

04

Murray VCT 4 PLC

**Annual Report and Financial Statements**  
**Year ended 29 February 2004**



Aberdeen

# Contents

1	Corporate Summary
	<b>Annual Report</b>
2	Your Board
4	Financial History
5	Dividends
5	Yield Profile
6	Analysis of Unlisted and AIM Portfolio
7	Chairman's Statement
9	Investment Manager's Report
10	Summary of Investment Changes
11	Investment Portfolio Summary
12	Largest Unlisted and AIM Investments
	<b>Directors' Reports and Financial Statements</b>
18	Directors' Report
21	Directors' Remuneration Report
23	Statement of Corporate Governance
26	Statement of Directors' Responsibilities in Relation to the Financial Statements
27	Independent Auditors' Report to the Members of Murray VCT 4 PLC
28	Profit and Loss Account
28	Statement of Total Recognised Gains and Losses
29	Note of Historical Cost Profits and Losses
30	Balance Sheet
31	Cash Flow Statement
32	Notes to the Financial Statements
	<b>General Information</b>
44	Venture Capital Trusts
45	Tax Position of Individual Investors
	<b>Annual General Meeting</b>
47	Notice of Meeting
49	Corporate Information
	Proxy

## Financial Calendar

8 July 2004

Annual General Meeting

---

## Dividend Record

	Rate	xd date	Record date	Payment date
Interim dividend	0.5p	12 November 2003	14 November 2003	12 December 2003
Proposed final dividend	1.2p	16 June 2004	18 June 2004	16 July 2004
Total	1.7p			

---

# Corporate Summary

## **Company profile**

Murray VCT 4 PLC is a venture capital trust and a constituent of the FTSE All-Share Index. It has one class of share and was incorporated on 12 January 2000.

## **Investment objective**

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

## **Benchmark**

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

## **Capital structure**

The Company's issued share capital as at 29 February 2004 consisted of 38,496,295 Ordinary shares of 10p each.

## **Net assets and Net Asset Value per share**

At 29 February 2004 the Company had total assets of £28,367,000 and a Net Asset Value per share of 73.7p.

## **Continuation date**

The Articles of Association require the Directors to put a proposal for the continuation of the Company, in its then form, to Shareholders at the Company's tenth Annual General Meeting, and thereafter at five yearly intervals.

## **Risk**

Investments in smaller unquoted companies carry substantially greater risk than investments in larger companies or in companies listed on the Official List.

The levels and bases of tax reliefs may change.

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

Further details of the Company's risk profile are contained in Note 19 to the Financial Statements on pages 42 and 43 and in Tax Position of Individual Investors on pages 45 and 46.

## **Management agreement**

The Company has an agreement with Murray Johnstone Limited, a subsidiary of Aberdeen Asset Management PLC, for the provision of management and secretarial services. Please refer to pages 19 and 20 for details of the management and secretarial fees payable.

## **Share dealing**

Shares in Murray VCT 4 PLC can be purchased and sold in the open market through a stockbroker.

# Your Board

The Board of five Directors, all of whom are non-executive and are considered by the Board to be independent of the Manager, supervises the management of Murray VCT 4 PLC and looks after the interests of its Shareholders.

## Anthony Whitworth *Chairman*

**Status:** Independent Non-executive Director

**Age:** 69

**Length of service:** He was appointed a Director in January 2000 and Chairman in October 2002.

**Relevant experience and other directorships:** 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 Westvan (2001) Limited.

**Last re-elected to the Board:** 10 July 2001

**Committee membership:** Audit, Management Engagement (Chairman), Nomination (Chairman) and Remuneration.

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

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

## Will Holt *Director*

**Status:** Independent Non-executive Director

**Age:** 57

**Length of service:** He was appointed a Director on 17 April 2003.

**Relevant experience and other directorships:** 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.

**Last re-elected to the Board:** 10 July 2003

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

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** Nil

## Arthur MacMillan *Director*

**Status:** Independent Non-executive Director

**Age:** 41

**Length of service:** He was appointed a Director in January 2000.

**Relevant experience and other directorships:** 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 company.

**Last re-elected to the Board:** 10 July 2001

**Committee membership:** Audit (Chairman), Management Engagement, Nomination and Remuneration.

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** 9,000 Ordinary shares

**Charles Stuart-Menteth** *Director*

**Status:** Independent Non-executive Director

**Age:** 53

**Length of service:** He was appointed a Director in January 2000.

**Relevant experience and other directorships:** 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.

**Last re-elected to the Board:** 10 July 2001

**Committee membership:** Audit, Management Engagement, Nomination and Remuneration (Chairman).

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** 100,000 Ordinary shares

**Fiona Wollocombe** *Director*

**Status:** Independent Non-executive Director

**Age:** 40

**Length of service:** She was appointed a Director on 20 May 2004.

**Relevant experience and other directorships:** From 1993 to 2000, she was responsible for giving market related advice on corporate finance, specifically for UK small cap companies at NatWest Markets and worked on the formation of the UK ECM function at BT Alex Brown and was appointed head of the UK mid & small cap team for equity capital markets. From 2000 to 2003 she was managing director responsible for the European Mid & SmallCap equities team at Deutsche, which involved overseeing the marketing of smaller companies, including sales, trading, equity capital markets and corporate finance for a wide variety of sectors, including unquoted investments. She was also an active member of the corporate finance team giving market related advice on flotations, block trades, market tactics in takeover bids and pricing of secondary issues.

**Elected to the Board:** Mrs Wollocombe retires and seeks re-election at the Annual General Meeting of the Company to be held on 8 July 2004, being the first such meeting following her appointment.

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

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** Nil

# Financial History

	29 February 2004	28 February 2003	28 February 2002	28 February 2001 <sup>1</sup>
<b>Assets</b>				
Net assets	£28,367,000	£30,381,000	£34,170,000	£36,432,000
<b>Cumulative returns to Shareholders since launch</b>				
Net Asset Value total return <sup>2</sup> (without tax reliefs)	86.6%	90.7%	98.7%	103.0%
Net Asset Value total return <sup>2</sup> (with tax reliefs <sup>4</sup> )	110.1%	113.7%	121.0%	124.6%
Total return <sup>3</sup> (without tax reliefs)	83.2p	86.8p	93.9p	97.8p
Total return <sup>3</sup> (with tax reliefs <sup>4</sup> )	103.2p	106.8p	113.9p	117.8p
<b>Ordinary shares</b>				
Net Asset Value	73.7p	79.0p	88.6p	95.0p
Share price	53.5p	60.0p	65.0p	99.5p
Discount/(premium) to Net Asset Value	27.4%	24.1%	26.6%	(4.7%)
Ordinary shares issued during the year	–	–	–	38,298,158
Ordinary shares issued under dividend reinvestment during the year	120,338	170,698	189,663	67,118
Shares bought back during the year	87,000	262,680	–	–
Ordinary shares in issue at year end	38,496,295	38,462,957	38,554,939	38,365,276

<sup>1</sup> 59 week period ended 28 February 2001

<sup>2</sup> With dividends re-invested

<sup>3</sup> Sum of current Net Asset Value and dividends paid to date

<sup>4</sup> Income tax relief at 20%

Source: Aberdeen Asset Managers Limited, except share price (Datastream).

# Dividends

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	Final	1.5
2004	12 December 2003	Interim	0.5
	16 July 2004	Proposed final	1.2
<b>Total</b>			<b>9.5</b>

# Yield Profile

Year shares issued	Years in issue	Subscription price (p)	Dividends paid (p)	Dividend yield since subscription*	Adjustment for VCT tax reliefs		
					Higher-rate taxpayer**	Effective yield 1†	Effective yield 2††
2000	4	100	9.5	2.4%	3.5%	4.4%	8.8%

\* Dividend yield is the dividend paid, divided by the original subscription price, divided by the number of years shares have been held.

\*\* The gross equivalent yield, had the dividends been subject to higher rate tax.

† Effective yield 1 reduces the base cost of the investment by the 20% income tax relief on the original subscription price per share.

†† Effective yield 2 reduces the base cost of the investment by a further 40% of the original subscription price per share to account for capital gains tax deferral.

# Analysis of Unlisted and AIM Portfolio

As at 29 February 2004

<b>FTSE Actuaries Industrial Sector</b>	<b>£'000</b>	<b>%</b>
Support Services	2,791	16.4
Engineering & Machinery	1,954	11.5
Media & Entertainment	1,941	11.4
General Retailers	1,903	11.2
Health	1,813	10.7
Food Producers & Processors	1,778	10.5
Transport	1,482	8.7
Leisure & Hotels	1,200	7.1
Oil & Gas	850	5.0
Household Goods & Textiles	625	3.7
Software & Computer Services	521	3.1
Construction & Building Materials	86	0.5
Telecommunication Services	32	0.2
<b>Total unlisted and AIM</b>	<b>16,976</b>	<b>100.0</b>

<b>Deal Type</b>	<b>No. of deals</b>	<b>£'000</b>	<b>%</b>
Development capital	22	7,980	47.0
Management buy-outs	8	6,843	40.3
Acquisition finance	3	1,400	8.3
Management buy-ins	3	753	4.4
<b>Total unlisted and AIM</b>	<b>36</b>	<b>16,976</b>	<b>100.0</b>

<b>Aberdeen Murray Johnstone Regional Office</b>	<b>No. of deals</b>	<b>£'000</b>	<b>%</b>
Birmingham	13	7,507	44.2
Glasgow	9	3,873	22.8
Manchester	8	3,495	20.6
Aberdeen	1	850	5.0
Leeds	3	650	3.8
London	2	601	3.6
<b>Total unlisted and AIM</b>	<b>36</b>	<b>16,976</b>	<b>100.0</b>

Note: The total portfolio of investments, including both listed and unlisted stocks, is valued at £22,350,000.

# Chairman's Statement

## **Performance**

The Company is not yet fully invested and will continue to build its portfolio of unlisted and AIM investments, two of which were completed during the latter half of the year. The portfolio is immature and exits are not being actively sought particularly in the current market conditions; however, the Manager will respond to attractive offers where appropriate.

The Net Asset Value (NAV) at 29 February 2004, before payment of all dividends in respect of the year then ended, was 75.4p per share ("pps") compared with 79.0pps at 28 February 2003.

## **Investment strategy**

The Board, which regularly reviews portfolio performance and the Company's investment strategy with the Manager, has agreed two prime objectives in respect of the existing portfolio: intense portfolio management to help restore profitability to the investee companies in the current market conditions, and the resumption of yield payments to the Company from the portfolio. The aim of these objectives is to generate value and, ultimately, achieve successful disposals from a stronger position in an improved market. Where it is believed that future potential from an investment justifies it, further financial support will be given. It will also be the aim to sell underperforming investments and to recycle the proceeds into opportunities which show greater growth potential.

The Company will continue to invest in new opportunities sought through the Manager's regional office network. Where possible, new investment activity will be targeted on larger companies through co-investment with the other private equity funds managed by members of the Aberdeen Asset Management Group.

## **Valuation process**

Murray VCT 4's investments in unlisted companies are valued at fair value in accordance with the British Venture Capital Association guidelines. In line with normal market practice for investment companies and investment trusts, investments listed on the Alternative Investment Market (AIM) are valued at their mid-market price, discounted to reflect any trading restrictions.

## **Dividends and returns to date**

The Board declared an interim dividend for the year ended 29 February 2004 of 0.5pps (2003 – 1.0pps), which was paid to Shareholders on 12 December 2003.

The Board is proposing a final dividend of 1.2pps (2003 – 1.5pps), to be paid on 16 July 2004 to Shareholders on the register at close of business on 18 June 2004.

Since the Company's launch, most Shareholders will have received 9.5pps in tax-free dividends. To an investor who took advantage of all available tax reliefs and deferrals, this represents a return of 11.9% of the effective initial investment cost of 80pps. The total return since launch is 83.2pps, being the sum of dividends paid plus NAV, for a Shareholder who subscribed at launch.

The most important measures for a VCT are the long term record of income and capital gains dividend payments and the timing of these payments over the life of the Company. In the short term, the NAV on its own is a less important measure of performance as the underlying investments are long-term in nature and not readily realisable.

## **Dividend re-investment**

The Board decided to terminate the dividend re-investment scheme and this was announced in the Interim Report. The rules of the scheme required the issue of new shares at the prevailing NAV per share on the date of re-investment. However, as the price of the Company's shares stood, and continue to stand, at a discount to the NAV, the Board concluded that it was not in Shareholders' interests for their dividends to continue to be re-invested. Therefore, Shareholders' who had previously elected to re-invest their dividends will receive any future distributions by cheque or bank transfer.

## **Share buy-back policy**

During the year, a small number of shares have been bought back for cancellation. Subsequent to the year end, 407,000 shares were bought back and purchases of shares will continue to be made within guidelines established from time to time by the Board, at prices below the prevailing NAV per share. Under the rules of the UK Listing Authority, the maximum price at which the Company can acquire shares is 5% above the average market value of the shares over the five business days immediately preceding the purchase. Shares purchased in this way will be cancelled and the Company will only deal with member firms of the London Stock Exchange. Share purchases will be funded from distributable reserves and to the extent that shares are purchased at a discount to NAV, the NAV of the remaining shares will increase.

**Constitution of the Board**

Following the resignations of Sir Gavin Laird and Mr S J Dobbie, at the Annual General Meeting held on 10 July 2003, and the appointment of Mr W E Holt on 17 April 2003, the Board believed that it would be appropriate to consider the appointment of an additional Director. Accordingly, Mrs Fiona Wollocombe, who has a wide range of experience in the smaller companies sector, particularly in the areas of corporate finance and governance, was appointed a Director on 20 May 2004. Additional biographical details can be seen on page 3.

**Outlook**

The Company now has a broad spread of investments and the Board believes that a number of these have very positive prospects which should respond to an improvement in the economic environment for smaller companies and intensive management. Notwithstanding the expressions of interest in a number of the portfolio companies, it is likely to be some time before these prospects can be demonstrated in profitable realisations. The immediate priority of the Manager is to improve the performance of the portfolio companies.

**Anthony Whitworth**

Chairman  
7 June 2004

# Investment Manager's Report

## Investment activity

Further unlisted investment during the year ended 29 February 2004 totalled £4.89 million. At 29 February 2004, the portfolio stood at 36 investments with a total cost of £24.37 million.

In addition to follow-on fundings, the following new investments have been made since the publication of the Interim Report:-

### **Enterprise Food Group Limited (October 2003) -**

**£598,000:** Based in East Kilbride, Enterprise is a provider of supply chain and management services to the bakery sector. The total fundraising was £2.0 million and Murray VCT 3 PLC, Aberdeen Growth VCT I PLC, Aberdeen Growth Opportunities PLC, Aberdeen Development Capital PLC and Aberdeen City Council were co-investors.

### **Room 2 plc (November 2003) - £625,000:**

Based in East Kilbride, Room 2, which trades as Textstyle World Home, is a retailer of household textiles, furniture, lighting and home accessories. The total fundraising was £1.5 million and Aberdeen Growth VCT I PLC, Aberdeen Growth Opportunities PLC and Aberdeen City Council were co-investors.

### **Asfare plc \* (December 2003) - £187,500:**

Based in Southampton, Asfare is a manufacturer and distributor of safety equipment.

### **Swan Plant Services Limited (January 2004) -**

**£250,000:** Based in Cheshire, Swan Plant is a grounds maintenance plant hire business providing equipment predominantly to local authorities. The total fundraising was £1.4 million and Ventures North West, West Yorkshire Pension Fund & South Yorkshire Pension Authority were co-investors.

### **Bond International Software plc \* (February**

**2004) - £300,000:** Based in West Sussex, Bond is a provider of software, hardware and related support services principally to the recruitment industry.

\* Quoted on AIM

## Portfolio developments

Since the period end, Conveco has been sold to the Co-operative Group. Cash proceeds of £1.9 million were received on completion and are reflected in the valuation at 29 February 2004. There are provisions for further receipts by way of deferred consideration within the next twelve months, which if received would represent an aggregate return of the original cost of the investment.

## Outlook

Market conditions are improving and the Manager expects that a number of exits will be actively pursued in the medium term. Deal flow has also increased and, if the pricing of new investments continues to be attractive, the Manager will continue to pursue new investments on a selective basis.

## Murray Johnstone Limited

Manager  
7 June 2004

# Summary of Investment Changes

For the year ended 29 February 2004

	Valuation 28 February 2003		Transfers £'000	Net investment/ (disinvestment) £'000	Appreciation/ (depreciation) £'000	Valuation 29 February 2004	
	£'000	%				£'000	£'000
<b>Unlisted investments</b>							
Equities	3,454	11.4	447	895	(1,222)	3,574	12.6
Preference shares	541	1.8	1	167	(7)	702	2.5
Loan stock	10,360	34.1	(635)	2,920	(461)	12,184	43.0
	14,355	47.3	(187)	3,982	(1,690)	16,460	58.1
<b>AIM investments</b>							
Equities	–	–	187	300	29	516	1.8
<b>Listed investments</b>							
Fixed income	6,924	22.8	–	(1,402)	(148)	5,374	18.9
<b>Total investments</b>	21,279	70.1	–	2,880	(1,809)	22,350	78.8
Other net assets	9,102	29.9	–	(3,085)	–	6,017	21.2
<b>Total assets*</b>	<b>30,381</b>	<b>100.0</b>	<b>–</b>	<b>(205)</b>	<b>(1,809)</b>	<b>28,367</b>	<b>100.0</b>

\* Total assets represents Equity Shareholders' funds

# Investment Portfolio Summary

As at 29 February 2004

	Nature of business	Valuation £'000	% of total assets
<b>Unlisted and AIM investments</b>			
Conveco	Convenience store operator	1,903	6.7
TLC (Tender Loving Childcare)	Operator of day care nurseries	1,321	4.7
PSCA International	Government sector publishing	1,125	4.0
Synexus	Management of clinical trials	927	3.3
Transys Projects	Provider of engineering services to the rail industry	894	3.2
Tuscan Energy Group	Oil production	850	3.0
Heathcotes Restaurants	Restaurant chain and providers of outside catering	771	2.7
Mining Communications	Publisher of specialist mining sector publications	750	2.6
ScotNursing	Provider of agency nursing and care staff	750	2.6
House of Dorchester	Manufacturer of high quality chocolate confectionery	650	2.3
Other unlisted and AIM investments valued individually at less than £650,000		7,035	24.8
		16,976	59.9
<b>Listed fixed income investments</b>			
European Investment Bank 6% 26/11/2004		2,530	8.9
Treasury 6.5% 7/12/2003		1,019	3.6
Treasury 5% 7/6/2004		968	3.4
Treasury 8.5% 7/12/2005		857	3.0
		5,374	18.9
<b>Total investments</b>		<b>22,350</b>	<b>78.8</b>

# Largest Unlisted and AIM Investments

## CONVECO LIMITED

### Operator of convenience stores

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	2,386	1,674
Directors' valuation	1,903	1,674
Effective equity interest	7.4%	7.1%
Gross income received in the year	–	101
Basis of valuation	Discount to sale proceeds*	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.

\* Since 29 February 2004, Conveco has been sold to the Co-operative Group.

<b>Period ended</b>	<b>27 Oct 2002 £'000</b>	<b>28 Oct 2001† £'000</b>
Turnover	48,717	22,242
Profit before interest and tax	2,634	1,189
Profit before tax	640	242
Profit after tax	285	776
Preference share dividends	1	–
Ordinary share dividends	–	–
Net assets attributable to ordinary and preference shareholders	6,769	6,484
Earnings per ordinary share	410.3p	123.2p
Dividend per preference share	96.9p	–
Preference dividend cover	294	–
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

† 2001 – covers a five month trading period from date of buy-out to 28 October 2001.

## TLC (Tender Loving Childcare) Limited

### Operator of daycare nurseries

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	1,321	1,137
Directors' valuation	1,321	1,137
Effective equity interest	24.2%	24.2%
Gross income received in the year	–	21
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	–	–

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.

<b>Year ended 31 December</b>	<b>2002 £'000</b>	<b>2001 £'000</b>
Turnover	1,208	581
Loss before interest and tax	(577)	(504)
Loss before tax	(909)	(670)
Loss after tax	(909)	(670)
Preference share dividend	–	–
Ordinary share dividend	–	–
Net assets attributable to ordinary and preference shareholders	1,358	1,434
Earnings per ordinary share	(473.2p)	(348.9p)
Dividend per preference share	–	–
Preference dividend cover	–	–
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

## PSCA INTERNATIONAL LIMITED

### Government sector publishing

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	750	750
Directors' valuation	1,125	750
Effective equity interest	7.6%	7.6%
Gross income received in the year	49	–
Basis of valuation	Earnings	Cost
Cumulative realisation proceeds	–	–

The business is a producer of high quality publications that are aimed at public sector officials in central and local government. The company is based in Newcastle-under-Lyme, Staffordshire and employs 60 people.

The management buy-out of Public Sector Communication Agency Limited was completed in December 2002 and was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

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

## SYNEXUS LIMITED

### Management of clinical trials

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	927	927
Directors' valuation	927	695
Effective equity interest	12.7%	9.3%
Gross income received in the year	–	–
Basis of valuation	Turnover multiple	25% provision
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 eleven 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.

<b>Year ended 31 March</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Turnover	6,183	5,037
Loss before interest and tax	(313)	(912)
Loss before tax	(843)	(1,407)
Loss after tax	(823)	(1,389)
Preference share dividend	–	–
Ordinary share dividend	–	–
Net (liabilities)/assets attributable to ordinary and preference shareholders	(813)	9
Earnings per ordinary share	(8.3p)	(14.0p)
Dividend per preference share	–	–
Preference dividend cover	–	–
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

**TRANSYS PROJECTS LIMITED****Provider of engineering solutions to the rail industry**

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	825	825
Directors' valuation	894	825
Effective equity interest	21.6%	21.6%
Gross income received in the year	41	35
Basis of valuation	Earnings	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.

<b>Year ended 31 December</b>	<b>2002 £'000</b>
Turnover	3,927
Profit before interest and tax	554
Profit before tax	298
Profit after tax	208
Preference share dividends	1
Ordinary share dividends	–
Net assets attributable to ordinary and preference shareholders	818
Earnings per ordinary share	113.7p
Dividend per preference share	9.7p
Preference dividend cover	215
Dividend per ordinary share	–
Ordinary dividend cover	–

**TUSCAN ENERGY GROUP LIMITED****Oil production in the North Sea**

Incorporated in Scotland

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	850	850
Directors' valuation	850	850
Effective equity interest	1.5%	1.5%
Gross income received in the year	–	–
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	–	–

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 third party service providers 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. Tuscan has also acquired 55% and the operatorship of the previously producing Crawford field from BP. This field has been renamed Cragganmore.

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

<b>Year ended 30 June</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Turnover	424	Nil
Loss before interest and tax	(313)	(317)
Loss before tax	(312)	(410)
Loss after tax	(312)	(410)
Net assets attributable to ordinary shareholders	524	836
Earnings per ordinary share	(5.2p)	(6.8p)
Dividends per ordinary share	–	–
Ordinary dividend cover	–	–

**HEATHCOTES RESTAURANTS LIMITED****Operator of restaurants and outside catering facilities**

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	975	818
Directors' valuation	771	409
Effective equity interest	19.1%	19.1%
Gross income received in the year	–	18
Basis of valuation	Earnings	50% provision
Cumulative realisation proceeds	–	–

Heathcotes Restaurants Limited is a restaurant chain which operates eight restaurants in the North of England and an outside catering division predominantly providing corporate hospitality services.

The initial investment was completed by Aberdeen Murray Johnstone Private Equity in April 2001. A total investment of £2.5 million has been undertaken on a tranching basis to fund the roll out of the restaurant chain.

<b>Year ended 28 February</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Turnover	1,249	1,021
Profit before interest and tax	189	103
Profit before tax	6	7
(Loss)/profit after tax	(2)	7
Preference share dividend	–	–
Ordinary share dividend	–	–
Net assets attributable to ordinary and preference shareholders	668	670
Earnings per ordinary share	0.1p	0.1p
Dividend per preference share	–	–
Preference dividend cover	–	–
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

Heathcotes Restaurants Limited does not produce consolidated accounts as it takes advantage of the small companies exemption. The figures above represent the trading results for Heathcotes Restaurants Limited which incorporates the trading results of the Group's Manchester and Longridge restaurants on an unaudited basis. In the year to 28 February 2003 the group's consolidated operating loss was £135,000 on sales of £5.7 million.

**MINING COMMUNICATIONS LIMITED****Publisher of specialist mining sector publications**

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>
Cost of investment	750
Directors' valuation	750
Effective equity interest	14.1%
Gross income received in the year	–
Basis of valuation	Cost
Cumulative realisation proceeds	–

Mining Communications Limited is a small publishing group, which publishes four titles for the global mining industry, focusing on the primary "hard rock" sector of the market, and two titles for the construction sector, focusing on tunnelling and drilling.

The management buy-in in May 2003 was led, structured and arranged by Aberdeen Murray Johnstone Private Equity.

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

**SCOTNURSING LIMITED****Provider of agency nursing and care staff**

Incorporated in Scotland

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	750	750
Directors' valuation	750	750
Effective equity interest	18.7%	18.7%
Gross income received in the year	–	–
Basis of valuation	Cost	Cost
Cumulative realisation proceeds	–	–

ScotNursing is a provider of agency nursing and care staff into the healthcare sector. The company is based in Clydebank near Glasgow and operates from a network of 9 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.

<b>Year ended 31 March</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Turnover	11,278	10,029
Profit before interest and tax	158	60
Profit/(loss) before tax	40	(83)
Profit/(loss) after tax	93	(83)
Preference share dividends	–	–
Ordinary share dividends	–	–
Net assets attributable to ordinary shareholders and preference shareholders	500	126
Earnings per ordinary share	£3.83	(£8.30)
Dividend per ordinary share	–	–
Ordinary dividend cover	–	–

**HOUSE OF DORCHESTER LIMITED****Manufacturer of high quality chocolate confectionery**

Incorporated in England and Wales

<b>Holding details as at end February</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Cost of investment	650	650
Directors' valuation	650	650
Effective equity interest	24.7%	24.7%
Gross income received in the year	18	4
Basis of valuation	Earnings	Cost
Cumulative realisation proceeds	–	–

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

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

As this Company was only incorporated in July 2002, audited accounts have not yet been produced.

# **Murray VCT 4 PLC**

Directors' Reports & Financial Statements

Year ended 29 February 2004

# Directors' Report

The Directors submit their Annual Report together with the financial statements of the Company for the year ended 29 February 2004.

## Review of the business

A review of the Company's operations is given in the Chairman's Statement on pages 7 and 8 and in the Investment Manager's Report on page 9.

## Results and dividends

The profit for the year on ordinary activities after taxation, for the year ended 29 February 2004, was £291,000 (2003 – £640,000). An interim dividend of 0.5p per share was paid on 12 December 2003 to Shareholders on the register at close of business on 14 November 2003. The Directors now recommend a final dividend for the year of 1.2p per Ordinary share payable on 16 July 2004 to Ordinary Shareholders on the register at close of business on 18 June 2004 and a resolution to this effect will be proposed at the Annual General Meeting. The sum of £364,000 has been transferred from the Company's reserves (2003 – £319,000).

The Net Asset Value per Ordinary share at 29 February 2004 was 73.7p (2003 – 79.0p). The Net Asset Value per Ordinary share has been calculated using the number of shares in issue at 29 February 2004 of 38,496,295 (2003 – 38,462,957).

## Purchase of Ordinary shares

During the year ended 29 February 2004, within the established guidelines, a total of 87,000 Ordinary shares of 10p each (0.23% of the Ordinary shares in issue at 30 May 2003) were purchased at a weighted average price of 52.6p per share and an aggregate cost of £45,951.

Subsequent to the year end, a further 407,000 Ordinary shares were purchased at 52p per share and a cost of £211,640.

A special resolution, numbered 10 in the notice of Annual General Meeting, will be put to Shareholders for their authority to purchase in the market a maximum of 14.99% of Ordinary shares in issue (5,709,585 Ordinary shares) at 7 June 2004. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is the earlier. This means, in effect, that the authority will have to be renewed at the next Annual General Meeting of the Company.

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

The purchase of Ordinary shares by the Company is intended to provide liquidity in the shares and enhance the Net Asset Value for the remaining shareholders. Since it is anticipated that any purchases will be made at a discount to Net Asset Value at the time of purchase, the Net Asset Value of the remaining Ordinary shares in issue should increase as a result of any such purchase.

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

## Issue of new Ordinary shares

During the year ended 29 February 2004, a total of 120,338 Ordinary shares of 10p each were issued, under the dividend reinvestment scheme, at 77.2p per share and a total consideration of £92,841.

Resolution numbered 11 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 £380,892 (equivalent to 3,808,920 Ordinary shares or 10% of the

total issued share capital at 7 June 2004). Further issues of new Ordinary shares may only be made at a premium to Net Asset Value per share, thus ensuring existing investors will not be disadvantaged by such issues. The proceeds of any issue may be used to purchase the Company's Ordinary shares in the market or to fund further investments in accordance with the Company's investment policy. This authority shall expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur.

When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing Shareholders have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing shareholdings. However Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders. Resolution 12 will, if passed, give the Directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £380,892 (equivalent to 3,808,920 Ordinary shares or 10% of the total issued share capital at 7 June 2004) 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 11. The authority will also expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months from the passing of the relevant resolution, whichever is the first to occur. The Company will not use this authority in connection with a rights issue.

#### Directors

Biographies of the Directors are shown on pages 2 and 3.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years, and, accordingly, Mr A G MacMillan, Mr C G Stuart-Menteth and Mr A E Whitworth, whose biographies appear on pages 2 and 3, retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mrs F E Wollocombe, who was appointed a Director on 20 May 2004 and whose biography appears on page 3, retires at the Annual General Meeting, being the first following her appointment and seeks re-election. Resolutions to this effect will be proposed at the Annual General Meeting.

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

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

	<b>29 February 2004</b>	<b>28 February 2003</b>
	<b>Ordinary shares of 10p</b>	<b>Ordinary shares of 10p</b>
A E Whitworth (Chairman)	10,000	10,000
W E Holt (appointed 17 April 2003)	–	–
A G MacMillan	9,000	9,000
C G Stuart-Menteth	100,000	100,000
F E Wollocombe (appointed 20 May 2004)	–	–
S J Dobbie CBE (resigned 10 July 2003)	–	26,013
Sir Gavin Laird CBE (resigned 10 July 2003)	–	10,703

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

#### 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 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% (2003 – 2.5%) per annum of the gross assets of the Company; and
- (b) a secretarial fee of £64,227 (2003 – £63,870) per annum which is subject to an annual adjustment to reflect movement in the retail prices index.

The agreement was for an initial period of four years to 6 April 2004. Thereafter, 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.

Under the terms of the Management Deed, if the Net Asset Value per Share in a relevant period increases so that it exceeds £1 (less the value of any distributions paid to Shareholders from time to time) plus notional interest thereon at the rate of 8 per cent per annum (compounding annually), then the Manager will be entitled to an incentive equal in value to 20 per cent of such excess. In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The incentive is in respect of the period to 6 April 2005 and for each subsequent year. In the event that the Management Deed is terminated (unless terminated by reason of the Manager's default) a one off payment may be made to the Manager, calculated on the basis of the net asset value per Share as at 29 February 2004 (if the date of termination is prior to such date) and otherwise 28 February in the year following termination, excluding any value attributable to investments following the date of termination.

The effects of these arrangements for the year ended 29 February 2004 are detailed in Note 3 on page 33.

The Board considers that the continued appointment of the Manager, on the agreed terms, is in the best interests of the Shareholders.

#### **Corporate governance**

The Statement of Corporate Governance is shown on pages 23 to 25.

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

#### **Going concern**

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

#### **Creditor payment policy**

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

#### **Annual General Meeting**

The notice of the Annual General Meeting, which will be held on 8 July 2004, is contained on pages 47 and 48.

#### **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.

123 St Vincent Street  
Glasgow G2 5EA  
7 June 2004

By order of the Board  
**Murray Johnstone Limited**  
Secretary

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to the Members of the Company at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 27.

## Remuneration Committee

At 29 February 2004, the Company had four non-executive Directors, increasing to five following the appointment of Mrs F E Wollocombe on 20 May 2004. The whole Board fulfils the function of a Remuneration Committee, which is chaired by Mr C G Stuart-Menteth. The names of the Directors who served during the year are shown on page 22 together with the fees paid during the year. During the year under review, the Board has been provided with advice and services in respect of its consideration of the Directors' remuneration, as 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. It is intended that this policy will continue for the year ended 28 February 2005 and subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. The fees for the Directors, all of whom are non-executives, are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £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 Remuneration Committee carried out a review of the level of Directors' fees and concluded that, with effect from 1 September 2003, the amounts payable per annum should increase to £15,000 (previously £12,000) for the Chairman and £10,500 (previously £9,000) for each Director. These are the first increases since January 2000 and the policy is to continue to review these rates from time to time.

## Directors' and Officers' liability insurance

The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

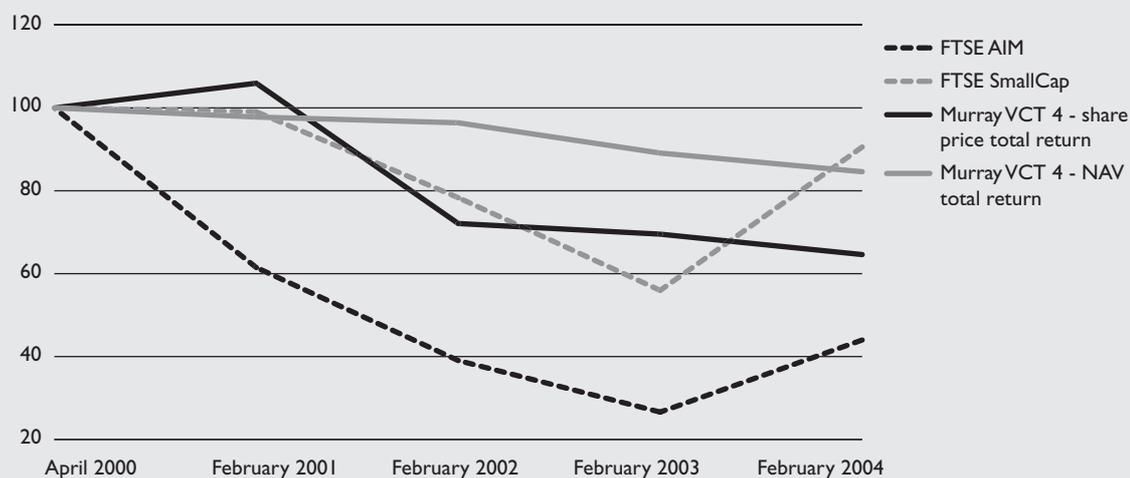
## Directors' service contracts

None of the Directors has a contract of service or contract for services and a Director may resign by 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.

## Company performance

The graph on page 22 compares the total return on an investment of £100 in the Ordinary shares of the Company, for each accounting period from inception to 29 February 2004, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE AIM 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.

**Total return performance (p)**



Source: Aberdeen Asset Managers Limited/Datastream

Please note that past performance is not necessarily a guide to future performance.

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

The following emoluments were receivable by the Directors who served during the year:

Directors	For the year ended 29 February 2004 £	For the year ended 28 February 2003 £
A E Whitworth (Chairman of the Board)	13,500	10,170
S J Dobbie CBE (resigned 10 July 2003)	3,236	9,000
W E Holt (appointed 17 April 2003)	8,600	—
Sir Gavin Laird CBE (Chairman until October 2002; resigned 10 July 2003)	3,375	10,830
A G MacMillan*	9,750	9,000
C G Stuart-Menteth	9,750	9,000
<b>Total</b>	<b>48,211</b>	<b>48,000</b>

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

**Approval**

The Directors' Remuneration Report on pages 21 and 22 was approved by the Board of Directors and signed on its behalf by:

7 June 2004

**A E Whitworth**  
Director

# Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the 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 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 29 February 2004 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;
- as the Company is a venture capital trust and all of its Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive Directors’ remuneration.

## **The Board**

The Board consists of five Directors, all of who 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 pages 2 and 3 of this report and indicate their high level and range of investment, industrial, commercial and professional experience.

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

- 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.

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 will arrange for a tailored induction meeting. Directors are provided, on a regular basis, with key information on the Company’s policies, regulatory and statutory requirements and internal controls. Changes affecting Directors’ responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all 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, including the Manager, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Manager on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

### **Committees**

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

#### *Audit Committee*

The Committee, chaired by Mr A G MacMillan, is responsible for the review of the Annual and Interim Reports and Financial Statements, the terms of appointment of the Auditors together with their remuneration, as well as non-audit services provided by the Auditors and reviewing the scope and the results of the audit and the objectivity of the Auditors. The Audit Committee also meets with representatives of the Manager, 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 terms of reference of the Audit Committee are reviewed and reassessed for their adequacy on an annual basis.

#### *Management Engagement Committee*

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

#### *Nomination Committee*

The Nomination Committee considers and makes recommendations in respect of the appointment of new Directors and comprises the full Board. The Chairman of the Company is chairman of the Nomination Committee.

During the year ended 29 February 2004, the Board believed that it would be appropriate to consider the appointment of an additional Director. Having considered a short-list of three candidates, the Nomination Committee recommended the appointment, as a Director, of Mrs F E Wollocombe. Mrs Wollocombe was considered to have a wide range of relevant experience in the smaller companies sector, particularly in the areas of corporate finance and governance, and her appointment was unanimously agreed by the Board. Additional biographical details are included on page 3.

#### *Remuneration Committee*

The full Board comprises the Remuneration Committee, which is chaired by Mr C G Stuart-Menteth and details of which are included in the Directors' Remuneration Report on page 21.

### **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 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 page 22.

### **Relations with Shareholders**

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

The Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting as required under Code Provision C2.4. The notice of Annual General Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 18 to 20. Separate resolutions are proposed for each substantive issue.

Annual and Interim reports and Financial Statements are widely distributed to Shareholders and other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager and the Company responds to letters from Shareholders on a wide range of issues. All Shareholders have direct access to the Company via the shareholder information service run by Aberdeen Asset Management and have the opportunity to put questions at the Company's Annual General Meeting. The results of proxy voting are relayed to Shareholders at the Annual General Meeting, after each resolution has been dealt with on a show of hands.

#### **Accountability and audit**

The Directors' Statement of Responsibilities in Relation to the Financial Statements is on page 26 and the Statement of Going Concern is included in the Directors' Report on page 20.

The Independent Auditors' Report is on page 27. It should be noted that the Auditors, Ernst & Young LLP, rotate the partner responsible for the Company's audit every five years.

#### **Internal control**

The Board of Murray VCT 4 PLC has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. Internal control systems are designed to manage, rather than eliminate, the particular risks to which the Company is exposed and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

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

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

Risks are identified through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Turnbull guidance. This helps the internal audit risk model identify those functions for reviews. Any errors 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 voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

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

# Statement of Directors' Responsibilities in Relation to the Financial Statements

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

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

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

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

We have audited the Company's Financial Statements for the year ended 29 February 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and losses, Balance Sheet and Cash Flow Statement, and the related Notes 1 to 19. 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 we are required to state to them in an auditor's 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 are 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 Corporate Governance Statement 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 whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate

governance 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, Your Board, Financial History, Dividends, Yield Profile, Analysis of Unlisted and AIM Portfolio, Chairman's Statement, Investment Manager's Report, Summary of Investment Changes, Investment Portfolio Summary, Largest Unlisted and AIM Investments, Directors' Report, unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Venture Capital Trusts, Tax Position of Individual Investors, Notice of Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

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

## **Opinion**

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company as at 29 February 2004 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

7 June 2004

# Profit and Loss Account

For the year ended 29 February 2004

	Notes	Year ended 29 February 2004			Year ended 28 February 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income and deposit interest	2	1,518	–	1,518	1,919	–	1,919
Investment management fees	3	(358)	(536)	(894)	(401)	(601)	(1,002)
Other expenses		(221)	–	(221)	(164)	–	(164)
<b>Operating profit/(loss)</b>	4	939	(536)	403	1,354	(601)	753
(Loss)/profit on realisation of investments	8	–	(32)	(32)	–	147	147
<b>Profit/(loss) on ordinary activities before taxation</b>		939	(568)	371	1,354	(454)	900
Tax on ordinary activities	5	(254)	174	(80)	(399)	139	(260)
<b>Profit/(loss) on ordinary activities after taxation</b>		685	(394)	291	955	(315)	640
Dividends	6	(655)	–	(655)	(959)	–	(959)
<b>Balance transferred to/(from) reserves</b>	13	<b>30</b>	<b>(394)</b>	<b>(364)</b>	<b>(4)</b>	<b>(315)</b>	<b>(319)</b>
<b>Earnings per share (pence)</b>	7	<b>1.8</b>	<b>(1.0)</b>	<b>0.8</b>	<b>2.5</b>	<b>(0.8)</b>	<b>1.7</b>

# Statement of Total Recognised Gains and Losses

For the year ended 29 February 2004

	Notes	Year ended 29 February 2004			Year ended 28 February 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities after taxation		685	(394)	291	955	(315)	640
Unrealised loss on revaluation of investments	8	–	(1,777)	(1,777)	–	(3,705)	(3,705)
Current taxation attributable to unrealised gains/(losses) on investments	5	254	(174)	80	399	(139)	260
<b>Total recognised gains and losses relating to the year</b>	15	<b>939</b>	<b>(2,345)</b>	<b>(1,406)</b>	<b>1,354</b>	<b>(4,159)</b>	<b>(2,805)</b>

# Note of Historical Cost Profits and Losses

For the year ended 29 February 2004

		Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
	Notes		
Profit on ordinary activities before taxation		371	900
Realisation of revaluation (losses)/gains of previous years	8	(675)	309
<b>Historical cost (loss)/profit on ordinary activities before taxation</b>		<b>(304)</b>	<b>1,209</b>
<b>Historical cost loss for the year retained after taxation and dividends</b>		<b>(836)</b>	<b>(102)</b>

All items in the statements on pages 28 and 29 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 29 February 2004

	Notes	29 February 2004		28 February 2003	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	8		22,350		21,279
<b>Current assets</b>					
Debtors	10	1,363		877	
Cash and overnight deposits		5,461		9,118	
			6,824		9,995
<b>Creditors</b>					
Amounts falling due within one year	11	807		893	
<b>Net current assets</b>			6,017		9,102
<b>Net assets</b>			<b>28,367</b>		<b>30,381</b>
<b>Capital and reserves</b>					
Called up share capital	12		3,849		3,846
Share premium account	13		17,236		17,155
Revaluation reserve	13		(6,952)		(5,727)
Capital redemption reserve	13		36		27
Profit and loss account	13		14,198		15,080
<b>Equity Shareholders' funds</b>	15		<b>28,367</b>		<b>30,381</b>
<b>Net Asset Value per Ordinary share (pence)</b>	14		<b>73.7</b>		<b>79.0</b>

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

7 June 2004

**A E Whitworth**  
Director

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

# Cash Flow Statement

For the year ended 29 February 2004

	Notes	29 February 2004		28 February 2003	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		1,200		2,055	
Deposit interest received		9		10	
Investment management fees paid		(1,145)		(964)	
Secretarial fees paid		(80)		(63)	
Cash paid to and on behalf of Directors		(53)		(40)	
Other cash payments		(118)		(74)	
<b>Net cash (outflow)/inflow from operating activities</b>	16		(187)		924
Taxation			–		36
<b>Financial investment</b>					
Purchase of investments		(9,064)		(13,407)	
Sale of investments		6,251		22,268	
<b>Net cash (outflow)/inflow from financial investment</b>			(2,813)		8,861
Equity dividends paid			(770)		(960)
<b>Net cash (outflow)/inflow before financing</b>			(3,770)		8,861
<b>Financing</b>					
Issue of Ordinary shares		154		90	
Repurchase of Ordinary shares		(41)		(176)	
<b>Net cash inflow/(outflow) from financing</b>			113		(86)
<b>(Decrease)/increase in cash</b>	17		<b>(3,657)</b>		<b>8,775</b>

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

# Notes to the Financial Statements

For the year ended 29 February 2004

## 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.

Although the Company is no longer an investment company, as investment company status was revoked in order to permit the distribution of capital profits, the Directors believe that the presentation of the profit and loss account and the statement of total recognised gains and losses is enhanced by showing additional non-statutory information on the returns attributable to revenue and capital. These statements differ from the statement of total return usually presented by investment trust companies in the following respects:

- gains and losses on disposal of investments and permanent diminutions in value are included in the profit and loss account;
- unrealised gains and losses are taken direct to the revaluation reserve, are reflected in the statement of total recognised gains and losses as required by Financial Reporting Standard No 3 and, in presenting the non-statutory information, have been allocated to capital; and
- all investment management fees, other expenses and taxation are charged to the profit and loss account.

The profit and loss account and statement of total recognised gains and losses have been prepared in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard No 3 "Reporting Financial Performance." As mentioned above, for illustrative purposes, non-statutory information comprising a revenue and capital column is also presented. The revenue column includes all income and expenses. The capital column includes the realised profit and loss on investments and the proportion of tax and management fee allocated by the directors to capital. The basis of allocation of investment management fees is 40% to revenue and 60% to capital, and tax has been allocated on the marginal basis in the same way as would an investment trust.

### (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 overnight 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; and
- 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

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

1. Investments completed within the 12 months prior to the reporting date and those at an early stage in their development are normally valued at cost, except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in relevant sector of the stock market.
2. Whenever practicable, recent investments will be valued by reference to a material arm's-length transaction or a quoted price.
3. Mature companies are valued by applying a multiple to their fully taxed prospective earnings to determine the enterprise value of the company.
  - 3.1. The multiple is derived by taking an average of the prospective multiples of the most comparable listed companies and adjusting for the differences in business mix, size, trading record and prospects. This multiple is discounted to reflect the marketability of the investee company. In the event that there are no comparable listed companies, the prospective multiple of the most relevant sub-sector of the FTSE indices is used and an appropriate discount applied.
  - 3.2. To obtain a valuation of the total ordinary share capital held by management and the institutional investors, the value of third party debt, institutional loan stock, debentures and preference share capital is deducted from the enterprise value. The effect of any performance related mechanisms is taken into account when determining the value of the ordinary share capital.
  - 3.3. Preference shares are valued at cost. When a redemption premium has accrued, this will only be valued if there is a reasonable prospect of it being paid. Preference shares which carry a right to convert into ordinary share capital are valued at the higher of the cost basis and the price/earnings basis, both described above.
  - 3.4. Debentures and loan stock are valued on the same basis as preference shares.
4. All unlisted investments are valued individually by Aberdeen Murray Johnstone Private Equity's Portfolio Management Team. The resultant valuations are subject to detailed scrutiny and approval by the Directors of the Company.

In accordance with normal market practice, investments listed on the Alternative Investment Market or a recognised stock exchange are valued at their mid-market price, discounted where necessary to reflect any trading restrictions.

	<b>Year ended 29 February 2004 £'000</b>	<b>Year ended 28 February 2003 £'000</b>
<b>2. Investment income and deposit interest</b>		
Income from investments:		
UK franked investment income	28	14
UK unfranked investment income	310	1,257
Income from participating interests	1,171	638
	1,509	1,909
Interest receivable and similar income:		
Deposit interest	5	10
Other income	4	–
	9	10
Total income	<b>1,518</b>	<b>1,919</b>

	<b>Year ended 29 February 2004</b>			<b>Year ended 28 February 2003</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>3. Investment management fees</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
Investment management fees	305	456	761	341	512	853
Irrecoverable VAT	53	80	133	60	89	149
	<b>358</b>	<b>536</b>	<b>894</b>	<b>401</b>	<b>601</b>	<b>1,002</b>

Details of the fee basis are contained in the Directors' Report on pages 19 and 20.

	Year ended 29 February 2004	Year ended 28 February 2003
	£'000	£'000
<b>4. Operating profit is stated after charging:</b>		
Directors' remuneration	48	48
Audit fees	14	14

**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 £'000	Statement of total recognised gains and losses £'000	Total £'000
<b>2004</b>			
Corporation tax	80	(80)	–
Total current tax for period	<b>80</b>	<b>(80)</b>	<b>–</b>
<b>2003</b>			
Corporation tax	260	(260)	–
Total current tax for period	<b>260</b>	<b>(260)</b>	<b>–</b>

**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% (2003 – 30%). The differences are explained below:

	Year ended 29 February 2004	Year ended 28 February 2003
	£'000	£'000
Profit on ordinary activities before tax	<b>371</b>	<b>900</b>
Profit on ordinary activities multiplied by standard rate of corporation tax	112	270
Effect of disallowed expenditure	–	(3)
Effect of realised gains not taxable	9	–
Effect of marginal relief	(28)	–
Effect of income not subject to taxation	(13)	(7)
	<b>80</b>	<b>260</b>

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 £212,327 (2003 – £320,060) 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.

	Year ended 29 February 2004	Year ended 28 February 2003
	£'000	£'000
<b>6. Dividends</b>		
Interim dividend of 0.5p (2003 – 1.0p)	193	384
Proposed final dividend of 1.2p (2003 – 1.5p)	462	577
Overaccrual in prior years	–	(2)
	<b>655</b>	<b>959</b>

	Year ended 29 February 2004	Year ended 28 February 2003
	£'000	£'000
<b>7. Earnings per share</b>		
<i>The returns per share have been based on the following figures:</i>		
Average number of Ordinary shares	38,525,640	38,468,537
Profit on ordinary activities after taxation	£291,000	£640,000

	Year ended 29 February 2004		
	Listed	Unlisted and AIM	Total
	£'000	£'000	£'000
<b>8. Investments</b>			
Valuation at 1 March 2003	6,924	14,355	21,279
Purchases	4,468	4,742	9,210
Sales	(5,846)	(437)	(6,283)
Amortisation of book cost	(79)	–	(79)
Net decrease in value of investments	(93)	(1,684)	(1,777)
Valuation at 29 February 2004	<b>5,374</b>	<b>16,976</b>	<b>22,350</b>

	Shares in participating interests	Loans to participating interests	Other investments
	£'000	£'000	£'000
<b>Constituted:</b>			
<i>Listed Investments</i>	–	–	5,374
<i>Unlisted investments</i>			
Valuation at 1 March 2003	2,974	8,829	2,552
Purchases	609	2,602	1,531
Sales	–	(437)	–
Transfer between categories	635	(635)	–
Net decrease in value of investments	(757)	(362)	(565)
	3,461	9,997	3,518
Valuation at 29 February 2004	<b>3,461</b>	<b>9,997</b>	<b>8,892</b>

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

	Year ended 29 February 2004		Year ended 28 February 2003	
	£'000	£'000	£'000	£'000
Cost at beginning of year		27,517		36,124
Purchases	9,210		13,407	
Sales	(6,251)		(22,268)	
Transfer of unrealised (losses)/gains realised during the year	(675)		309	
(Loss)/profit on realisation of investments	(32)		147	
		2,252		(8,405)
Amortisation of book cost		(79)		(202)
Cost at end of year		29,690		27,517
Unrealised loss		(7,340)		(6,238)
Valuation at 29 February 2004		<b>22,350</b>		<b>21,279</b>

The cost of unlisted investments at 29 February 2004 was £24,365,186 (2003 – £20,863,491).

The net unrealised loss on the unlisted investments at 29 February 2004 was £7,389,033 comprising £999,939 unrealised gains and provisions of £8,388,977 (2003 – net unrealised loss of £6,507,790 all comprised of provisions).

During the year unlisted investments in BlackTeknigas, Stratumsoft and Mercury Inns loan stock were sold for a total of £459,786 against a cost of £1,002,010. In addition, ordinary shares in Stratumsoft were sold for a total of nil against a cost of £238,350.

## 9. Participating 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 holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

At 29 February 2004 the Company held shares amounting to 20% or more of the nominal value of the equity capital of the following undertakings:

Investment	% of class held	29 February 2004 % of equity held	Total cost £'000	Carrying value £'000	Latest accounts period end	Aggregate capital and reserves £'000	Profit (loss) after tax for period £'000
<b>Black Teknigas Limited*</b>							
64,706 B ordinary shares	50.0	22.0	400	420	31/03/03	740	253
50 preference shares	50.0						
£220,000 loan stock 2009	50.0						
<b>GW 665 Limited*</b>							
9,259 ordinary shares	23.1	23.1	9	–	N/A	N/A	N/A
<b>GW 1016 Limited*</b>							
1,287 B ordinary shares	21.4	12.9	590	429	N/A	N/A	N/A
£589,866 loan stock 2011	21.4						
<b>House of Dorchester Limited*</b>							
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						
<b>TLC (Tender Loving Childcare) Limited*</b>							
46,469 B ordinary shares	48.9	24.2	1,321	1,321	31/12/02	1,358	(909)
489 preference shares	48.9						
£488,643 loan stock 2007	48.9						
£582,082 loan notes 2007	48.9						
<b>TMI Foods Limited*</b>							
70,944 B ordinary shares	50.0	23.5	750	530	N/A	N/A	N/A
5,000 preference shares	50.0						
£520,000 loan stock	50.0						
<b>Transys Projects Limited*</b>							
38,119 B ordinary shares	50.0	21.6	825	894	31/12/02	818	208
5,000 preference shares	50.0						
£572,500 loan stock	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 the above companies.

None of the companies marked N/A have produced audited accounts since the date of incorporation.

At 29 February 2004 the Company held shares amounting to 20% or more of the nominal value of any class of share of the following unquoted undertakings

Investment	% of class held	29 February 2004	
		Total cost £'000	Carrying value £'000
<b>Astraeus Limited*</b>			
60,867 C ordinary shares	50.0	550	550
1,528 preference shares	15.3		
£487,605 loan notes 2007	50.0		
<b>CCM Motorcycles Limited*</b>			
484,118 A ordinary shares	24.0	2,094	–
408,291 B ordinary shares	39.1		
1,956 B preference shares	19.6		
£293,486 loan stock 2007	24.9		
£78,260 loan stock 2008	24.9		
£64,597 loan stock 2010	24.9		
£97,833 mezzanine instrument	19.6		
<b>ELE Advanced Technologies Limited*</b>			
12,175 B ordinary shares	25.6	641	641
256 preference shares	25.6		
£448,276 secured loan notes 2007	25.6		
<b>Enterprise Food Group Limited*</b>			
2,541 B ordinary shares	5.9	598	598
2,990 preference shares	29.9		
£415,610 loan stock 2010	29.9		
<b>First Line Limited*</b>			
75,134 B ordinary shares	25.6	641	404
2,563 preference shares	25.6		
£445,979 loan stock 2007	25.6		
<b>Heathcotes Restaurants Limited*</b>			
292,217 B ordinary shares	39.0	975	771
390 preference shares	39.0		
£682,981 loan stock 2008	39.0		
<b>Interak Limited*</b>			
17,699 A ordinary shares	21.6	530	–
£370,000 loan stock	21.6		
<b>Link Up Mitaka Limited*</b>			
1,298,000 B ordinary shares	26.5	601	601
132 preference shares	26.4		
£132,500 loan stock 2007	26.5		
£71,417 loan stock 2008	26.5		

	<b>29 February 2004</b>		
<b>Investment</b>	<b>% of class held</b>	<b>Total cost £'000</b>	<b>Carrying value £'000</b>
<b>Mercury Inns Limited*</b>			
35,640 B ordinary shares	21.4	306	–
2,145 preference shares	21.4		
£111,234 loan stock 2008	21.4		
<b>Mining Communications Limited*</b>			
46,753 B ordinary shares	45.5	750	750
4,545 preference shares	45.5		
£520,455 loan stock 2010	45.5		
<b>PLM Dollar Group Limited*</b>			
80,625 A ordinary shares	26.8	402	402
124,666 preference shares	26.8		
£133,929 loan stock 2010	26.8		
<b>PSCA International Limited*</b>			
7,600 A ordinary shares	25.8	750	1,125
2577 A preference shares	25.8		
£523,299 loan stock 2007	25.8		
<b>Room 2 PLC*</b>			
283,247 B ordinary shares	50.0	625	625
500 B preference shares	50.0		
£437,000 loan stock 2009	50.0		
<b>ScotNursing Limited*</b>			
2,678 B ordinary shares	62.5	750	750
6,250 preference shares	62.5		
£556,250 loan stock 2010	62.5		
<b>Synexus Limited*</b>			
1,156,483 B ordinary shares	23.2	927	927
232 preference shares	23.2		
£648,696 loan stock 2008	23.2		
<b>Tuscan Energy Group Limited*</b>			
89,250 C ordinary shares	42.5	850	850
£165,750 loan stock 2006	8.5		
£595,000 loan stock 2007	8.5		
<b>Visual Gold Limited*</b>			
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		
<b>Voxsurf Limited*</b>			
57,829 A ordinary shares	49.5	662	221
520,462 C preference shares	49.5		
15,519,850 D preference ord shares	49.5		
220,726 0% loan stock 2008	49.5		

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

	29 February 2004	28 February 2003
	£'000	£'000
<b>10. Debtors</b>		
Current taxation	34	75
Prepayments and accrued income	1,175	741
Called up share capital not paid	–	61
Sundry debtors	154	–
	<b>1,363</b>	<b>877</b>

	29 February 2004	28 February 2003
	£'000	£'000
<b>11. Creditors</b>		
<i>Amounts falling due within one year:</i>		
Proposed final dividend	462	577
Accruals	40	87
Management and secretarial fees due to Manager	–	229
Outstanding purchases	305	–
	<b>807</b>	<b>893</b>

	29 February 2004		28 February 2003	
	Number	£'000	Number	£'000
<b>12. Share capital</b>				
<i>At end February the authorised share capital comprised:</i>				
<i>allotted, issued and fully paid:</i>				
Ordinary shares of 10p each				
Balance brought forward	38,462,957	3,846	38,554,939	3,856
Issued during year	120,338	12	170,698	17
Repurchased and cancelled in year	(87,000)	(9)	(262,680)	(27)
Balance carried forward	38,496,295	3,849	38,462,957	3,846
Unissued unclassified shares of 10p each	21,503,705	2,151	21,537,043	2,154
	<b>60,000,000</b>	<b>6,000</b>	<b>60,000,000</b>	<b>6,000</b>

During the year, 120,338 Ordinary shares (2003 – 170,698) of 10p each were issued under the dividend re-investment scheme for a total consideration of £92,841 (2003 – £150,174). In addition, 87,000 Ordinary shares (2003 – 262,680) of 10p each were repurchased by the Company at a total cost of £45,951 (2003 – £176,328) and cancelled. Subsequent to the year end, a further 407,000 Ordinary shares were repurchased and cancelled at a cost of £211,640.

	Year ended 29 February 2004			
	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss account
	£'000	£'000	£'000	£'000
<b>13. Movement in reserves</b>				
At 1 March 2003	17,155	(5,727)	27	15,080
Issue of shares	81	–	–	–
Repurchase and cancellation of shares	–	–	9	(46)
Transfer of realised losses to profit and loss account	–	675	–	(675)
Tax effect of transfer of losses to profit and loss account	–	(203)	–	203
Taxation attributable to unrealised loss on investments	–	80	–	–
Net decrease in value of investments	–	(1,777)	–	–
Loss for year	–	–	–	(364)
At 29 February 2004	<b>17,236</b>	<b>(6,952)</b>	<b>36</b>	<b>14,198</b>

#### 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:

	29 February 2004		28 February 2003	
	Net Asset Value per share	Net Asset Value attributable	Net Asset Value per share	Net Asset Value attributable
	p	£'000	p	£'000
Ordinary shares	73.7	28,367	79.0	30,381

The number of Ordinary shares used in this calculation is set out in Note 12 on page 40.

15. Reconciliation of movements in Shareholders' funds	Year ended	Year ended
	29 February 2004	28 February 2003
	£'000	£'000
Opening Shareholders' funds	30,381	34,170
Total recognised losses for year	(1,406)	(2,805)
Net proceeds of issue of shares	93	151
Repurchase and cancellation of shares	(46)	(176)
Dividends appropriated	(655)	(959)
Closing Shareholders' funds	<b>28,367</b>	<b>30,381</b>

16. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	Year ended	Year ended
	29 February 2004	28 February 2003
	£'000	£'000
Operating profit	403	753
Increase in debtors	(429)	–
(Increase)/decrease in prepayments	(5)	9
(Decrease)/increase in accruals	(276)	19
Amortisation of fixed income investment book cost	79	202
Tax on unfranked income	41	(59)
Net cash (outflow)/inflow from operating activities	<b>(187)</b>	<b>924</b>

17. Analysis of changes in net funds	At	Cash flows	At
	1 March 2003		29 February 2004
	£'000	£'000	£'000
Cash and overnight deposits	9,118	(3,657)	5,461

	At	Cash flows	At
	1 March 2002		28 February 2003
	£'000	£'000	£'000
Cash and overnight deposits	343	8,775	9,118

	29 February 2004	28 February 2003
	£'000	£'000
<b>18. Capital commitments</b>		
Unlisted investment commitments	540	81

**19. Derivatives and other financial instruments**

The Company's financial instruments comprise securities and other investments, cash balances, overnight deposits and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company may not enter into derivative transactions in the form of forward foreign currency contracts, futures and options without the written permission of the Directors. It is not the Company's policy to enter into 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 below 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 Report on page 9.

*(ii) Interest rate risk*

	29 February 2004		
<b>Sterling</b>	<b>Fixed interest</b>	<b>Floating rate</b>	<b>Non-interest bearing</b>
	£'000	£'000	£'000
Listed	5,374	–	–
Unlisted	12,883	–	4,093
Cash	–	18	5,443
	<b>18,257</b>	<b>18</b>	<b>9,536</b>

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

The listed fixed interest assets have a weighted average life of 0.8 years (2003 – 1.7 years) and weighted average interest rate of 6.2% (2003 – 6.0%) per annum. These assets are held to provide liquidity for unlisted investment. 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 4.0 years (2003 – 4.5 years) and a weighted average interest rate of 11.4% (2003 – 12.2%). The non-interest bearing assets represent cash balances and 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 provide a greater degree of liquidity.

# Venture Capital Trusts

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

- A VCT's income must be derived wholly or mainly from shares or securities.
- No holding in any company can represent more than 15% by value of a VCT's investments.
- The shares making up a VCT's ordinary share capital must be traded on the London Stock Exchange and listed on the Official List of the UK Listing Authority.
- 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 license fees with certain exceptions;
- providing legal or accountancy services;
- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment;
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home; and
- providing ancillary services to any of the above by a related party.

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

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

# Tax Position of Individual Investors

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

## 1. Tax reliefs for individual investors resident in the UK

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

### Relief from income tax

An investor subscribing for new ordinary shares in a VCT for tax years 2004/05 and 2005/06 will be entitled to claim income tax relief on amounts subscribed at up to 40%. The increase in the rate of income tax relief to 40%, from the previous rate of 20%, is for a two year period only and may not be continued after 5 April 2006. With effect from 6 April 2004, the maximum subscription in new ordinary shares in a venture capital trust increased from £100,000 to £200,000 for any tax year. For shares purchased on or after 6 April 2000, the income tax 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 the maximum number of ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by a VCT, which may include realised capital gains by the VCT.

### Relief from capital gains tax

With effect from 6 April 2004, the capital gains tax deferral will no longer be available in respect of subscriptions for new shares in a VCT. For new ordinary shares subscribed for before 6 April 2004, an investor who is resident and ordinarily resident in the UK (but not regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the UK) and who obtains any income tax relief on subscription, 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 the maximum for any tax year. A deferred chargeable gain becomes liable to capital gains tax on the disposal of the ordinary shares in the VCT. 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 (subject to the availability of other taxable allowances and reliefs). Any loss realised on shares in a VCT, provided such shares were not originally acquired in excess of the set 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 VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit for any tax year.

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

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

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

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

## 2. Obtaining tax reliefs

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

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

**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 VCTs. Any potential investor in doubt as to the taxation consequences of investment in a venture capital trust should consult a professional adviser.

**Risk warnings**

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

The tax reliefs are dependent on the VCT obtaining unconditional approval from the 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 fourth Annual General Meeting of Murray VCT 4 PLC will be held on Thursday 8 July 2004 at 2.15p.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 29 February 2004.
2. To approve the Directors' Remuneration Report.
3. To declare a final dividend.
4. To elect Mrs F E Wollocombe\* as a Director.
5. To elect Mr A G MacMillan\* as a Director.
6. To elect Mr C G Stuart-Menteth\* as a Director.
7. To elect Mr A E Whitworth\* as a Director.
8. To re-appoint Ernst & Young LLP as Auditors.
9. To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

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

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

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 5,709,585 representing 14.99 per cent of the Company's issued Ordinary share capital as at 7 June 2004;
- (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.

11. 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 £380,892 (representing 10 per cent of the total Ordinary share capital in issue on 7 June 2004) 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.

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

THAT, subject to passing of Resolution number 11 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 £380,892 (representing 10 per cent of the total Ordinary share capital in issue on 7 June 2004).

123 St Vincent Street  
Glasgow G2 5EA  
7 June 2004

By order of the Board  
**Murray Johnstone Limited**  
Secretary

**Notes:**

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, has specified that only those shareholders on the register of members of the Company as at 2.15p.m. on 6 July 2004 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 2.15p.m. on 6 July 2004 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him/her.
4. A proxy need not be a Member. Appointment of a proxy need not preclude a Member from attending and voting at the meeting should he/she subsequently decide to do so.
5. Proxy forms and powers of attorney or other authority should be sent to the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not less than 48 hours before the time fixed for the meeting.
6. The Register of Directors' Interests is kept by the Company in accordance with section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

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

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

The Directors' Remuneration Report, referred to in Resolution 2, is on pages 21 and 22.

Details of Resolutions 3 to 12 are shown in the Directors' Report as follows:

Resolution 3	Page 18	Results and dividends
Resolutions 4 to 7	Page 19	Directors
Resolutions 8 and 9	Page 20	Auditors
Resolution 10	Page 18	Purchase of Ordinary shares
Resolutions 11 and 12	Pages 18 and 19	Issue of new Ordinary shares

Registered in England and Wales - Company Number 3908220

# Corporate Information

## **Directors**

A E Whitworth (Chairman)  
W E Holt  
A G MacMillan  
C G Stuart-Menteth  
F E Wollocombe (appointed 20 May 2004)

## **Manager & Secretary**

Murray Johnstone Limited  
123 St Vincent Street  
Glasgow G2 5EA

Customer Services Department: freephone 0500 00 00 40  
(open Monday to Friday 9am to 5pm)  
Email: [invtrusts@aberdeen-asset.com](mailto:invtrusts@aberdeen-asset.com)

## **Points of Contact**

*The Chairman and/or the Company Secretary at*  
123 St Vincent Street,  
Glasgow G2 5EA  
Email: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

## **Website**

[www.aberdeen-asset.com](http://www.aberdeen-asset.com)

## **Registered Office**

One Bow Churchyard  
Cheapside  
London EC4M 9HH

Registered in England and Wales  
Company Registration Number: 3908220

## **Registrars**

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

## **Auditors**

Ernst & Young LLP

## **Custodian Bankers**

JP Morgan Chase Bank

## **Solicitors**

S J Berwin

## **Stockbrokers**

Close Brothers Securities



# Proxy

(For the use of Shareholders holding shares in their own name)

Please complete in block capitals

I/we .....

of.....

being (a) member(s) of Murray VCT 4 PLC hereby appoint the Chairman of the meeting/(Note 3)

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 8 July 2004 at 2.15p.m., and at any adjournment thereof.

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

Resolution	For	Against
1. To receive the Directors' Report and Financial Statements		
2. To approve the Directors' Remuneration Report		
3. To declare a final dividend		
4. To re-elect Mrs F E Wollocombe* as a Director.		
5. To re-elect Mr A G MacMillan* as a Director.		
6. To re-elect Mr C G Stuart-Menteth* as a Director.		
7. To re-elect Mr A E Whitworth* as a Director.		
8. To re-appoint Ernst & Young LLP as Auditors		
9. To authorise the Directors to fix the Auditors' remuneration		
10. To renew the Company's authority to purchase its own shares		
11. To renew the Company's authority to allot shares		
12. To authorise the Directors to disapply pre-emption rights		

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

Signed ..... this ..... day of ..... 2004

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

## Notes

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

Third Fold and Tuck In

BUSINESS REPLY SERVICE  
Licence No. MB 122

2



**Capita Registrars**  
**PO Box 125**  
**Beckenham**  
**Kent**  
**BR3 4BR**

First Fold

Second Fold



**Aberdeen Asset Managers Limited**

10 Queen's Terrace

Aberdeen AB10 1YG

Tel 01224 631999 Fax 01224 647010

123 St. Vincent Street

Glasgow G2 5EA

Tel 0141 306 7400 Fax 0141 306 7401

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