

# 07

## Murray VCT 4 PLC

Annual Report and Accounts  
Year ended 28 February 2007



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## Financial Calendar

17 July 2007

Annual General Meeting

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## Dividend Schedule

	Rate	xd date	Record date	Payment date
Final revenue 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
Capital dividend	3.0p	22 November 2006	24 November 2006	15 December 2006
Capital dividend	4.0p	28 February 2007	2 March 2007	23 March 2007
Proposed final revenue dividend	0.8p	27 June 2007	29 June 2007	27 July 2007
Proposed final capital dividend	2.0p	27 June 2007	29 June 2007	27 July 2007
Total	12.2p			

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# 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. However, for reporting to the Board and Shareholders, the Manager uses comparisons with appropriate indices and the Company's peer group.

## Capital structure

The Company's issued share capital as at 28 February 2007 consisted of 35,463,992 Ordinary Shares of 10p each.

## Total assets and Net Asset Value per share

At 28 February 2007, the Company had total assets of £28,745,000 and a Net Asset Value per share of 81.1p.

## Dividend

A final dividend of 2.8p per share has been proposed in respect of the year ended 28 February 2007 to be paid on 27 July 2007 to Shareholders on the register at close of business on 29 June 2007.

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

The levels and bases of tax reliefs may change.

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

In order to qualify as a VCT, within the accounting period beginning not more than three years after the receipt of applications, the Company must have at least 70% by value of its investments in qualifying holdings. The Company may invest in a number of companies which are not considered to be qualifying investments for a VCT. The criteria that must be met for a qualifying investment and the conditions that are required to be met by the Company in order for it to be approved as a VCT are detailed in Venture Capital Trusts on page 47.

Further details of the Company's risk profile are contained in the Directors' Report on page 20, in Note 18 to the Financial Statements on pages 44 to 46 in Tax Position of Individual Investors on page 48.

## 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 22 and 23 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:** 43

**Length of service:** She was appointed a Director on 20 May 2004 and as Chairman on 7 July 2005.

**Last re-elected to the Board:** 6 July 2005

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

**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 & smallcap 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.

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** 15,000 Ordinary Shares

### Arthur MacMillan *Director*

**Status:** Independent Non-executive Director

**Age:** 44

**Length of service:** He was appointed a Director on 19 January 2000.

**Last re-elected to the Board:** 6 July 2006

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

**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 (Individual Voluntary Arrangement) business.

**Employment by the Manager:** None

**Other connections with Manager:** None

**Shared directorships with other Directors:** None

**Shareholding in Company:** 20,000 Ordinary Shares

### John Pocock *Director*

**Status:** Independent Non-executive Director

**Age:** 47

**Length of service:** He was appointed a Director on 1 March 2007.

**Relevant experience and other directorships:** He has extensive experience in the information technology and financial sectors and was formerly a director and chief executive of Druid Group plc, a FTSE 250 Company that was acquired by Xansa plc in March 2000. Currently non-executive chairman of software companies Vamosa Limited and Presence Networks Limited, he is also a non-executive director of Electric & General Investment Trust plc and a director of a number of other smaller companies.

**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:** 20,000 Ordinary Shares

### Charles Stuart-Menteth *Director*

**Status:** Independent Non-executive Director

**Age:** 56

**Length of service:** He was appointed a Director on 19 January 2000.

**Last re-elected to the Board:** 8 July 2004

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

**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 assist early stage businesses.

**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:** 72

**Length of service:** He was appointed a Director on 19 January 2000 and served as Chairman from 11 October 2002 until 7 July 2005.

**Last re-elected to the Board:** 6 July 2006

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

**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.

**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 2007	28 February 2006	28 February 2005	29 February 2004	28 February 2003
<b>Assets</b>					
Net assets <sup>1</sup>	£28,745,000	£28,488,000	£28,632,000	£28,817,000	£30,957,000
<b>Cumulative returns to Shareholders since launch</b>					
Dividends paid per Ordinary Share <sup>2</sup>	18.5p	13.1p	10.0p	8.3p	6.3p
Total return <sup>3</sup> (without tax reliefs)	99.6p	92.2p	85.9p	83.1p	86.8p
Total return <sup>3</sup> (with tax reliefs <sup>4</sup> )	119.6p	112.2p	105.9p	103.1p	106.8p
<b>Ordinary shares</b>					
Net Asset Value <sup>1</sup>	81.1p	79.1p	75.9p	74.8p	80.5p
Share price <sup>5</sup>	57.3p	62.0p	51.5p	53.5p	60.0p
Discount to Net Asset Value	29.3%	21.6%	32.1%	28.5%	25.5%
Ordinary Shares issued under dividend reinvestment during the year <sup>6</sup>	–	–	–	120,338	170,698
Shares bought back during the year	561,984	1,717,591	752,728	87,000	262,680
Ordinary Shares in issue at year end	35,463,992	36,025,976	37,743,567	38,496,295	38,462,957

<sup>1</sup> Figures from prior years up to and including 28 February 2005 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 37 and 38.

<sup>2</sup> Figures from prior years up to and including 28 February 2005 have been restated to reflect the recognition of dividends in the period in which they were declared and paid (Note 6 to the Financial Statements on page 40).

<sup>3</sup> Sum of current Net Asset Value and dividends paid to date; figures from prior years and up to and including 28 February 2005 have been restated to reflect the recognition of dividends in the period in which they were declared and paid.

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

<sup>5</sup> Mid-market.

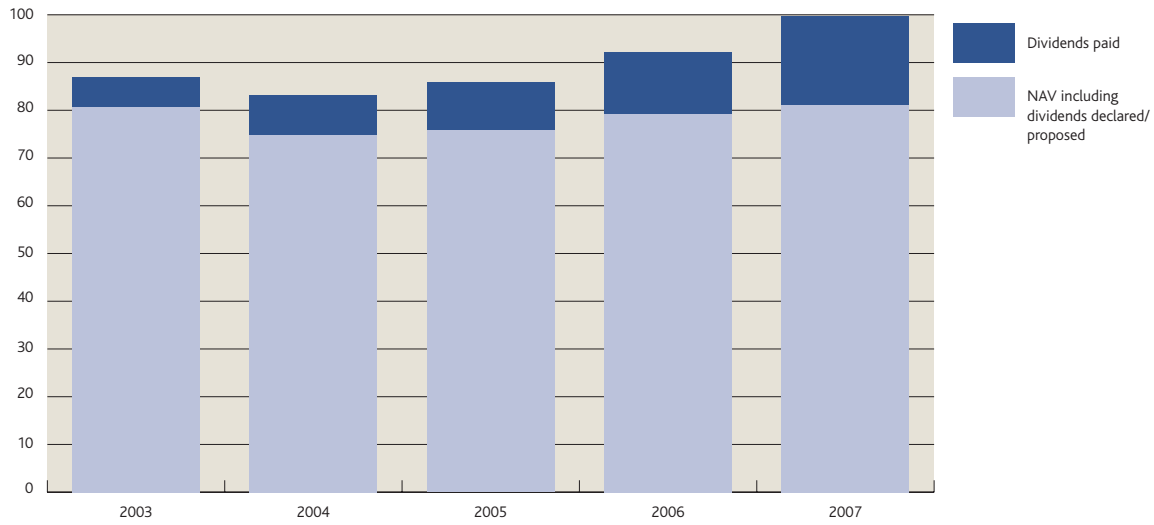
<sup>6</sup> Dividend re-investment scheme terminated with effect from 6 August 2003.

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

### Dividends

Year ended February	Payment date	Revenue/capital	Interim/final	Rate (p)
2001	8 December 2000	Revenue	Interim	1.0
	13 July 2001	Revenue	Final	1.8
2002	7 December 2001	Revenue	Interim	1.0
	22 July 2002	Revenue	Final	1.5
2003	10 December 2002	Revenue	Interim	1.0
	18 July 2003	Revenue	Final	1.5
2004	12 December 2003	Revenue	Interim	0.5
	16 July 2004	Revenue	Final	1.2
2005	10 December 2004	Revenue	Interim	0.5
	22 July 2005	Revenue	Final	0.6
2006	9 December 2005	Capital	Interim	2.0
	9 December 2005	Revenue	Interim	0.5
	28 July 2006	Revenue	Final	0.8
2007	28 July 2006	Capital	Interim	1.6
	15 December 2006	Capital	Interim	3.0
	23 March 2007	Capital	Interim	4.0
<b>Total paid</b>				<b>22.5</b>
2007	27 July 2007	Revenue	Proposed final	0.8
	27 July 2007	Capital	Proposed final	2.0
<b>Total paid or proposed</b>				<b>25.3</b>

### Net Asset Value total return



The chart shows the NAV total return per Ordinary Share (Net Asset Value plus dividends paid) since launch as at 28 February for each year. Dividends that have been proposed or declared but not yet paid are not deducted from the Net Asset Value at the balance sheet date.

# Analysis of Unlisted and AIM Portfolio

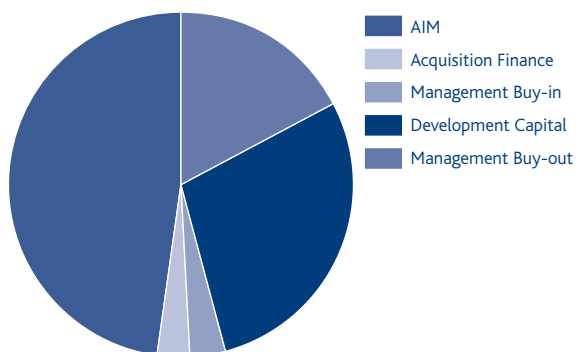
As at 28 February 2007

By FT Industrial Sector	Valuation £'000	%
<b>Unlisted</b>		
Engineering & Machinery	2,874	14.0
Support Services	2,310	11.2
Transport	2,270	11.0
Personal Care & Household Products	1,516	7.4
Media & Entertainment	1,416	6.9
Food Producers & Processors	1,338	6.5
Household Goods & Textiles	826	4.0
Electronic & Electrical Equipment	796	3.9
Aerospace & Defence	566	2.7
Telecommunication Services	309	1.4
Utilities (ex-electricity)	100	0.5
Construction & Building Materials	98	0.5
	<b>14,419</b>	<b>70.0</b>
<b>AIM</b>		
Support Services	1,530	7.4
Media & Entertainment	1,010	4.9
Engineering & Machinery	923	4.5
Software & Computer Services	796	3.9
Household Goods & Textiles	574	2.8
Pharmaceuticals & Biotechnology	339	1.6
Health	320	1.6
Leisure & Hotels	252	1.2
Food Producers & Processors	187	0.9
Speciality & Other Finance	111	0.5
Telecommunication Services	70	0.4
Information Technology Hardware	53	0.3
	<b>6,165</b>	<b>30.0</b>
	<b>20,584</b>	<b>100.0</b>

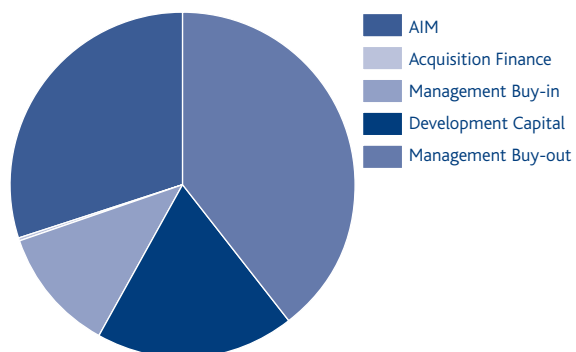


By Deal Type	No. of deals	Valuation £'000	%
<b>Unlisted</b>			
Management Buy-out	11	8,163	39.7
Development Capital	18	3,836	18.6
Management Buy-in	2	2,354	11.4
Acquisition Finance	2	66	0.3
	<b>33</b>	<b>14,419</b>	<b>70.0</b>
<b>AIM</b>			
	30	6,165	30.0
	<b>63</b>	<b>20,584</b>	<b>100.0</b>

Deal Type Analysis - No. of Deals



Deal Type Analysis - Valuation



# Chairman's Statement

I am pleased to report that the improvement in the performance of your Company which has been achieved since late 2004 has continued over the past year. The Company has now seen an increase in NAV total return at each reporting period end since August 2004, and the payment of an increased level of dividends during that period. Among the highlights are:

- NAV at year end of 81.1p per share ("pps"), up 9.4% over the year (after adjusting for dividends paid);
- Total return of 99.6pps at year end, up 8.0% over the year;
- Five successful exits from unlisted companies during the year, generating gains of more than £4.0 million;
- Net realised gains from AIM stocks of £1.2 million for the year;
- Capital dividends paid during the year of 4.6pps, with a further dividend paid on 23 March 2007 of 4.0pps; and
- Final dividend proposed of 2.8pps (comprising 0.8pps revenue and 2.0pps capital).

## Performance

The Net Asset Value ("NAV") per Ordinary Share at 28 February 2007, before payment of a dividend in respect of the year then ended, was 81.1pps compared with 79.1pps at 28 February 2006. The NAV has increased by 9.4% compared to the value at 28 February 2006, after adjusting for the dividends paid during the year totalling 5.4pps, which compares with a decrease in the FTSE AIM All-share Index of 6.2%.

The uplift achieved in the NAV during the year ended 28 February 2007, after adjusting for the effect of dividends paid and shares bought back, governs the level of management fee payable for that period and, based on the performance during the year, a fee of £599,000 (excluding VAT) was payable.

## Dividends

The Company has paid a total of 5.4pps to Shareholders during the course of the year. This includes both the final revenue dividend of 0.8pps in respect of the year ending 28 February 2006 and the capital dividends of 1.6pps per share paid in July 2006 and 3.0pps paid in December 2006. This has been achieved due to capital gains arising in the year ended February 2007 and in earlier years. In addition, subsequent to the year-end, a further capital dividend of 4.0pps was paid to Shareholders in March 2007.

In light of the results for the year ended 28 February 2007, the Board is now recommending the payment of a final dividend of 2.8pps, comprising 0.8pps of revenue and 2.0pps of capital, to be paid on 27 July 2007 to Shareholders on the register on 29 June 2007. Upon payment of the final dividend, the Company will have paid 12.2pps in the twelve month period to 27 July 2007, equivalent to an annual yield of 20.3% to a higher-rate tax payer on an effective initial investment of 80pps, or 28.4% based on the mid-market share price of 57.3pps on 28 February 2007. Since the Company's launch, and including the payment of the proposed final dividend, Ordinary Shareholders will have received 25.3pps in tax-free dividends.

The effect of paying the capital dividend in March and the proposed dividend will be to reduce the NAV as at 28 February 2007 to 74.3pps.

The Board intends to pay regular dividends from realised capital gains and, while not making a formal forecast, the Board expects the Company to declare dividends totalling at least 4.0pps in respect of the year ending 28 February 2008. This would be equivalent to an annual yield of 6.7% to a higher-rate taxpayer on an effective initial investment of 80pps, or 9.3% based on the mid-market share price of 57.3pps at 28 February 2007.

The most important measure for a VCT is the NAV total return, being the long term record of income and capital gains dividend payments plus the current NAV. 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. The NAV total return per Ordinary Share at 28 February 2007 was 99.6pps, an increase of 8.0% over the equivalent figure at February 2006.

## Realisations

The year has seen five profitable exits from the unlisted investment portfolio which, together, have generated gains of over £4.0 million. All of those exits occurred in the second half of the year, although four had been anticipated and their valuations in the Interim Report reflected the eventual proceeds. Net gains have also been realised from the AIM portfolio, totalling £1.2 million for the year. Details of all realisations from the portfolio during the year are given in the table included in the Investment Manager's Review on page 12.

### **Investment strategy**

The strategy remains to invest in unlisted and AIM companies which offer excellent growth prospects and to realise capital gains in the medium and longer term from those investments while maintaining VCT qualifying status. The Company has exited from eight major unlisted investments during the year and, in the short term, it is unlikely that further exits from unlisted investments will occur until the process of rebuilding the unlisted portfolio is completed.

As the process of rebuilding the portfolio continues, the Board considers that it may be an appropriate time for the Company to take advantage of its ability to use gearing for the purpose of maintaining its investment strategy and, if necessary, borrow an amount of up to 10% of Net Asset Value. The Manager also continues to have discretion to make investments in companies which do not represent qualifying holdings for VCTs, but always subject to ensuring that the Company itself continues to qualify as a VCT at all times.

### **Co-investment scheme of the Manager**

A co-investment scheme which allows executive members of the Manager to invest alongside the Company was implemented during the year. The scheme operates through a nominee company which invests alongside the Company in each and every transaction made by the Company, including any follow-on investments.

The impact of the scheme in terms of dilution is negligible, but the scheme more closely aligns 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 investment team in a highly competitive market.

### **Valuation process**

Investments held by Murray VCT 4 in unquoted companies are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments quoted or traded on a recognised stock exchange, including the Alternative Investment Market ("AIM"), are valued at their bid price.

### **Constitution of the Board**

As intimated in the 2006 Annual Report, the Board was aware that Anthony Whitworth intended to retire at the Annual General Meeting to be held in 2007 and he has confirmed to the Board that he does not intend to seek

re-election. Anthony has been a Director of the Company since launch and served as Chairman from October 2002 until July 2005. I would like to take this opportunity to extend to Anthony the sincere appreciation of the Board for the significant and valuable contribution he has made to the deliberations of the Board during his time in office and for his leadership during the period when he was Chairman, which included a time of some difficulty for the Company.

The Board had already put in place a succession plan. During the second half of the year, the Directors conducted a thorough selection process, including the use of an independent agency, before making a final decision on an appointment. As announced on 26 January 2007, John Pocock was appointed as a Director with effect from 1 March 2007. John, whose biography appears on page 3, is an experienced entrepreneur and will bring to the Board a breadth of knowledge in the smaller companies and financial services sectors. As required by company law, John will require to stand for re-election by Shareholders at the first AGM following his appointment and I hope that you will support the Board's recommendation and vote in favour of the Resolution put before the meeting.

### **Change of name of the Company**

Since August 2004, the closest date to when the Manager changed its lead fund manager, the investment portfolio has undergone a full restructuring. The NAV total return has increased by 18.4% and the amount paid in dividends has increased from a total of 9.5pps paid in the four years before that date to a total (including the dividend paid in March and the proposed final dividend) of 15.8pps paid in the two and a half years since that date. Over that period, the Board has had some considerable debate as to whether there were any residual benefits to the Company and its Shareholders in retaining the name of Murray VCT 4 in the longer term.

With the full restructuring of the portfolio now largely complete and a clear investment strategy for the future having been established, the Board now considers that the time is right for the Company to change its name to Aberdeen Growth and Income VCT PLC. The Directors believe that this name would better reflect the future direction of the Company and its strategy to continue to invest in both private and AIM quoted companies and to distribute realised capital gains whenever possible, whilst retaining some funds to allow investment in businesses offering excellent growth prospects. The Board also

believes that the benefits of the additional marketing expertise and higher profile that the Aberdeen Group can provide outweigh any need for the Company to retain its original name.

A Resolution will, therefore, be put to the Annual General Meeting to propose that the name of the Company be changed to Aberdeen Growth and Income VCT PLC. I hope that you will recognise the reasons for this and support the proposal.

#### **Treasury shares**

During the year ended 28 February 2007, within established guidelines, the Company bought back a total of 561,984 shares for cancellation and the Board intends that the Company should retain its ability to buy back its own shares in future. The Board has also decided that it would be in the interests of Shareholders for the Company to be able to hold shares in Treasury as well and an appropriate authority will be sought at this year's AGM. This would give the Directors the ability to re-issue these shares to meet any demand in the market rather than issue new shares. While shares re-issued from Treasury do not qualify for the initial income tax relief, any dividend payments will be tax-free and, on disposal, no capital gains tax will be paid by qualifying Shareholders. Treasury shares may also be cancelled at any time.

#### **Outlook**

Following the successful realisations which occurred during the year, the immediate focus is to rebuild the unlisted element of a diversified portfolio of good quality smaller company assets which will deliver sustained long term performance. The Manager has completed ten new unlisted and AIM investments in recent months and has a number of further potential investments in hand.

The Manager applies an active management style to both its unlisted and AIM quoted portfolios and this more dynamic approach has resulted in the improved performance of the Company over the last two years. If economic conditions remain favourable, the Directors are optimistic that this level of performance can be maintained which, in turn, should continue to generate further positive returns for Shareholders.

#### **Fiona E Wollocombe**

Chairman

25 May 2007

# Investment Manager's Report

## Investment activity

At the year end, the portfolio stood at 63 unlisted and AIM investments at a total cost of £26.5 million. A total of £4.9 million was invested during the year ended 28 February 2007, with twelve new unlisted and AIM investments being completed. Realisations achieved during the year have resulted in a reduced unlisted portfolio; since these realisations occurred, the Manager had made two new unlisted investments by 28 February 2007 and a further five have been completed early in the current year, in addition to five new AIM investments. There is also a healthy pipeline of in-progress transactions which will rebuild the portfolio.

The following new investments have been completed during the year:

Investment	Date	Activity	£'000	Website
<b>Unlisted</b>				
Buildstore	Sep 2006	On-line services to self-build homeowners.	98	www.buildstore.co.uk
Crossco (982) (Martel Instruments)	Jan 2007	Manufacturer of hand held printers and terminals.	796	www.martelinstruments.com
Enpure Holdings	Nov 2006	Project engineering in the water and waste water sector.	100	www.enpure.co.uk
Homelux Nenplas	May 2006	Manufacturer of tile trims and related products.	522	www.homelux.co.uk
Oliver Kay Holdings	Jan 2007	Distributor of fresh produce to the on-trade catering industry.	771	www.oliverkayproduce.co.uk
Riverdale Publishing	Apr & Nov 2006	Greetings cards publisher.	343	www.riverdalepublishing.co.uk
<b>AIM</b>				
Brulines (Holdings)	Oct 2006	Data systems for monitoring flow rates of beer in public houses.	121	www.brulines.co.uk
Concateno	Oct & Dec 2006	Services for testing employees for drugs and alcohol.	296	www.concateno.com
Hasgrove	Nov 2006	Communication services in public relations.	174	www.hasgrove.com
Hexagon Human Capital	Feb 2007	Executive search and recruitment.	99	www.hexagonhc.com
Individual Restaurant Company	Dec 2006	Restaurant operator.	176	www.individualrestaurants.co.uk
Tangent Communications	Feb 2007	Digital printing and marketing services.	99	www.documedia.co.uk

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, the funds are able to underwrite a wider range and size of transaction than would be the case on a stand alone basis.

## Portfolio developments

Murray VCT 4 has an objective of building a diversified portfolio of unlisted and AIM investments with good

growth prospects and, therefore, the opportunity to generate capital gains in the medium and longer term. In the Interim Report reference was made to a number of realisations which had occurred and to the increasing maturity of a number of the private equity investments with further realisations being expected over the remainder of the year. This has proved to be the case with eight substantial sales achieved from unlisted investments during the second half of the year which has contributed to the significant increase in NAV total return that has been achieved.

Bond Aviation Solutions was sold to an Indian investment company realising £1.3 million generating a gain of

£552,000. Styles & Wood Holdings achieved a listing on the London Stock Exchange and the holding was sold to provide liquidity for the stockbroker to make the issue successful. Proceeds were £1.6 million, providing a gain of £1.2 million over cost. EIG (Investments) was sold to a major Australian insurance group 15 months after the investment was completed, generating a gain of £705,000 from proceeds of £1.5 million. In each of these cases, the holding period had been shorter than would normally be the case for an unlisted investment, ranging from 11 to 15 months with cash multiples of 1.7x to 4.0x cost. The investment in Mining Communications was also realised, achieving a gain of £430,000 from the proceeds of £1.2 million and TMI Foods was sold, generating proceeds of £1.4 million and a gain of almost £1.2 million.

Original Shoe Company was sold for cost when the major shareholder accepted an offer for his shares and exits were also achieved from Mercury Inns (and its sister company GW1016) and from Heathcotes Restaurants. In the last two cases, losses against cost were realised (£427,000 and £861,000 respectively) although the valuation of these holdings had been written down previously.

The AIM portfolio continued to be actively traded and net gains over cost of £1.2 million were generated during the year. The performance of the Company's AIM portfolio compares favourably with that of the AIM market; the AIM All-share index fell by 6.2% over the course of the year, whereas the value of the Company's AIM portfolio increased by 2.2% over the same period, when compared to values at 28 February 2006.

#### Realisations during the financial year

	Date first invested	Complete/partial exit	Cost of shares disposed of £'000	Sales proceeds £'000	Realised gain/(loss) £'000
<b>Unlisted</b>					
Bond Aviation Solutions	2005	Complete	750	1,302	552
EIG (Investments)	2006	Complete	751	1,456	705
GW1016/Mercury Inns	2002	Complete	896	469	(427)
Heathcotes Restaurants	2001	Complete	1,583	722	(861)
Mining Communications	2003	Complete	750	1,180	430
Original Shoe Company	2005	Complete	750	750	–
Styles & Wood Holdings	2005	Complete	400	1,597	1,197
TMI Foods	2003	Complete	230	1,391	1,161
Others			328	518	190
<b>Total unlisted</b>			<b>6,438</b>	<b>9,385</b>	<b>2,947</b>
<b>AIM</b>					
AssetCo	2003	Partial	116	111	(5)
Avanti Screenmedia	2005	Partial	99	120	21
Axeon	2005	Partial	67	92	25
Billing Services Group*	2006	Complete	370	192	(178)
Cello Group	2004	Partial	292	359	67
Fountains	2004	Partial	84	76	(8)
Leisure & Gaming	2005	Partial	188	278	90
Mattioli Woods	2005	Partial	93	154	61
Synexus	2001	Partial	296	543	247
Talarius	2005	Complete	190	471	281
Tanfield Group	2004	Partial	263	731	468
United Clearing*	2005	Complete	280	370	90
Others			215	272	57
<b>Total AIM</b>			<b>2,553</b>	<b>3,769</b>	<b>1,216</b>
<b>Total</b>			<b>8,991</b>	<b>13,154</b>	<b>4,163</b>

\*During the year, Billing Services Group used the compulsory purchase provisions of the Companies Act to acquire United Clearing in a share-for-share transaction.

In contrast to the realised gains mentioned, details of which can be found in the table above, unrealised losses compared to valuations at February 2006 totalling £950,000 arose on the investment portfolio. Of the total, £840,000 arose on unlisted investments and £140,000 on AIM investments with a modest gain arising on fixed interest holdings. The major reductions in value in the unlisted portfolio occurred on Transrent Holdings (£1.3 million) and Kingsley Cards (£350,000), both of which ceased to trade during the year and resulting in full provisions being taken against their cost. In addition, the value of Sanastro was reduced by £348,000 due to trading falling below expectations. In contrast, the valuations of Homelux Nenplas and House of Dorchester Holdings were increased by £303,000 and £753,000 respectively to reflect the improved profitability of both companies.

The major changes in the valuation of AIM investments were increases in the values of Concateno (£154,000) and Tanfield Group (£723,000) offset by reductions in the value of Leisure & Gaming (£406,000), where legislation introduced in the US to outlaw internet gambling reduced the value of all companies in that sector, and Synexus (£339,000). In addition, Elevation Events Group ceased to trade during the year resulting in a write down of £117,000 in its value.

## **Outlook**

Following the strong level of realisations during the course of the year, the Manager is replacing the unlisted investments in the portfolio. Since the start of 2007, seven major new unlisted transactions have been completed and the Manager has a further pipeline of good quality transactions. The Manager focuses mainly on management buy-out transactions of proven, profitable, cash-generative businesses which can pay a yield and have significant medium term growth potential. An extensive regional presence allows the Manager to identify some of the best, most dynamic businesses which are available in the market. The Manager believes this strategy, alongside an actively managed AIM portfolio, provides the best model to optimise Shareholder returns.

## **Murray Johnstone Limited**

Manager

25 May 2007

## Summary of Investment Changes

For the year ended 28 February 2007

	Valuation 28 February 2006		Net investment/ (disinvestment)	Appreciation/ (depreciation)	Valuation 28 February 2007	
	£'000	%			£'000	£'000
<b>Unlisted investments</b>						
Equities	6,305	22.1	(4,669)	4,358	5,994	20.9
Preference shares	657	2.3	(176)	269	750	2.6
Loan stocks	10,732	37.7	(1,054)	(2,003)	7,675	26.7
	<b>17,694</b>	<b>62.1</b>	<b>(5,899)</b>	<b>2,624</b>	<b>14,419</b>	<b>50.2</b>
<b>AIM investments</b>						
Equities	8,357	29.4	(2,323)	131	6,165	21.4
<b>Listed investments</b>						
Fixed income	1,855	6.5	(873)	(7)	975	3.4
<b>Total investments</b>	<b>27,906</b>	<b>98.0</b>	<b>(9,095)</b>	<b>2,748</b>	<b>21,559</b>	<b>75.0</b>
Net current assets	582	2.0	6,604	–	7,186	25.0
<b>Net assets</b>	<b>28,488</b>	<b>100.0</b>	<b>(2,491)</b>	<b>2,748</b>	<b>28,745</b>	<b>100.0</b>



# Investment Portfolio Summary

As at 28 February 2007

Investment	Nature of business	Bookcost £'000	Valuation £'000	% of net assets	% of equity held	% of equity held by other clients*
<b>Unlisted</b>						
Transys Projects	Provider of engineering services to the rail industry	825	2,874	10.0	20.9	20.9
TLC (Tender Loving Childcare)	Operator of daycare nurseries	1,516	1,516	5.3	23.2	–
House of Dorchester Holdings	Speciality chocolate manufacturer	910	1,338	4.7	44.2	–
RMS Europe	Provider of stevedoring and ships agency services	784	1,117	3.9	9.7	20.4
MoneyPlus Group	Arranger and manager of debt management plans and IVAs	750	1,016	3.5	15.0	16.0
PSCA International	Producer of publications aimed at public sector officials	660	949	3.3	7.6	15.5
Homelux Nenplas	Manufacturer of tile trims and related products	522	826	2.9	8.9	36.1
Crossco 982 (Martel Instruments)	Manufacturer of hand-held printers and terminals	796	796	2.8	11.3	22.1
Oliver Kay Holdings	Distributor of fresh produce to the on-trade catering industry	771	771	2.7	4.9	15.1
Astraeus	Operator of charter airline	751	751	2.6	4.5	20.0
ELE Advanced Technologies	Provider of precision engineering services	342	565	2.0	11.3	–
PLM Dollar Group	Provider of on-shore helicopter services	402	402	1.4	4.6	26.2
Sanastro	Provider of business to business financial publishing	750	402	1.4	9.6	3.5
Voxsurf	Provider of software development	750	309	1.1	4.8	–
Driver Hire	Supplier of temporary drivers	171	166	0.6	1.0	38.7
Enpure Holdings	Provider of project engineering in the water and waste water sector	100	100	0.3	0.4	79.2
The BigWord Holdings	Provider of translation services	99	99	0.3	–	–
Buildstore	Provider of on-line services to self-build home owners	98	98	0.3	0.8	9.2
Unique Communications	Provider of TV production and communications consultancy	798	66	0.2	5.5	7.5
Riverdale Publishing	Greeting cards publisher	343	59	0.2	4.0	7.7
Other unlisted investments (13)		7,624	199	0.7		
		<b>19,762</b>	<b>14,419</b>	<b>50.2</b>		
<b>AIM</b>						
Tanfield Group	Provider of technical solutions and manufacturing services	110	923	3.2	0.4	0.3
Cello Group	Provider of marketing and media services	459	600	2.1	1.3	0.5
Strategic Retail	Retailer of home furnishings	700	574	2.0	2.6	2.6
Concateno	Provider of services for the testing of employees for drugs and alcohol	270	427	1.5	0.7	1.9
Avanti Screenmedia	Provider of screens and media advertising	322	409	1.4	0.6	1.0
Synexus	Manager of clinical trials	328	339	1.2	1.8	1.3
Amazing Holdings	Leisure and hotel developer	251	220	0.8	0.9	1.4
AT Communications Group	Provider of communications integration services	301	208	0.7	1.4	0.6
Hasgrove	Provider of communication services in public relations	174	206	0.7	0.8	1.5
Imprint	Provider of recruitment and search services	203	192	0.7	0.2	0.4

Investment Portfolio Summary – continued

Investment	Nature of business	Bookcost £'000	Valuation £'000	% of net assets	% of equity held	% of equity held by other clients*
Individual Restaurant Company	Restaurant operator	132	187	0.7	0.4	0.9
Axeon	Developer of semi-conductor intellectual properties	184	180	0.6	1.3	6.7
Brulines (Holdings)	Provider of data systems that monitor the flow rate of beer in public houses	121	156	0.5	0.4	0.9
System C Healthcare	Provider of information services and IT systems to the healthcare sector	311	156	0.5	0.6	0.7
Fountains	Provider of land management services	168	154	0.5	0.9	0.9
Autoclenz	Provider of valeting services	185	141	0.5	1.2	0.3
Careforce Group	Provider of domiciliary care services	137	140	0.5	0.9	0.4
Inspicio	Provider of inspection and testing services	71	120	0.4	0.1	0.1
Mattioli Woods	Provider of pension consultancy, troubleshooting and administration services	60	111	0.4	0.3	–
Public Recruitment Group	Provider of public sector staffing in healthcare and education	467	103	0.4	1.0	0.7
1st Dental Laboratories	Provider of dental laboratory services	180	102	0.4	1.4	–
Hexagon Human Capital	Provider of executive search and recruitment services	99	100	0.3	0.3	0.7
Tangent Communications	Provider of digital printing and marketing services	99	97	0.3	0.5	0.9
AssetCo	Manufacturer and supplier of equipment for the emergency services	56	87	0.3	1.1	0.7
Neutrahealth	Provider of BioCare products to health practitioners and specialist retailers	91	78	0.3	0.6	1.4
Spectrum Interactive	Provider of payphones and internet access throughout the UK	209	70	0.2	0.7	0.9
Citel Technologies	Provider of integrated solutions for the telephony and communications sector	170	53	0.2	–	0.5
Leisure & Gaming	Provider of on-line gaming services	314	32	0.1	0.4	0.3
Award International Holdings	Provider of merchandising materials sourcing services	350	–	–	10.8	7.7
Elevation Events Group	Provider of events management services	200	–	–	3.4	7.2
		<b>6,722</b>	<b>6,165</b>	<b>21.4</b>		
<b>Listed fixed income</b>						
Treasury 4.5% 2007		975	975	3.4		
		<b>975</b>	<b>975</b>	<b>3.4</b>		
<b>Total investments</b>		<b>27,459</b>	<b>21,559</b>	<b>75.0</b>		

\* Other clients of the Aberdeen Asset Management Group.

## Largest Unlisted and AIM Investments

**Transys Projects Limited** Birmingham [www.transysprojects.ltd.uk](http://www.transysprojects.ltd.uk)



			2005	2004
<b>Cost (£'000)</b>	825		<b>£'000</b>	<b>£'000</b>
<b>Valuation (£'000)</b>	2,874	<b>Year ended 31 December</b>		
<b>Basis of valuation</b>	Earnings	Sales	13,859	7,031
<b>Equity held</b>	20.9%	Profit/(loss) before tax	1,775	(106)
<b>Income received (£'000)</b>	96	Retained profit/(loss)	1,208	(112)
<b>First invested</b>	May 2002	Net assets	1,757	560

Provider of engineering services to the rail industry.

**Other AAMPE**

**Clients invested** Aberdeen Development Capital and Aberdeen City Council Pension Fund.

**TLC (Tender Loving Childcare) Limited** Rugby, Warwickshire [www.tlcchildcare.org](http://www.tlcchildcare.org)



			2005	2004
<b>Cost (£'000)</b>	1,516		<b>£'000</b>	<b>£'000</b>
<b>Valuation (£'000)</b>	1,516	<b>Year ended 31 December</b>		
<b>Basis of valuation</b>	Cost	Sales	4,552	3,547
<b>Equity held</b>	23.2%	Profit/(loss) before tax	(373)	(680)
<b>Income received (£'000)</b>	20	Retained profit/(loss)	(373)	(680)
<b>First invested</b>	November 2000	Net assets	(3,367)	(2,216)

Operator of day care nurseries.

**Other AAMPE**

**Clients invested** None.

**House of Dorchester Holdings Limited** Dorchester, Dorset [www.hodchoc.com](http://www.hodchoc.com)



			2005	2004
<b>Cost (£'000)</b>	910		<b>£'000</b>	<b>£'000</b>
<b>Valuation (£'000)</b>	1,338	<b>Year ended 31 December</b>		
<b>Basis of valuation</b>	Earnings	Sales	4,828	4,809
<b>Equity held</b>	44.2%	Profit/(loss) before tax	365	(794)
<b>Income received</b>	Nil	Retained profit/(loss)	114	(794)
<b>First invested</b>	September 2002	Net assets	104	(10)

Speciality chocolate manufacturer.

**Other AAMPE**

**Clients invested** None.

**RMS Europe Limited** Goole, Yorkshire [www.rms-europe.co.uk](http://www.rms-europe.co.uk)



			2005	2004*
<b>Cost (£'000)</b>	784		<b>£'000</b>	<b>£'000</b>
<b>Valuation (£'000)</b>	1,117	<b>Year ended 31 December</b>		
<b>Basis of valuation</b>	Earnings	Sales	21,626	11,166
<b>Equity held</b>	9.7%	Profit/(loss) before tax	662	117
<b>Income received (£'000)</b>	46	Retained profit/(loss)	376	47
<b>First invested</b>	July 2004	Net assets	2,871	2,485

Provider of stevedoring and ships agency services.

**Other AAMPE**

**Clients invested** Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT and West Yorkshire Pension Fund.

\* 6 Months from date of incorporation.

**MoneyPlus Group Limited** Altrincham, Cheshire [www.chiltern.uk.com](http://www.chiltern.uk.com)








			£'000	£'000
<b>Cost (£'000)</b>	750	<b>Year ended**</b>		
<b>Valuation (£'000)</b>	1,016	Sales		
<b>Basis of valuation</b>	Earnings	Profit/(loss) before tax		
<b>Equity held</b>	15.0%	Retained profit/(loss)		
<b>Income received (£'000)</b>	67	Net assets		
<b>First invested</b>	November 2005			

Arranger and manager of debt management plans and IVAs.

**Other AAMPE**

**Clients invested** Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT and Aberdeen Growth Opportunities VCT 2.

Largest Unlisted and AIM Investments – continued

<b>PSCA International Limited</b>		Manchester	www.publicservice.co.uk	
	<b>Cost (£'000)</b>	660	<b>2005</b>	<b>2004</b>
	<b>Valuation (£'000)</b>	949	<b>Year ended 31 December</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Earnings	Sales	5,698
	<b>Equity held</b>	7.6%	Profit/(loss) before tax	5,569
	<b>Income received</b>	Nil	Retained profit/(loss)	433
	<b>First invested</b>	December 2002	Net assets	(21)
			24	2,510
	Producer of publications aimed at public sector officials.			
<b>Other AAMPE Clients invested</b>	Aberdeen City Council Pension Fund, Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT and Ventures North West.			
<b>Tanfield Group Plc***</b>		Washington, Tyne and Wear	www.tanfieldgroup.co.uk	
	<b>Cost (£'000)</b>	110	<b>2005</b>	<b>2004</b>
	<b>Valuation (£'000)</b>	923	<b>Year ended 31 December</b>	<b>£'000</b>
	<b>Basis of valuation</b>	Bid price	Sales	22,431
	<b>Equity held</b>	0.4%	Profit/(loss) before tax	10,687
	<b>Income received</b>	-	Retained profit/(loss)	2,000
	<b>First invested</b>	August 2004	Net assets	1,694
			(5,809)	23,010
	Provider of technical solutions and manufacturing services.			
<b>Other AAMPE Clients invested</b>	Aberdeen Growth VCT I and Aberdeen Growth Opportunities VCT.			
<b>Homelux Nenplas Limited</b>		Ashbourne, Derbyshire	www.homelux.co.uk	
	<b>Cost (£'000)</b>	522	<b>Year ended**</b>	<b>£'000</b>
	<b>Valuation (£'000)</b>	826		<b>£'000</b>
	<b>Basis of valuation</b>	Earnings	Sales	
	<b>Equity held</b>	8.9%	Profit/(loss) before tax	
	<b>Income received (£'000)</b>	31	Retained profit/(loss)	
	<b>First invested</b>	May 2006	Net assets	
	Manufacturer of tile trims and related products.			
<b>Other AAMPE Clients invested</b>	Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2 and Talisman First Venture Capital Trust.			
<b>Crossco (982) Limited (Martel Instruments)</b>		Durham	www.martelinstruments.com	
	<b>Cost (£'000)</b>	796	<b>Year ended**</b>	<b>£'000</b>
	<b>Valuation (£'000)</b>	796		<b>£'000</b>
	<b>Basis of valuation</b>	Cost	Sales	
	<b>Equity held</b>	11.3%	Profit/(loss) before tax	
	<b>Income received</b>	Nil	Retained profit/(loss)	
	<b>First invested</b>	January 2007	Net assets	
	Manufacturer of handheld printers and terminals.			
<b>Other AAMPE Clients invested</b>	Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2 and Talisman First Venture Capital Trust.			
<b>Oliver Kay Holdings Limited</b>		Bolton	www.oliverkayproduce.co.uk	
	<b>Cost (£'000)</b>	771	<b>Year ended**</b>	<b>£'000</b>
	<b>Valuation (£'000)</b>	771		<b>£'000</b>
	<b>Basis of valuation</b>	Cost	Sales	
	<b>Equity held</b>	4.9%	Profit/(loss) before tax	
	<b>Income received</b>	Nil	Retained profit/(loss)	
	<b>First invested</b>	January 2007	Net assets	
	Distributor of fresh produce to the on-trade catering industry.			
<b>Other AAMPE Clients invested</b>	Aberdeen Development Capital, Aberdeen Growth VCT I, Aberdeen Growth Opportunities VCT, Aberdeen Growth Opportunities VCT 2 and Talisman First Venture Capital Trust.			

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

\*\*\* Quoted on AIM.

# Murray VCT 4 PLC

Directors' Reports & Financial Statements

Year ended 28 February 2007

# Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 28 February 2007.

## Business review

A full review of the Company's operations is given in the Chairman's Statement on pages 8 to 10, in the Investment Manager's Report on pages 11 to 13, and in the Director's Report on pages 20 to 24.

A summary of the business objectives, the Board's strategy for achieving them, the risks faced by the Company and its key performance indicators are given below.

### *Investment objective and policy*

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

The management of the investment portfolio has been delegated to Murray Johnstone Limited, which also provides accounting, administrative and company secretarial services to the Company. Murray Johnstone Limited is a subsidiary of Aberdeen Asset Management PLC.

### *Key performance indicators*

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators are as follows:

- Net Asset Value total return; and
- Dividends per share.

A historical record of these measures is shown in the Financial History on pages 4 and 5.

In addition, the Board considers peer group comparative performance. The Company has joined the Association of Investment Companies ("AIC") and it is hoped that the AIC's monthly performance statistics, which are currently under development for VCTs, will provide a useful standard measure of comparative performance in future.

### *Principal risks and uncertainties*

The principal risks facing the Company relate to its investment activities and include market price, interest rate and liquidity risk. An explanation of these risks and how they are managed is contained in Note 18 to the Financial Statements on pages 44 to 46. Additional risks faced by the Company, and the mitigation approach adopted by the Board, are as follows:

- (i) Investment objective: the Board's aim is to maximise absolute returns to Shareholders while managing risk by ensuring an appropriate diversification of investments.
- (ii) Investment policy: inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Manager mitigates by operating within investment guidelines and regularly monitoring performance against the peer group.
- (iii) Discount volatility: due to lack of liquidity in the secondary market, venture capital trust shares tend to trade at discounts to net asset values which the Board seeks to manage by making purchases of shares in the market from time to time and within established guidelines.
- (iv) Regulatory risk: the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 842AA of the Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of its investments. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders. A serious breach of other regulations, such as the UKLA Listing Rules or the Companies Acts could lead to suspension from the Stock Exchange and reputational damage. The Board receives quarterly reports from the Manager in order to monitor compliance with regulations.

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

## Results and dividends

The Net Asset Value per Ordinary Share at 28 February 2007 was 81.1p (2006: 79.1p). The Net Asset Value per Ordinary Share has been calculated using the number of Ordinary Shares in issue at 28 February 2007 of 35,463,992 (2006: 36,025,976).

For the year ended 28 February 2007, the revenue profit on ordinary activities after taxation amounted to £302,000 (2006: £505,000). The total profit on ordinary activities after taxation for the year was £2,538,000 (2006: £1,972,000). During the year, an amount of

£1,925,000 (2006: £1,137,000) was recognised in respect of distributions made to Equity Shareholders. The Directors recommend a final dividend for the year ended 28 February 2007 of 2.8p (comprising 2.0p of capital and 0.8p of revenue; 2006: 0.8p of revenue) per Ordinary Share, payable on 27 July 2007 to Ordinary Shareholders on the register at close of business on 29 June 2007 and a Resolution to this effect will be proposed at the Annual General Meeting.

#### **Purchase of Ordinary Shares**

During the year ended 28 February 2007, within the established guidelines, a total of 561,984 Ordinary Shares of 10p each (1.56% of the Ordinary Shares in issue at 28 February 2006) were purchased at a weighted average price of 63.1p per share and an aggregate cost of £356,315 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 (5,316,052 Ordinary Shares) at 25 May 2007. 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 when 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 held in Treasury until either being reissued or 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 for the Company to issue up to an aggregate nominal amount of £354,639 (equivalent to 3,546,390 Ordinary Shares or 10% of the total issued share capital at 25 May 2007). 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 £354,639 (equivalent to 3,546,390 Ordinary Shares or 10% of the total issued share capital at 25 May 2007) 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.

#### **Share capital**

Following the purchase for cancellation during the year of a total of 561,984 Ordinary Shares, the Ordinary Share capital at 28 February 2007 amounted to 35,463,992 Ordinary Shares of 10p each. Full details are included in Note 12 to the Financial Statements on page 43.

## Directors

Biographies of the Directors who held office at the year end are shown on pages 2 and 3.

It has been confirmed that Mr Whitworth will retire at the Annual General Meeting to be held on 17 July 2007 and that he does not intend to stand for re-election. The Nomination Committee has, over the last 12 months, considered the requirement for succession planning and, following the adoption of a formal nomination process, the Board considered candidates put forward by the Nomination Committee and a recommendation to appoint Mr J D W Pocock as a Director. The Board accepted this recommendation and Mr Pocock, whose biography appears on page 3, was appointed a Director with effect from 1 March 2007. As required under the Companies Act 1985, Mr Pocock will stand for re-election at the first Annual General Meeting following his 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 C G Stuart-Menteth, whose biography appears on page 3, 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.

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 2007 Ordinary Shares of 10p	28 February 2006 Ordinary Shares of 10p
F E Wollocombe (Chairman)	15,000	–
A G MacMillan	9,000	9,000
J D W Pocock (appointed 1 March 2007)	20,000	N/A
C G Stuart-Menteth	100,000	100,000
A E Whitworth	10,000	10,000

On 30 April 2007, subsequent to the release of the Preliminary Announcement of the Company's results for the year ended 28 February 2007, Mr MacMillan acquired a beneficial interest in a further 11,000 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, administrative and company secretarial services to the Company.

In respect of the year ended 28 February 2007, the management and secretarial fees payable to the Manager have been calculated and charged on the following basis:

- (a) 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% per annum of the Net Asset Value of the Company for the six months ended 31 August 2006 and 1.0% per annum of the Net Asset Value of the Company for the six months ended 28 February 2007; and
- (b) a fixed secretarial fee of £50,000 (2006: £50,000) per annum.

The effects of the investment management fee for the year ended 28 February 2007 are detailed in Note 3 on page 38. The key features of the Management and Administration Deed with Murray Johnstone Limited include:

- following the conclusion of the initial period to 31 August 2006, the Management and Administration Deed is now 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 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 a minimum of 1.0% of the Net Asset Value of the Company. The base from which the performance fee is measured was 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 order to ensure that the Manager's staff are appropriately incentivised in relation to the management of the portfolio, the Directors have approved a co-investment scheme which requires individuals nominated by the Manager to participate in investments in portfolio companies alongside the Company. All such investments are made through a nominee and under terms agreed by the Board. The terms of the scheme ensure that all investments are made on identical terms to those of the Company and no selection of investments will be allowed. Total investment by participants in the co-investment scheme is set at 5% of the aggregate amount of ordinary shares subscribed for by the Company and the co-investing executives, except where the only securities to be acquired by the Company are ordinary shares or are securities quoted on AIM, in which case the co-investment percentage will be 1.5%. Any dilution of the Company's interests is, therefore, minimal and, in the view of the Directors, offset by the improved incentivisation of the Manager's staff and alignment of the interests of key individuals with those of Shareholders.

In light of the quality of the investment management, company 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.

#### **Change of name**

As mentioned in the Chairman's Statement on pages 9 and 10, the Directors consider that it would be appropriate for the Company to change its name to reflect its future direction and investment strategy. Accordingly, a proposal will be put to Shareholders, under Resolution 11, at the Annual General Meeting, that the name of the Company be changed to Aberdeen Growth and Income VCT PLC.

#### **Auditors**

So far as the Directors are aware, there is no relevant audit information (as defined by section 234ZA of the Companies Act 1985) of which the Company's Auditors are unaware and each of the Directors has taken all the steps that he, or she, ought to have taken as a Director in order to make himself, or herself, aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and Resolution 6, to re-appoint Ernst & Young LLP as the Company's Auditors, will be put to the forthcoming Annual General Meeting, along with Resolution 7 to authorise the Directors to fix their remuneration.

#### **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 in order to effect the payment of capital dividends. 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.

#### **Corporate governance**

The Statement of Corporate Governance is shown on pages 27 to 31.

#### **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 44 to 46.

#### **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.

Directors' Report - continued

**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.

**Annual General Meeting**

The notice of the Annual General Meeting, which will be held on 17 July 2007, is contained on pages 49 and 50.

123 St Vincent Street  
Glasgow G2 5EA  
25 May 2007

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 33.

## Remuneration Committee

At 28 February 2007, the Company had four non-executive Directors. Mr J D W Pocock was appointed as a non-executive Director on 1 March 2007. The whole Board fulfils the function of a Remuneration Committee, which is chaired by Mr C G Stuart-Menteth. The names of the Directors who served during the year are shown on page 26, together with the fees paid during the year. During the year ended 28 February 2007, the Board was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration. However, in the application of the Board's 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 2008 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 bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

During the year ended 28 February 2006, the Remuneration 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. At a meeting of the Remuneration Committee held during the year ended 28 February 2007, it was agreed that, while no further increase in Directors' fees was deemed necessary at that time, the policy would be 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

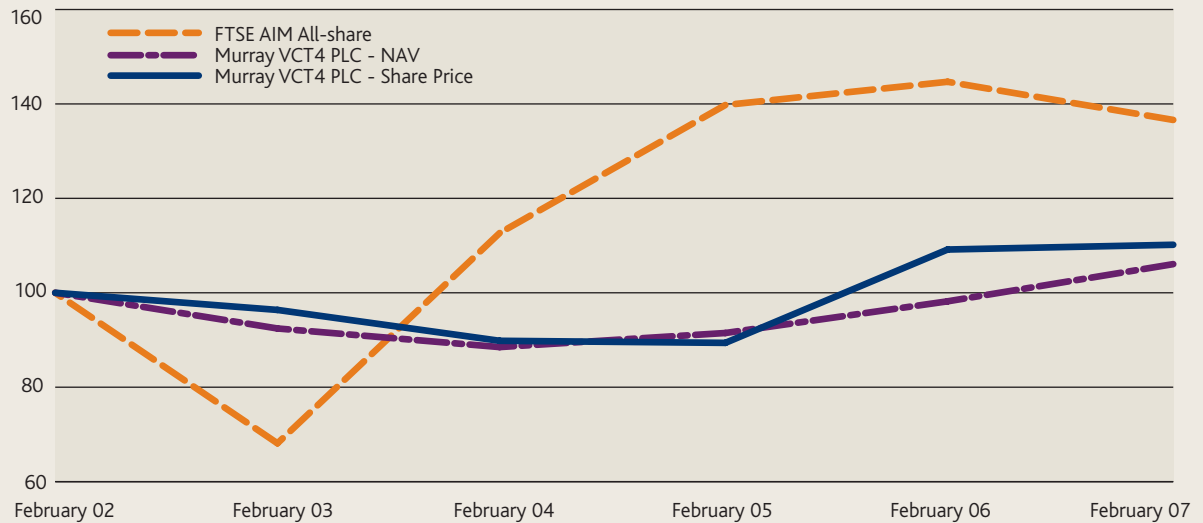
None of the Directors has a contract of service or contract for services and a Director may resign by giving notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. The 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 26 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 2007, 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 All-share index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.

Directors' Remuneration Report - continued

**Total return (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	Year ended
	28 February 2007	28 February 2006
	£	£
F E Wollocombe (Chairman from 7 July 2005)	16,000	13,427
A G MacMillan	12,500	10,500
C G Stuart-Menteth	12,000	10,500
A E Whitworth (Chairman until 7 July 2005)	12,000	12,073
<b>Total</b>	<b>52,500</b>	<b>46,500</b>

No Director has received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 28 February 2007 (2006: nil).

**Approval**

The Directors' Remuneration Report on pages 25 and 26 was approved by the Board of Directors and signed on its behalf by:

25 May 2007

**Fiona E Wollocombe**  
Director

# Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for a venture capital trust and which enables it to comply with the Combined Code, published in July 2006. The Listing Rules of the UK Listing Authority require the Board to report on compliance with the provisions of the Combined Code and this statement describes how the principles and supporting principles identified in the Combined Code have been applied by the Company during the year ended 28 February 2007, except where disclosed below. The exception to Compliance with the Combined Code, which is explained more fully under the heading of "The Board", was as follows:

- a senior non-executive Director has not been appointed (Code requirement A3.3).

## The Board

The Board currently consists of five 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 sets the Company's values and objectives and ensure that its obligations to Shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- 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;
- 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 required by provision A3.3 of the Combined Code, as the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead. Consequently, no individual has unfettered powers of decision. The Chairman is Chairman of the Management Engagement and Nomination Committees as the Board considers that she has the skills and experience relevant to these roles.

The Board meets at least four times each year and, between meetings, maintains regular contact with the Manager. The primary focus of quarterly Board meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues. During the year ended 28 February 2007, the Board held four scheduled quarterly Board meetings and three meetings by telephone. In addition, there were two meetings of the Audit Committee and one each of the Management Engagement, Nomination and Remuneration Committees.

## Statement of Corporate Governance – continued

Directors have attended Board and Committee meetings during the year ended 28 February 2007 as follows:

Director	Board meetings	Management			
		Audit Committee meetings	Engagement Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
F E Wollocombe	7	2	1	1	1
A G MacMillan	7	2	1	1	1
C G Stuart-Menteth	7	2	1	1	1
A E Whitworth	7	2	1	1	1

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 both he and the Company have an investment.

### 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.

### Committees

Each of the Committees has been established with written terms of reference and comprise the full Board, the members of which are all independent and free from any relationship that would interfere with important judgement in carrying out their responsibilities. The terms of reference of each of the Committees, which are available on request from the Registered Office of the Company, 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 the receiving of reports from internal and external auditors on a regular basis;
- the review of the Interim and Annual Reports and Financial Statements;
- the review of the terms of appointment of the Auditors, together with their remuneration, as well as any non-audit services provided by the Auditors;
- the review of the scope and results of the audit and the independence and objectivity of the Auditors;
- the review of the Auditors' management letter and the management response;
- meetings with representatives of the Manager; and
- making appropriate recommendations to the Board.

At least one member of the Committee has recent and relevant financial experience. Two meetings were held during the year ended 28 February 2007.

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. The Company's external Auditors are Ernst & Young LLP which also provides tax services

to the Company. Shareholders are asked to approve the annual re-appointment, and the Directors' responsibility for the remuneration, of the Auditors at each Annual General Meeting. Non-audit work, where independence may be compromised or conflicts arise, is prohibited and any non-audit work, other than interim reviews, requires specific approval of the Audit Committee in each case. The Directors consider that the provision of tax compliance services does not jeopardise the independence of the Auditors and the Audit Committee considers the Auditors to be independent.

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 39.

#### *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 22 and 23. There was one meeting held during the year ended 28 February 2007 at which the management contract was considered.

#### *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 one meeting was held during the year ended 28 February 2007.

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 J D Pocock requires to seek re-election at the Annual General Meeting, this being the first AGM following his appointment on 1 March 2007. At its meeting in January 2007, the Nomination Committee recommended to the Board the re-election of Mr Pocock on the basis of the same qualities that had led to his appointment. Also at its meeting in January 2007, the Nomination Committee recommended to the Board the nomination for re-election of Mr C G Stuart-Menteth, who will retire by rotation at the Annual General Meeting, on the basis of his knowledge of corporate finance and his committed and independent approach to the business of the Company. The Board has endorsed these recommendations and, accordingly, Resolutions will be put to the Annual General Meeting.

#### *Remuneration Committee and Directors' Remuneration*

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 2007 to review the policy for, and the level of, Directors' Remuneration.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 25 and 26.

#### **External agencies**

The Board has contractually delegated to external agencies, including the Manager, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers reports from the Manager and other external agencies on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

#### **Internal control**

The Board of Directors of Murray VCT 4 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

## Statement of Corporate Governance – continued

faced by the Company, which has been in place for the full year under review and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board and accords with the guidance for directors on internal control "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull guidance"). The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

The Directors have delegated the investment management, company secretarial and administrative functions of the Company to Murray Johnstone Limited, a subsidiary of Aberdeen Asset Management PLC. Therefore, the Board considers that it is appropriate for the Company's internal controls to be monitored by the internal audit team of Aberdeen Asset Management PLC, rather than by the Company itself. 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 internal audit and compliance functions of Aberdeen Asset Management PLC, 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 Company's Audit Committee agenda includes an item for the consideration of risks and controls and receives reports thereon from Aberdeen Asset Management PLC. During the year ended 28 February 2007, the Board has considered the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

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.

### Accountability and audit

The Statement of Directors' Responsibilities in Relation to the Financial Statements is on page 32 and a statement of going concern is included in the Directors' Report on page 24.

The Independent Auditors' Report is on page 33. It should be noted that the Auditors, Ernst & Young LLP, rotate the partner responsible for the Company's audit every five years.

### Exercise of voting powers

The Directors believe that the exercise of voting rights lies at the heart of regulation and promotion of corporate governance and, in respect of the Company's investments, the Board has given discretionary voting powers to the Manager. 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.



### **Communication with Shareholders**

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

As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting. Annual and Interim Reports and Financial Statements are distributed to Shareholders and other parties who have an interest in the Company's performance and these Reports and announcements are available on the website of Aberdeen Asset Management PLC. 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 free Shareholder information telephone service run by Aberdeen Asset Management PLC.

The Annual General Meeting is an event at which all Shareholders are welcome to attend and participate. The Notice of Meeting on pages 49 and 50 sets out the business of the Annual General Meeting and the resolutions are explained more fully in the Directors' Report on pages 20 to 24 and in the Directors' Remuneration Report on pages 25 and 26. Separate resolutions are proposed for each substantive issue and Shareholders have the opportunity to put questions to the Board and to the Manager. The results of proxy voting are relayed to Shareholders at the Annual General Meeting, after each Resolution has been dealt with on a show of hands.

## 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 being 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 Financial Statements of Murray VCT 4 PLC for the year ended 28 February 2007 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related Notes 1 to 18. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

## Respective responsibilities of Directors and Auditors

The Directors 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.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Financial

Calendar, Dividend Schedule, Corporate Summary, Your Board, Financial History, Analysis of Unlisted and AIM Portfolio, Chairman's Statement, Investment Manager's Report, Summary of Investment Changes, Investment Portfolio Summary, Largest Unlisted and AIM Investments, Directors' Report, the unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Venture Capital Trusts, Tax Position of Individual Investors, Notice of Meeting, Corporate Information and Proxy Form. 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 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 the United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28 February 2007 and of its profit for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

## Ernst & Young LLP

Registered Auditor  
Edinburgh

25 May 2007

## Income Statement

For the year ended 28 February 2007

	Notes	Year ended 28 February 2007			Year ended 28 February 2006		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Investment income and deposit interest	2	687	–	687	1,053	–	1,053
Investment management fees	3	(141)	(563)	(704)	(165)	(660)	(825)
Other expenses	4	(193)	–	(193)	(187)	–	(187)
Gains on investments	8	–	2,748	2,748	–	1,931	1,931
<b>Profit on ordinary activities before taxation</b>		<b>353</b>	<b>2,185</b>	<b>2,538</b>	<b>701</b>	<b>1,271</b>	<b>1,972</b>
Tax on ordinary activities	5	(51)	51	–	(196)	196	–
<b>Profit on ordinary activities after taxation</b>		<b>302</b>	<b>2,236</b>	<b>2,538</b>	<b>505</b>	<b>1,467</b>	<b>1,972</b>
<b>Earnings per share (pence)</b>	<b>7</b>	<b>0.8</b>	<b>6.3</b>	<b>7.1</b>	<b>1.4</b>	<b>4.0</b>	<b>5.4</b>

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

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

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

## Reconciliation of Movements in Shareholders' Funds

For the year ended 28 February 2007

Notes	Year ended	Year ended
	28 February 2007	28 February 2006
	£'000	£'000
Opening Shareholders' funds	28,488	28,632
Total profit for year	2,538	1,972
Repurchase and cancellation of shares	13 (356)	(979)
Dividends paid - revenue	6 (286)	(406)
Dividends paid - capital	6 (1,639)	(731)
<b>Closing Shareholders' funds</b>	<b>28,745</b>	<b>28,488</b>

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

# Balance Sheet

As at 28 February 2007

	Notes	28 February 2007		28 February 2006	
		£'000	£'000	£'000	£'000
<b>Investments at fair value through profit or loss</b>	8		<b>21,559</b>		<b>27,906</b>
<b>Current assets</b>					
Debtors	10	899		834	
Cash and overnight deposits		6,922		242	
		7,821		1,076	
<b>Creditors</b>					
Amounts falling due within one year	11	635		494	
<b>Net current assets</b>			<b>7,186</b>		<b>582</b>
<b>Net assets</b>			<b>28,745</b>		<b>28,488</b>
<b>Capital and reserves</b>					
Called up share capital	12		3,546		3,602
Share premium account	13		17,235		17,235
Realised capital reserve	13		452		(3,192)
Unrealised capital reserve	13		(5,270)		(3,862)
Capital redemption reserve	13		339		283
Profit and loss account	13		12,443		14,422
<b>Net assets attributable to Ordinary Shareholders</b>			<b>28,745</b>		<b>28,488</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	14		<b>81.1</b>		<b>79.1</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 April 2007 and were signed on its behalf by:

25 May 2007

**Fiona E Wollocombe**  
Director

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

# Cash Flow Statement

For the year ended 28 February 2007

	Notes	28 February 2007		28 February 2006	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		1,065		1,706	
Deposit interest received		44		23	
Investment management fees paid		(700)		(460)	
Secretarial fees paid		(50)		(66)	
Directors' expenses paid		(64)		(49)	
Other cash payments		(89)		(88)	
<b>Net cash inflow from operating activities</b>	15		206		1,066
<b>Financial investment</b>					
Purchase of investments		(6,283)		(12,190)	
Sale of investments		15,038		13,322	
<b>Net cash inflow from financial investment</b>			8,755		1,132
<b>Equity dividends paid</b>			(1,925)		(1,137)
<b>Net cash inflow before financing</b>			7,036		1,061
<b>Financing</b>					
Repurchase of Ordinary Shares		(356)		(1,079)	
<b>Net cash outflow from financing</b>			(356)		(1,079)
<b>Increase/(decrease) in cash</b>	16		<b>6,680</b>		<b>(18)</b>

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

# Notes to the Financial Statements

For the year ended 28 February 2007

## 1. Accounting policies - UK Generally Accepted Accounting Practice

### (a) Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP") issued in 2005.

### (b) Income

Dividends receivable on equity shares and unit trusts are treated as revenue for the period 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 period. 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 and charged to the Income Statement. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition and disposal of an investment are charged to capital; and
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee 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.

### (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 the 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.  
A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.
2. Whenever practical, recent investments will be valued by reference to a material arm's length transaction or a quoted price.
3. Mature companies are valued by applying a multiple to their fully taxed prospective earnings to determine the enterprise value of the company.
  - 3.1 To obtain a valuation of the total ordinary share capital held by management and the institutional investors, the value of third party debt, institutional loan stock, debentures and preference share capital is deducted from the enterprise value. The effect of any performance related mechanisms is taken into account when determining the value of the ordinary share capital.

- 3.2 Preference shares, debentures and loan stock are valued using the Price of Recent Investment Method. When a redemption premium has accrued, this will only be valued if there is a reasonable prospect of it being paid. Preference shares which carry a right to convert into ordinary share capital are valued at the higher of the Price of Recent Investment Method basis and the price/earnings basis, both described above.
4. Where there is evidence of impairment, a provision may be taken against the previous valuation of the investment.
  5. In the absence of evidence of a deterioration, or strong defensible evidence of an increase in value, the fair value is determined to be that reported at the previous balance sheet date.
  6. All unlisted investments are valued individually by Aberdeen Private Equity's Portfolio Management Team. The resultant valuations are subject to detailed scrutiny and approval by the Directors of the Company.
  7. In accordance with normal market practice, investments listed on the Alternative Investment Market or a recognised stock exchange are valued at their bid market price.

**(f) Gains and losses on investments**

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

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
<b>2. Investment income and deposit interest</b>		
Income from investments:		
UK franked investment income	114	(27)
UK unfranked investment income	422	681
Income from unlisted participating interests	103	359
	639	1,013
Interest receivable and similar income:		
Deposit interest	35	22
Other income	13	18
	48	40
<b>Total income</b>	<b>687</b>	<b>1,053</b>

During the year, provisions totalling £283,000 were made in respect of income not expected to be received.

	Year ended 28 February 2007			Year ended 28 February 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3. Investment management fees</b>						
Minimum investment management fees	43	171	214	64	257	321
Performance based investment management fees	77	308	385	76	305	381
	120	479	599	140	562	702
Irrecoverable VAT	21	84	105	25	98	123
	<b>141</b>	<b>563</b>	<b>704</b>	<b>165</b>	<b>660</b>	<b>825</b>

Details of the fee basis are contained in the Directors' Report on pages 22 and 23.



	Year ended 28 February 2007			Year ended 28 February 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>4. Other expenses</b>						
Secretarial fees	50	–	50	50	–	50
Directors' remuneration	53	–	53	47	–	47
Fees to Auditors - audit services	14	–	14	13	–	13
Fees to Auditors - tax services	2	–	2	2	–	2
Irrecoverable VAT	15	–	15	18	–	18
Miscellaneous expenses	59	–	59	57	–	57
	<b>193</b>	<b>–</b>	<b>193</b>	<b>187</b>	<b>–</b>	<b>187</b>

	Year ended 28 February 2007			Year ended 28 February 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5. Tax on ordinary activities</b>						
Corporation tax	51	(51)	–	196	(196)	–

#### 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%. (2006: 30%). The differences are explained below:

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
Profit on ordinary activities before tax	353	701
Profit on ordinary activities multiplied by standard rate of corporation tax	106	210
Movement in excess management expenses	–	(21)
Smaller companies relief	(21)	–
Effect of income not subject to taxation	(34)	7
	<b>51</b>	<b>196</b>

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

The Company has not recognised a deferred tax asset of £253,848 (2006: £156,624) 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.

Notes to the Financial Statements - continued

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
<b>6. Dividends</b>		
Amounts recognised as distributions to Equity Shareholders in the year:		
<b>Revenue dividends</b>		
Final revenue dividend for the year ended 28 February 2006 of 0.8p (2005: 0.6p) paid on 28 July 2006	286	226
Interim revenue dividend for the year ended 28 February 2007 of Nil (2006: 0.5p)	–	183
Overaccrual in prior years	–	(3)
	<b>286</b>	<b>406</b>
<b>Capital dividends</b>		
Capital dividend for the year ended 28 February 2006 of 1.6p (2005: Nil) paid on 28 July 2006	572	–
Capital dividend for the year ended 28 February 2007 of 3.0p (2006: 1.6p) paid on 15 December 2006	1,067	731

In addition, a capital dividend of 4.0p per Ordinary Share was paid on 23 March 2007 and a final capital dividend of 2.0p per Ordinary Share has been proposed for payment on 27 July 2007.

Set out below are 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.

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
<b>Revenue dividends</b>		
Revenue available for distribution by way of dividends for the year	302	505
Interim revenue dividend for the year ended 28 February 2007 of Nil (2006: 0.5p)	–	183
Final revenue dividend for the year ended 28 February 2007 0.8p (2006: 0.8p) payable on 27 July 2007	284	288
<b>7. Earnings per share</b>		
The returns per share have been based on the following figures:		
Weighted average number of Ordinary Shares	35,650,705	36,988,753
Revenue return	£302,000	£505,000
Capital return	£2,236,000	£1,467,000
<b>Total return</b>	<b>£2,538,000</b>	<b>£1,972,000</b>

## 8. Investments

During the year, unlisted and AIM investments in Black Teknigas, Bond Aviation Solutions, Businesshealth, EIG (Investments), Enterprise Food Group, GW1016, Heathcotes Restaurants, Mercury Inns, Mining Communications, Original Shoe Company, Patisserie (UK), Styles & Wood Holdings, TMI Foods, 1st Dental Laboratories, AssetCo, Autoclenz, Avanti Screenmedia, Axeon, Billing Services Group, Cello Group, Citel Technologies, Concateno, Fountains, Individual Restaurant Company, Inspicio, Leisure & Gaming, Mattioli Woods, Neutrahealth, Spectrum Interactive, Synexus, Talarius, Tanfield Group and United Clearing were sold for a total of £8,989,000 against a cost of £4,260,000. In addition, loan stock in Bond Aviation Solutions, Conveco, EIG (Investments), ELE Advanced Technologies, First Line, GW1016, Heathcotes Restaurants, Mercury Inns, Mining Communications, Original Shoe Company, Styles & Wood Holdings and The BigWord were sold for a total of £4,165,000 against a cost of £4,730,000.

The net unrealised loss on the unlisted and AIM investments at 28 February 2007 was £5,900,000 comprising £5,557,000 unrealised gains and provisions of £11,457,000 (2006: net unrealised loss of £4,537,000 comprising £5,386,000 unrealised gains and provisions of £9,923,000).

	Year ended 28 February 2007		
	Listed £'000	Unlisted and AIM £'000	Total £'000
Valuation at 1 March 2006	1,855	26,051	27,906
Unrealised loss	–	4,537	4,537
Cost at 1 March 2006	1,855	30,588	32,443
Purchases	985	4,887	5,872
Sales	(1,829)	(13,154)	(14,983)
Realised (losses)/gains	(7)	4,163	4,156
Amortisation of book cost	(29)	–	(29)
Cost at 28 February 2007	975	26,484	27,459
Unrealised loss	–	(5,900)	(5,900)
<b>Valuation at 28 February 2007</b>	<b>975</b>	<b>20,584</b>	<b>21,559</b>
	<b>31 January 2007</b>		<b>31 January 2006</b>
	£'000		£'000
Realised gain on historical basis	4,156		429
Provision for investment guarantee	(45)		–
Net movement in unrealised loss	(1,363)		1,502
<b>Gains on investments</b>	<b>2,748</b>		<b>1,931</b>

## 9. Participating interests

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

Notes to the Financial Statements - continued

At 28 February 2007 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	% of equity held	28 February 2007		Latest accounts period end	Aggregate capital and reserves £'000	Profit/(loss) after tax for period £'000
			Total cost £'000	Carrying value £'000			
<b>GW 665 Limited</b>							
9,259 ordinary shares	23.1	23.1	9	–	30/6/05	34	(120)
<b>House of Dorchester Holdings Limited</b>							
975 A ordinary shares	32.5	44.2	910	1,338	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						
<b>TLC (Tender Loving Childcare) Limited</b>							
46,469 B ordinary shares	48.9	23.2	1,516	1,516	31/12/05	(3,367)	(373)
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						
<b>Transys Projects Limited*</b>							
38,119 B ordinary shares	50.0	20.9	825	2,874	31/12/05	1,757	1,208
5,000 preference shares	50.0						
£572,500 loan stock	50.0						

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

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

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

Details of the equity percentages held are shown in the Investment Portfolio Summary on page 15 and 16.

10. Debtors	28 February 2007	28 February 2006
	£'000	£'000
Current taxation	77	71
Prepayments and accrued income	311	708
Amounts due from brokers	511	55
	<b>899</b>	<b>834</b>

11. Creditors	28 February 2007	28 February 2006
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Accruals	490	494
Provision for investment guarantee	45	–
Amounts due to brokers	100	–
	<b>635</b>	<b>494</b>

12. Share capital	28 February 2007		28 February 2006	
	Number	£'000	Number	£'000
<i>At 28 February, the authorised share capital comprised: allotted, issued and fully paid:</i>				
Ordinary Shares of 10p each				
Balance brought forward	36,025,976	3,602	37,743,567	3,774
Repurchased and cancelled in year	(561,984)	(56)	(1,717,591)	(172)
Balance carried forward	35,463,992	3,546	36,025,976	3,602
Unissued unclassified shares of 10p each	24,536,008	2,454	23,974,024	2,398
	<b>60,000,000</b>	<b>6,000</b>	<b>60,000,000</b>	<b>6,000</b>

During the year, 561,984 Ordinary Shares (2006: 1,717,591) of 10p each were repurchased by the Company at a total cost of £356,315 (2006: £979,264) and cancelled.

13. Movement in reserves	Year ended 28 February 2007				
	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Capital redemption reserve £'000	Profit and loss account
At 1 March 2006	17,235	(3,192)	(3,862)	283	14,422
Gains on sales of investments	–	4,156	–	–	–
Tax effect of capital items	–	51	–	–	–
Investment management fees	–	(563)	–	–	–
Net decrease in value of investments	–	–	(1,408)	–	–
Dividends paid	–	–	–	–	(1,925)
Repurchase and cancellation of shares	–	–	–	56	(356)
Profit on ordinary activities after taxation	–	–	–	–	302
<b>At 28 February 2007</b>	<b>17,235</b>	<b>452</b>	<b>(5,270)</b>	<b>339</b>	<b>12,443</b>

#### 14. Net Asset Value per Ordinary Share

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

	28 February 2007		28 February 2006	
	Net Asset Value per share p	Net Asset Value attributable £'000	Net Asset Value per share p	Net Asset Value attributable £'000
Ordinary Shares	81.1	28,745	79.1	28,488

The number of Ordinary Shares used in this calculation is set out in Note 12 to the Financial Statements.

Notes to the Financial Statements - continued

	Year ended 28 February 2007	Year ended 28 February 2006
<b>15. Reconciliation of net return before taxation to net cash inflow from operating activities</b>	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	2,538	1,972
Gains on investments	(2,748)	(1,931)
Decrease in debtors	399	592
(Increase)/decrease in prepayments	(2)	2
(Decrease)/increase in accruals	(4)	348
Amortisation of fixed income investment book cost	29	74
Tax on unfranked income	(6)	9
<b>Net cash inflow from operating activities</b>	<b>206</b>	<b>1,066</b>

	At 1 March 2006 £'000	Cash flows £'000	At 28 February 2007 £'000
<b>16. Analysis of changes in net funds</b>			
Cash and overnight deposits	242	6,680	6,922

	At 1 March 2005 £'000	Cash flows £'000	At 28 February 2006 £'000
<b>Cash and overnight deposits</b>	<b>260</b>	<b>(18)</b>	<b>242</b>

	28 February 2007 £'000	28 February 2006 £'000
<b>17. Capital commitments</b>		
Conditional capital commitments on unlisted investments	511	557

**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 2007.

Further information on the investment portfolio is set out in the Analysis of Unlisted and AIM Portfolio on pages 6 and 7, the Investment Manager's Review on page 11 to 13, the Summary of Investment Changes on page 14, the Investment Portfolio Summary on pages 15 and 16 and the Largest Unlisted and AIM Investments on pages 17 and 18.

(ii) **Interest rate risk**

	28 February 2007		
	Fixed interest	Floating rate	Non-interest bearing
	£'000	£'000	£'000
<b>Sterling</b>			
Listed	975	–	–
Unlisted and AIM	8,425	–	12,159
Cash	–	2,548	4,374
	<b>9,400</b>	<b>2,548</b>	<b>16,533</b>

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

The listed fixed interest assets have a weighted average life of 0.02 years (2006: 1.0 year) and weighted average interest rate of 4.6% (2006: 4.4%) 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 3.9 years (2006: 3.8 years) and a weighted average interest rate of 11.6% (2006: 11.4%). 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 2007	Within	Within	Within	Within	Within	More than	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Listed	975	–	–	–	–	–	975
Unlisted and AIM	2,241	1,571	891	1,263	359	2,100	8,425
	<b>3,216</b>	<b>1,571</b>	<b>891</b>	<b>1,263</b>	<b>359</b>	<b>2,100</b>	<b>9,400</b>

Within "more than 5 years" there is a figure of £750,300 in respect of preference shares which have no redemption date.

Notes to the Financial Statements - continued

At 28 February 2006	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'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
	<b>902</b>	<b>2,664</b>	<b>1,491</b>	<b>1,926</b>	<b>1,554</b>	<b>4,706</b>	<b>13,243</b>

Within "more than 5 years" there is a figure of £656,000 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 and cash is held to offset the liquidity risk.



# Venture Capital Trusts

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

- a VCT's income must be derived wholly or mainly from shares or securities;
- a VCT must retain not more than 15% of its income derived from shares or securities;
- no holding in any company can represent more than 15% by value of a VCT's investments; and
- 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.

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' duration, 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 ("AIM")), which exist wholly for the purpose of carrying on one or more qualifying trades wholly or mainly in the United Kingdom. The holding must consist of shares or securities which were first issued to and have been ever since continuously held by the VCT.

A qualifying trade is any other than:

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

VCTs may count an investment of up to £1 million in total in a qualifying trading company in any one year towards the 70% qualifying requirement provided that, for VCTs raised before 5 April 2006, the gross assets of the company do not exceed £15 million prior to the investment or £16 million following the investment; these figures were revised to £7 million and £8 million respectively for VCT monies raised after 5 April 2006.

In the budget of March 2007, additional regulations were proposed for funds raised after 5 April 2007; for a company to qualify as a VCT investment, it must have no more than 50 full-time employees at the date of the issue of securities and no more than £2 million may be invested by all venture capital schemes in the 12 month period up to and including the date of 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 detailed below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts ("VCTs") in any tax year do not exceed the qualifying limit, which is currently £200,000.

### *Relief from income tax*

An investor subscribing for new ordinary shares in a VCT during the tax year 2006/2007 was entitled to claim income tax relief of up to 30 per cent on amounts subscribed up to a maximum of £200,000. Relief is limited to the amount which reduces the investor's income tax liability to nil. This relief must be repaid should the shares be sold or otherwise disposed of within five years.

An investor who subscribes for, or acquires up to, the maximum of £200,000 in ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by the 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 £200,000 in value of ordinary shares in a VCT in any tax 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 the disposal of shares in the VCT. 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 HM Revenue & Customs 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 the value of shares and the 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 HM Revenue & Customs. Reliefs will be given during a period when provisional approval only is in force but, if provisional approval is withdrawn, all tax reliefs will be cancelled with retrospective effect. If unconditional approval is withdrawn, any tax reliefs are no longer available and substantial tax liabilities can be expected to be incurred by shareholders and the VCT.

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

# Notice of Meeting

The Annual General Meeting of Murray VCT 4 PLC will be held on Tuesday 17 July 2007 at 2.15p.m. at Sutherland House, 149 St Vincent Street, Glasgow G2 5NW, to transact the following business:

## Ordinary Business

1. To receive the Directors' Report and audited Financial Statements for the year ended 28 February 2007.
2. To approve the Directors' Remuneration Report.
3. To declare a final dividend.
4. To re-elect Mr C G Stuart-Menteth\* as a Director.
5. To re-elect Mr J D W Pocock\* as a Director.
6. To re-appoint Ernst & Young LLP as Auditors.
7. To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

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 (either for cancellation or for retention in Treasury for future re-issue or transfer) provided always that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 5,316,052 representing 14.99 per cent of the Company's issued Ordinary Share capital as at 25 May 2007;
- (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 £354,639 (representing 10 per cent of the total Ordinary Share capital in issue on 25 May 2007) 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 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 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 £354,639 (representing 10 per cent of the total Ordinary Share capital in issue on 25 May 2007).

11. That the name of the Company be changed to Aberdeen Growth and Income VCT PLC.

149 St Vincent Street  
Glasgow G2 5NW  
25 May 2007

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

## Notice of Meeting – continued

### 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 15 July 2007 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 15 July 2007 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 Proxy Processing Centre, Telford Road, Bicester OX26 4LD or delivered by hand 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 25 and 26.

Details of Resolutions 3 to 11 are shown in the Directors' Report as follows:

Resolution 3	Pages 20 and 21	Results and dividends
Resolutions 4 and 5	Page 22	Directors
Resolutions 6 and 7	Page 23	Auditors
Resolution 8	Page 21	Purchase of Ordinary Shares
Resolutions 9 and 10	Page 21	Issue of new Ordinary Shares
Resolution 11	Page 23	Change of name

Registered in England and Wales - Company Number 3908220

# Corporate Information

## Directors

Fiona E Wollocombe (Chairman)  
Arthur G MacMillan  
John D W Pocock  
Charles G Stuart-Menteth  
Anthony E Whitworth

## Manager and Secretary

Murray Johnstone Limited  
Sutherland House  
149 St Vincent Street  
Glasgow G2 5NW  
  
Customer Services Department  
Freephone: 0845 300 2830 (open Monday to Friday 9am-5pm)  
e-mail: vcts@aberdeen-asset.com

## Points of Contact

*The Chairman and/or the Company Secretary at:*  
Sutherland House  
149 St Vincent Street,  
Glasgow G2 5NW  
e-mail: company.secretary@invtrusts.co.uk

## Website

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

## Registered Office

One Bow Churchyard  
Cheapside  
London EC4M 9HH

Registered in England and Wales  
Company Registration Number: 3908220

## Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
West Yorkshire HD8 0LA  
Shareholder Helpline: 0870 162 3100

## Auditors

Ernst & Young LLP

## Custodian Bankers

J P Morgan Chase Bank

## Solicitors

S J Berwin

## Stockbrokers

Teather & Greenwood Limited





**Murray Johnstone Limited**

10 Queen's Terrace

Aberdeen AB10 1YG

Tel 01224 631999 Fax 01224 647010

149 St Vincent Street

Glasgow G2 5NW

Tel 0141 306 7400 Fax 0141 306 7401

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

