Murray
VCT 4
PLC

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

Interim Report
31 August 2002

Analysis of Unlisted Portfolio

As at 31 August 2002

FTSE Actuaries Industry Sector	£'000	%
Transport	2,013	17.0
Engineering & Machinery	1,966	16.6
Support Services	1,580	13.3
Health	1,460	12.3
Leisure, Entertainment & Hotels	1,147	9.7
Media & Photography	1,064	8.9
General Retailers	1,000	8.4
Distributors	641	5.4
Construction & Building Materials	600	5.1
Oil & Gas	255	2.2
Telecommunication Services	130	1.1
Total	**11,856**	**100.0**

Deal Type	No. of deals	£'000	%
Development Capital	14	5,754	48.6
Management Buy-outs	6	4,534	38.2
Acquisition Finance	3	1,568	13.2
Management Buy-ins	1	–	–
Total	**24**	**11,856**	**100.0**

Aberdeen Murray Johnstone Regional Office	No. of deals	£'000	%
Birmingham	9	6,575	55.5
Manchester	7	3,445	29.0
Glasgow	3	979	8.3
Leeds	3	602	5.0
Aberdeen	1	255	2.2
London	1	–	–
Total	**24**	**11,856**	**100.0**

Note: The total portfolio of investments, including both listed and unlisted investments, is valued at £33,181,000.

Investment Review

Investment activity

Further unlisted investment during the six months to 31 August 2002, totalled £3.41 million. At 31 August 2002, the portfolio stood at 24 investments, having a total cost of £15.4 million and representing a qualifying investment level of 40%. Since the period end, further investments have been completed, taking the portfolio to 25 companies at a total cost of £16.3 million. Reflecting the trend of deals available, the Directors' valuation as at 31 August 2002 comprised: 48.6% development capital; 38.2% management buy-outs; and 13.2% acquisition finance.

The following new investments have been made since the publication of the annual report:

Transys Projects Limited (May 2002) - £825,000: Based in Birmingham, Transys supplies engineering services to the rail industry, predominantly in the UK.

Transrent Holdings Limited (June 2002) - £348,774: Operating from Stafford, Transrent is one of the fastest growing companies in the UK trailer rental market, providing finance packages and transport solutions for all types of hauliers from single unit operators to major blue chip organisations.

House of Dorchester Limited (September 2002) - £650,000: Based in Alton, Hampshire, House of Dorchester is a manufacturer of premium quality chocolates producing a variety of own brand and personalised individual and packaged chocolates and bars for a wide diversity of customers.

Performance

The strength of sterling, combined with UK interest rates that are now relatively high in international terms, has made the environment for manufacturing companies particularly difficult for some considerable time. These conditions, in the context of the relentless falls in stock markets around the world, continue to have an adverse impact on valuations in the investment portfolio.

The Net Asset Value (NAV) per share at 31 August 2002, before payment of the interim dividend, was 88.2p compared with 88.6p at 28 February 2002. This decrease in NAV of 0.5% compares with significant reductions in stock market indices generally and, in particular, the FTSE SmallCap Index which fell by 17.0% over the period and the FTSE AIM Index and FTSE techMark 100 Index which fell by 20.9% and 34.6% respectively.

Portfolio developments

Economic conditions remain extremely difficult and, in addition, banking terms are becoming noticeably more robust. We have supported a number of companies in the portfolio with additional investment but there have been several disappointments with the failures of Cool Beans and Interak. The first had already been fully provided against before its failure; however the downturn in trading at Interak and the failure to secure adequate banking facilities for the future meant that we could not justify further investment. In light of the substantial fall in stock markets, further reductions in valuations have been necessary.

Investment Review

Trade sales will be pursued and, although current market conditions greatly hamper this process a limited number of sales should occur where conditions and underlying performance offer attractive exits. The unlisted portfolio comprises entirely private equity minority stakes, which by their nature are illiquid and can be sold only as part of a planned process.

Dividends and returns to date

In the Annual Report for the year ended 28 February 2002, the Board proposed a final dividend of 1.5p per share. The dividend was paid on 22 July 2002 to shareholders on the register at close of business on 28 June 2002. The Board now declares an interim dividend of 1p per share to be paid on 10 December 2002 to shareholders on the register on 15 November 2002.

Since the Company's launch, most shareholders will have received 6.3p in tax free dividends. To an investor who took advantage of the initial tax relief, this represents a return of over 7% of the effective initial investment cost of 80p per share. This is equivalent to an annual dividend yield of 4.34% from a conventional listed equity for a higher rate taxpayer. This yield ignores the benefit of capital gains tax deferrals which some shareholders may have received. This compares with the FTSE SmallCap yield of 2.8% and FTSE All-Share yield of 3.28%. The total return of 93.5p, being the sum of dividends paid plus NAV, compares with the initial net subscription cost of 80p, for a shareholder who subscribed at launch.

Dividend reinvestment

Shareholders may opt to reinvest their dividends in new Murray VCT 4 shares and enjoy the same tax reliefs as were available on their initial investments. Full details of the terms and conditions applicable to the reinvestment of dividends are available from the Manager.

Valuation process

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

In the short-term the NAV on its own is not, in the Board's view, the most critical measure of performance as the underlying investments are long-term in nature and not readily realisable. Valuations of the unlisted investments tend to be conservative and therefore the true potential value will not be reflected until an investment is realised. The most important measures for a VCT are the long term record of dividend payments and the timing of these payments over the life of the Company.

Investment Review

Board of Directors

As previously announced, Sir Gavin Laird (69), who will reach age 70 prior to the next annual general meeting of the Company, resigned as Chairman with effect from 11 October 2002, but remains on the Board as a Director. The Board gratefully acknowledges Sir Gavin's contribution as Chairman during his period in office.

Mr A E Whitworth (67), who has served as a Director since 19 January 2000, was appointed Chairman, also with effect from 11 October 2002.

Outlook

The portfolio includes a core of investments whose prospects should be good but, given the current backdrop of poor economic and market conditions, it could be some time before those prospects can be demonstrated in profitable realisations. The Manager is continuing to work with the portfolio companies to improve performance with a view to maximising the proceeds from eventual exits.

Murray VCT 4 is not yet fully invested, however the Manager will continue to make new investments, where possible in larger companies, until an investment level of around 85% is achieved. The recent falls in stock market indices have led to more realistic pricing expectations in the private equity market. This, together with the continuing strong deal flow being generated by the Aberdeen Murray Johnstone network of seven offices, ensures a continual flow of opportunities in which the Company can invest.

By order of the Board
Murray Johnstone Limited
Secretary

15 October 2002

Summary of Investment Changes

For the six months ended 31 August 2002

	Valuation 28 February 2002 £'000	%	Net investment (disinvestment) £'000	Appreciation (depreciation) £'000	Valuation 31 August 2002 £'000	%
Unlisted investments						
Equities	3,048	8.9	750	(233)	3,565	10.7
Preference shares	449	1.3	289	(31)	707	2.1
Loan stock	5,732	16.8	2,342	(490)	7,584	22.6
	9,229	27.0	3,381	(754)	11,856	35.4
Listed investments						
Fixed income	24,671	72.2	(3,458)	112	21,325	63.6
Total investments	33,900	99.2	(77)	(642)	33,181	99.0
Other net assets	270	0.8	82	–	352	1.0
Total assets*	**34,170**	**100.0**	**5**	**(642)**	**33,533**	**100.0**

**Total assets represents equity shareholders funds*

Investment Portfolio Summary

As at 31 August 2002

	Nature of business	Valuation £'000	% of total assets
Unlisted investments			
CCM Motorcycles	Motorcycle manufacturer	1,115	3.3
Conveco	Convenience store operator	1,000	3.0
TLC (Tender Loving Childcare)	Operator of day care nurseries	978	2.9
Synexus	Management of clinical trials	927	2.8
Transys	Supplier of engineering services and equipment to UK Rail Industry	825	2.5
Visual Gold	Creative design and animation services	698	2.1
Mercury Inns	Operator of freehold food-led pubs and consultancy services	644	1.9
ELE Advanced Technologies	Precision engineering	641	1.9
First Line	Supplier and distributor of automotive parts to aftermarket	641	1.9
Link Up Mitaka	Provider of language translation services	601	1.8
Other investments valued individually at less than £600,000		3,786	11.3
		11,856	35.4
Listed fixed income investments			
Treasury 5% 7/6/2004		6,346	18.9
Treasury 8.5% 7/12/2005		5,124	15.3
Treasury 6.5% 7/12/2003		3,819	11.4
European Investment Bank 6% 26/11/2004		3,621	10.8
Treasury 8% 10/6/2003		2,415	7.2
		21,325	63.6
Total investments		**33,181**	**99.0**

Independent Review Report to Murray VCT 4 PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 August 2002 which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 4. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review of work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2002.

Ernst & Young LLP

15 October 2002 Glasgow

Profit and Loss Account

For the six months ended 31 August 2002 (unaudited)

	Notes	Six months to 31 August 2002 £'000	Six months to 31 August 2001 (restated) £'000	Year ended 28 February 2002 £'000
Income				
Investment income		1,035	1,033	2,047
Other income		5	13	17
Investment management fees		(505)	(433)	(854)
Other expenses		(83)	(86)	(224)
Operating profit		452	527	986
(Loss)/profit on realisation of investments		(38)	(13)	3
Profit on ordinary activities before taxation		414	514	989
Tax on ordinary activities		(123)	(178)	(308)
Profit on ordinary activities after taxation		291	336	681
Ordinary dividends on equity shares:				
Interim 1.0p (2001 – 1.0p)		(385)	(385)	(385)
Final 1.5p (2001 – 1.8p)		–	–	(578)
Over accrual in prior years		2	–	–
Balance transferred from reserves		**(92)**	**(49)**	**(282)**
Earnings per share (pence)	4	**0.8**	**0.9**	**1.8**

Statement of Total Recognised Gains and Losses

For the six months ended 31 August 2002 (unaudited)

	Six months to 31 August 2002 £'000	Six months to 31 August 2001 (restated) £'000	Year ended 28 February 2002 £'000
Profit on ordinary activities after taxation	291	336	681
Unrealised loss on revaluation of investments	(604)	(1,189)	(2,463)
Taxation attributable to unrealised (gains) and losses on investments	102	178	305
Total recognised losses relating to the period	**(211)**	**(675)**	**(1,477)**

Balance Sheet

As at 31 August 2002 (unaudited)

	Notes	31 August 2002 £'000	31 August 2001 (restated) £'000	28 February 2002 £'000
Fixed assets				
Investments		33,181	35,465	33,900
Current assets				
Debtors		1,047	798	805
Cash and short-term deposits		94	461	343
		1,141	1,259	1,148
Creditors				
Amounts falling due within one year		789	1,234	878
Net current assets		352	25	270
		33,533	**35,490**	**34,170**
Capital and reserves				
Called up share capital		3,846	3,849	3,856
Share premium	3	17,101	32,718	17,021
Revaluation reserve	3	(2,632)	(919)	(2,065)
Capital redemption reserve	3	19	–	–
Profit and loss account	3	15,199	(158)	15,358
Equity shareholders' funds		**33,533**	**35,490**	**34,170**
Net Asset Value per Ordinary share (pence)		**87.2**	**92.2**	**88.6**

The financial statements were approved by the Board of Directors on 14 October 2002 and were signed on its behalf by:

A E Whitworth
Director

15 October 2002

Cash Flow Statement

For the six months ended 31 August 2002 (unaudited)

	Six months to 31 August 2002 £'000	Six months to 31 August 2001 £'000	Year ended 28 February 2002 £'000
Operating activities			
Investment income received	880	905	2,028
Deposit interest received	3	15	19
Investment management fees paid	(415)	(381)	(807)
Secretarial fees paid	(31)	(30)	(60)
Cash paid to and on behalf of Directors	(21)	(29)	(56)
Other cash payments	(41)	(41)	(114)
Net cash inflow from operating activities	375	439	1,010
Taxation			
Corporation tax	36	–	(544)
Financial investment			
Purchase of investments	(7,430)	(2,883)	(4,444)
Sale of investments	7,388	2,679	4,420
Net cash outflow from financial investment	(42)	(204)	(24)
Equity dividends paid	(576)	(690)	(1,075)
Net cash outflow before financing	(207)	(455)	(633)
Financing			
Issue of Ordinary shares	90	118	178
Repurchase of Ordinary shares	(132)	–	–
Net cash (outflow)/inflow from financing	(42)	118	178
Decrease in cash	**(249)**	**(337)**	**(455)**

Notes to the Financial Statements

1. Accounting policies

The financial information contained in this report has been prepared on the basis of the accounting policies set out in the Annual Report for the year ended 28 February 2002. The results for the year ended 28 February 2002 are abridged from the full accounts for that year, which received an unqualified report from the Auditors and have been filed with the Registrar of Companies.

2. Changes in the presentation of financial statements

The comparative figures for the six months to 31 August 2001 have been restated in line with the changes in the presentation required following the companies revokation on 23 October 2001 of its investment company status, as disclosed in the Annual Report to 28 February 2002.

The effect of the restatement has been to reduce the profit on ordinary activities after taxation, equivalent to the revenue return on ordinary activities after taxation under the previous presentation, by £209,000 in respect of the six months to 31 August 2001, reflecting the net loss on realisation of investments, investment management fees and other expenses charged to the profit and loss account.

In the balance sheet, the revenue reserve and realised capital losses presented in prior periods have been combined into the profit and loss account. The revaluation reserve records revaluation amounts previously included in the unrealised capital reserve.

3. Movement in reserves	**Share premium account £'000**	**Revalution reserve £'000**	**Capital redemption reserve £'000**	**Profit and loss account £'000**
As at 1 March 2002	17,021	(2,065)	–	15,358
Issue of shares	80	–	–	–
Repurchase and cancellation of shares	–	–	19	(132)
Transfer of realised gains to profit and loss account	–	(93)	–	93
Tax effect of transfer of profits to profit and loss account	–	28	–	(28)
Taxation attributable to unrealised loss on investment	–	102	–	–
Net decrease in value of investments	–	(604)	–	–
Retained loss for the period	–	–	–	(92)
As at 31 August 2002	**17,101**	**(2,632)**	**19**	**15,199**

4. Earnings and NAV per share

Returns per Ordinary share have been calculated using the average number of shares in issue during the period of 38,486,729. Net Asset Values per Ordinary share have been calculated using the number of shares in issue at 31 August 2002 of 38,468,621.

Corporate Information

Directors	A E Whitworth (Chairman) S J Dobbie CBE Sir Gavin Laird CBE A G MacMillan C G Stuart-Menteth
Manager and Secretary	Murray Johnstone Limited 123 St Vincent Street Glasgow G2 5EA Customer Services Department Tel: 0500 000040
Registrar	Capita IRG Plc Balfour House 390/398 High Road Ilford Essex IG1 INQ Shareholder helpline: 0870 162 3100
Bankers	JP Morgan Chase Bank
Auditors	Ernst & Young LLP
Solicitor	S J Berwin & Co
Stockbroker	UBS Warburg
Registered Office	One Bow Churchyard Cheapside London EC4M 9HH Registered in England and Wales Company Registration Number: 3908220

Aberdeen

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