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Murray VCT 4 PLC

Annual Report and Financial Statements
Year ended 28 February 2006

Aberdeen

Contents

Financial Calendar

6 July 2006	Annual General Meeting

Dividend Record

	Rate	xd date	Record date	Payment date
Interim dividend	0.5p	9 November 2005	11 November 2005	9 December 2005
Capital dividend	2.0p	9 November 2005	11 November 2005	9 December 2005
Proposed final dividend	0.8p	28 June 2006	30 June 2006	28 July 2006
Capital dividend	1.6p	28 June 2006	30 June 2006	28 July 2006
Total	4.9p			

Corporate Summary

Company profile

Murray VCT 4 PLC is a venture capital trust ("VCT") 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 unlisted and AIM quoted 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 28 February 2006 consisted of 36,025,976 Ordinary shares of 10p each.

Total assets and Net Asset Value per share

At 28 February 2006, the Company had total assets of £28,488,000 and a Net Asset Value per share of 79.1p.

Dividend

A final dividend of 0.8p per share has been proposed in respect of the year ended 28 February 2006 and a capital dividend of 1.6p will be paid on 28 July 2006 to Shareholders on the register at close of business on 30 June 2006.

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 to be held in 2010, and thereafter at five yearly intervals.

Risk and uncertainties

Investments in smaller unlisted or AIM quoted companies carry substantially greater risk than investments in larger or fully listed companies.

The levels and bases of tax reliefs may change.

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

In order to qualify as a VCT, within the accounting period beginning not more that three years after the receipt of applications, the Company must have at least 70% by value of its investments in qualifying holdings. The Company may invest in a number of companies which are not considered to be qualifying investments for a VCT. The criteria that must be met for a qualifying investment and the conditions that are required to be met by the Company in order for it to be approved as a VCT are detailed in Venture Capital Trusts on page 45.

Further details of the Company's risk profile are contained in Note 18 to the Financial Statements on pages 41 and 42 in Tax Position of Individual Investors on page 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. The Company's stockbroker is Teather & Greenwood Limited.

Your Board

The Board of 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.

Fiona Wollocombe *Chairman*

Status: Independent Non-executive Director
Age: 42
Length of service: She was appointed a Director on 20 May 2004 and as Chairman on 7 July 2005.
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 equity capital markets function at BT Alex Brown where she was appointed head of the UK mid & small cap team. From 2000 to 2003, she was managing director responsible for the european mid & smallcap equities team at Deutsche Bank, 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. She is a director of Artemis AIM VCT 2 PLC.
Last re-elected to the Board: 6 July 2005
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: 15,000 shares

Arthur MacMillan *Director*

Status: Independent Non-executive Director
Age: 43
Length of service: He was appointed a Director on 19 January 2000.
Relevant experience and other directorships: He is currently a non-executive director of Clyde Marine plc, a group which manufactures deck equipment for sail and power boats, under the Lewmar and Navtec brands. He had, for the ten years prior to December 2005, been chief executive of Clyde Marine, prior to which he was a corporate financier with West Merchant Bank and Samuel Montagu & Co Limited in London. He is also non-executive chairman of MoneyPlus Group Limited, a debt management and IVA business.
Last re-elected to the Board: 8 July 2004
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: 55
Length of service: He was appointed a Director on 19 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: 8 July 2004
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

Anthony Whitworth *Director*

Status: Independent Non-executive Director
Age: 71
Length of service: He was appointed a Director on 19 January 2000 and served as Chairman from 11 October 2002 until 7 July 2005.
Relevant experience and other directorships: He has been an independent non-executive director to a wide range of private equity backed businesses for over 15 years and has recently served on the board of Westvan (2001) Limited and as chairman of Chilwood Holdings Limited.
Last re-elected to the Board: 6 July 2005
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: 10,000 Ordinary shares

Financial History

	28 February 2006	28 February 2005	29 February 2004	28 February 2003	28 February 2002
Assets					
Net assets[1]	£28,488,000	£28,632,000	£28,817,000	£30,957,000	£34,739,000
Cumulative returns to Shareholders since launch					
Dividends paid per Ordinary share[2]	13.1p	10.0p	8.3p	6.3p	3.8p
Total return[3] (without tax reliefs)	92.2p	85.9p	83.1p	86.8p	93.9p
Total return[3] (with tax reliefs[4])	112.2p	105.9p	103.1p	106.8p	113.9p
Ordinary shares					
Net Asset Value[1]	79.1p	75.9p	74.8p	80.5p	90.1p
Share price	62.0p	51.5p	53.5p	60.0p	65.0p
Discount/(premium) to Net Asset Value	21.6%	32.1%	28.5%	25.5%	27.9%
Ordinary shares issued under dividend reinvestment during the year[5]	–	–	120,338	170,698	189,663
Shares bought back during the year	1,717,591	752,728	87,000	262,680	–
Ordinary shares in issue at year end	36,025,976	37,743,567	38,496,295	38,462,957	38,554,939

[1] Figures from prior years have been restated to reflect the valuation of listed and AIM quoted investments at their bid prices. The policy for valuing investments is disclosed in Note 1 to the Financial Statements on pages 33 and 34.

[2] Figures from prior years have been restated to reflect the recognition of dividends in the period in which they were declared and paid. Further details are provided in Note 19 to the Financial Statements on pages 42 to 44.

[3] Sum of current Net Asset Value and dividends paid to date

[4] Income tax relief at 20%

[5] Dividend re-investment scheme terminated with effect from 6 August 2003.

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

Dividends

Year ended February	Payment date	Interim/final/capital	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	Final	1.2
2005	10 December 2004	Interim	0.5
	22 July 2005	Final	0.6
2006	9 December 2005	Capital	2.0
	9 December 2005	Interim	0.5
Total paid			**13.1**
	28 July 2006	Proposed final	0.8
	28 July 2006	Capital	1.6
Total paid or declared			**15.5**

Analysis of Unlisted and AIM Portfolio

As at 28 February 2006

By FT Industrial Sector	Cost £'000	%	Valuation £'000	%
Unlisted				
Engineering & Machinery	825	2.7	2,874	11.0
Media & Entertainment	2,958	9.6	2,396	9.2
Support Services	2,688	8.7	2,291	8.8
Transport	1,802	5.8	1,952	7.5
Aerospace & Defence	1,241	4.1	1,680	6.4
Personal Care & Household Products	1,516	5.0	1,516	5.8
Food Producers & Processors	2,352	7.7	1,436	5.5
Food & Drug Retailers	988	3.2	879	3.4
Insurance	751	2.5	751	2.9
General Retailers	750	2.5	750	2.9
Leisure & Hotels	906	3.0	429	1.6
Household Goods & Textiles	750	2.5	350	1.3
Telecommunication Services	690	2.3	248	1.0
Information Technology Hardware	410	1.3	80	0.3
Automobiles & Parts	2,170	7.1	62	0.2
Health	591	1.9	–	–
Oil & Gas	850	2.8	–	–
Construction & Building Materials	600	2.0	–	–
	22,838	**74.7**	**17,694**	**67.8**
AIM				
Support Services	1,879	6.1	1,727	6.7
Media & Entertainment	1,371	4.5	1,467	5.6
Pharmaceuticals & Biotechnology	622	2.0	1,291	5.0
Leisure & Hotels	1,100	3.6	934	3.6
Software & Computer Services	862	2.8	846	3.3
Engineering & Machinery	369	1.2	681	2.6
Household Goods & Textiles	700	2.3	604	2.3
Health	476	1.6	413	1.6
Speciality & Other Finance	153	0.5	252	1.0
Telecommunication Services	217	0.7	142	0.5
	7,749	**25.3**	**8,357**	**32.2**
	30,587	**100.0**	**26,051**	**100.0**

By Deal Type	Number	Cost £'000	%	Valuation £'000	%
Unlisted					
Management Buy-Out	14	6,761	22.1	9,010	34.4
Development Capital	20	12,269	40.1	6,532	25.1
Management Buy-In	3	2,410	7.9	2,086	8.0
Acquisition Finance	2	1,398	4.6	66	0.3
	39	**22,838**	**74.7**	**17,694**	**67.8**
AIM					
Placing	25	7,749	25.3	8,357	32.2
	64	**30,587**	**100.0**	**26,051**	**100.0**

Chairman's Statement

Performance

The Board is pleased to report that the Net Asset Value (NAV) per share at 28 February 2006 has increased to 79.1p, before payment of proposed dividends in respect of the year then ended, compared with 76.1p at 31 August 2005 and 75.9p (restated) at 28 February 2005. The increase in NAV over the year of 4.2% compares with the increase in stock market indices generally and, in particular, the FTSE AIM Index, which rose by 3.5% over the period, and the FTSE SmallCap Index which rose by 20.7%.

As reported in the Annual Report for last year, there were significant changes made to the senior investment team of the Manager in the autumn of 2004. Since 31 August 2004, the date closest to that change when a NAV was published, the total return has increased on each reporting date and by 9.6% overall. Details of the new management fee structure were also included in the Annual Report for last year and a summary is provided in the Directors' Report on pages 19 and 20. The uplift achieved in the NAV since 31 August 2005 largely governs the level of fee payable for that period and, based on the performance during the six months to 28 February 2006, a fee of £702,000 (excluding VAT) was payable for the year.

Portfolio developments

Murray VCT 4 has continued to invest in a diversified portfolio of unlisted and AIM quoted investments with good growth prospects and, therefore, the opportunity to generate capital gains in the medium and longer term. During the year ended 28 February 2006, considerable progress was made by adopting a more active trading approach on the AIM portfolio and net gains of £677,000 were generated over the course of the year. As stated in the Interim Report, the Board had resolved to increase the maximum exposure of the portfolio to AIM quoted companies to reflect the shift in dynamics of this market. In recognition of the success that the Manager has achieved with this part of the portfolio, the Board has revised the level of exposure which the Company should have to this market. At the year end, 25.3% of the total portfolio book cost was invested in AIM quoted companies.

There have also been a number of positive developments in the unlisted portfolio, including the successful flotation of Synexus on AIM. Profitable exits were achieved from Black Teknigas, Enterprise Food Group and ScotNursing. With the increasing maturity of the portfolio, the Board is optimistic of further gains being achieved in due course.

Details of the realisations during the course of the year are given in the table forming part of the Investment Manager Review on page 10.

Investment strategy

Under the direction of the Board, the Manager is pursuing a dual strategy encompassing both unlisted investment and an increased exposure to the AIM market. The Manager is targeting investment in larger, more profitable unlisted businesses which offer a greater likelihood of being able to meet their yield obligations, even if there is some shortfall against the business plan projections, and these businesses are typically more capable of achieving capital gains in the longer term.

The Manager also continues to have discretion to make investments in companies which do not represent qualifying holdings for venture capital trusts, but always subject to ensuring that the Company itself continues to qualify as a VCT at all times.

Dividends

The Board declared an interim dividend of 2.5p per share which was paid on 9 December 2005, this amount comprising 0.5p of revenue and 2.0p of capital gains. The Board is now pleased to recommend the payment of a final dividend of 0.8p per share, to be paid on 28 July 2006 to Shareholders on the register at close of business on 30 June 2006. In addition, the Board intends to distribute realised capital gains by way of dividends when meaningful amounts have been accumulated and a capital dividend of 1.6p per share from gains achieved to date will be paid along with the proposed final dividend. The total capital dividend payable for the year will therefore be 3.6p per share. The total dividend payable in respect of the reporting year will total 4.9p per share, which compares favourably with the aggregate dividends paid from inception until the start of the year of 10.0p per share.

Since the Company's launch, Shareholders will have achieved a total return since launch of 92.2p, being the sum of dividends paid plus current NAV. The total return has increased by 8.1p or 9.6% since 31 August 2004, immediately prior to the change in the investment management team. The effect of paying the total proposed dividends of 2.4p per share will be to reduce the NAV per share by a similar amount.

The most important performance 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 the performance as the underlying investments are long-term in nature and not readily realisable.

Valuation process
Investments held by Murray VCT 4 in unlisted companies are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which superseded the British Venture Capital Association Valuation Guidelines for reporting periods beginning after 1 January 2005.

Investments which are quoted or traded on the Alternative Investment Market (AIM) or a recognised stock exchange are valued at their bid price.

Share buy-back policy
During the year, 1,717,591 shares were bought back for cancellation at an average price of 56.7p and an aggregate cost, including expenses, of £979,264. Further detail of the Company's share buy-back policy can be found in the Directors' Report on page 18.

Co-investment scheme of the Manager
A co-investment scheme, which will allow executive members of the Manager to invest alongside the Company, has been agreed with the Manager for implementation during the coming year. The Directors believe that the scheme will closely align the interests of the executives and the Company's Shareholders, while introducing an incentive to enable the Manager to retain the existing skills and capacity of its management team in a highly competitive market.

The scheme will operate through a nominee which will invest alongside the Company in each and every transaction made by the Company, including any follow-on investments. In an unlisted investment, the transaction will normally be structured such that 70% to 90% of the investment is by way of fixed interest instrument and 30% to 10% in ordinary shares. The amount which will be invested by the nominee company is fixed at 5% of the value of the ordinary shares which are available to the Company, except where the Company is investing only in ordinary shares. In that case, the amount to be invested by the nominee company will be 1.5% of the amount available to the Company.

Constitution of the Board
As reported in the 2005 Annual Report, Anthony Whitworth stood down as Chairman at last year's Annual General Meeting and, on behalf of my fellow Directors, I would like to thank him for his leadership of the Board since October 2002. Mr Whitworth has remained a Director of the Company and will stand for re-election at this year's Annual General Meeting. As part of an ongoing process of succession planning, the Board intends to commence the process of appointing a new Director later in the year. At some point after the new appointment is made, Mr Whitworth will stand down as a Director. This may involve having a temporary increase in the size of the Board during a handover period.

Outlook
It is the Board's intention that the Company should continue to pay capital dividends in future, although the timing and quantum of these payments will be dependent upon the achievement of realised gains from the portfolio. As with all dividends paid by VCTs, these payments will be made to Shareholders free of tax.

Throughout the year, the Board has worked closely with the Manager and fully supports the redefined investment strategy. The intensive portfolio management and increased, but selective, exposure to the AIM market has proven successful to date.

Fiona E Wollocombe
Chairman
31 May 2006

Investment Manager's Report

Investment activity

During the year ended 28 February 2006, 20 new unlisted and AIM quoted investments were completed and a total of £9.7 million was invested. At the year end, the portfolio stood at 54 active unlisted and AIM quoted investments at a total cost of £30.6 million.

The following new investments have been completed since the publication of the Interim Report:-

Amazing Holdings* (December 2005) - £250,000: Amazing is a leisure facility and hotel developer which intends to operate a casino in the Penghu Islands of Taiwan. (www.amazing.co.im)

A T Communications Group* (November 2005) - £300,000: A T Communications is an integrator of communications systems to SMEs and small corporates, providing service, installation and maintenance for voice, data, mobile and converged networks. (www.atcommunications.co.uk)

Autoclenz* (December 2005) - £205,000: Autoclenz is a provider of valeting services to automotive retailers, car auction houses, car supermarkets and car rental companies in the UK. (www.autoclenz.co.uk)

Bond Aviation Solutions (November 2005) - £750,000: Bond provides commercial pilot training services from its Gatwick base. (www.bondaviationsolutions.com)

Chiltern (UK) (November 2005) - £750,000: Chiltern negotiates and manages standstill agreements and repayment plans for financially distressed individuals who cannot service their debts. (www.chiltern.uk.com)

Fieldstreet (Investments) (October 2005) - £751,000: Fieldstreet is the name of the vehicle which acquired Cox Insurance in a public to private transaction. Cox is a mid-sized insurance business focused predominately on niche risk areas within motor insurance. (www.cox.co.uk)

Imprint* (September 2005) - £202,000: Imprint provides a search, selection and value-added human capital management service of the highest professional standards within the critical hire, middle and senior management recruitment markets. (www.imprintplc.com)

Mattioli Woods* (November 2005) - £266,000: Mattioli Woods is a provider of pension consultancy, trouble-shooting and administration services to corporate, owners of businesses and professional persons. (www.mattioli-woods.com)

Styles & Wood Holdings (December 2005) - £400,000: Styles & Wood is the leading independent provider of store fit-out and refurbishment programmes to the UK retail sector. (www.stylesandwood.co.uk)

* Quoted on AIM

Murray VCT 4 has co-invested with Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, and Talisman First Venture Capital Trust in some or all of the above transactions and is expected to continue to do so with these as well as other clients of the Manager. The advantage is that, together, these clients are able to underwrite a wider range and size of transaction than would be the case on a stand-alone basis.

Portfolio developments

In the Interim Report, exits were reported from Black Teknigas, ScotNursing and First Line generating gains of £131,000 and £188,000 in the first two cases and a loss of £167,000 in the case of First Line. Additionally, the holdings in Room 2 have been realised for a mixture of ordinary shares and loan stock with a similar value to the cost of the investment in Strategic Retail, an AIM quoted company. In the second half of the Company's financial year, an exit has been achieved from Enterprise Food Group, resulting in a small gain on the investment of £37,000, whilst retaining equity holdings in two profitable businesses one of which has been sold subsequent to the period end. The terms of the sale provided for further deferred consideration to be payable, dependent on the actual audited profit for the calendar year for the businesses sold, and a total of £192,000 in additional proceeds was received subsequent to the reporting period end.

Synexus achieved an AIM flotation during November 2005 and a gain of £76,000 was realised at that time. The share price has since increased significantly and, by the reporting period end, had achieved a premium of 66% to the flotation price. Separately, the AIM portfolio has been actively managed throughout the year, from which net gains of £677,000 have been generated. Details of major gains and losses arising from the sale of investments during the year are shown in the table on page 10, the most significant of which was the complete disposal of Bond International Software which generated a gain of 144.6% over cost.

In addition, during the year amounts of loan stock were repaid at par by ELE Advanced Technologies (£149,000), Original Shoe Company (£250,000), PSCA International (£90,000) and TMI Foods (£520,000).

Investments in the unlisted portfolio are generally trading well but, if there is any underperformance, particular attention is paid to those companies by the Manager to effect an improvement and protect the value of the investment.

Major realisations during the course of the year:

Unlisted	Date first invested	Complete/partial exit	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
Black Teknigas	2003	Complete	180	311	131
Enterprise Food Group	2003	Partial	598	635	37
First Line	2000	Complete	595	428	(167)
ScotNursing	2002	Complete	750	938	188
Synexus	2001	Partial	306	382	76
Others		Partial	1,015	1,015	–
Total unlisted			**3,444**	**3,709**	**265**
AIM					
1st Dental Laboratories	2004	Partial	114	146	32
Bond International Software	2004	Complete	186	455	269
Careforce Group	2004	Partial	365	433	68
Mattioli Woods	2005	Partial	113	170	57
Talarius	2005	Partial	166	227	61
Tanfield Group	2004	Partial	133	233	100
United Clearing	2005	Partial	188	251	63
Others		Partial	622	649	27
Total AIM			**1,887**	**2,564**	**677**
Total			**5,331**	**6,273**	**942**

In addition to the above, gains of £17,000 on the disposal of listed fixed income securities and the previously recognised unrealised loss of £530,000 on the investment in Interak were realised during the year.

Outlook

The outlook for new investments remains positive, with a steady flow of both unlisted and AIM opportunities available for consideration by the Manager. The primary focus remains on building a properly diversified portfolio of good quality smaller company assets which will deliver sustained long term performance. The intensive work on repositioning the investment portfolio will continue throughout 2006 and beyond.

Murray Johnstone Limited
Manager
31 May 2006

Summary of Investment Changes

For the year ended 28 February 2006

	Valuation 28 February 2005 (restated)		Net investment/ (disinvestment)	Appreciation/ (depreciation)	Valuation 28 February 2006	
	£'000	**%**	**£'000**	**£'000**	**£'000**	**%**
Unlisted investments						
Equities	4,197	14.6	(621)	2,729	6,305	22.1
Preference shares	792	2.8	187	(322)	657	2.3
Loan stocks	10,930	38.2	1,687	(1,885)	10,732	37.7
	15,919	**55.6**	**1,253**	**522**	**17,694**	**62.1**
AIM investments						
Equities	5,044	17.6	1,931	1,382	8,357	29.4
Listed investments						
Fixed income	6,273	21.9	(4,445)	27	1,855	6.5
Total investments	**27,236**	**95.1**	**(1,261)**	**1,931**	**27,906**	**98.0**
Other net assets	1,396	4.9	(814)	–	582	2.0
Total assets*	**28,632**	**100.0**	**(2,075)**	**1,931**	**28,488**	**100.0**

*Total assets represents net asset attributable to Ordinary Shareholders.

Investment Portfolio Summary

As at 28 February 2006

Investment name	Nature of business	28 February 2006 Bookcost £'000	Valuation £'000	% of total assets	% of equity held	% of equity held by other clients*
Unlisted						
Transys Projects	Engineering services to the rail industry	825	2,874	10.1	20.9	21.6
TLC (Tender Loving Childcare)	Operator of daycare nurseries	1,516	1,516	5.3	23.2	–
RMS Europe	Provider of stevedoring and ships agency services	784	934	3.3	9.1	19.1
ELE Advanced Technologies	Precision engineering	491	930	3.3	11.3	–
PSCA International	Producer of publications aimed at public sector officials	660	831	2.9	7.6	15.5
TMI Foods	Manufacturer of cooked bacon and vegetable products	230	831	2.9	23.5	23.5
Heathcotes Restaurants	Restaurant chain and providers of outside catering	1,443	820	2.9	19.1	10.0
Fieldstreet (Investments)	Insurance business focussed mainly on niche risk areas in motor insurance	751	751	2.6	0.4	1.1
Bond Aviation Solutions	Commercial pilot training services	750	750	2.6	12.0	28.0
Mining Communications	Publisher of specialist trade journals	750	750	2.6	14.1	6.4
Original Shoe Company	Branded clothing and footwear retailer	750	750	2.6	3.8	29.7
Sanastro	Business to business financial publishing	750	750	2.6	9.6	3.5
MoneyPlus Group	Manages agreements and repayment plans for credit card holders	750	750	2.6	15.0	16.0
Transrent Holdings	Rental and sale of trailers	838	705	2.5	3.0	33.3
Astraeus	Charter airline and provider of airline management activities	616	616	2.2	9.0	40.9
House of Dorchester	Chocolate manufacturer	910	585	2.1	44.2	–
GW 1016	Operator of managed public houses	590	429	1.5	12.9	34.3
PLM Dollar Group	On-shore helicopter services	402	402	1.4	4.6	26.2
Styles & Wood Holdings	Independent provider of store fit outs to the UK retail sector	400	400	1.4	1.5	44.8
Kingsley Cards	Greetings card distributor	750	350	1.2	9.4	18.1
Voxsurf	Software development	690	248	0.9	0.6	–
The BigWord Holdings	Translation services	199	199	0.7	–	–
Driver Hire	Supplier of temporary drivers	171	171	0.6	1.0	38.7
Citel Technologies	Integrated solutions for the telephony & communications sector	160	80	0.3	0.8	10.5
Unique Communications Group	TV production and communications consultancy	798	66	0.2	5.5	7.5
Conveco	Convenience stores	758	48	0.2	7.4	16.4
Other unlisted investments		5,106	158	0.6		
		22,838	**17,694**	**62.1**		

Investment name	Nature of business	28 February 2006 Bookcost £'000	Valuation £'000	% of total assets	% of equity held	% of equity held by other clients*
AIM						
Synexus Clinical Research	Clinical trials	622	1,291	4.5	4.6	2.5
Cello Group	Marketing and media services	751	848	3.0	2.3	0.8
Leisure & Gaming	Provider of on-line gaming services	500	700	2.5	0.8	0.6
Tanfield Group	Technical solutions and manufacturing group	369	681	2.4	1.9	1.7
Strategic Retail	Retailer of home furnishings	700	604	2.1	2.6	2.6
Avanti Screenmedia	Provider of screens and media advertising	420	502	1.8	0.8	1.4
AT Communications Group	Leading communications integrator	300	371	1.3	1.3	0.6
United Clearing	Provider of software based solutions to mobile communications operators	280	350	1.2	1.7	2.5
Talarius	High street gaming	188	344	1.2	0.5	0.8
Axeon	Developer of semi conductor intellectual properties	251	314	1.1	2.7	13.5
Mattioli Woods	Provider of pension consultancy, troubleshooting and administration services	153	252	0.9	0.5	0.1
Fountains	Land management services	252	236	0.8	1.3	1.4
Amazing Holdings	Leisure and hotel developer	250	234	0.8	0.9	1.4
Imprint	Provider of recruitment and search services	202	212	0.8	0.2	0.4
Autoclenz	Provider of valeting services to the automotive sector	205	207	0.7	1.6	0.4
System C Healthcare	Provider of information services and IT systems to the healthcare sector	311	161	0.6	0.7	0.7
Neutrahealth	Provider of biocare products to health practitioners and specialist retailers	151	158	0.6	1.1	2.4
Careforce Group	Provider of domiciliary care services	137	149	0.5	0.9	0.4
Spectrum Interactive	Provider of payphones and internet access throughout the UK	216	141	0.5	0.7	1.0
Inspicio	Acquisition and management of businesses in the inspection and testing sector	114	130	0.5	0.2	0.3
Asfare	Manufacture and supply of equipment for the emergency services	172	125	0.4	3.5	2.1
Public Recruitment Group	Public sector staffing in healthcare and education	467	124	0.4	1.2	0.8
Elevation Events Group	Events management	200	117	0.4	3.4	7.2
1st Dental Laboratories	Provider of dental laboratory services	188	106	0.4	1.5	–
Award International Holdings	Sourcing and delivery of merchandising materials	350	–	–	10.8	7.7
		7,749	**8,357**	**29.4**		
Listed fixed income						
Treasury 7.5% 2006		784	783	2.8		
Treasury 4.5% 2007		724	726	2.5		
Treasury 7.25% 2007		347	346	1.2		
		1,855	**1,855**	**6.5**		
Total investments		**32,442**	**27,906**	**98.0**		

* other clients of the Aberdeen Asset Management group of companies

Largest Unlisted and AIM Investments

TRANSYS PROJECTS LIMITED | Birmingham | *www.transysprojects.ltd.uk*

Cost (£'000)	825	**Year ended 31 December**	**2004**	**2003**
Valuation (£'000)	2,874		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	7,031	5,024
Equity held	20.9%	**Profit/(loss) before tax**	(106)	(138)
Income received	129	**Retained profit/(loss)**	(112)	(146)
First invested	May 2002	**Net assets**	560	672

Transys provides engineering services to the rail industry.

Other AAMPE clients invested Aberdeen City Council Pension Fund, Aberdeen Development Capital

TLC (TENDER LOVING CHILDCARE) LIMITED | Rugby | *www.tlcchildcare.org*

Cost (£'000)	1,516	**Year ended 31 December**	**2004**	**2003**
Valuation (£'000)	1,516		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**	3,547	2,214
Equity held	23.2%	**Profit/(loss) before tax**	(680)	(926)
Income received	18	**Retained profit/(loss)**	(680)	(925)
First invested	November 2000	**Net assets**	(2,216)	(2,173)

TLC operates day care nurseries.

Other AAMPE clients invested None

SYNEXUS CLINICAL RESEARCH PLC* | Chorley | *www.synexus.co.uk*

Cost (£'000)	622	**Year ended*** **		
Valuation (£'000)	1,291		**£'000**	**£'000**
Basis of valuation	Market price	**Sales**		
Equity held	4.6%	**Profit/(loss) before tax**		
Income received	232	**Retained profit/(loss)**		
First invested	February 2001	**Net assets**		

Synexus is the UK's leading clinical trials patient recruitment organisation serving the international pharmaceutical industry.

Other AAMPE clients invested Ventures North West

RMS EUROPE LIMITED | Goole, Humberside | *www.rms-europe.co.uk*

Cost (£'000)	784	**Year ended 31 December**	**2004 ****
Valuation (£'000)	934		**£'000**
Basis of valuation	Market value assessment	**Sales**	11,166
Equity held	9.1%	**Profit/(loss) before tax**	116
Income received (£'000)	46	**Retained profit/(loss)**	47
First invested	July 2004	**Net assets**	2,485

** Initial trading period of six months from 1 July 2004

RMS operates ports at Goole, on the River Humber and at Flixborough and Gunness on the River Trent, providing stevedoring and ships agency services together with the storage and onward transport of materials.

Other AAMPE clients invested Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Yorkshire Investors III

ELE ADVANCED TECHNOLOGIES LIMITED | Colne, Lancashire | *www.eleat.co.uk*

Cost (£'000)	491	**Year ended**	**30 April 2005**	**2004**
Valuation (£'000)	930		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	8,562	8,108
Equity held	11.3%	**Profit/(loss) before tax**	400	(353)
Income received (£'000)	106	**Retained profit/(loss)**	290	(274)
First invested	May 2000	**Net assets**	882	592

ELE Advanced Technologies is a manufacturer of precision engineering components for the industrial gas turbine, aerospace and automotive markets.

Other AAMPE clients invested None

CELLO GROUP PLC* | London | *www.cellogroup.co.uk*

Cost (£'000)	751	**Year ended 31 December**	**2005**	**2004**
Valuation (£'000)	848		**£'000**	**£'000**
Basis of valuation	Market price	**Sales**	52,088	9,400
Equity held	2.3%	**Profit/(loss) before tax**	4,162	1,297
Income Received (£'000)	–	**Retained profit/(loss)**	2,888	859
First invested	October 2004	**Net assets**	45,490	33,505

Cello is consolidating niche businesses in the marketing and media services industry.

Other AAMPE clients invested Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I

PSCA INTERNATIONAL LIMITED | Manchester | *www.publicservice.co.uk*

Cost (£'000)	660	**Year ended 31 December**	**2004**	**2003****
Valuation (£'000)	831		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	5,569	5,620
Equity held	7.6%	**Profit/(loss) before tax**	227	1,323
Income received (£'000)	31	**Retained profit/(loss)**	24	743
First invested	December 2002	**Net assets**	2,510	2,736

** 2003 – period from 29 August 2002 – 31 December 2003

PSCA International is a publisher of periodicals aimed at public sector officials.

Other AAMPE clients invested Aberdeen City Council Pension Fund, Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth VCT I, Ventures North West

TMI Foods Limited | Northampton | *www.tmifoods.co.uk*

Cost (£'000)	230	**Year ended 31 December**	**2005**	**2004**
Valuation (£'000)	831		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	13,913	12,159
Equity held	23.5%	**Profit/(loss) before tax**	589	616
Income received (£'000)	262	**Retained profit/(loss)**	405	458
First invested	February 2003	**Net assets**	1,733	1,372

TMI Foods provides cured and cooked bacon products to the catering and supermarket sectors.

Other AAMPE clients invested Aberdeen City Council Pension Fund, Aberdeen Development Capital

HEATHCOTES RESTAURANTS LIMITED | Longridge, Lancashire | *www.heathcotes.co.uk*

Cost (£'000)	1,443	**Year ended 28 February**	**2004**	**2003**
Valuation (£'000)	820		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	6,649	1,249
Equity held	19.1%	**Profit/(loss) before tax**	(374)	169
Income received (£'000)	–	**Retained profit/(loss)**	(27)	(2)
First invested	May 2001	**Net liabilities**	(305)	

Heathcotes Restaurants is a restaurant chain which operates eleven restaurants in the North of England and an outside catering business.

Other AAMPE clients invested Ventures North West

FIELDSTREET (INVESTMENTS) LIMITED | Brentford, Essex | *www.equitygroup.co.uk*

Cost (£'000)	751	**Year ended**	***	
Valuation (£'000)	751		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**		
Equity held	0.4%	**Profit/(loss) before tax**		
Income received (£'000)	–	**Retained profit/(loss)**		
First invested	October 2005	**Net assets**		

Fieldstreet, which acquired Cox Insurance in a public to private deal, now trades under the name Equity Insurance Group and is a mid sized insurance business focussed predominantly on niche risk areas within motor insurance. The business comprises a Lloyd's underwriting business, a broking business and a Lloyd's Managing Agent.

Other AAMPE clients invested Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Talisman First Venture Capital Trust

BOND AVIATION SOLUTIONS LIMITED Gatwick Airport *www.bondaviationsolutions.com*

Cost (£'000)	750	**Year ended**	***	
Valuation (£'000)	750		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**		
Equity held	12.0%	**Profit/(loss) before tax**		
Income received (£'000)	–	**Retained profit/(loss)**		
First invested	November 2005	**Net assets**		

Bond Aviation Solutions is licensed by the UK Civil Aviation Authority to provide commercial pilot training services.

Other AAMPE clients invested Aberdeen City Council Pension Fund, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I, Murray Johnstone Private Acquisitions Partnership II

MINING COMMUNICATIONS LIMITED London *www.mining-journal.com*

Cost (£'000)	750	**Year ended 30 April**	**2005**	**2004**
Valuation (£'000)	750		**£'000**	**£'000**
Basis of valuation	Market value assessment	**Sales**	3,458	2,741
Equity held	14.1%	**Profit/(loss) before tax**	(357)	(490)
Income received (£'000)	–	**Retained profit/(loss)**	(359)	(492)
First invested	May 2003	**Net assets**	(43)	315

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

Other AAMPE clients invested Aberdeen Growth VCT I

ORIGINAL SHOE COMPANY LIMITED Cumnock, Ayrshire *www.originalshoe.biz*

Cost (£'000)	750	**Year ended 31 October**	**2004**	**2003**
Valuation (£'000)	750		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**	35,589	31,403
Equity held	3.8%	**Profit/(loss) before tax**	(27)	768
Income received (£'000)	25	**Retained profit/(loss)**	(125)	113
First invested	May 2005	**Net assets**	1,285	1,610

Original Shoe Company is a retailer of a wide range of branded clothing and footwear and now has 45 stores across the UK.

Other AAMPE clients invested Aberdeen City Council Pension Fund, Aberdeen Development Capital, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities 2 VCT, Aberdeen Growth VCT I, Talisman First Venture Capital Trust

SANASTRO PLC London *www.lafferty.com*

Cost (£'000)	750	**Year ended 30 November**	**2005**	**2004**
Valuation (£'000)	750		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**	5,013	1,011
Equity held	9.6%	**Profit/(loss) before tax**	300	(29)
Income received (£'000)	–	**Retained profit/(loss)**	216	(29)
First invested	December 2004	**Net assets**	7,387	21

Sanastro is a financial publishing house which acquired Laffertys Publishing in a pre IPO funding round.

Other AAMPE clients invested Aberdeen Growth Opportunities VCT

MONEYPLUS GROUP LIMITED Altrincham, Cheshire *www.chiltern.uk.com*

Cost (£'000)	750	**Year ended**	***	
Valuation (£'000)	750		**£'000**	**£'000**
Basis of valuation	Cost	**Sales**		
Equity held	15.0%	**Profit/(loss) before tax**		
Income received (£'000)	–	**Retained profit/(loss)**		
First invested	November 2005	**Net assets**		

MoneyPlus Group, formerly Chiltern (UK), negotiates and manages standstill agreements and repayment plans for credit card holders who are unable to service their debts. Chiltern was formed in 1995 and is reportedly the third largest organisation in the UK providing such services.

Other AAMPE clients invested Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2, Aberdeen Growth VCT I

* Quoted on AIM

*** These companies have not yet produced their first annual report and accounts.

Murray VCT 4 PLC

Directors' Reports & Financial Statements

Year ended 28 February 2006

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 28 February 2006.

Business review

A review of the Company's operations is given in the following pages numbered 18 to 20, in the Corporate Summary on page 1, in the Chairman's Statement on pages 7 and 8 and in the Investment Manager's Report on pages 9 and 10.

Risks and uncertainties

The Company, and the companies in which it invests, face a range of risks and uncertainties. Details of these are provided in the Corporate Summary on page 1, in Note 18 to the Financial Statements on pages 41 and 42 and in Tax Position of Individual Investors on page 46.

Results and dividends

The profit on ordinary activities after taxation, for the year ended 28 February 2006, was £1,972,000 (Restated 2005: £834,000). An interim dividend of 2.5p (comprising 2.0p of capital gains and 0.5p of revenue) per share was paid on 9 December 2005 to Shareholders on the register at close of business on 11 November 2005. The Directors now recommend a final dividend for the year of 0.8p per Ordinary share payable on 28 July 2006 to Ordinary Shareholders on the register at close of business on 30 June 2006 and a resolution to this effect will be proposed at the Annual General Meeting. The Company will also pay a capital dividend of 1.6p per Ordinary share on 28 July 2006 to Ordinary Shareholders on the register at close of business on 30 June 2006.

The Net Asset Value per Ordinary share at 28 February 2006 was 79.1p (Restated 2005: 75.9p). The Net Asset Value per Ordinary share has been calculated using the number of shares in issue at 28 February 2006 of 36,025,976 (2005: 37,743,567).

Purchase of Ordinary shares

During the year ended 28 February 2006, within the established guidelines, a total of 1,717,591 Ordinary shares of 10p each (4.55% of the Ordinary shares in issue at 28 February 2005) were purchased at a weighted average price of 56.7p per share and an aggregate cost of £979,264 including expenses.

Subsequent to the year end, and up to 31 May 2006, a further 300,000 Ordinary shares were purchased at 65.5p per share and an aggregate cost of £197,487, including expenses.

A special resolution, numbered 8 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 (5,355,323 Ordinary shares) at 31 May 2006. 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

Resolution numbered 9 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 £357,259 (equivalent to 3,572,590 Ordinary shares or 10% of the total issued share capital at 31 May 2006). 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 10 will, if passed, give the Directors power to allot for cash, Ordinary shares up to an aggregate nominal amount of £357,259 (equivalent to 3,572,590 Ordinary shares or 10% of the total issued share capital at 31 May 2006) 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 9. 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 who held office at the year end are shown on pages 2 and 3. Mr W E Holt resigned as a Director on 21 March 2005.

The Company's Articles of Association provide that, once a Director has passed the age of 70, he should submit himself for re-appointment each year. As Mr A E Whitworth, whose biography appears on page 3, has attained the age of 71 and, notice having been given to the Company pursuant to Sections 293 and 379 of the Companies Act 1985, Resolution No.7 on the Notice of Annual General Meeting proposes an Ordinary Resolution for his re-appointment.

Also 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, whose biography appears on page 2, retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. A resolution to this effect will be proposed at the Annual General Meeting.

The Nomination Committee will, over the next 12 months, consider the requirement for succession planning as the Board is aware that Mr Whitworth, at a time yet to be determined, intends to stand down as a Director and not seek re-election.

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:

	28 February 2006	**28 February 2005**
	Ordinary shares of 10p	**Ordinary shares of 10p**
F E Wollocombe (Chairman)	–	–
A G MacMillan	9,000	9,000
C G Stuart-Menteth	100,000	100,000
A E Whitworth	10,000	10,000

On 10 May 2006, following the release of the Preliminary Announcement of the Company's results for the year ended 28 February 2006, Mrs Wollocombe acquired a beneficial interest in 15,000 shares.

There have been no further 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 ("the Manager"), a wholly-owned subsidiary of Aberdeen Asset Management PLC, provides investment management, accounting, secretarial and administrative services to the Company.

In respect of the year ended 28 February 2006, the management and secretarial fees payable to the Manager have been calculated and charged on the following basis:

(a) for the six months ended 31 August 2005, an investment management fee of 1.75% of the gross assets of the Company; and

(b) for the six months ended 28 February 2006, an investment management fee of 20% of the uplift in the Net Asset Value of the Company, before taking account of the effects of dividends payable, subject to a maximum fee of £1.25 million per annum and a minimum fee of 0.5% of the Net Asset Value of the Company; and

(c) a fixed secretarial fee of £50,000 (2005 – £65,839) per annum, which was previously subject to an annual adjustment to reflect movement in the retail prices index.

With effect from 1 March 2005, as explained in the Interim Report, the Board has revised the allocation of the investment management fee between capital and revenue. The allocation to capital has changed from 60% to 80%, representing the proportion of the investment management fee attributable to the enhancement of the value of the Company's investments; the balance is charged to revenue. This does not represent a change in accounting policy, but reflects the Board's view of the anticipated long term returns in the form of capital gains and income. The effects of the investment management fee for the year ended 28 February 2006 are detailed in Note 3 on page 34. The key features of the Management and Administration Deed with Murray Johnstone Limited include:

- the Management and Administration Deed operates for an initial period to 31 August 2006 and is thereafter capable of termination by three months' notice being given by either the Company or the Manager. It also contains, inter alia, provisions regarding termination for material breach and the Company having the right to terminate with immediate effect subject to the payment of fees in lieu of notice; and
- the Company will pay to the Manager a performance related management fee subject to a maximum and minimum amount being payable. The performance fee is calculated as 20% of the increase in the Net Asset Value of the Company, over a six or twelve month period, before taking into account the effects of distributions made during that period. The fee is subject to a maximum amount payable of £1.25 million in any 12 month period and to a minimum of 0.5% of the Net Asset Value of the Company until 31 August 2006 and 1.0% of the Net Asset Value thereafter. The base from which the performance fee is measured is initially the Net Asset Value of the Company at 31 August 2005 and this is rebased to a higher level whenever a performance fee becomes payable.

In light of the quality of the investment management, secretarial and administration services provided, the Board considers that the continued appointment of the Manager, on the stated terms, is in the best interests of the Company and its Shareholders.

Corporate governance

The Statement of Corporate Governance is shown on pages 23 to 27.

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 (2005 – nil).

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations, including accrued income and purchases and sales awaiting settlement. The main risks that the Company faces arising from its financial instruments are disclosed in Note 18 to the Financial Statements on pages 41 and 42.

Annual General Meeting

The notice of the Annual General Meeting, which will be held on 6 July 2006, 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 Auditors 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
31 May 2006

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 29.

Remuneration Committee

At 28 February 2006, the Company had four non-executive Directors. The whole Board fufils 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. In the application of the Boards policy on Directors' remuneration, as defined below, the Committee expects, from time to time, to review the fees paid to the boards of directors of other venture capital trust companies.

Policy on Directors' remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other venture capital trusts with a similar capital structure and similar investment objectives. It is intended that this policy will continue for the year ended 28 February 2007 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 or her. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £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 do not receive for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

During the year ended 28 February 2006, the Renumeration Committee carried out a review of the level of Directors' fees and concluded that, with effect from 1 March 2006, the amounts payable per annum should increase to £16,000 (previously £15,000) for the Chairman and £12,000 (previously £10,500) for each other Director, with an additional increment of £500 per annum payable to reflect the additional work undertaken by the Chairman of the Audit Committee. 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.

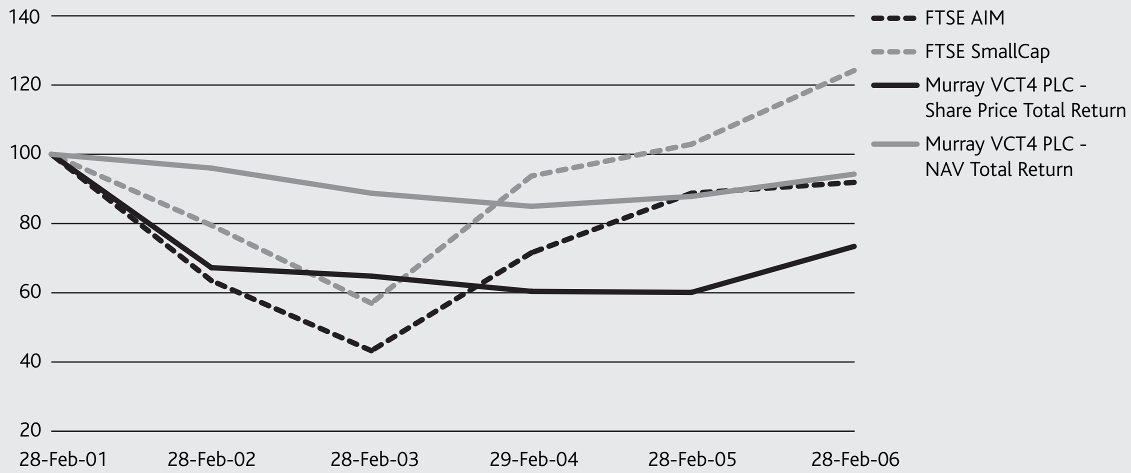
Directors' service contracts

None of the Directors has a contract of service or contract for services and a Director may resign by giving 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, with the option to 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 annual accounting period for the five years to 28 February 2006, 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/Factset
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	Year ended 28 February 2006 £	Year ended 28 February 2005 £
F E Wollocombe (Chairman from 7 July 2005)	13,427	8,198
W E Holt (appointed 17 April 2003; resigned 21 March 2005)	604	10,500
A G MacMillan*	10,500	10,500
C G Stuart-Menteth	10,500	10,500
A E Whitworth (Chairman until 7 July 2005)	12,073	15,000
Total	**47,104**	**54,698**

* In respect of the period to 31 August 2004, Mr A G MacMillan's fees were paid to Clyde Marine plc; thereafter, the fees were paid to him in person.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 28 February 2006 (2005 – nil).

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

Fiona E Wollocombe
Director

31 May 2006

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the Combined Code prepared by the Committee on Corporate Governance and published in July 2003.

The Listing Rules of the Financial Services Authority require the Board to report on compliance with the provisions of the Combined Code throughout the year ended 28 February 2006. The exceptions to Compliance with the new Combined Code, which are explained more fully under the headings of "The Board" and "Committees", were as follows:

- a senior non-executive Director has not been appointed in accordance with Code requirement A3.3; and
- Guidance Note (Guidance for Audit Committees) 2.4 states that the Chairman of the Company should not be a member of the Audit Committee. However, the other Directors consider the Chairman's knowledge and experience to be relevant to membership of the Audit Committee.

It should also be noted that, 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 currently consists of four Directors, all of whom are considered to be independent of the investment manager ("Murray Johnstone Limited" or "the Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement.

The biographies of the Directors appear on 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:

- appointment and removal of the Manager and the terms and conditions of the management and administration agreements;
- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company, ranging from comparable investment performance through to annual budgeting and quarterly forecasting;
- Companies Act requirements such as the approval of the Interim and Annual Financial Statements and approval and recommendation of the interim and final dividends;
- major changes relating to the Company's structure, including share buy-backs and share issues;
- Board appointments and related matters;
- terms of reference and membership of Board Committees; and
- Stock Exchange, UK Listing Authority and Financial Services Authority matters, such as approval of all circulars, listing particulars and releases concerning matters decided by the Board.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board for:

- ensuring that Board procedures are complied with;
- under the direction of the Chairman, ensuring good information flows with the Board and its Committees; and
- advising on corporate governance matters.

When a Director is appointed, the Manager will arrange for a tailored induction meeting, covering details about the Company, the Manager, legal responsibilities and venture capital industry matters. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all of 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. Consequently, no individual has unfettered powers of decision.

During the year ended 28 February 2006, the Board met four times. The primary focus of quarterly Board meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues. In addition, there were two meetings each of the Audit, Management Engagement and Nomination Committees and one meeting of the Remuneration Committee.

Directors have attended scheduled Board and Committee meetings during the year ended 28 February 2006 as follows:

Director	**Board meetings**	**Audit Committee meetings**	**Management Engagement Committee meetings**	**Nomination Committee meetings**	**Remuneration Committee meetings**
F E Wollocombe (Chairman from 7 July 2005)	4	2	2	2	1
W E Holt (resigned 21 March 2005)	–	–	–	–	–
A G MacMillan	4	2	2	2	1
C G Stuart-Menteth	4	2	2	2	1
A E Whitworth (Chairman until 7 July 2005)	4	2	2	2	1

In addition to the scheduled meetings noted above, the Directors have also held meetings as and when required. No scheduled meetings were held during the year up to the point of Mr Holt's resignation on 21 March 2005.

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

The Board has introduced a process for its annual performance evaluation, using questionnaires and discussion to ensure that Directors have devoted a sufficient time and contribute adequately to the work of the Board and its Committees. The Chairman is subject to evaluation by her fellow Directors.

Mr MacMillan has declared an interest as non-executive Chairman of MoneyPlus Group Limited, a business in which the Company has an investment.

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 writtern 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. The terms of reference of each of the Committees, which are available on request, are reviewed and re-assessed for their adequacy at each meeting.

Audit Committee

The Audit Committee, comprising the full Board and chaired by Mr A G MacMillan, discharges its responsibilities through:

- the review of the effectiveness of the internal control environment of the Company including by receiving reports from internal and external auditors on a regular basis;
- the review of the Interim and Annual Reports and Financial Statements;
- the review of the terms of appointment of the Auditors, together with their remuneration, as well as any non-audit services provided by the Auditors;
- the review of the scope and results of the audit and the independence and objectivity of the Auditors;
- the review of the Auditors' management letter and the management response; and
- meetings with representatives of the Manager.

The Chairman of the Company is a member of the Committee, as the other Directors consider her input to be of value to its deliberations. At least one member of the Committee has recent and relevant financial experience. Two meetings were held during the year ended 28 February 2006.

The Company's external Auditors are Ernst & Young LLP. Shareholders are asked to approve the annual re-appointment and the Directors' responsibility for the remuneration of the Auditors at each Annual General Meeting. The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditors, so as to safeguard their independence and objectivity. This is achieved by prohibiting non-audit work where independence may be compromised or conflicts arise. Any non-audit work, other than interim reviews, requires specific approval of the Audit Committee in each case.

Details of the amounts paid to the Auditors during the year for audit and other services are set out in Note 4 to the Financial Statements on page 35.

Management Engagement Committee
The Management Engagement Committee comprises all of the Directors and is chaired by the Chairman of the Company. It annually reviews the management contract with Murray Johnstone Limited, details of which are shown in the Directors' Report on pages 19 and 20. There were two meetings held during the year ended 28 February 2006 to consider the management contract.

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 and two meetings were held during the year ended 28 February 2006.

The Committee makes recommendations to the Board on the following matters:

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board;
- succession planning;
- the evaluation of the performance of the Board and its Committees;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time; and
- the appointment of any Director to another office, such as Chairman of the Audit Committee, other than to the position of Chairman.

Mr A E Whitworth, having attained the age of 71, retires and seeks annual re-election at the Annual General Meeting. At its meeting in January 2006, the Nomination Committee recommended to the Board the nomination of Mr Whitworth on the basis of his knowledge, experience and the significant contribution that he continues to make to the deliberations of the Board. Also at its meeting in January 2006, the Nomination Committee recommended to the Board the nomination for re-election of Mr A G MacMillan on the basis of his extensive knowledge of corporate finance and of the investment company sector. In relation to both Directors who are being proposed for re-election, the other Directors greatly value the breadth of their experience and their committed and independent approach to the business of the Company.

Renumeration Committee and Directors' Remuneration
Under the UK Listing Authority Listing Rule 26.9(d), where a venture capital trust has only non-executive Directors, the Combined Code principles relating to Directors' remuneration do not apply. However, the Company does have a Remuneration Committee, chaired by Mr C G Stuart-Menteth and comprising the full Board. The Committee held one meeting during the year ended 28 February 2006.

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.

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.

Policy on tenure

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

Relations with Shareholders

The Company places a great deal of importance on communication with its Shareholders. 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 the 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. 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.

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.

Accountability and audit

The Directors' Statement of Responsibilities in Relation to the Financial Statements is on page 28 and the Statement of Going Concern is included in the Directors' Report on page 20.

The Independent Auditors' Report is on page 29. 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 Directors of Murray VCT4 PLC has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full year under review and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board and accords with the guidance for directors on internal control "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull guidance"). The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

As the Directors have delegated the investment management and administration of the Company to Murray Johnstone Limited, a subsidiary of Aberdeen Asset Management PLC, the Board considers that it is appropriate for the Company's internal controls to be maintained by the internal audit team of Aberdeen Asset Management PLC, rather than by the Company itself. This embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit function, which undertakes periodic examination of business processes, including compliance with the terms of the Management and Administration Deed, 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 and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk model identify those functions most appropriate for review. Any errors or weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control for the year under review and up to the date of this report are:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course, the compliance and internal audit teams of Aberdeen Asset Management PLC continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and

- the Board carries out an annual assessment of internal controls by considering reports from the Manager, including its internal audit and compliance functions and taking account of events since the relevant period end.

In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

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

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business goals and, by their nature, can provide reasonable, but not absolute, assurance against material misstatement of loss.

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 Directors believe that the exercise of voting rights lies at the heart of regulation and promotion of corporate governance and, in respect of the Company's investments, the Board has given discretionary voting powers to the Manager. 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 return provided by 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, therefore, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the Company's Financial Statements for the year ended 28 February 2006, which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements, and the part of the Directors' Remuneration Report to be audited, in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 regarding Directors' remuneration and other transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Dividend Record, Corporate Summary, Your Board, Financial History, Dividends, Analysis of Unlisted and AIM Portfolio, Chairman's Statement, Investment Managers' Report, Summary of Investment Changes, Investment Portfolio Summary, Largest Unlisted and AIM Investments, Directors' Report, the unaudited part of the Directors' Remuneration Report, 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 28 February 2006 and of its profit for the year then ended; and
- 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

31 May 2006

Income Statement

For the year ended 28 February 2006

		Year ended 28 February 2006			Year ended 28 February 2005 (restated)		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment income and deposit interest	2	1,053	–	1,053	1,093	–	1,093
Investment management fees	3	(165)	(660)	(825)	(284)	(426)	(710)
Other expenses		(187)	–	(187)	(220)	–	(220)
Gains on investments	8	–	1,931	1,931	–	1,266	1,266
Amounts written off fixed asset investments	8	–	–	–	–	(569)	(569)
Profit on ordinary activities before taxation		701	1,271	1,972	589	271	860
Tax on ordinary activities	5	(196)	196	–	(158)	132	(26)
Profit on ordinary activities after taxation		**505**	**1,467**	**1,972**	**431**	**403**	**834**
Earnings per share (pence)	7	**1.4**	**4.0**	**5.4**	**1.1**	**1.1**	**2.2**

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

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

The total column of this statement is the Profit and Loss Account of the Company.

Reconciliation of Movements in Shareholders' Funds

For the year ended 28 February 2006

	Notes	**Year ended 28 February 2006 £'000**	**Year ended 28 February 2005 (restated) £'000**
Opening Shareholders' funds	19	28,632	28,817
Total profit for year		1,972	834
Net proceeds of issue of shares	13	–	(1)
Repurchase and cancellation of shares	13	(979)	(395)
Tax attributable to unrealised loss on investments	5	–	26
Dividends paid – revenue	6	(406)	(649)
Dividends paid – capital	6	(731)	–
Closing Shareholders' funds		**28,488**	**28,632**

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

Balance Sheet

As at 28 February 2006

	Notes	28 February 2006		28 February 2005 (restated)	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments at fair value through Profit and Loss Account	8		27,906		27,236
Current assets					
Debtors	10	834		1,382	
Cash and overnight deposits		242		260	
		1,076		1,642	
Creditors					
Amounts falling due within one year	11	494		246	
Net current assets			582		1,396
Net assets			**28,488**		**28,632**
Capital and reserves					
Called up share capital	12		3,602		3,774
Share premium account	13		17,235		17,235
Realised capital reserve	13		(3,192)		(3,157)
Unrealised capital reserve	13		(3,862)		(5,364)
Capital redemption reserve	13		283		111
Profit and loss account	13		14,422		16,033
Net assets attributable to Ordinary Shareholders			**28,488**		**28,632**
Net Asset Value per Ordinary share (pence)	14		**79.1**		**75.9**

The Financial Statements were approved and authorised for issue by the Board of Directors on 9 May 2006 and were signed on its behalf by:

Fiona E Wollocombe
Director

31 May 2006

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

Cash Flow Statement

For the year ended 28 February 2006

		28 February 2006		28 February 2005	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Operating activities					
Investment income received		1,706		1,007	
Deposit interest received		23		13	
Investment management fees paid		(460)		(627)	
Secretarial fees paid		(66)		(50)	
Cash paid to and on behalf of Directors		(49)		(53)	
Other cash payments		(88)		(94)	
Net cash inflow from operating activities	15		1,066		196
Financial investment					
Purchase of investments		(12,190)		(11,834)	
Sale of investments		13,322		7,387	
Net cash inflow/(outflow) from financial investment			1,132		(4,447)
Dividends paid			(1,137)		(649)
Net cash inflow/(outflow) before financing			1,061		(4,900)
Financing					
Issue of Ordinary shares		–		(1)	
Repurchase of Ordinary shares		(1,079)		(300)	
Net cash outflow from financing			(1,079)		(301)
Decrease in cash	16		**(18)**		**(5,201)**

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

Notes to the Financial Statements

For the year ended 28 February 2006

1. Accounting policies

(a) Basis of preparation

The Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (GAAP) and with the Statement of Recommended Practice (the SORP) ''Financial Statements of Investment Trust Companies' issued in December 2005.

Comparatives have been restated following the adoption of FRS 21 "Events after the Balance Sheet Date", FRS 25 "Financial Instruments: Disclosures and Presentation" and FRS 26 "Financial Instruments: Measurement" and Note 19 on pages 42 to 44 provides an explanation of the restatements.

(b) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year.

Provision is made for any dividends not expected to be received.

The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective interest rate on the debt securities and shares. Provision is made for any fixed income not expected to be received.

Interest receivable from cash and short term deposits and interest payable are accrued to the end of the year.

(c) Expenses

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

- transaction costs are charged in the Income Statement against the capital return; and
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee has been allocated 20% to revenue and 80% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth; management fees in the prior year were charged 40% to revenue and 60% to capital. This change reflects the Board's view of the expected long term allocation of returns following the rebalancing of the investment portfolio.

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

(e) Investments

In valuing unlisted investments, the Directors follow the criteria set out below. These procedures comply with the revised International Private Equity and Venture Capital Valuation Guidelines for the valuation of private equity and venture capital investments. Investments are recognised at their trade date and are valued at fair value, which 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. For investments completed within the 12 months prior to the reporting date and those at an early stage in their development, fair value is determined using the Price of Recent Investment Method, except that adjustments are made when there has been a material change in the trading circumstances of the company or a substantial movement in the relevant sector of the stock market.
2. Whenever practical, investments will be valued by reference to a material arm's length transaction or a relevant quoted price.

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

(f) Gains and losses on investments

When the Company revalues its investments during the year, any gains or losses arising are credited/charged to the revaluation reserve, unless the Directors believe that there has been a permanent diminution in value, in which case the write-down is charged directly to the profit and loss account. When an investment is sold, or where a permanent diminution in value is recognised, any balance held on the revaluation reserve is transferred to the profit and loss account as a movement on reserves.

	Year ended 28 February 2006	**Year ended 28 February 2005**
2. Investment income and deposit interest	**£'000**	**£'000**
Income from investments:		
UK franked investment income	(27)	77
UK unfranked investment income	681	689
Income from participating interests	359	256
	1,013	1,022
Interest receivable and similar income:		
Deposit interest	22	15
Other income	18	56
	40	71
Total income	**1,053**	**1,093**

	Year ended 28 February 2006			**Year ended 28 February 2005**		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
3. Investment management fees	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Minimum investment management fees	64	257	321	242	363	605
Performance based investment management fees	76	305	381	–	–	–
	140	562	702	242	363	605
Irrecoverable VAT	25	98	123	42	63	105
	165	**660**	**825**	**284**	**426**	**710**

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

4. Operating profit is stated after charging:	Year ended 28 February 2006 £'000	Year ended 28 February 2005 £'000
Directors' remuneration	47	55
Fees to Auditors - statutory audit	13	13
Fees to Auditors - tax services	2	4

5. Tax on ordinary activities

	Year ended 28 February 2006			Year ended 28 February 2005		
	£'000	£'000	£'000	£'000	£'000	£'000
	Revenue	Capital	Total	Revenue	Capital	Total
Corporation tax	**196**	**(196)**	**–**	**158**	**(132)**	**26**

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%. (2005:30%). The differences are explained below:

	Year ended 28 February 2006 £'000	Year ended 28 February 2005 £'000
Profit on ordinary activities before tax	**1,972**	**860**
Profit on ordinary activities multiplied by standard rate of corporation tax	592	258
Effect of brought forward expenses	(21)	(26)
Effect of increase in fair value of investments held not taxable	(622)	(166)
Effect of realised gains not taxable	43	(214)
Fixed asset investment write down not deductible	–	171
Tax attributable to unrealised loss on investments	–	26
Effect of income not subject to taxation	8	(23)
	–	**26**

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 £156,624 (2005: £177,293) arising as a result of having unutilised management expenses. These losses are available to carry forward against future trading profits, but recoverability is not sufficiently certain to recognise the deferred tax asset.

6. Dividends

The proposed final dividend for 2006 is subject to approval by Shareholders at the Annual General Meeting and, along with the capital dividend declared for payment on 28 July 2006, has not been included as a liability in these financial statements.

	Year ended 28 February 2006 £'000	**Year ended 28 February 2005 £'000**
Amounts recognised as distributions to equity Shareholders in the year:		
Final revenue dividend for the year ended 28 February 2005 0.6p (2004: 1.2p) paid on 22 July 2005	226	462
Interim revenue dividend for the year ended 28 February 2006 of 0.5p (2005: 0.5p) paid on 9 December 2005	183	190
Overaccrual in prior years	(3)	(3)
	406	**649**
Capital dividends		
Interim capital dividend for the year ended 28 February 2006 of 2.0p (2005: Nil) paid on 9 December 2005	**731**	**–**
Final capital dividend for the year ended 28 February 2006 of 1.6p (2005: Nil) payable on 28 July 2006	**576**	**–**

Revenue dividends

We set out below the total revenue dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842AA of the Income and Corporation Taxes Act 1988 are considered.

Revenue available for distribution by way of dividends for the year	**505**	**431**
Interim revenue dividend for the year ended 28 February 2006 of 0.5p (2005: 0.5p) paid on 9 December 2005	**183**	**190**
Final revenue dividend for the year ended 28 February 2006 0.8p (2005: 0.6p) payable on 28 July 2006	**288**	**223**

7. Earnings per share	**Year ended 28 February 2006**	**Year ended 28 February 2005**
The returns per share have been based on the following figures:		
Weighted average number of Ordinary shares	36,988,753	38,112,746
Revenue return	£505,000	£431,000
Capital return	£1,467,000	£403,000
Total return	£1,972,000	£834,000

8. Investments

During the year, unlisted and AIM investments in 1st Dental Laboratories, Asfare, Augean, Avanti Screenmedia, Bond International Software,Careforce Group, Inspicio, Leisure & Gaming, Mattioli Woods, Neutrahealth, Spectrum Interactive, Synexus Clinical Research, Talarius,Tanfield, United Clearing, Black Teknigas, Businesshealth, Enterprise Food Group, First Line, Interak, Link-Up Mitaka, Room 2 and ScotNursing were sold for a total of £4,479,000 against a cost of £4,065,000. In addition, loan stock in ELE Advanced Technologies, Enterprise Food Group, First Line, Original Shoe Company, PSCA International, Room 2, ScotNursing and TMI Foods were sold for a total of £2,894,000 against a cost of £2,894,000.

The net unrealised loss on the unlisted and AIM investments at 28 February 2006 was £4,536,000 comprising £5,387,000 unrealised gains and provisions of £9,923,000 (2005 - net unrealised loss of £6,026,000 comprising £2,741,000 unrealised gains and provisions of £8,767,000).

	Year ended 28 February 2005 (restated)		
	Listed £'000	**Unlisted and AIM £'000**	**Total £'000**
Valuation at 29 February 2004	5,374	16,976	22,350
Effect of restatement	(3)	(9)	(12)
Restated valuation at 29 February 2004	5,371	16,967	22,338
Unrealised (gain)/losses	(47)	7,399	7,352
Cost at 29 February 2004	5,324	24,366	29,690
Purchases	5,533	6,155	11,688
Sales proceeds	(4,470)	(2,917)	(7,387)
Loss on realisation of investments	(2)	(615)	(617)
Amortisation of book cost	(100)	–	(100)
Cost at 28 February 2005	**6,285**	**26,989**	**33,274**
Unrealised loss	(12)	(6,026)	(6,038)
Valuation at 28 February 2005 (restated)	**6,273**	**20,963**	**27,236**
Realised loss on historical basis			(617)
Net movement in unrealised gain			1,883
			1,266

	Year ended 28 February 2006		
	Listed £'000	**Unlisted and AIM £'000**	**Total £'000**
Valuation at 1 March 2005 (restated)	6,273	20,963	27,236
Unrealised loss	12	6,026	6,038
Cost at beginning of year	6,285	26,989	33,274
Purchases	1,633	10,557	12,190
Sales proceeds	(6,004)	(7,373)	(13,377)
Profit on realisation of investments	15	414	429
Amortisation of book cost	(74)	–	(74)
Cost at 28 February 2006	**1,855**	**30,587**	**32,442**
Unrealised loss	–	(4,536)	(4,536)
Valuation at 28 February 2006	**1,855**	**26,051**	**27,906**
Realised gain on historical basis			429
Net movement in unrealised loss			1,502
			1,931

9. Participating Interests

The principal activity of the Company is to select and manage a portfolio of investments in unlisted and AIM quoted 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 28 February 2006, 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	28 February 2006 % 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
GW 665 Limited							
9,259 ordinary shares	23.1	23.1	9	–	30/6/05	34	(120)
House of Dorchester Holdings Limited							
975 A ordinary shares	32.5	44.2	910	585	31/12/05	104	(114)
1,235 B ordinary shares	61.8						
650 preference shares	65.0						
£454,350 secured loan stock 2009	65.0						
£260,000 secured loan stock 2012	65.0						
TLC (Tender Loving Childcare) Limited							
46,469 B ordinary shares	48.9	23.2	1,516	1,516	31/12/04	(2,216)	(680)
489 preference shares	48.9						
£488,643 loan stock 2007	48.9						
£582,082 loan notes 2007	48.9						
£195,659 loan notes 2009	48.9						
TMI Foods Limited*							
70,944 B ordinary shares	50.0	23.5	230	831	31/12/05	1,733	405
5,000 preference shares	50.0						
Transys Project Limited*							
38,119 B ordinary shares	50.0	20.9	825	2,874	31/12/04	560	(112)
5,000 preference shares	50.0						
£572,500 loan stock	50.0						

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

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

The Company also holds shares or units amounting to 3% or more of the nominal value of the alloted shares or units of any class of certain investee companies.

Details of the equity percentages held are shown in the Investment Portfolio Summary on pages 12 and 13.

10. Debtors	28 February 2006 £'000	28 February 2005 £'000
Current taxation	71	80
Prepayments and accrued income	708	1,302
Amounts due from brokers	55	–
	834	**1,382**

11. Creditors

	28 February 2006 £'000	28 February 2005 (restated) £'000
Amounts falling due within one year:		
Accruals	494	146
Outstanding purchases	–	100
	494	**246**

12. Share capital

	28 February 2006 Number	28 February 2006 £'000	28 February 2005 Number	28 February 2005 £'000
At end February the authorised share capital comprised:				
allotted, issued and fully paid:				
Ordinary shares of 10p each				
Balance brought forward	37,743,567	3,774	38,496,295	3,849
Repurchased and cancelled in year	(1,717,591)	(172)	(752,728)	(75)
Balance carried forward	36,025,976	3,602	37,743,567	3,774
Unissued unclassified shares of 10p each	23,974,024	2,398	22,256,433	2,226
	60,000,000	**6,000**	**60,000,000**	**6,000**

During the year, 1,717,591 Ordinary shares (2005 - 752,728) of 10p each were repurchased by the Company at a total cost of £979,264 (2005 - £395,152) and cancelled. Subsequent to the year end, a further 300,000 Ordinary shares of 10p each were purchased for cancellation at a total cost of £197,487.

13. Movement in reserves

Year ended 28 February 2006	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
Statement of changes in Equity Shareholders' Funds					
At 29 February 2004	17,236	–	(6,952)	36	14,198
Effect of restatement	–	(1,986)	(12)	–	2,448
At 29 February 2004 (as restated)	17,236	(1,986)	(6,964)	36	16,646
Repurchase and cancellation of shares	(1)	–	–	75	(395)
Gains/(losses) on sales of investments	–	(617)	–	–	–
Tax effect of capital items	–	132	–	–	–
Investment management fees	–	(426)	–	–	–
Amounts written off fixed asset investments	–	(569)	–	–	–
Taxation attributable to unrealised loss on investments	–	309	(283)	–	–
Net increase in value of investments	–	–	1,883	–	–
Dividends paid	–	–	–	–	(649)
Profit on ordinary activities after taxation	–	–	–	–	431
At 28 February 2005 (as restated)	17,235	(3,157)	(5,364)	111	16,033
Repurchase and cancellation of shares	–	–	–	172	(979)
Gains/(losses) on sales of investments	–	429	–	–	–
Tax effect of capital items	–	196	–	–	–
Investment management fees	–	(660)	–	–	–
Net increase in value of investments	–	–	1,502	–	–
Dividends paid	–	–	–	–	(1,137)
Profit on ordinary activities after taxation	–	–	–	–	505
At 28 February 2006	**17,235**	**(3,192)**	**(3,862)**	**283**	**14,422**

14. Net Asset Value per Ordinary share

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

	28 February 2006		28 February 2005 (restated)	
	Net Asset Value per share p	Net Asset Value attributable £'000	Net Asset Value per share p	Net Asset Value attributable £'000
Ordinary shares	**79.1**	**28,488**	**75.9**	**28,632**

The number of Ordinary shares used in this calculation is set out in Note 12 on page 39.

15. Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities	**Year ended 28 February 2006 £'000**	**Year ended 28 February 2005 (restated) £'000**
Profit on ordinary activities before taxation	1,972	860
Increase in fair value of investments held	(2,073)	(552)
Decrease/(increase) in fair value of investments realised	142	(714)
Amounts written off fixed asset investments	–	569
Decrease/(increase) in debtors	592	(127)
Decrease in prepayments	2	–
Increase in accruals	348	106
Amortisation of fixed income investment book cost	74	100
Tax on unfranked income	9	(46)
Net cash inflow from operating activities	**1,066**	**196**

16. Analysis of changes in net funds	**At 1 March 2005 £'000**	**Cash flows £'000**	**At 28 February 2006 £'000**
Cash and overnight deposits	**260**	**(18)**	**242**

	At 1 March 2004 £'000	**Cash flows £'000**	**At 28 February 2005 £'000**
Cash and overnight deposits	**5,461**	**(5,201)**	**260**

17. Capital commitments	**28 February 2006 £'000**	**28 February 2005 £'000**
Unlisted investment commitments	**557**	**540**

18. 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 only 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 and, in particular no purchase can be made in any one company where this would result in a holding that would exceed 7.5% of the Company's investments.

These powers and guidelines include the requirement to invest in a number of companies across a range of industrial and service sectors at varying stages of development but with the emphasis on well established businesses. The Company complied with the stated investment guidelines and borrowing powers throughout the year ended 28 February 2006.

Further information on the investment portfolio is set out in the Analysis of Unlisted and AIM Portfolio on page 6, the Investment Manager's Review on pages 9 and 10, the Summary of Investment Changes on page 11, the Investment Portfolio Summary on pages 12 and 13 and the Largest Unlisted and AIM Investments on pages 14 to 16.

(ii) Interest rate risk .

		28 February 2006	
			Non-interest
	Fixed interest	Floating rate	bearing
Sterling	**£'000**	**£'000**	**£'000**
Listed	1,855	–	–
Unlisted and AIM	11,388	–	14,663
Cash	–	242	–
	13,243	**242**	**14,663**

		28 February 2005 (restated)	
			Non-interest
	Fixed interest	Floating rate	bearing
Sterling	**£'000**	**£'000**	**£'000**
Listed	6,273	–	–
Unlisted and AIM	11,722	–	9,241
Cash	–	260	–
	17,995	**260**	**9,241**

The listed fixed interest assets have a weighted average life of 1 year (2005: 1.5 years) and weighted average interest rate of 4.4% (2005: 4.7%) per annum. These assets are held to provide liquidity for the unlisted investments. The floating rate assets consist of cash deposits on call. These assets are earning interest at prevailing money market rates. The unlisted assets have a weighted average life of 3.8 years (2005: 3.2 years) and a weighted average interest rate of 11.4% (2005: 11.3%). The non-interest bearing assets represent the equity element of the portfolio. All assets and liabilities of the Company are included in the balance sheet at fair value.

Maturity profile

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

At 28 February 2006	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed interest							
Listed	783	1,072	–	–	–	–	1,855
Unlisted and AIM	119	1,592	1,491	1,926	1,554	4,706	11,388
	902	**2,664**	**1,491**	**1,926**	**1,554**	**4,706**	**13,243**

Within "more than 5 years", £656,000 is in respect of preference shares which have no redemption date.

At 28 February 2005 (restated)	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Fixed interest							
Listed	2,251	1,464	2,558	–	–	–	6,273
Unlisted and AIM	3,754	2,620	1,896	2,338	322	792	11,722
	6,005	**4,084**	**4,454**	**2,338**	**322**	**792**	**17,995**

Within "more than 5 years", £792,000 is in respect of preference shares which have no redemption date.

(iii) Liquidity risk

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

19. Restatement for first time adoption of revised UK GAAP

During the year to 28 February 2006 the Company became subject to new Financial Reporting Standards issued as part of the programme to converge UK Generally Accepted Accounting Practice (UK GAAP) with International Accounting Standards. As a result of this, the results for the year ended 28 February 2005 have been restated to reflect the changes of accounting practice in relation to the following:

- for financial assets acquired, the cost is the fair value of the consideration. Subsequent to initial recognition, investments are valued at fair value. For listed and AIM quoted investments this is deemed to be bid market prices sourced from The London Stock Exchange. Unlisted investments are valued by the Directors at fair value, in line with the guidelines of the International Private Equity and Venture Capital Valuation Guidelines; and
- since investments are now designated at fair value through the Profit and Loss Account under FRS 25, it is no longer appropriate to show a revaluation reserve. As a result, the Company has elected to present separate realised and unrealised reserves.

In accordance with FRS 21 "Events after the Balance Sheet Date", dividends are not accrued in the Financial Statements unless they have been declared before the balance sheet date. Final dividends are, therefore, recognised in the period in which they are declared and paid.

As a result of these changes, the Financial Statements for the year ended 28 February 2005 have been restated.

The impact of these changes are shown as follows:

Reconciliation of Balance Sheet at 29 February 2004	As previously reported 29 February 2004 £'000	Effect of change in policy £'000	As restated 29 February 2004 £'000
Fixed assets			
Investments	22,350	(12)	22,338
Current assets			
Debtors	1,363	–	1,363
Cash and overnight deposits	5,461	–	5,461
	6,824	–	6,824
Creditors			
Amounts falling due within one year	807	(462)	345
Net current assets	6,017	462	6,479
Net assets	**28,367**	**450**	**28,817**
Capital and reserves			
Called up share capital	3,849	–	3,849
Share premium account	17,236	–	17,236
Realised capital reserve	–	(1,986)	(1,986)
Unrealised capital reserve	–	(6,964)	(6,964)
Revaluation reserve	(6,952)	6,952	–
Capital redemption reserve	36	–	36
Profit and loss account	14,198	2,448	16,646
Equity Shareholders' funds	**28,367**	**450**	**28,817**
Net Asset Value per Ordinary share (pence)	**73.7**		**74.8**

Reconciliation of Balance Sheet at 28 February 2005	As previously reported 28 February 2005 £'000	Effect of change in policy £'000	As restated 28 February 2005 £'000
Fixed assets			
Investments	27,386	(150)	27,236
Current assets			
Debtors	1,382	–	1,382
Cash and overnight deposits	260	–	260
	1,642	–	1,642
Creditors			
Amounts falling due within one year	472	(226)	246
Net current assets	1,170	226	1,396
Net assets	**28,556**	**76**	**28,632**
Capital and reserves			
Called up share capital	3,774	–	3,774
Share premium account	17,235	–	17,235
Realised capital reserve	–	(3,157)	(3,157)
Unrealised capital reserve	–	(5,364)	(5,364)
Revaluation reserve	(5,214)	5,214	–
Capital redemption reserve	111	–	111
Profit and loss account	12,650	3,383	16,033
Equity Shareholders' funds	**28,556**	**76**	**28,632**
Net Asset Value per Ordinary share (pence)	**75.7**		**75.9**

Reconciliation of the Income Statement	Year ended 28 February 2005 (audited) £000
Total transfer to reserve per previously reported Profit and Loss Account	(131)
Add dividends on ordinary shares	413
Change from mid to bid basis at 29 February 2004	12
Change from mid to bid basis at 28 February 2005	(150)
Add unrealised gain on revaluation of investments	690
Profit on ordinary activities after tax per restated Income Statement	**834**

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; and
- 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 the initial listing of shares by a VCT, the following requirements must be met:

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

Qualifying holdings

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

A qualifying trade is any other than:

- dealing in land, commodities, futures, shares or other financial instruments;
- dealing in goods other than in the course of an ordinary trade of wholesale or retail distribution;
- banking, insurance or other financial activities;
- leasing or receiving royalties or license fees with certain exceptions;
- providing legal or accountancy services;
- property development;
- farming or market gardening;
- holding, managing or occupying woodlands, any other forestry activities or timber production;
- operating or managing hotels or comparable establishments, or managing property used as an hotel or comparable establishment;
- operating or managing nursing homes or residential care homes, or managing property used as a nursing home or residential care home; and
- providing ancillary services to any of the above by a related party.

VCTs may count an investment of up to £1 million in total in a qualifying trading company in any one year towards the 70% qualifying holdings requirement, provided that the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment. In the Budget of March 2006, the qualifying limits for funds raised after 6 April 2006 were lowered to £7 million before investment and £8 million following investment.

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 the qualifying limit, which is currently £200,000.

   Relief from income tax

   With effect from 6 April 2006, an investor subscribing for new ordinary shares in a VCT will be entitled to claim income tax relief of up to 30 per cent on amounts subscribed up to a maximum of £200,000. Relief of up to 40 per cent applied to tax years 2004/05 and 2005/06 only. This relief must be repaid should the shares be sold or otherwise disposed of within five years (three years until 5 April 2006). 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 capital gains realised by the VCT.

   Relief from capital gains tax

   A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit, currently £200,000, for any tax year.

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

   Shares acquired other than by subscription (i.e. 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 capital gains realised from investments made by the VCT and capital gains on disposal of the VCTs. The permitted maximum of £200,000 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 VCT will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to their tax coding from the Inland Revenue or by waiting until the end of the tax year and using their tax return to claim relief.

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 VCT 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 VCT should consult a professional adviser.

Risk warnings

Past performance is not necessarily a guide to future performance. You should be aware that share values and income from them may go down as well as up and that you may not get back the amount you originally invested. Existing tax levels and reliefs may change and the value of reliefs depends on personal circumstances; in particular, reliefs may be lost on ceasing to be a UK resident. An investment in a VCT carries a higher risk than other forms of investment. A VCT's shares, although listed, are likely to be illiquid. Prospective investors should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objective and policy and the 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 carry substantially higher risk 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 sixth Annual General Meeting of Murray VCT 4 PLC will be held on Thursday 6 July 2006 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 28 February 2006.
2. To approve the Directors' Remuneration Report.
3. To declare a final dividend.
4. To re-elect Mr A G MacMillan* as a Director.
5. To re-appoint Ernst & Young LLP as Auditors.
6. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

7. To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

   THAT Mr A E Whitworth*, who attained the age of 71 on 12 February 2006, be re-elected as a Director of the Company.

8. 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 5,355,323 representing 14.99 per cent of the Company's issued Ordinary share capital as at 31 May 2006;
   (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.

9. 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 £357,259 (representing 10 per cent of the total Ordinary share capital in issue on 31 May 2006) 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.

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

    THAT, subject to passing of Resolution number 9 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 9 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 £357,259 (representing 10 per cent of the total Ordinary share capital in issue on 31 May 2006).

123 St Vincent Street
Glasgow G2 5EA
31 May 2006

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 4 July 2006 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 4 July 2006 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 they 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 10 are shown in the Directors' Report as follows:

Resolution 3	Page 18	Results and dividends
Resolutions 4 and 7	Page 19	Directors
Resolutions 5 and 6	Page 20	Auditors
Resolution 8	Page 18	Purchase of Ordinary shares
Resolutions 9 and 10	Pages 18 and 19	Issue of new Ordinary shares

Registered in England and Wales - Company Number 3908220

Corporate Information

Directors
Fiona E Wollocombe (Chairman)
Arthur G MacMillan
Charles G Stuart-Menteth
Anthony E Whitworth

Manager & Secretary
Murray Johnstone Limited
123 St Vincent Street
Glasgow G2 5EA

Customer Services Department: freephone 0845 300 2830
(open Monday to Friday 9am to 5pm)
email: vcts@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

Website
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
J P Morgan Chase Bank

Solicitors
S J Berwin

Stockbrokers
Teather & Greenwood Limited

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 6 July 2006 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 Mr A G MacMillan* as a Director.		
5.	To re-appoint Ernst & Young LLP as Auditors		
6.	To authorise the Directors to fix the Auditors' remuneration		
7.	To re-elect Mr A E Whitworth* as a Director.		
8.	To renew the Company's authority to purchase its own shares		
9.	To renew the Company's authority to allot shares		
10.	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 2006

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

Notes

1. 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.
2. 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.
3. 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.
4. 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

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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

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