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 2003

Analysis of Unlisted Portfolio

As at 31 August 2003

FTSE Actuaries industry sector	£'000	%
Support Services	2,563	16.5
Transport	2,416	15.7
Engineering & Machinery	2,015	13.0
General Retailers	1,816	11.7
Health	1,567	10.1
Media & Entertainment	1,566	10.1
Food Producers & Processors	1,400	9.0
Leisure & Hotels	1,128	7.3
Oil & Gas	850	5.5
Software & Computer Services	110	0.7
Telecommunication Services	65	0.4
Total	**15,496**	**100.0**

Deal type	No. of deals	£'000	%
Development capital	17	6,762	43.7
Management buy-outs	8	6,667	43.0
Acquisition finance	3	1,400	9.0
Management buy-ins	3	667	4.3
Total	**31**	**15,496**	**100.0**

Aberdeen Murray Johnstone regional office	£'000	%
Birmingham	7,808	50.4
Manchester	3,365	21.7
Glasgow	2,222	14.3
Aberdeen	850	5.5
Leeds	650	4.2
London	601	3.9
Total	**15,496**	**100.0**

Note: The total portfolio of investments, including both listed and unlisted stocks, is valued at £21,832,000.

Investment Review

Investment activity

Further unlisted investment during the six months ended 31 August 2003 totalled £1.6 million. At 31 August 2003, the portfolio stood at 31 investments having a total cost of £22.3 million.

In addition to follow-on fundings, the following new investment has been made since the publication of the Annual Report:-

Mining Communications Limited (May 2003) – £750,000: Based in London, Mining Communications is a publisher of magazines and journals for the mining industry.

Portfolio developments

At this relatively early stage of building the portfolio, it is not expected that exits will occur. However, in July, Black Teknigas repaid around a third of its loan stock ahead of schedule amounting to £112,500, including a premium of 12.5%, which is included in the Company's income for the period.

Performance

Market conditions show little signs of improvement and this is evident in increasing reports of weakening profits. The strength of sterling, combined with UK interest rates that, despite recent falls to historically low levels, remain relatively high compared to our international competitors, has made the environment for small companies particularly tough for some considerable time. Sterling did depreciate against the euro in the earlier part of the year and this provided a more favourable backdrop for UK exports to Europe, but exchange rates with the US moved in the opposite direction. Economic data in the UK over the last few months has been mixed, with unemployment continuing at levels last seen in the mid 1970s, inflation remaining relatively low, despite the continuing strength of the housing market, but declining levels of manufacturing output. Growth in the UK is low and is expected to remain so during the remainder of 2003 and 2004, although there are some signs of an upturn in the global economy which would offer some relief. Consumer spending is being fuelled by increased debt, with net lending secured on personal dwellings reaching its highest level since records began.

These conditions continue to have an impact on the valuations of the Company's investment portfolio and on income accrual for the period under review. The Net Asset Value (NAV) per share at 31 August 2003, before payment of the interim dividend, was 78.0p compared with 79.0p at 28 February 2003. The decrease in NAV of 1.3% compares with the increase in stock market indices generally in expectation of substantial earnings growth. The level of income has also fallen due to a combination of reduced yield from funds held awaiting investment in unlisted companies, performance and the mix of the unlisted portfolio.

Investment Review

Sentiment reflected in the market indices seems to be at odds with many commentators' concerns about the sustainability of consumer spending and corporate profits in a climate of low growth, currency strength and potential rises in interest rates. What has been very clear for some considerable time, through the monthly management accounts which are received from investee companies and the board meetings which the Manager attends, is that market conditions are very difficult and small companies, in particular, have been exposed to these difficulties.

Investment strategy

The Company is not yet fully invested and new investments will continue until an investment level of around 85% is achieved. In addition, the Manager is concentrating on intense portfolio management to help the investee companies manage through current market conditions, the aim being to restore value and ultimately achieve successful disposals from a position of strength when market conditions recover. In these circumstances, it is not only capital valuations which are under pressure but also the ability of the investee companies to pay dividends and interest to investors. The Manager is working to assist certain companies to enable them to resume payments to the Company.

Valuation process

Murray VCT 4's investments in unlisted companies are valued at fair value 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. Mature companies are valued by applying a multiple to the fully taxed prospective earnings to determine the enterprise value of the company.

Dividends and returns to date

The Board declares an interim dividend of 0.5p per share ("pps") for the year ending 29 February 2004 (2003 – 1pps), payable on 12 December 2003 to Shareholders on the register at 14 November 2003. Future dividends from capital gains will depend on the achievement of further realisations. Since the Company's launch, most Shareholders will have received 8.3pps in tax free dividends. To an investor who took advantage of all available tax reliefs and deferrals, this represents a return of 10.4% of the effective initial investment cost of 80pps. The total return since launch is 85.8pps, being the sum of dividends paid plus current NAV, for a Shareholder who subscribed at launch.

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

Investment Review

Dividend re-investment

The Board has decided to terminate the dividend re-investment scheme with immediate effect. The rules of the scheme require the issue of new shares under the scheme at the prevailing Net Asset Value per share on the date of re-investment. However, at present, the Company's shares stand at a substantial discount to the Net Asset Value and therefore the Board believes that it is not in Shareholders' interests for their dividends to continue to be re-invested. Therefore, Shareholders who had previously elected to re-invest their dividends will receive any future distributions by cheque or bank transfer.

Outlook

The Company now has a portfolio of investments in 31 companies and the Manager believes that a number of these have good prospects which should respond to an improvement in the economic environment, but it is likely to be some time before those prospects can be demonstrated in profitable realisations. For the most part, they are immature investments, from the Company's point of view, and even where they are in established businesses, the Manager expects to develop them over a number of years before they are mature enough to seek an exit. The Manager does not expect to attract offers while the companies are immature and would not respond to an offer unless it is extremely attractive. The immediate priority of the Manager is to concentrate efforts with a view to improving performance and planning for exits in the medium to long term.

The investment process has become more protracted due to vendor resistance to price reductions and the Manager's caution regarding future prospects. While this has had an impact on the rate of new investment, the Manager intends to continue to maintain a prudent approach to investment for the foreseeable future.

On behalf of the Board
Murray Johnstone Limited
Manager and Secretary

15 October 2003

Summary of Investment Changes

For the six months ended 31 August 2003

	Valuation 28 February 2003 £'000	%	Transfers £'000	Net investment/ (disinvestment) £'000	Appreciation/ (depreciation) £'000	Valuation 31 August 2003 £'000	%
Unlisted investments							
Equities	3,454	11.4	634	234	(453)	3,869	12.9
Preference shares	541	1.8	1	5	(3)	544	1.8
Loan stock	10,360	34.1	(635)	1,230	128	11,083	37.1
	14,355	47.3	–	1,469	(328)	15,496	51.8
Listed investments							
Listed fixed income	6,924	22.8	–	(490)	(98)	6,336	21.2
Total investments	21,279	70.1	–	979	(426)	21,832	73.0
Other net assets	9,102	29.9	–	(1,032)	–	8,070	27.0
Total assets*	**30,381**	**100.0**	**–**	**(53)**	**(426)**	**29,902**	**100.0**

** Total assets represents Equity Shareholders' funds.*

Investment Portfolio Summary

As at 31 August 2003

	Nature of business	Valuation £'000	% of total assets
Unlisted investments			
Conveco	Convenience store operator	1,816	6.1
TLC (Tender Loving Childcare)	Operator of day care nurseries	1,321	4.4
CCM Motorcycles	Motorcycle manufacturer	1,008	3.4
Tuscan Energy Group	Oil production	850	2.8
Transys Projects	Supplier of engineering services and equipment to UK rail industry	825	2.8
PSCA International	Government sector publishing	750	2.5
Mining Communications	Publisher of mining related journals and magazines	750	2.5
TMI Foods	Manufacturer of cooked bacon and vegetable products	750	2.5
ScotNursing	Provider of temporary and agency nursing and care staff	750	2.5
Synexus	Management of clinical trials	695	2.3
Other investments valued individually at less than £690,000		5,981	20.0
		15,496	51.8
Listed fixed income investments			
European Investment Bank 6% 26/11/2004		2,558	8.5
Treasury 6.75% 26/11/2004		1,035	3.5
Treasury 8.5% 7/12/2005		984	3.3
Treasury 6.5% 7/12/2003		706	2.4
Treasury 7.5% 7/12/2006		548	1.8
Treasury 5% 7/6/2004		505	1.7
		6,336	21.2
Total investments		**21,832**	**73.0**

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 2003 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 3. 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.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. 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 2003.

Ernst & Young LLP
Glasgow

15 October 2003

Profit and Loss Account

For the six months ended 31 August 2003

	Notes	Six months to 31 August 2003 (unaudited) £'000	Six months to 31 August 2002 (unaudited) £'000	Year ended 28 February 2003 (audited) £'000
Income				
Investment income and deposit interest		611	1,040	1,919
Investment management fees		(453)	(505)	(1,002)
Other expenses		(111)	(83)	(164)
Operating profit		47	452	753
Profit/(loss) on realisation of investments		2	(38)	147
Profit on ordinary activities before taxation		49	414	900
Tax on ordinary activities		(6)	(123)	(260)
Profit on ordinary activities after taxation		43	291	640
Ordinary dividends on equity shares:				
Interim 0.5p (2003 – 1.0p)		(193)	(385)	(385)
Final 2003 – 1.5p		–	–	(576)
Over accrual in prior years		–	2	2
Balance transferred from reserves		**(150)**	**(92)**	**(319)**
Earnings per share (pence)	3	**0.1**	**0.8**	**1.7**

Statement of Total Recognised Gains and Losses

For the six months ended 31 August 2003

	Six months to 31 August 2003 (unaudited) £'000	Six months to 31 August 2002 (unaudited) £'000	Year ended 28 February 2003 (audited) £'000
Profit on ordinary activities after taxation	43	291	640
Unrealised loss on revaluation of investments	(428)	(604)	(3,705)
Current taxation attributable to unrealised gains and losses on investments	6	102	260
Total recognised gains and losses relating to the period	**(379)**	**(211)**	**(2,805)**

Balance Sheet

As at 31 August 2003

	Notes	31 August 2003 (unaudited) £'000	31 August 2002 (unaudited) £'000	28 February 2003 (audited) £'000
Fixed assets				
Investments		21,832	33,181	21,279
Current assets				
Debtors		1,047	1,047	877
Cash and overnight deposits		7,505	94	9,118
		8,552	1,141	9,995
Creditors				
Amounts falling due within one year		482	789	893
Net current assets		8,070	352	9,102
		29,902	**33,533**	**30,381**
Capital and reserves				
Called up share capital		3,858	3,846	3,846
Share premium account	2	17,236	17,101	17,155
Revaluation reserve	2	(6,204)	(2,632)	(5,727)
Capital redemption reserve	2	27	19	27
Profit and loss account	2	14,985	15,199	15,080
Equity Shareholders' funds		**29,902**	**33,533**	**30,381**
Net Asset Value per Ordinary share (pence)	3	**77.5**	**87.2**	**79.0**

A E Whitworth
Director

15 October 2003

Cash Flow Statement

For the six months ended 31 August 2003

	Six months to 31 August 2003 (unaudited)	Six months to 31 August 2002 (unaudited)	Year ended 28 February 2003 (audited)
	£'000	£'000	£'000
Operating activities			
Investment income received	420	880	2,055
Deposit interest received	1	3	10
Miscellaneous income received	4	–	–
Investment management fees paid	(474)	(415)	(964)
Secretarial fees paid	(32)	(31)	(63)
Cash paid to and on behalf of Directors	(32)	(21)	(40)
Other cash payments	(58)	(41)	(74)
Net cash (outflow)/inflow from operating activities	(171)	375	924
Taxation	–	36	36
Financial investment			
Purchase of investments	(4,326)	(7,430)	(13,407)
Sale of investments	3,307	7,388	22,268
Net cash (outflow)/inflow from financial investment	(1,019)	(42)	8,861
Equity dividends paid	(577)	(576)	(960)
Net cash (outflow)/inflow before financing	(1,767)	(207)	8,861
Financing			
Issue of Ordinary shares	154	90	90
Repurchase of Ordinary shares	–	(132)	(176)
Net cash inflow/(outflow) from financing	154	(42)	(86)
(Decrease)/increase in cash	**(1,613)**	**(249)**	**8,775**

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 2003. The results for the year ended 28 February 2003 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. Movement in reserves	**Share premium account £'000**	**Revaluation reserve £'000**	**Capital redemption reserve £'000**	**Profit and loss account £'000**
As at 1 March 2003	17,155	(5,727)	27	15,080
Issue of shares	81	–	–	–
Transfer of realised profits to profit and loss account	–	(78)	–	78
Tax effect of transfer of profits to profit and loss account	–	23	–	(23)
Taxation attributable to unrealised loss on investment	–	6	–	–
Net decrease in value of investments	–	(428)	–	–
Retained loss for the period	–	–	–	(150)
As at 31 August 2003	**17,236**	**(6,204)**	**27**	**14,985**

3. Earnings and NAV per share

Earnings per Ordinary share has been calculated using the average number of shares in issue during the period of 38,479,307. The Net Asset Value per Ordinary share at 31 August 2003 has been calculated using the number of shares in issue at that date of 38,583,295.

Corporate Information

Directors	A E Whitworth (Chairman) W E Holt (appointed 17 April 2003) A G MacMillan C G Stuart-Menteth S J Dobbie CBE (resigned 10 July 2003) Sir Gavin Laird CBE (resigned 10 July 2003)
Manager and Secretary	Murray Johnstone Limited 123 St Vincent Street Glasgow G2 5EA Customer Services Department: 0500 00 00 40 E-mail: company.secretary@invtrusts.co.uk
Registrar	Capita Registrars The Registry 34 Beckenham Road, Beckenham Kent BR3 4TU Shareholder Helpline: 0870 162 3100
Custodian Bankers	J P Morgan Chase Bank
Auditors	Ernst & Young LLP
Solicitors	S J Berwin
Stockbroker	Close Brothers Securities
Registered Office	One Bow Churchyard Cheapside London EC4M 9HH Registered in England and Wales Company Number 3908220

Aberdeen

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