

Notes to the Financial Statements

	Year ended 28 February 2003	Year ended 28 February 2002
7. Earnings per share		
The returns per share have been based on the following figures:		
Average number of Ordinary shares	38,468,537	38,458,269
Earnings on ordinary activities after taxation	£640,000	£681,000

8. Investments	Year ended 28 February 2003		
	Listed	Unlisted	Total
	£'000	£'000	£'000
Valuation at 1 March 2002	24,671	9,229	33,900
Purchases	4,473	8,934	13,407
Sales	(22,121)	–	(22,121)
Amortisation of book cost	(202)	–	(202)
Net increase/(decrease) in value of investments	103	(3,808)	(3,705)
Valuation at 28 February 2003	6,924	14,355	21,279

Constituted:	Shares in participating interests	Loans to participating interests	Other investments
	£'000	£'000	£'000
<i>Listed Investments</i>			
<i>Unlisted investments</i>			
Valuation at 1 March 2002	–	–	6,924
Purchases	690	1,169	7,370
Transfers between categories	859	2,171	5,259
Net decrease in value of investments	(440)	(587)	1,027
	–	–	(3,163)
Valuation at 28 February 2003	1,109	2,753	10,493
	1,109	2,753	17,417

Notes to the Financial Statements

On a historical cost basis the movement in investments is as follows:

	Year ended 28 February	Year ended 28 February
	2003	2002
	£'000	£'000
Cost at beginning of year	36,124	35,740
Purchases	13,407	4,974
Sales	(22,268)	(4,420)
Transfer of unrealised gains realised during the year	309	85
Profit on realisation of investments	147	3
	(8,405)	642
Amortisation of book cost	(202)	(258)
Cost at end of year	27,517	36,124
Unrealised loss	(6,238)	(2,224)
Valuation at 28 February 2003	21,279	33,900

The cost of unlisted investments at 28 February 2003 was £20,863,491 (2002 – £11,989,749).

During the year unlisted investments in Stratumsoft loan stock were sold for a total of £59,426 against a total cost of £59,426.

The unrealised loss on the unlisted investments at 28 February 2003 was £6,507,790 and was all comprised of provisions (2002 – net unrealised loss of £2,761,086 all comprised of provisions).

Notes to the Financial Statements

9. Participating and significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unlisted securities. Although the Company will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unlisted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

At 28 February 2003, the Company held shares amounting to 20% or more of the nominal value of equity capital of the following unquoted undertakings:

Investment	28 February 2003					Aggregate capital and reserves £'000	Loss after tax £'000
	% of class held	% of equity held	Total cost £'000	Carrying value £'000	Latest accounts period end		
Black Teknigas Limited							
64,706 B ordinary shares	50.0	22.0	500	500	N/A	N/A	N/A
50 preference shares	50.0						
£320,000 loan stock 2009	50.0						
House of Dorchester Limited							
1,235 B ordinary shares	61.8	24.7	650	650	N/A	N/A	N/A
650 preference shares	65.0						
£454,350 secured loan stock 2009	65.0						
TLC (Tender Loving Childcare) Limited							
46,469 B ordinary shares	48.9	24.2	1,137	1,137	31/12/01	(487)	(670)
489 preference shares	48.9						
£582,082 loan notes 2005	48.9						
£305,214 loan stock 2007	48.9						
TMI Foods Limited							
70,944 B ordinary shares	50.0	23.5	750	750	N/A	N/A	N/A
5,000 preference shares	50.0						
£520,000 loan stock 2007	50.0						
Transys Projects Limited							
38,119 ordinary shares	50.0	21.6	825	825	N/A	N/A	N/A
5,000 preference shares	50.0						
£572,500 loan stock 2007	50.0						

The results of the above companies have not been incorporated in the profit and loss account except to the extent of any income received and receivable.

Other funds managed by members of the Aberdeen Asset Management group are also invested in all of the above companies.

NA indicates that no audited accounts have been produced since the date of the relevant financing.

Notes to the Financial Statements

At 28 February 2003, the Company held shares amounting to 20% or more of the nominal value of any class of share of the following unquoted undertakings:

Investment	28 February 2003		
	% of class held	Total cost £'000	Carrying value £'000
Astraeus Limited			
60,867 C ordinary shares	50.0	550	550
1,528 preference shares	15.3		
£487,605 loan notes 2007	50.0		
CCM Motorcycles Limited			
12,074 A ordinary shares	29.1	2,015	1,008
547,842 A preference shares	39.1		
£704,400 loan stock 2006	39.1		
£293,486 loan stock 2007	39.1		
£136,961 loan stock 2010	39.1		
£97,833 mezzanine instrument	19.6		
ELE Advanced Technologies Limited			
12,175 B ordinary shares	25.6	641	641
256 preference shares	25.6		
£448,276 secured loan notes 2007	25.6		
First Line Limited			
75,134 B ordinary shares	25.6	641	641
2,563 preference shares	25.6		
£445,979 loan stock 2007	25.6		
Heathcotes Restaurants Limited			
292,217 B ordinary shares	39.0	818	409
390 preference shares	39.0		
£525,921 loan stock 2008	39.0		
Interak Limited			
17,699 A ordinary shares	21.6	530	–
£370,000 loan stock 2008	21.6		
Link Up Mitaka Limited			
1,298,000 B ordinary shares	26.5	601	601
132 preference shares	26.5		
£132,500 loan stock 2007	26.5		
£71,417 loan stock 2008	26.5		
Mercury Inns Group Limited			
35,640 B ordinary shares	21.4	643	643
2,145 preference shares	21.4		
£448,305 loan stock 2008	21.4		

Notes to the Financial Statements

Investment	28 February 2003		
	% of class held	Total cost £'000	Carrying value £'000
PLM Dollar Group Limited			
80,625 A ordinary shares	26.8	402	402
124,666 preference shares	26.8		
£133,929 loan stock 2010	26.8		
PSCA International Limited			
7,600 A ordinary shares	25.8	750	750
2577 A preference shares	25.8		
£523,299 loan stock 2007	25.8		
ScotNursing Limited			
2,678 B ordinary shares	62.5	750	750
6,250 preference shares	62.5		
£556,250 loan stock 2010	62.5		
Stratumsoft Limited			
41,556 A ordinary shares	22.7	803	—
£565,497 loan stock 2007	22.7		
Synexus Limited			
1,156,483 B ordinary shares	23.2	927	695
232 preference shares	23.2		
£648,696 loan stock 2008	23.2		
Tuscan Energy Group Limited			
89,250 C ordinary shares	42.5	850	850
£165,750 loan stock 2006	8.5		
£595,000 loan stock 2007	8.5		
Visual Gold Limited			
335 B ordinary shares	23.1	712	—
2,305 preference shares	23.1		
£47,462 loan stock 2003	23.1		
£433,421 loan stock 2008 (Jan issue)	23.1		
£42,328 loan stock 2008 (May issue)	19.9		
Voxsurf Limited			
57,829 A ordinary shares	49.5	441	—
520,462 C preference shares	49.5		

Other funds managed by members of the Aberdeen Asset Management group are also invested in all of the above companies.

Notes to the Financial Statements

	28 February 2003 £'000	28 February 2002 £'000
10. Debtors		
Current taxation	75	55
Prepayments and accrued income	741	750
Called up share capital not paid	61	—
	877	805

	28 February 2003 £'000	28 February 2002 £'000
11. Creditors		
Amounts falling due within one year:		
Corporation tax	—	3
Proposed final dividend	577	578
Accruals	87	66
Management and secretarial fees due to Manager	229	231
	893	878

	28 February 2003 Number	28 February 2002 Number
	£'000	£'000
12. Share capital		
At 28 February the authorised share capital comprised:		
allotted, issued and fully paid:		
Ordinary shares of 10p each		
Balance brought forward	38,554,939	3,856
Issued during year	170,698	17
Repurchased and cancelled in year	(262,680)	(27)
Balance carried forward	38,462,957	3,846
Unissued unclassified shares of 10p each	21,537,043	2,154
	60,000,000	6,000
	60,000,000	6,000

During the year, 170,698 Ordinary shares (2002 – 189,663) of 10p each were issued under the dividend re-investment scheme for a total consideration of £150,174 (2002 – £178,250). In addition, 262,680 Ordinary shares (2002 – nil) of 10p each were repurchased by the Company at a total cost of £176,328 (2002 – nil) and cancelled.

Notes to the Financial Statements

	Year ended 28 February 2003			
	Share	Capital	Profit	
	premium	revaluation	redemption	and loss
	account	£'000	reserve	£'000
13. Movement in reserves				
At 1 March 2002		17,021	(2,065)	–
Issue of shares		134	–	–
Repurchase and cancellation of shares		–	–	27 (176)
Transfer of realised profits to profit and loss account		–	(309)	–
Tax effect of transfer of profits to profit and loss account		–	92	–
Taxation attributable to unrealised loss on investments		–	260	–
Net decrease in value of investments		–	(3,705)	–
Loss for year		–	–	(319)
At 28 February 2003		17,155	(5,727)	27
				15,080

14. Net Asset Value per Ordinary share

The Net Asset Value per Ordinary share and the Net Asset Value attributable to the Ordinary shares at the year end calculated in accordance with the Articles of Association were as follows:

	28 February 2003		28 February 2002	
	Net Asset	Net Asset	Net Asset	Net Asset
	Value per	Value	Value per	Value
	share	£'000	share	£'000
Ordinary shares	79.0	30,381	88.6	34,170

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

	Year ended		Year ended
	28 February		28 February
	2003	£'000	2002
15. Reconciliation of movements in Shareholders' funds			
Opening Shareholders' funds		34,170	36,432
Total recognised losses for year		(2,805)	(1,477)
Net proceeds of issue of shares		151	178
Repurchase and cancellation of shares		(176)	–
Dividends appropriated		(959)	(963)
Closing Shareholders' funds		30,381	34,170

Notes to the Financial Statements

	Year ended 28 February	Year ended 28 February
16. Reconciliation of operating profit to net cash inflow from operating activities	2003 £'000	2002 £'000
Operating profit	753	986
Increase in debtors	–	(265)
Decrease in prepayments	9	–
Increase in accruals	19	49
Amortisation of fixed income investment book cost	202	258
Tax on unfranked income	(59)	(18)
Net cash inflow from operating activities	924	1,010

	At 1 March 2002	Cash flows	At 28 February 2003
17. Analysis of changes in net funds	£'000	£'000	£'000
Cash and overnight deposits	343	8,775	9,118

	At 1 March 2001	Cash flows	At 28 February 2002
18. Capital commitments	£'000	£'000	£'000
Cash and overnight deposits	798	(455)	343

	28 February 2003	28 February 2002
18. Capital commitments	£'000	£'000
Unlisted investment commitments	81	607

Notes to the Financial Statements

19. Directors' share interests

The interests of the Directors in the Ordinary shares of the Company under the terms of the Companies Act 1985 are as follows:

	28 February 2003	28 February 2002
	Ordinary shares	Ordinary shares
A E Whitworth	10,000	10,000
S J Dobbie CBE	26,013	26,013
Sir Gavin Laird CBE	10,703	10,405
A G MacMillan	9,000	9,000
C G Stuart-Menteth	100,000	100,000
W E Holt (appointed 17 April 2003)	—	—

There have been no changes in the above share interests since the end of the financial year to 28 February 2003. All of the interests shown above are beneficial.

20. Derivatives and other financial instruments

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

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

The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures over exclude short-term debtors and creditors.

(i) Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 1. Adherence to investment guidelines and to investment and borrowing powers set out in the Management Agreement mitigates the risk of excessive exposure to any particular type of security or issuer. These powers and guidelines include the requirement to invest in a number of companies across a wide range of industrial and service sectors at varying stages of development but with the emphasis on well established businesses. Further information on the investment portfolio is set out in the Investment Manager's Review on page 7.

Notes to the Financial Statements

(ii) Interest rate risk

Sterling	28 February 2003		
	Fixed interest	Floating rate	Non-interest bearing
	£'000	£'000	£'000
Listed	6,924	—	—
Unlisted	10,901	—	3,454
Cash	—	118	9,000
	17,825	118	12,454

Sterling	28 February 2002		
	Fixed interest	Floating rate	Non-interest bearing
	£'000	£'000	£'000
Listed	24,671	—	—
Unlisted	6,181	—	3,048
Cash	—	343	—
	30,852	343	3,048

The listed fixed interest assets have a weighted average life of 1.7 years (2002 – 2.2 years) years and weighted average interest rate of 6.0% (2002 – 7.1%) per annum. These assets are held to provide liquidity for the unlisted investments. The floating rate assets consist of cash deposits on call. These assets are earning interest at prevailing money market rates. The unlisted assets have a weighted average life of 4.5 years (2002 – 5.3 years) and a weighted average interest rate of 12.2% (2002 – 11.7%). The non-interest bearing assets represent the equity element of the portfolio. All assets and liabilities of the fund are included in the balance sheet at fair value.

(iii) Liquidity risk

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

Venture Capital Trusts

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

- A VCT's income must be derived wholly or mainly from shares or securities.
- No holding in any company can represent more than 15% by value of a VCT's investments.
- The shares making up a VCT's ordinary share capital must be quoted on the London Stock Exchange.
- A VCT must retain not more than 15% of its income derived from shares or securities.

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

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

Qualifying holdings

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

A qualifying trade is any other than:

- dealing in land, commodities, futures, shares or other financial instruments;
- dealing in goods other than in the course of an ordinary trade of wholesale or retail distribution;
- banking, insurance or other financial activities;
- leasing or receiving royalties or licence fees;
- providing legal or accountancy services; and
- providing ancillary services to any of the above by a related party.

Since 17 March 1998 any new investment in the following activities is also excluded from being a qualifying trade:

- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment; and
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home.

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

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

Tax Position of Individual Investors

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

I. Tax reliefs for individual investors resident in the UK

Investors must be individuals aged 18 or over to qualify for the tax reliefs below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts in any tax year do not exceed £100,000.

Relief from income tax

An investor subscribing for new ordinary shares in a venture capital trust, for any tax year, will be entitled to claim income tax relief on amounts subscribed up to a maximum of £100,000 at the lower rate of income tax, which is currently 20%. For shares purchased on or after 6 April 2000, this relief must be repaid should the shares be sold or otherwise disposed of within three years. For shares purchased on or before 5 April 2000, the retention period is five years. Relief is limited to the amount which reduces the investor's income tax liability to nil.

An investor who subscribes for or acquires up to a maximum of £100,000 of ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by a venture capital trust, which may include realised capital gains by the venture capital trust.

Relief from capital gains tax

An investor who is resident and ordinarily resident in the UK who subscribes for new ordinary shares in a venture capital trust in respect of which he obtains any income tax relief may make a claim so as to postpone any liability to pay capital gains tax on a chargeable gain made within the period beginning 12 months before his subscription and ending 12 months after his subscription. The amount of the chargeable gain which can be deferred is limited to the amount subscribed for ordinary shares up to £100,000 for any tax year. A deferred chargeable gain becomes liable to capital gains tax on the disposal of the ordinary shares. Investors should note that the prior gain is only postponed and a subsequent disposal of the ordinary shares in a venture capital trust at a loss will nevertheless result in the earlier gain being taxed in full. Any loss realised on shares in a venture capital trust, provided such shares were not originally acquired in excess of the £100,000 maximum, will not be allowed against any other chargeable realised gains of the investor.

A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a venture capital trust will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit of £100,000 for any tax year.

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

Shares acquired other than by subscription (i.e. existing shares)

An investor who acquires up to the permitted maximum of ordinary shares in a venture capital trust in any year will be exempt from income tax on dividends from the venture capital trust, which may include realised capital gains from investments made by the venture capital trust and capital gains on disposal of the venture capital trust shares. The permitted maximum of £100,000 is the total of venture capital trust shares subscribed for (new shares) and acquired (existing shares) in the tax year.

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

Tax Position of Individual Investors

2. Obtaining tax reliefs

Claims for income tax relief on amounts subscribed for new ordinary shares

A venture capital trust will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to his tax coding from the Inland Revenue or by waiting until the end of the tax year and using his tax return to claim relief.

Capital gains tax deferral

The investor defers the capital gains tax by notifying a claim to the Inland Revenue, which in most cases should be by his tax return for the tax year of subscription but could be at the same time as he adjusts his tax coding for income tax. In the case of gains which accrue up to 12 months from subscription and in the tax year following the year of subscription, the investor will use that tax year's tax return to notify the Inland Revenue.

3. Investors who are not resident in the UK

Such investors should seek their own professional advice as to the consequences of making an investment in a venture capital trust as they may be subject to tax in other jurisdictions as well as in the UK.

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

Risk warnings

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

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

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

Notice of Meeting

Notice is hereby given that the third Annual General Meeting of Murray VCT 4 PLC will be held on Thursday 10 July 2003 at 2.30 p.m. at 123 St Vincent Street, Glasgow G2 5EA, to transact the following business.

Ordinary Business

1. To receive the Directors' Report and audited Financial Statements for the year ended 28 February 2003.
2. To approve the Directors' Remuneration Report.
3. To declare a final dividend.
4. To re-elect Mr W E Holt as a Director.
5. To re-appoint Ernst & Young LLP as Auditors.
6. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

7. To consider and if thought fit pass the following resolution as a special resolution:
THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 10p each in the capital of the Company provided that:
 - (a) the maximum number of Ordinary shares hereby authorised to be purchased is 5,765,597 representing 14.99 per cent of the Company's issued Ordinary share capital as at 30 May 2003;
 - (b) the minimum price which may be paid for an Ordinary share shall be 10p per share;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be not more than the lower of (i) Net Asset Value per share and (ii) 105 per cent of the average of the middle market quotations for an Ordinary share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary shares are purchased; and
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 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.
8. To consider and if thought fit pass the following resolution as an ordinary resolution:
THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £384,629 (representing 10 per cent of the total Ordinary share capital in issue on 30 May 2003) during the period expiring (unless previously revoked, varied or extended by the Company in general meeting) on the date of the next Annual General Meeting or on the expiry of 15 months from the passing of this resolution, whichever is the first to occur, save that the Company may make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.

Notice of Meeting

9. To consider and if thought fit pass the following resolution as a special resolution:
- THAT, subject to passing of resolution number 8 set out above, the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity shares (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution number 8 as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities;
- (a) during the period expiring on the earlier of the date of the Company's next Annual General Meeting or on the expiry of 15 months from the passing of this resolution, whichever is the first to occur, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power; and
- b) up to an aggregate nominal amount of £384,629 (representing 10 per cent of the total Ordinary share capital in issue on 30 May 2003).

By order of the Board
Murray Johnstone Limited
Secretary
Authorised Signatory

123 St Vincent Street
Glasgow G2 5EA

9 June 2003

No Director has any contract of service with the Company.

The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, has specified that only those Shareholders on the register of members of the Company as at 2.30 p.m. on 8 July 2003 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 2.30 p.m. on 8 July 2003 shall be disregarded when determining the rights of any person to attend or vote at the meeting.

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her.

A proxy need not be a member. Appointment of a proxy need not preclude a member from attending and voting at the meeting should he/she subsequently decide to do so.

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

Details of Resolution 2 are shown in the Directors' Remuneration Report on page 14.

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

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

Registered in England and Wales – Company Number 3908220

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*Authorised and regulated by the Financial Services Authority
Member of the Aberdeen Asset Management Group of Companies*