Quester VCT 4 plc

Annual Report 2003

Quester VCT 4 plc is a venture capital trust established under the provisions introduced by the Finance Act 1995.

The Company's objective is to provide shareholders with an attractive income and capital return by investing in a broadly spread portfolio consisting largely of unquoted investments with strong growth prospects and also including quoted equities and fixed interest securities.

The split of assets between venture capital investments, quoted equities and fixed interest securities will vary from time to time, with the portfolio of quoted stocks being retained as a reserve for potential future venture capital investment.

The directors have managed and continue to manage the affairs of the Company so as to comply with the provision of the Income and Corporation Taxes Act 1988 relating to venture capital trusts.

Dividends paid by Quester VCT 4 plc, as an approved venture capital trust, are tax free to eligible shareholders. This applies to dividends derived both from income and from capital profits. This substantially enhances the effective returns to subscribers to eligible subscribers for shares or purchasers of shares on the London Stock Exchange.

Eligible shareholders are reminded that a sale of their shareholding in Quester VCT 4 plc may give rise to a loss of the up front income tax relief and capital gains tax deferral granted at the time of their original subscription.

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Financial highlights as at 31 October 2003

Per ordinary share (pence)	2003	2002	2001 (60 weeks)
Capital values			
Net asset value	**77.2**	81.8	92.0
Share price	**82.5**	82.5	80.0
Return and dividends			
Dividend	**–**	1.15	1.75
Cumulative dividend	**2.90**	2.90	1.75
Total return*	**80.10**	84.70	93.75

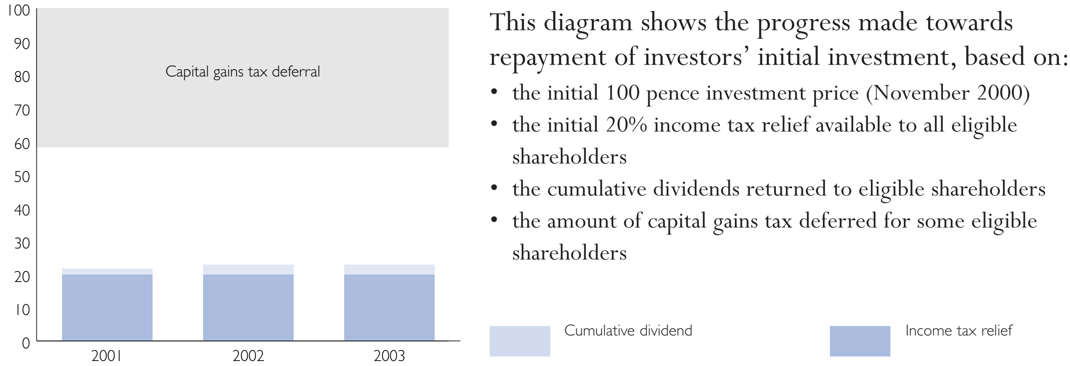
*Net asset value plus cumulative dividend

COMPOSITION OF THE FUND BY VALUE

Venture capital investments	**48.7%**
Listed fixed interest investments*	**4.3%**
Listed equity investments*	**12.5%**
Cash and other net assets *	**34.5%**
	100.0%

*Retained as a reserve for potential future venture capital investment

CUMULATIVE CASH RETURN

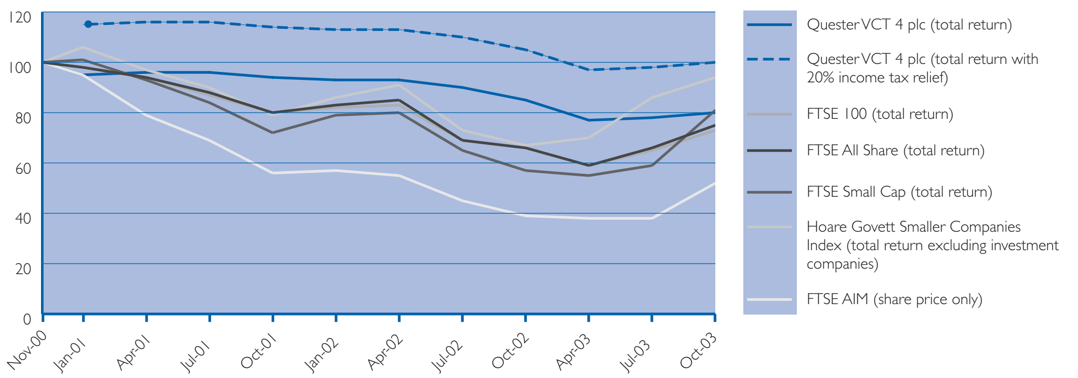


This diagram shows the progress made towards repayment of investors' initial investment, based on:

- the initial 100 pence investment price (November 2000)
- the initial 20% income tax relief available to all eligible shareholders
- the cumulative dividends returned to eligible shareholders
- the amount of capital gains tax deferred for some eligible shareholders

COMPARATIVE PERFORMANCE

The comparative performance of Quester VCT 4 plc is shown on the graph below, in comparison with a range of other indices.



Chairman's statement

INTRODUCTION

In the year ended 31 October 2003, and particularly in the second half, conditions in the venture capital market have been more encouraging, and it is pleasing to report that Quester VCT 4 has been able to take advantage of an attractive deal flow. As this document goes to press, the initial investment phase of the Company is approaching completion, with five new investments having been made in the year ended 31 October 2003 and a further four having been completed since that date.

INVESTMENTS

During the year, the Company made new venture capital investments totalling £3.0 million in five companies at an average cost of £609,000. All of these investments were made alongside other Quester funds. In addition, a further £3.3 million was invested in 12 of the existing portfolio companies, either as further tranches of originally agreed commitment or as follow-on investment. These transactions brought the total amount invested at 31 October 2003 to £25.4 million in 30 unquoted companies and one company whose shares are traded on AIM.

Since the year end, another four new investments have been completed, with £2.2 million being invested on behalf of Quester VCT 4, and an additional £1.4 million has been invested in follow-on rounds of five of the existing portfolio companies.

The portfolio is focused on technology-related companies addressing markets that have considerable growth potential over the long term. At the end of this third year of the Company's initial investment phase, the portfolio contains a relatively high proportion of early stage businesses. In a number of the technology-related sectors in which Quester VCT 4 holds investments, business conditions have continued to be very difficult, and in certain cases markets have not developed as rapidly as had been anticipated. A number of companies in which Quester VCT 4 has invested have suffered as a result. However, others have achieved good progress and show the potential to fulfil expectations. The Board is confident that, across the portfolio as a whole, progress is satisfactory at this stage in Quester VCT 4's development and that there are prospects for substantial upside potential.

The venture capital investments have been valued in accordance with the new valuation guidelines issued by the British Venture Capital Association (BVCA) in June 2003. In cases in which the business concerned has fallen behind plan, the underperformance has been reflected in a reduction in the carrying value of the investment. In a number of other instances, the valuation attributed to Quester

VCT 4's investment has been required to be reduced to below cost as a result of current conditions in the venture capital market (as reflected in the prices of follow-on investment rounds): in these latter cases, however, we consider that the companies concerned continue to offer Quester VCT 4 strong prospects for achieving an ultimately satisfactory return.

In parallel with the near completion of the initial portfolio, we are placing much emphasis on the need for the Company to retain prudent reserves for follow-on investment. The method, and impact on income, of following this necessary strategy, while ensuring compliance with the Inland Revenue's 70% test as from 31 October 2003, is dealt with in the Investment Manager's Report on page 10.

REALISATION

It is pleasing to be able to report Quester VCT 4's first successful realisation. Since the year-end, the investment in CDC Solutions Limited has been realised, upon the acquisition of that company by a subsidiary of the US-based information services group Information Holdings Inc. The terms of the transaction involve some early return of cash together with an entitlement to additional consideration dependent upon future operating results of the combined businesses, this arrangement offering the prospect (subject to the future performance of the combined businesses) of a satisfactory ultimate return on this investment.

NET ASSETS, REVENUE AND DIVIDENDS

Net revenue attributable to shareholders for the year was £84,000 (2002: £610,000), which was derived from dividends on listed equities, interest on bonds and bank deposit interest. The decline in net revenue as compared with the previous year principally reflects the reduction in the level of bond interest (as the bond portfolio has been gradually reduced to fund venture capital investment).

Dividends totalling 2.9 pence per share have been paid in respect of previous years, representing tax-free income for eligible shareholders. No dividend has been proposed in respect of the year ended 31 October 2003.

Valuation changes over the year in respect of venture capital investments, together with valuation changes in respect of the listed equity and bond portfolios and expenses charged to capital, amounted to a net recognised loss of £2.6 million or 4.8 pence per share. The overall result is a reduction in the net asset value per share from 81.8 pence at 31 October 2002 to 77.2 pence at 31 October 2003.

Chairman's statement – continued

Shareholders should note that the future payment of dividends will depend both on the level of income received from investments and, more significantly, on realised capital gains, so that there may be no dividend in some years. It is unlikely that a dividend will be payable for the year ending 31 October 2004.

OUTLOOK

It should be appreciated that the investments completed by the Company are, in most cases, at an early stage and will take time to mature.

The Board considers that the portfolio of investments that has now been constructed, covering a diverse range of companies operating in high-growth sectors, is capable of delivering attractive returns to shareholders in the longer term.

Robert Wright
Chairman
15 January 2004

Investment manager's report

OVERVIEW

We have made substantial progress towards completion of the initial investment phase. We started the year with £20.2 million invested in 26 venture capital investments and ended the year with £25.4 million invested in 31 venture capital investments, giving a diversified portfolio of companies operating in a wide range of markets with high growth potential. A further four new investments have been completed since the year end.

Recent months have proved an advantageous time to be investing in unquoted companies. Despite the recent recovery in the quoted markets, and particularly in quoted technology stocks, prices for unquoted companies' shares have generally remained at the lower levels seen over the last two years and competition for deals has remained limited. Attractive investment opportunities have been available providing the potential for the achievement of good returns to shareholders over the long term.

After the difficult conditions in the venture capital market in the early part of the year, it has been encouraging in more recent months that a number of key companies in the portfolio have been successful in raising new funding rounds – from syndicates that have attracted other leading venture capital firms as new investors, as well as including further participation from the Company and other Quester funds.

Another encouraging development has been the re-emergence of M&A activity in the unquoted company sector. Since the year-end, the Company has benefited from the realisation of one of its earliest investments – CDC Solutions Limited, a software company, one of the leading providers of regulatory publishing solutions for the life sciences industry.

PROGRESS WITH VENTURE CAPITAL INVESTMENT

Quester's position in the market has continued to attract a strong flow of investment opportunities. From among those selected during the year as having attractive growth potential, five investments were completed by 31 October 2003, with £3.0 million being invested on behalf of Quester VCT 4. A further four new investments sourced and subject to due diligence during the year have been completed subsequently, with £2.2 million being invested on behalf of Quester VCT 4.

In addition, £3.3 million was invested during the year in 12 of the existing portfolio companies, either as further tranches of originally agreed commitment or as follow-on investment. Since the year end, a further £1.4 million has been invested in significant follow-on funding rounds of another five portfolio companies.

Investment manager's report – continued

Investments completed during the year brought the total of Quester VCT 4's venture capital investments at 31 October 2003 to £25.4 million in 31 portfolio companies at an average cost of £818,000. At the date of this report the portfolio has grown to 35 companies at a total cost of £29.0 million, with outstanding legal commitments to existing portfolio companies totalling a further £125,000.

The portfolio that we have been building for Quester VCT 4 is an early stage venture capital portfolio, consisting largely of technology-related companies serving markets with considerable potential over the long term. The summary of the businesses of the ten largest investments shown on pages 14 to 18 gives a flavour of the significant commercial opportunities that companies in the portfolio are seeking to address.

It is emphasised, however, that most of the companies concerned are still at a relatively early stage of development. For those involved in technology-related opportunities, even where the underlying business development is in line with plan, there will at this stage be only limited, if any, sales revenues and the company will typically remain loss-making. The table in note 20 to the financial statements – setting out information as to turnover, profit or loss before tax, retained profit or loss and net assets – illustrates this point. That information is derived from the latest available audited accounts of the companies concerned, and in some cases relates to financial periods expiring 12 months or more prior to the date of this report.

The net amounts invested in new companies during the year are as follows:

Company	**Industry sector**	**£'000**
Advanced Valve Technologies Limited	Industrial products & services	519
Oxford Immunotec Limited	Healthcare & life sciences	625
Oxxon Pharmaccines Limited	Healthcare & life sciences	987
Reqio Limited	Software	580
Xention Discovery Limited	Healthcare & life sciences	333
		3,044

The four additional investments completed since the year end include two in the electronics sector, Mesophotonics Limited (£761,000) and Amino Holdings plc (£357,000); one in software, Digital Union Limited (£536,000); and one in consumer services, HTC Healthcare Limited (£536,000).

The further net investments made during the year in existing portfolio companies are detailed as follows:

Company	Industry sector	£'000
AIT Group plc	Software	463
Anadigm Limited	Semiconductors	144
Antenova Limited	Communications	250
Arithmatica Limited	Semiconductors	483
Azea Networks Limited	Communications	1,037
Elateral Holdings Limited	Software	155
Nexagent Limited	Software	203
Printable Field Emitters Limited	Electronics	174
Sterix Limited	Healthcare & life sciences	317
Others (3)		118
		3,344

Since the year end follow-on investments have been completed in relation to two of the Company's holdings in the technology sector, with additional commitments to Cyclacel Limited (£500,000), Lorantis Holdings Limited (£650,000) and Teraview Limited (£125,000).

A WELL BALANCED PORTFOLIO

The portfolio so far established is balanced by sector and well spread. A summary of the sectors covered by the portfolio at 31 October 2003 is provided in the table below:

Industry sector	Existing venture capital portfolio at cost %	Cost £'000	Number of investments
Software	26.8	6,797	8
Healthcare & life sciences	22.2	5,620	9
Communications	14.7	3,720	4
Industrial products & services	11.4	2,892	3
Semiconductors	10.4	2,630	2
Internet	5.5	1,402	2
Electronics	5.1	1,292	2
Energy	3.9	1,000	1
	100.0	25,353	31

RESERVES FOR FOLLOW-ON INVESTMENT

The young companies in which Quester VCT 4 has invested will require further rounds of finance as they grow. It is important that Quester VCT 4 should be in a position to contribute to this funding process, provided the companies concerned continue to make satisfactory progress. It is, therefore, particularly important in current market conditions, where fund-raising for young technology companies remains difficult that Quester VCT 4 holds reserves for further investment in existing portfolio companies. The retention of reserves for follow-on investment is of particular importance in constructing a portfolio of this type, and is one of the reasons why we consider that a venture capital portfolio of about 35 investments is now appropriate for the company.

The VCT legislation requires that, with effect from 31 October 2003, at least 70% of the Company's investments must be represented by qualifying holdings (within the definitions laid down by the Inland Revenue). In the context of the investment strategy described above, the Manager has considered it inappropriate to accelerate the rate of new investment beyond the level achieved. Accordingly, in order that the 70% requirement is complied with, part of the Company's funds have been switched out of bonds and into non-interest bearing cash accounts. This will result in a reduction in the income of the Company but permits the venture capital portfolio to be constructed in a manner that is appropriate to current market conditions and in the interests of long term capital growth.

VALUATION OF THE VENTURE CAPITAL PORTFOLIO

The venture capital investments have been valued in line with the accounting policies detailed on page 27, which are based on the new valuation guidelines issued by the British Venture Capital Association (BVCA) in June 2003. The application of the new guidelines, which require the estimation of "fair value" of each of the venture capital investments, has involved a review of the progress and prospects of each of the 31 companies in the portfolio as well as the implications of current conditions in the market for venture capital finance.

As mentioned previously, a number of Quester VCT 4's portfolio companies have recently had success in raising new funding rounds. However, in certain cases, current conditions in the investment market have meant that the new round has been priced at a lower level than previously. In each of these cases, however, we are satisfied that the company concerned has made good progress and that there are strong prospects for Quester VCT 4 achieving an ultimate realisation at a multiple of its total cost of investment.

In a number of the technology-based sectors in which Quester VCT 4 holds investments, business conditions have been very difficult, and in certain cases markets have not developed as rapidly as had been anticipated. A number of the companies in which Quester VCT 4 has invested have suffered as a result: in such cases, the under-performance has been reflected by making a provision against cost reflecting the estimated impairment of value.

In contrast, a number of companies about which we previously had concerns have more recently shown greater potential. As a result we have been able to release some or all of the provisions previously made against these companies.

The net effect of valuation changes during the year, including those considered to be permanent diminutions in value, has been a reduction in the carrying value of venture capital investments of £2.7 million. The cumulative total of valuation reductions against cost (net of valuation increases) at 31 October 2003 is £5.5 million.

REALISATION OF VENTURE CAPITAL INVESTMENTS

Since the year end, the Company's investment in CDC Solutions has been sold to a subsidiary of the US-based information services group Information Holdings Inc. ("IHI"). The terms of the acquisition have resulted in the Company being in a position whereby it will receive at least its cost back in cash and cash equivalents. Depending on future performance, a multiple of cost may be achieved.

LISTED EQUITY AND BOND PORTFOLIOS

At the outset, approximately £7.6 million, representing 15% of net funds raised, was set aside as a reserve for further investment; this reserve to be invested in a portfolio of listed equities managed by Newton Investment Management Limited. As at 31 October 2003, a total of £5.2 million at cost was held invested in listed equities, representing some 68% of the funds allocated to this portfolio, with the balance, net of realised losses, being retained in cash or bonds. The valuation of the portfolio of listed equities as at the year end was £5.1 million.

Until immediately prior to 31 October 2003, funds awaiting investment in venture capital opportunities were largely invested in short dated bonds. A proportion of this portfolio was switched into venture capital investments during the year, and the entire remaining balance (other than bonds to a value of £1.7 million) was then switched into cash for the reasons as explained above under "Reserves for Follow-On Investment".

Investment manager's report – continued

As a result of the switch of assets out of bonds into the venture capital portfolio, and of the remaining bonds into cash, it is expected that there will be a substantial reduction in the level of interest income of the Company in the year ending 31 October 2004.

CONCLUSION

As at the date of this report, the initial investment phase of the Company is largely complete with a portfolio of 35 venture capital investments. The total number of venture capital investments will be kept under review and further investments will be made if appropriate.

While a number of the companies in which Quester VCT 4 has invested have not met their objectives during the period, we are pleased to report that others continue to show the potential to fulfil expectations. Overall, we are confident that the portfolio has substantial upside potential.

Quester Capital Management Limited
Manager
15 January 2004

Fund summary

AS AT 31 OCTOBER 2003

Ten largest venture capital investments by value	Industry sector	Cost £'000	Valuation £'000	% of fund by value
AIT Group plc*	Software	1,130	1,948	4.7%
Arithmatica Limited†	Semiconductors	1,486	1,486	3.6%
Azea Networks Limited	Communications	1,332	1,332	3.3%
Anadigm Limited	Semiconductors	1,144	1,144	2.8%
First Index Group Limited	Industrial products & services	1,373	1,030	2.5%
Workshare Limited	Software	1,000	1,000	2.5%
CDC Solutions Limited	Software	1,000	1,000	2.5%
Footfall Limited	Industrial products & services	1,000	1,000	2.5%
Oxxon Pharmaccines Limited	Healthcare & life sciences	987	987	2.4%
Nomad Software Limited	Software	1,000	900	2.2%
		11,452	11,827	29.0%
Other venture capital investments		13,901	8,029	19.7%
Total venture capital investments		**25,353**	**19,856**	**48.7%**
Listed fixed interest investments		1,733	1,733	4.3%
Listed equity investments		5,203	5,098	12.5%
Total investments		**32,289**	**26,687**	**65.5%**
Cash and other net assets		14,052	14,052	34.5%
Net assets		**46,341**	**40,739**	**100.0%**

* AIT Group plc is traded on the Alternative Investment Market (AIM)

† Formerly known as Automatic Parallel Designs Limited

Ten largest venture capital investments

A summary of the business activities of the ten largest venture capital investments, by valuation, held by Quester VCT 4 as at 31 October 2003 is set out below. All of these companies are incorporated in the UK.

AIT GROUP PLC

www.ait.co.uk

AIT is a pioneer of Customer Interaction Software with a 16-year heritage of delivering customer interaction software to B2C enterprises all over the world. Its product, Portrait, helps business users and strategists design, model, deploy, manage and change the processes that drive customer interactions across all channels. By dramatically increasing a company's responsiveness to change, Portrait helps win new customers, sell more to them and serve them better, while ensuring regulatory compliance.

Quester VCT 4 invested in September 2002 alongside other Quester funds and syndicate partners in a £5 million financing round, with a further round in July 2003.

Initial Investment:	September 2002
Cost:	£1,130,000
Valuation as at 31.10.2003:	£1,948,000
Equity held:	5.8%
Co-investing Quester funds:	Quester VCT 4 plc, Quester VCT 5 plc
Basis of valuation:	Mid-market price

ARITHMATICA LIMITED

www.arithmatica.co.uk

Arithmatica (formerly Automatic Parallel Designs Limited) is an intellectual property company that has developed and patented several fundamental breakthroughs in mathematical algorithms for digital systems. The company has developed arithmetic units, which are significantly more efficient than existing systems, to perform basic tasks, such as addition, multiplication and division, which are at the core of any microprocessor. Arithmatica's designs give significant demonstrable improvements in processor efficiency, both in terms of speed and power consumption. These breakthroughs have direct benefit to the communications, wireless, networking and computing and graphics markets.

Quester VCT 4 made its initial investment in March 2001 in a £1.7 million financing round alongside other Quester funds, with a further £4m series B round being made in August 2003.

Initial Investment:	March 2001
Cost:	£1,486,000
Valuation as at 31.10.2003:	£1,486,000
Equity held:	13.7%
Co-investing Quester funds:	Quester VCT 3 plc, Quester VCT 5 plc, Quester Venture Partnership
Basis of valuation:	Cost

AZEA NETWORKS LIMITED

www.azea.net

Azea Networks provides submarine optical networking solutions that allow operators to exploit the full potential of their existing cable assets. Azea is uniquely focused on delivering substantial capacity gains over existing undersea systems, offering a compelling alternative to the cost and risk of deploying new submarine cables.

Quester VCT 4 invested in May 2002 alongside other Quester funds and syndicate partners in a first-round financing. The company has recently closed an externally-led second round with participation from all prior investors.

Initial Investment:	May 2002
Cost:	£1,332,000
Valuation as at 31.10.2003:	£1,332,000
Equity held:	6.8%
Co-investing Quester funds:	Quester VCT 5 plc, Quester Venture Partnership
Basis of valuation:	Cost

ANADIGM LIMITED

www.anadigm.com

Anadigm provides breakthrough technology to the electronics market – the world's first field programmable and reconfigurable analog array and attendant software programming environment. These generic electronic devices allow significant improvements in design times, control and flexibility in the production of analog circuits for electronic system developers. The market for Anadigm's products is estimated to be in excess of $500 million.

It is expected that it will dominate this large and growing market with technology heavily protected by intellectual property patents.

Quester VCT 4 first invested in February 2001 alongside other Quester funds and syndicate partners. A further round completed recently.

Initial Investment:	February 2001
Cost:	£1,144,000
Valuation as at 31.10.2003:	£1,144,000
Equity held:	2.9%
Co-investing Quester funds:	Quester VCT 1 plc, Quester VCT 2 plc, Quester VCT 3 plc, Quester VCT 5 plc, Quester Venture Partnership
Basis of valuation:	Cost

FIRST INDEX GROUP LIMITED

www.firstindex.com

First Index helps manufacturing companies source suppliers of custom-made parts internationally. Since its foundation in 1992, First Index has become a leading B2B marketplace for industrial custom-manufactured parts and assemblies.

First Index offers an open, flexible marketplace in the industry and superior 'live' support throughout the sourcing process and covers the full spectrum of manufacturing processes, including: machining, casting, forging, sheet metal, medium and heavy fabrication, plastic moulding, electronics, and a host of other processes.

Quester VCT 4 made its initial investment in December 2000, alongside one other Quester fund and third parties. A further round completed in June 2003.

Initial Investment:	December 2000
Cost:	£1,373,000
Valuation as at 31.10.2003:	£1,030,000
Equity held:	8.4%
Co-investing Quester funds:	Quester VCT 3 plc
Basis of valuation:	Cost less provision

WORKSHARE LIMITED

www.workshare.com

Workshare is an established company which develops software products that solve the fundamental problems of identifying, understanding and managing changes within documents in multi-authored work environments. Workshare's content productivity applications focus on providing solutions that assist in managing the internal changes to documents and extends the collaborative workflow process and are sold in many vertical markets, including legal, life sciences, financial services, and manufacturing with over 3,500 accounts worldwide and over a half a million users.

Workshare® DeltaView® is the leader in the legal market and is now addressing opportunities in a number of other sectors. Workshare® Synergy™, a new product built on the same core document comparison technology, is a valuable productivity tool in the company's existing markets as well as addressing a wide range of new sectors including corporate finance, government, engineering and publishing.

Quester is the only institutional investor in Workshare. Quester VCT 4 invested in July 2002 alongside other Quester funds in a £2.9 million development stage financing.

Initial Investment:	July 2002
Cost:	£1,000,000
Valuation as at 31.10.2003:	£1,000,000
Equity held:	6.6%
Co-investing Quester funds:	Quester VCT 5 plc, Quester Venture Partnership
Basis of valuation:	Cost

CDC SOLUTIONS LIMITED

www.cdcsolutions.com

CDC Solutions is an online publishing enabling software business. It has developed a range of software products to allow enterprises to publish documents electronically, drawing document components together from a range of data repositories. The vertical market that the company has targeted increasingly successfully is in the pharmaceutical industry, which has a requirement to publish complex regulatory submissions documentation online.

CDC Solutions Limited was sold to Information Holdings Inc on 1 December 2003. The transaction resulted in the disposal of VCT 4's stake in CDC Solutions in exchange for cash, loan notes and a contractual entitlement to further performance dependent payments in the three years to 31 December 2006.

Quester VCT 4 joined a syndicate in December 2000 in an expansion financing co-led by Quester and supported by third parties, following earlier backing of the company by Quester and other institutions.

Initial Investment:	December 2000
Cost:	£1,000,000
Valuation as at 31.10.2003:	£1,000,000
Equity held:	3.5%
Co-investing Quester funds:	Quester VCT plc, Quester VCT2 plc, Quester VCT3 plc
Basis of valuation:	Cost

FOOTFALL LIMITED

www.footfall.co.uk

Footfall provides pedestrian counting information services to retailers and shopping centre owners and publishes the widely used "Footfall Index". Shopping centre owners need accurate information regarding pedestrian flows through their centres to assess appropriate rent levels and for regulatory and safety reasons. Key statistics for retailers are conversion rates and the numbers of customers entering their premises. Footfall enjoys long-term contracts with clients, giving a high level of recurring revenue.

Quester VCT 4 invested in June 2002 alongside other Quester funds and syndicate partners in a £2.4 million financing round.

Initial Investment:	June 2002
Cost:	£1,000,000
Valuation as at 31.10.2003:	£1,000,000
Equity held:	7.7%
Co-investing Quester funds:	Quester VCT 2 plc, Quester VCT 3 plc, Quester VCT 5 plc
Basis of valuation:	Cost

Ten largest venture capital investments – continued

OXXON PHARMACCINES LIMITED

www.oxxonpharmaccines.com

Oxxon Pharmaccines® is a biotechnology company developing novel immunotherapeutics, specifically therapeutic vaccines (pharmaccines), based on its unique PrimeBoost technologies for the treatment of chronic infectious diseases and cancer.

Quester VCT 4 invested in March 2003 alongside other Quester funds and syndicate partners in a £15 million financing round. The funds will be used to drive Oxxon's therapeutic vaccine clinical programmes through phase II clinical trials.

Initial Investment:	March 2003
Cost:	£987,000
Valuation as at 31.10.2003:	£987,000
Equity held:	3.5%
Co-investing Quester funds:	Isis College Fund, Quester VCT 5 plc, Quester Venture Partnership
Basis of valuation:	Cost

NOMAD SOFTWARE LIMITED

www.nomadsoft.co.uk

NOMAD Software supplies electronic payment solutions based around its NOMAD CORTEX product set. Its customers include innovative banks and financial institutions who want to build strong and profitable relationships with all their customers, be they private clients, merchants or businesses.

Quester VCT 4 joined a syndicate in December 2001 in a £5 milllion expansion financing alongside other Quester funds and third parties, following an earlier expansion round led by Quester in March 2000.

Initial Investment:	December 2001
Cost:	£1,000,000
Valuation as at 31.10.2003:	£900,000
Equity held:	6.5%
Co-investing Quester funds:	Quester VCT plc, Quester VCT 2 plc, Quester Venture Partnership
Basis of valuation:	Cost less provision

Directors

ROBERT WRIGHT (57), Chairman, has been involved in the successful creation, development and sale of a number of businesses as an active entrepreneur and manager. He was part-time executive chairman of City Flyer Express Limited, which was sold to British Airways. He is also a director of Positek Limited, an unquoted position sensor business, and non-executive chairman of London and South East chartered accountants ChantreyVellacott DFK.

ROBERT BARROW (53) co-founded SurfControl plc, of which he was appointed chief executive officer in 1994, and was its non-executive chairman until 2003 when he retired from the company. He has over twenty years' experience in the computer software industry and holds a small number of other non-executive positions.

ANDREW HOLMES (59), the managing director of Quester, has substantial venture capital experience, having founded Quester in 1984. Prior to that he spent eight years with 3i, where he managed its largest investment office. His commercial experience is based on an early career as a commercial lawyer with City solicitors Freshfields and in smaller quoted company corporate finance. He is currently closely involved with companies in a range of sectors, including healthcare and new materials technology. He is a non-executive director of each of the other Quester VCTs and of a number of companies in the Quester portfolio.

ALAN LAMB (54) has broad experience in the management of technology businesses through formation, organic growth and acquisitions. He founded Flexion Inc. in 1998 to provide new generation communication systems for smaller businesses. Previously, he founded Airtech Computer Security Limited and was a divisional managing director at Racal Electronics plc after Airtech was acquired to form a successful group, delivering secure electronic payments solutions. Recently he has focused on developing spin-out companies from UK universities.

JOHN SPOONER (49) founded Quester in 1984 after six years with 3i. Prior to joining 3i he qualified as a chartered accountant with Moore Stephens. His venture capital experience covers 24 years and has included a particular involvement in the business services and leisure sectors. He has acted as a non-executive director of a number of companies in the Quester portfolio. He is a non-executive director of each of the other Quester VCTs and is also a non-executive director of Invesco Perpetual UK Smaller Companies Investment Trust plc.

All the directors are non-executive and Robert Wright, Robert Barrow and Alan Lamb are independent of the Manager. Alan Lamb and John Spooner offer themselves for re-election at the Company's Annual General Meeting to be held on 24 February 2004.

Directors' report

The directors have pleasure in submitting their Annual Report together with the audited financial statements of the Company for the year ended 31 October 2003.

ACTIVITIES AND STATUS

The principal activity of the Company during the period was the making of equity investments, mainly in unquoted companies. As at 31 October 2003 the Company was an investment company as defined in Section 266 of the Companies Act 1985 and has been granted provisional approval by the Inland Revenue under Section 842AA of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust.

Its ordinary shares of 1p each have been listed on the Daily Official List of the UK Listing Authority from 10 November 2000.

The directors have managed the affairs of the Company with the intension that it will continue to qualify for approval by the Inland Revenue as a Venture Capital Trust for the purposes of Section 842AA of the Income and Corporation Taxes Act 1988. The directors consider that the Company has not at any time up to the date of this report been a close company within the meaning of Section 414 of that Act.

An ordinary resolution is required to be proposed at the Company's annual general meeting, to be held in 2012, to the effect that the Company should continue as a venture capital trust. This will be proposed, if applicable, at five yearly intervals thereafter.

The Company has no subsidiaries.

REVIEW OF THE BUSINESS

The Chairman's Statement and Investment Manager's Report commencing on pages 4 and 7 respectively include a review of developments during the period and of future prospects.

RESULTS AND DIVIDEND

The net revenue attributable to shareholders is £84,000. The Board does not recommend the payment of a dividend in respect of the year.

As at 31 October 2003, the Company had accumulated unrealised capital losses of £5,602,000 and realised capital losses of £3,993,000

The mid-market price of Quester VCT 4 plc's shares as at close of business on 31 October 2003 was 82.5p per share. The mid-market price ranged from 77p to 83p during the period.

CORPORATE GOVERNANCE

A report on corporate governance is set out on pages 42 to 44.

ISSUE AND BUY-BACK OF SHARES

On 23 April 2003, under the terms of the dividend reinvestment scheme,103,534 Ordinary shares of 1p each were subscribed for and allotted at a price of 82.5p per share.

During the year 102,171 ordinary shares of 1p each were bought in by the Company for cancellation at a total cost of £67,000.

DIRECTORS

The directors of the Company who held office at the end of the period and their interests in the ordinary shares of 1p each of the Company were as follows:

	31 October 2003	31 October 2002
RA Wright (Chairman)	**100,000**	100,000
R Barrow	**100,000**	100,000
APG Holmes	**100,180**	100,180
APM Lamb	**20,667**	20,383
JA Spooner	**100,180**	100,180

All of the directors' share interests shown above were held beneficially. According to the register of directors' interests no right to subscribe for shares in the Company was granted to, or exercised by, any director during the financial period. No director had an interest in the share capital of the Company that would have to be disclosed to the Company under Sections 198 to 208 of the Companies Act 1985.

APG Holmes and JA Spooner are directors and shareholders of Querist Limited (the ultimate parent company of Quester Capital Management Limited, the Investment Manager). They are also executive directors of Quester Capital Management Limited. Quester Venture Participations Limited, a subsidiary undertaking of Querist Limited, is a holder of £12,500 in nominal amount of the redeemable loan notes referred to in note 12 to the financial statements and may become entitled to a return over and above the entitlement to interest of 5% per annum, dependent on the performance of the Company. APG Holmes, JA Spooner and their immediate families are holders of, in aggregate, £36,000 nominal of the redeemable loan notes.

Each of the directors entered into an agreement to act as a non-executive director of the Company. In accordance with the Articles of Association and the Combined Code, Alan Lamb and John Spooner retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Biographical notes on the directors are given on page 19.

Save for the redeemable loan notes referred to above and in note 12 to the financial statements and the Management Agreement referred to below, no contracts subsisted during or at the end of the period in which any director was materially interested. Disclosures required by the Financial Reporting Standard (FRS) 8, 'Related Party Disclosures' are set out in note 19 to the financial statements.

CREDITOR PAYMENT POLICY

The Company's payment policy for the forthcoming year is to ensure settlement of suppliers' invoices in accordance with their standard terms. At 31 October 2003 there were 64 days' billing from the suppliers of services outstanding (2002: 55 days).

MANAGEMENT

Quester Capital Management Limited is the Investment Manager to the Company. The principal terms of the Management Agreement with Quester Capital Management Limited dated 30 October 2000 are set out in note 2 to the financial statements.

Newton Investment Management Limited is the adviser to the Company in respect of investments in quoted equities and fixed interest securities and has limited discretion to manage the portfolio of such investments.

SUBSTANTIAL SHAREHOLDINGS

So far as the directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital as at the date of this report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Dartmouth House, 37 Charles Street, London W1J 5ED at 11.30 a.m. on 24 February 2004. The Notice of Annual General Meeting is set out at the end of this document. As well as the ordinary business of the meeting, there is also a resolution to renew the authority of the Company to purchase its own shares. Explanations of the resolutions are set out in light type in the Notice of Meeting.

Action to be taken

Accompanying this document is a form of proxy for use at the Annual General Meeting. Please complete, sign and return the enclosed form as soon as possible in accordance with the instructions printed thereon. A form of proxy should in any event be returned as indicated so as to be received not less then 48 hours before the time appointed for holding the Annual General Meeting.

The return of a form of proxy will not preclude you from attending the Annual General Meeting and voting in person if you wish to do so.

GOING CONCERN

The directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

AUDITOR

KPMG Audit Plc is willing to continue in office and a resolution to re-appoint it and to authorise the directors to fix its remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

MG Williams
Secretary
15 January 2004

Statement of total return (incorporating the revenue account)

FOR THE YEAR ENDED 31 OCTOBER 2003

	Notes	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
Loss on investments	8(c)	**–**	**(2,056)**	**(2,056)**	–	(5,008)	(5,008)
Income	1	**1,016**	**–**	**1,016**	1,479	–	1,479
Investment management fee	2	**(501)**	**(501)**	**(1,002)**	(481)	(481)	(962)
Other expenses	3	**(436)**	**–**	**(436)**	(296)	–	(296)
Return on ordinary activities before tax		**79**	**(2,557)**	**(2,478)**	702	(5,489)	(4,787)
Tax on ordinary activities	5	**5**	**(1)**	**4**	(92)	86	(6)
Return on ordinary activities after tax		**84**	**(2,558)**	**(2,474)**	610	(5,403)	(4,793)
Dividends proposed	6	**–**	**–**	**–**	(607)	–	(607)
Transfer to/(from) reserves		**84**	**(2,558)**	**(2,474)**	3	(5,403)	(5,400)
Return per share	7	**0.2p**	**(4.8)p**	**(4.6)p**	1.2p	(10.2)p	(9.0)p

The revenue column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The Company has only one class of business and derives its income from investments made in shares and securities and from bank deposits.

The accompanying notes are an integral part of this statement.

Balance sheet

AS AT 31 OCTOBER 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	8(b)	**26,687**	42,054
Current assets			
Debtors	10	**609**	3,099
Cash at bank		**13,809**	1,320
		14,418	4,419
Creditors (amounts falling due within one year)	11	**(266)**	(3,178)
Net current assets		**14,152**	1,241
Creditors (amounts falling due after more than one year)	12	**(100)**	(97)
Net assets		**40,739**	43,198
Capital and reserves			
Called-up equity share capital	13	**528**	528
Share premium	14	**218**	137
Special reserve	14	**49,466**	49,532
Capital reserve – realised	14	**(3,993)**	(2,140)
– unrealised	14	**(5,602)**	(4,897)
Revenue reserve	14	**122**	38
Equity shareholders' funds		**40,739**	43,198
Net asset value per share	15	**77.2p**	81.8p

The financial statements on pages 24 to 41 were approved by the directors on 15 January 2004 and are signed on their behalf by:

Robert Wright
Chairman

The accompanying notes are an integral part of this statement.

Cash flow statement

FOR THE YEAR ENDED 31 OCTOBER 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	17	**327**	926
Corporation tax paid		**(23)**	(281)
Financial investment			
Purchase of venture capital investments		**(6,496)**	(8,419)
Purchase of listed equities and fixed interest investments		**(25,083)**	(46,217)
Sale/redemption of venture capital investments		**108**	14
Sale/redemption of listed equities and fixed interest investments		**44,248**	52,308
Total financial investment		**12,777**	(2,314)
Equity dividends paid		**(607)**	(925)
Financing			
Issue of shares in accordance with the terms of the dividend reinvestment scheme		**82**	139
Buy back of ordinary shares		**(67)**	(172)
Total financing		**15**	(33)
Increase/(decrease) in cash for the period		**12,489**	(2,627)

Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash for the period	**12,489**	(2,627)
Net funds at the start of the period	**1,320**	3,947
Net funds at the end of the period	**13,809**	1,320

The accompanying notes are an integral part of this statement.

Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial statements of investment trust companies".

INVESTMENTS

Unquoted investments are stated at directors' valuations. Such investments are valued in accordance with the British Venture Capital Association (BVCA) guidelines, which state that investments should be reported at fair value at the reporting date except in situations where fair value cannot be reliably measured.

Primary indicators of fair value are derived from earnings multiples, prices of recent investment or from net assets. Where fair value cannot be reliably measured, which is generally the case for early stage technology and life sciences businesses, the policy is to carry them at cost except where there is evidence that an investment has been impaired. Examples of events or changes that could indicate impairment include:

- the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
- a significant adverse change either in the investee company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
- market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

Quoted investments are stated at mid-market prices. However, where the Company is unable to sell its shares in a company on account of a lock-up, a discount is to be applied to the mid-market price. If the lock-up is for a period of six months or less from the reporting date then a discount of 10% is to be applied. If the lock-up is for a longer period than six months then a discount of 10% or more will be applied.

Certain venture capital investments deemed to be associated undertakings are carried at cost or valuation in accordance with the Company's normal accounting policy and Financial Reporting Standard (FRS) 9.

Accounting policies – continued

GAINS AND LOSSES ON INVESTMENTS

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the Capital Reserve.

INCOME

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis (including amortisation of any premium or discount to redemption) so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

EXPENSES

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate; and
- the investment management fee, 50% of which has been charged to the realised capital reserve to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments.

TAXATION

Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the year.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on a marginal basis using the Company's effective rate of tax for the accounting period.

FOREIGN EXCHANGE

Assets denominated in a foreign currency are converted to sterling at the appropriate foreign exchange rate ruling at the balance sheet date. Foreign currency income is converted to sterling on receipt.

Notes to the financial statements

1 INCOME

	2003 £'000	2002 £'000
Dividend income		
Listed equity shares	**132**	101
Interest receivable		
Listed fixed interest securities	**735**	1,276
Loans to unquoted companies	**4**	5
Bank deposits	**137**	96
Sundry income	**8**	1
	1,016	1,479

2 INVESTMENT MANAGEMENT FEE

Quester Capital Management Limited ("QCML") provides investment management services to the Company under an agreement dated 30 October 2000.

Quester QCML is a wholly owned subsidiary of Querist Limited, a company in which APG Holmes and JA Spooner are beneficial shareholders. APG Holmes and JA Spooner are executive directors of QCML.

A charge of £1,002,000 (2002: £962,000) in respect of the management fee payable to QCML was accrued during the year, irrecoverable VAT of £185,000 (2002: £96,000) was also charged. Of this, £91,000 remained unpaid as at 31 October 2003. The fee, which is calculated monthly and is payable in advance, was levied at a rate of 2.5% (2002: 2.0%) on the net assets during the financial year ended 31 October 2003.

The management fee payable to Newton Investment Management Limited, to the extent that it is not covered by transaction fees payable by the Company, will be met by QCML out of the above fee.

QCML provides administrative and secretarial services to the Company for which it is entitled to a fee of £51,000 per annum (linked to the movement in the RPI), which is included in other expenses (note 3).

3 OTHER EXPENSES

	2003 £'000	2002 £'000
Administration and secretarial services	**51**	51
Directors' remuneration (note 4)	**39**	39
Auditor's remuneration – audit services	**21**	19
– non audit services	**10**	5
Legal and professional expenses	**27**	22
Other expenses	**71**	42
Irrecoverable VAT	**217**	118
	436	296

4 DIRECTORS' REMUNERATION

	2003 £'000	2002 £'000
Fees paid to directors	**15**	12
Amounts paid to third parties, excluding VAT, in consideration for the services of directors	**24**	27
	39	39

The total fees paid or payable in respect of individual directors for the period is detailed in the Directors' Remuneration Report commencing on page 48.

5 TAX ON ORDINARY ACTIVITIES

	2003 Revenue £'000	2003 Capital £'000	2002 Revenue £'000	2002 Capital £'000
Corporation tax payable				
– current year	**–**	**–**	120	(93)
– prior year adjustment	**5**	**(1)**	(28)	7
	5	**(1)**	92	(86)

5 TAX ON ORDINARY ACTIVITIES – continued

Reconciliation of profit on ordinary activities to taxation

	2003 Revenue £'000	**2003 Capital £'000**	2002 Revenue £'000	2002 Capital £'000
Profit on ordinary activities before tax	**79**	**(2,557)**	702	(5,489)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	**24**	**(767)**	211	(1,647)
Effects of:				
Loss on investments	**–**	**617**	–	1,502
Disallowable items	**(24)**	**150**	(20)	–
Marginal relief for small companies	**–**	**–**	(71)	52
Current year corporation tax payable	**–**	**–**	120	(93)

6 DIVIDENDS PROPOSED

	2003 £'000	2002 £'000
Final dividend: nil (2002: 1.15p per share)	**–**	607

7 RETURN PER SHARE

The revenue return per share of 0.2p (2002: 1.2p) is based on the aggregate of the net return from ordinary activities after tax of £84,000 (2002: £610,000) and on ordinary shares of 52,791,612 (2002: 52,905,315), being the weighted average number of shares in issue during the year.

The capital loss per share of 4.8p (2002: 10.2p) is based on the net realised and unrealised capital loss for the period after tax of £2,558,000 (2002: £5,403,000) and on ordinary shares of 52,791,612 (2002: 52,905,315), being the weighted average number of shares in issue during the year.

8 INVESTMENTS

8(a) Summary of investments

	2003 £'000	2002 £'000
Bonds and equity investments	**6,831**	25,902
Venture capital investments	**19,856**	16,152
	26,687	42,054

8 INVESTMENTS – continued

	2003 £'000	2002 £'000
Bonds and equity investments comprise:		
– Listed fixed interest investments	**1,733**	22,121
– Listed equity investments	**5,098**	3,781
	6,831	**25,902**

8(b) Movements in investments

Movements in investments during the period are summarised as follows:

	Venture capital investments £'000	Bonds & equity investments £'000	Total £'000
Cost at 1 November 2002	20,215	26,736	46,951
Unrealised net losses	(4,063)	(834)	(4,897)
Valuation at 1 November 2002	16,152	25,902	42,054
Movements in the year:			
Purchases at cost	6,496	25,083	31,579
Disposals – proceeds	(108)	(44,248)	(44,356)
– realised net losses on disposal	–	68	68
Write-off of investments	(500)	–	(500)
Net unrealised loss on revaluation of investments	(2,184)	560	(1,624)
Amortisation of bonds	–	(534)	(534)
Valuation at 31 October 2003	**19,856**	**6,831**	**26,687**
Book cost at 31 October 2003	25,353	6,936	32,289
Unrealised net losses at 31 October 2003	(5,497)	(105)	(5,602)
	19,856	**6,831**	**26,687**

8(c) Loss on investments

The overall loss on investments for the period shown in the Statement of Total Return on page 24 is analysed as follows:

	2003 £'000	2002 £'000
Realised net gains/(losses) on disposal	**68**	(403)
Write-off of investments	**(500)**	(100)
Net unrealised losses on revaluation	**(1,624)**	(4,505)
	(2,056)	(5,008)

8 INVESTMENTS – continued

The realised net gains/(losses) on disposal represent the difference between proceeds received and the carrying values of those investments sold during the year.

The amounts reported as "write-off of investments" represent the proportion of the carrying value of certain investments that have, in the opinion of the directors, suffered a permanent diminution in value.

Both amounts are charged to the realised capital reserve (see note 14).

8(d) Venture capital portfolio at cost

Ten largest venture capital investments **(based on valuations at 31 October)**	**Industry Sector**	**Cost 2003 £'000**	Cost 2002 £'000
AIT Group plc	Software	**1,130**	667
Arithmatica Limited	Semiconductors	**1,486**	1,003
Azea Networks Limited	Communications	**1,332**	295
Anadigm Limited	Semiconductors	**1,144**	1,000
First Index Group Limited	Industrial products & services	**1,373**	1,291
Workshare Limited	Software	**1,000**	1,000
CDC Solutions Limited	Software	**1,000**	1,000
Footfall Limited	Industrial products & services	**1,000**	1,000
Oxxon Pharmaccines Limited	Healthcare & life sciences	**987**	–
Nomad Software Limited	Software	**1,000**	1,000
		11,452	8,256
Other venture capital investments			
Advanced Valve Technologies Limited	Industrial products & services	**519**	–
Antenova Limited	Communications	**874**	624
Anthropics Technology Limited	Communications	**1,000**	1,000
Avidex Limited	Healthcare & life sciences	**733**	733
BlazePhotonics Limited	Communications	**514**	514
Bowman Power Systems Limited	Energy	**1,000**	1,000
Celoxica Holdings Limited	Software	**1,000**	1,000
Cyclacel Limited	Healthcare & life sciences	**500**	500
De Novo Pharmaceuticals Limited	Healthcare & life sciences	**750**	750
Elateral Holdings Limited	Software	**655**	1,000
Lorantis Holdings Limited	Healthcare & life sciences	**750**	750
Nexagent Limited	Software	**432**	229
Balance carried forward to next page		**8,727**	8,100

8 INVESTMENTS – continued

8(d) Venture capital portfolio at cost – continued

	Industry Sector	Cost 2003 £'000	Cost 2002 £'000
Balance brought forward from prior page		**8,727**	8,100
On Demand Distribution Limited	Internet	**527**	500
Opsys Limited	Electronics	**285**	1,026
Oxford Immunotec Limited	Healthcare & life sciences	**625**	–
Printable Field Emitters Limited	Electronics	**1,007**	833
Reqio Limited	Software	**580**	–
Sift Group Limited	Internet	**875**	875
Sterix Limited	Healthcare & life sciences	**567**	250
Teraview Limited	Healthcare & life sciences	**375**	375
Xention Discovery Limited	Healthcare & life sciences	**333**	–
		13,901	11,959
Total venture capital investments		**25,353**	20,215

9 COMMITMENTS

At 31 October 2003 there were commitments totalling £125,000 in respect of one follow-on investment approved by the Manager but not yet completed.

10 DEBTORS

	2003 £'000	2002 £'000
Prepayments and accrued income	**89**	505
Other debtors	**520**	2,594
	609	3,099

11 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	2003 £'000	2002 £'000
Trade creditors and accruals	**266**	2,544
Corporation tax payable	**–**	27
Proposed dividend	**–**	607
	266	3,178

12 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

Quester Venture Participations Limited and a number of individuals (or related trusts of such individuals) who are shareholders and/or hold appointments with the Quester group of companies, hold redeemable loan notes in the Company, totalling a nominal amount of £100,000 (2002: £96,800). The loan notes are redeemable at the option of the Company or the holders and are transferable. The loan notes provide a return to holders, over and above the entitlement to interest of 5% per annum, which is dependent upon the performance of the Company. The return will be paid by way of additional interest and a premium on redemption.

The loan note instrument provides that holders will be entitled to a redemption premium of an amount of up to 20% of the net asset value of the Company (the "Applicable Percentage") depending upon the extent to which the aggregate net asset value and gross distributions from the Company exceed an increasing target level ("Target Base") in the years 2006 to 2012. When the relevant Target Base is first achieved, but not exceeded, in the relevant year, the Applicable Percentage shall be 3%. As and when the net asset value and distributions exceed the Target Base in that year or any later year, then the Applicable Percentage increases by 0.3 multiplied by the excess. The Target Base is 160p per share for the years to 2006, increasing by 2p on the publication of each of the interim statements and audited accounts each year thereafter, rising to 186p on the expiry of the period in 2012. In addition, there is a requirement that as well as the Target Base being achieved, dividends of an aggregate of at least 60p per ordinary share must have been declared by the Company before an entitlement to a redemption premium can arise.

If the Target Base is achieved, additional interest will be payable. Redemptions will take place, if the holders so request, within 60 days of the publication of the audited accounts and interim statements in each applicable year. Holders may require the Company to redeem up to a particular proportion of their loan notes, determined by reference to the Applicable Percentage at that time.

13 CALLED-UP EQUITY SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
100,000,000 ordinary shares of 1p	**1,000**	1,000
Allotted, issued and fully paid:		
52,781,815 (2002: 52,780,452) ordinary shares of 1p	**528**	528

The Company bought back 102,171 ordinary shares with a nominal value of £1,022, representing 0.2% of the issued share capital, at a cost of £67,000. These shares were subsequently cancelled. In April 2003 the Company issued 103,534 shares in terms of the Dividend Reinvestment Scheme with an aggregate nominal value of £1,035 for a net consideration of £82,000.

14 RESERVES

	Share premium £'000	Special reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
At 1 November 2002	137	49,532	(2,140)	(4,897)	38
Shares allotted under the dividend reinvestment scheme	81	–	–	–	–
Share buy-backs	–	(66)	–	–	–
Net loss on realisation of investments	–	–	68	–	–
Write-off of investments	–	–	(500)	–	–
Transfer from unrealised reserve	–	–	(919)	919	–
Net unrealised loss on revaluation of investments	–	–	–	(1,624)	–
Net expenses charged to capital	–	–	(502)	–	–
Retained revenue for the period	–	–	–	–	84
At 31 October 2003	218	49,466	(3,993)	(5,602)	122

The Special Reserve is a distributable reserve that was created following the cancellation of the share premium account in August 2001. This reserve allows the Company, amongst other things, to fund the buy-back of its ordinary shares as and when it is considered by the Board to be in the best interests of shareholders.

14 RESERVES – continued

The Capital Reserve Realised is the reserve into which realised capital gains and losses arising from investments held are transferred. These include both gains and losses arising from the disposal of investments as well as the losses arising from permanent diminutions in value. In addition, 50% of the management fee is also charged to this reserve, reflecting an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments.

The Capital Reserve Unrealised is the reserve into which unrealised gains and losses, which are not considered to be permanent, arising from the revaluation of investments are transferred.

15 NET ASSET VALUE PER SHARE

The net asset value per share as at 31 October 2003 of 77.2p (2002: 81.8p) is based on net assets of £40,739,000 (2002: £43,198,000) divided by the 52,781,815 (2002: 52,780,452) ordinary shares in issue at that date.

16 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 **£'000**	2002 £'000
At 1 November 2002	**43,198**	48,631
Issue of shares under the terms of the dividend reinvestment scheme	**82**	139
Cost of share buy-backs	**(67)**	(172)
Total return on ordinary activities after tax	**(2,474)**	(4,793)
Dividend proposed	**–**	(607)
At 31 October 2003	**40,739**	43,198

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 **£'000**	2002 £'000
Return on ordinary activities before tax	**79**	702
Decrease in debtors	**2,493**	307
Decrease in creditors	**(2,278)**	(34)
Income tax suffered at source	**–**	34
Management fees charged to capital reserve	**(501)**	(481)
Amortisation of bonds	**534**	398
	327	926

Notes to the financial statements – continued

18 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

As a venture capital trust, the Company's objective is to provide shareholders with an attractive income and capital return by investing approximately 85% of its funds in a broad spread of unquoted UK companies meeting the relevant criteria for venture capital trusts and approximately 15% in fixed interest securities or equities and convertible securities quoted on a recognised stock exchange, this allocation to be held as a reserve and available for second-round financing or investment in additional unquoted companies. The holding of these financial instruments to meet this objective results in certain risks.

The Company's financial instruments may comprise:

- Shares, securities and other financial commitments, including guarantees, in unquoted and quoted companies, which are held in accordance with the Company's investment objective; and
- Cash, liquid resources and short-term debtors and creditors arising from the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk, market price risk, interest rate and foreign currency risk.

Short term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been excluded from the numerical disclosures in this note.

LIQUIDITY RISK

The funds raised since incorporation are currently used to fund the Company's primary objective of investing in venture capital opportunities; approximately 50% of the funds raised since incorporation have now been utilised in this investment process. By their nature, unquoted investments may not be readily realisable. A portfolio of listed equities and fixed interest securities is held to offset the liquidity risk. As at the year end, the Company had no borrowings other than loan notes amounting to £100,000 (2002: £96,800) (see note 12).

18 FINANCIAL INSTRUMENTS – continued

MARKET PRICE RISK

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions or unquoted investments in the face of price movements, mitigated by stock selection.

INTEREST RATE RISK

At the period end and throughout the period, the Company had no liabilities (2002: nil) that were subject to interest rate risk.

Interest rate risk profiles for the Company's financial assets are shown below.

INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS

The following analysis sets out the interest rate risk of the Company's financial assets.

	2003	2002
	£'000	£'000
Floating rate	**102**	1,320
Fixed rate	**3,138**	22,540
Non-interest bearing	**37,865**	22,613
	41,105	46,473

FIXED RATE FINANCIAL ASSET WEIGHTED AVERAGES

	2003	2002
Fixed rate financial assets weighted average interest rate	**7.7%**	7.5%
Weighted average time for which rate is fixed (years)	**0.6**	2.5

FOREIGN CURRENCY RISK

The functional currency of the Company is sterling. However, the Company does hold a number of foreign equities that are listed on recognised stock exchanges. As at the period end, the sterling equivalent value of such foreign investments amounted to £1,845,000 (2002: £991,000), representing 4.5% (2002: 2.3%) of the Company's net assets as at that date.

Notes to the financial statements – *continued*

18 FINANCIAL INSTRUMENTS – continued

FAIR VALUES OF FINANCIAL ASSETS

All the financial assets of the Company are held at fair value as at 31 October 2003.

	2003 Book Value and Fair Value £'000	2002 Book Value and Fair Value £'000
Primary financial assets:		
– Quoted investments	**8,779**	25,902
– Unquoted investments	**17,908**	16,152
– Cash at bank	**13,809**	1,320

The fair values of the unquoted investments have been determined according to the methods detailed in the Accounting Policies note commencing on page 27.

19 RELATED PARTY DISCLOSURES

Some of the directors and members of their close families have made investments in companies in which the Company has invested. These transactions were made at the same time and on the same terms and conditions as applicable to the Company.

	No. of directors	**2003 £'000**	No. of directors	2002 £'000
Anadigm Limited	**2**	**7**	–	–

Following the year end, directors and members of their close families have undertaken the following purchases with a company in which Quester VCT 4 has invested. This transaction was made on the same terms and conditions as applicable to Quester VCT 4.

	No. of directors	**2003 £'000**	No. of directors	2002 £'000
CDC Solutions Limited	**2**	**34**	–	–

One director has a contract for the provision of company secretarial services for BlazePhotonics Limited, a portfolio company.

20 INVESTEE COMPANY FINANCIAL DATA

	Latest accounts year end	Turnover £'000	Profit/(loss) before tax for year £'000	Retained profits/ (losses) £'000	Net assets £'000
AIT Group plc	31.03.2003	17,584	(41,227)	(40,710)	(18,839)
Arithmatica Limited	31.12.2002	–	–	(2,288)	202
Azea Networks Limited	31.12.2002	–	(1,273)	(1,120)	(1,081)
Anadigm Limited	31.12.2002	75	(5,466)	(11,006)	2,965
First Index Group Limited	31.12.2001	7,437	(4,335)	(8,121)	(461)
Workshare Limited	31.03.2003	10,492	907	576	1,248
CDC Solutions Limited	31.12.2001	4,618	(2,189)	(4,274)	7,383
Footfall Limited	31.03.2002	1,664	(2,589)	(5,545)	1,381
Oxxon Pharmaccines Limited	31.05.2003	236	(3,040)	(6,096)	14,908
Nomad Software Limited	31.12.2001	4,488	(1,508)	(2,651)	5,098

The information is taken from the most recently available audited financial information for the above companies.

Corporate governance

The Board considers that the Company has complied throughout the year with the provisions of section 1 of the Principles of Good Governance and Code of Best Practice ('the Combined Code') published by the Stock Exchange in June 1998.

THE BOARD

The Company has a Board of five non-executive directors, three of whom are independent of the Company's investment manager. Under the Articles and the Combined Code, two of the Board members are required to offer themselves for re-election this year and therefore they offer themselves for re-election at this year's AGM. Biographical details of all Board members are shown on page 19. The full Board meets at least four times per year and on other occasions as required, to review the results of the Company and consider any appropriate recommendations by the Manager, Quester Capital Management Limited ('QCML'). A schedule of matters specifically reserved to the Board for its decision has been adopted.

The Board as a whole is responsible for the procedure of agreeing to the appointment of its own members and of its professional advisors (a nominations or remunerations committee has not been appointed as the directors consider the Board to be small). Other matters specifically reserved to the Board include banking arrangements, proposals for changes to the Articles, related party transactions and review of investments made. In addition, the Board carefully reviews the allocation of investments by the Manager between the Funds managed by them in accordance with established guidelines. The Board receives management accounts on a monthly basis. Any additional information is supplied on request.

All directors have access to the advice and services of the Company Secretary and the Board has established procedures whereby directors wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

THE AUDIT COMMITTEE

The Board has appointed an Audit Committee, which operates within defined terms of reference, consisting of the three independent non-executive directors to deal with matters relating to audit, financial reporting and internal control systems. The Audit Committee meets at least twice a year and a representative of the Auditor attends at least one of these meetings. The Audit Committee is authorised to seek any information it requires from the Manager who is directed to co-operate with any request made by the Committee. The Committee is authorised to seek outside legal advice if it considers this necessary. It is the Committee's responsibility to review interim and annual financial statements prior to publication. The Audit Committee undertakes a periodic review of the terms of the management agreement with QCML.

Robert Wright, Robert Barrow and Alan Lamb form the Audit Committee.

INTERNAL CONTROL

The Combined Code requires the directors to conduct at least annually, a review of the effectiveness of the Company's system of internal controls and to report to shareholders that they have done so. This covers all controls including financial, operational, compliance and risk management.

The directors are ultimately responsible for the Company's system of internal controls. Internal controls are designed to meet the particular needs of the Company and the risks to which it is exposed. They are designed to manage rather than eliminate the risk of failure to achieve business objectives, and by their very nature, can only provide reasonable and not absolute assurance against misstatement or loss. The directors have reviewed the effectiveness of the Company's internal control system during the year ended 31 October 2003.

To comply with the full guidance on internal controls, the Company has adopted a risk-based approach to reviewing internal controls. The performance of the key internal controls identified from this risk-based approach is monitored throughout the year and exception reports are presented to the Board on a quarterly basis. These reports to the Board are prepared by the management of QCML. The key risks and internal controls will be re-appraised annually by the Company's directors.

The need for an internal audit function has been considered by the Board and will be reconsidered annually. Due to the size of the business and lack of complexity, the directors consider that the establishment of an internal audit function is unnecessary.

Currently, the key elements of internal control operating within the Company are:

- The Audit Committee, which reviews the internal control procedures adopted by the Manager and reviews information provided by the Manager to enable it to monitor the qualifying status of the Company as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988.

Corporate governance – continued

- The Board, which is given the opportunity to review and comment on investment proposals made by the Manager. The Board also approves annual budgets prepared by the Manager and receives copies of the management accounts on a monthly basis showing comparisons with budget.

Responsibility for accounting, secretarial services and custody of documents of title relating to investments has been contractually delegated to QCML under the management agreement. QCML, which is regulated by the FSA, has established its own system of internal controls in relation to these matters, on which it has reported to the Board.

By the procedures set out above, and in accordance with the Turnbull Guidance for directors on the Combined Code published by the Institute of Chartered Accountants in England and Wales, the directors have kept under review the effectiveness of the internal controls throughout the year.

RELATIONS WITH SHAREHOLDERS

This year's AGM will be held on 24 February 2004 when shareholders will have the opportunity to meet the Board. Separate resolutions are proposed at the AGM on each substantially separate issue. Proxy votes are counted. In order to comply with the Combined Code, proxy votes will be announced at the AGM, following each vote on a show of hands, except in the event of a poll being called.

In addition to the formal business of the AGM, a brief presentation will be given by a representative of the Manager. Representatives of the Manager, the Board and the Audit Committee will be available to answer any questions a shareholder may have. In addition to the above, the Board is always pleased to respond to any written queries made by shareholders during the course of the year.

Independent auditor's report to the members of Quester VCT 4 plc

We have audited the financial statements on pages 24 to 41. We have also audited the information in the directors' remuneration report on pages 48 to 49 that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our 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 and the directors' remuneration report. As described on page 47, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 42 to 44 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 of the state of affairs of the Company as at 31 October 2003 and of the total return of the Company for the year then ended; and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
15 January 2004

Statement of directors' responsibilities

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 at the end of the financial year and of the profit or loss for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' remuneration report

This report is prepared in accordance with Schedule 7A of the Companies Act 1985. The Company's auditor is required to report on certain information contained within this report (shown in the boxes below). The auditor's opinion is included within the auditor's report on pages 45 and 46.

The Board currently comprises five non-executive directors. The Board as a whole considers directors' remuneration and a Remuneration Committee has not been established. The Board has access to independent advice where it considers it appropriate.

The Board's policy is that the remuneration of non-executive directors should reflect time spent and the responsibilities borne by the directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The Company's Articles of Association limit fees payable to the directors to £125,000 in aggregate. Directors' fees payable during the year totalled £39,000, as set out on page 30.

APG Holmes, JA Spooner and their immediate families are holders of redeemable loan notes. The loan notes are redeemable at the option of the Company or the holders and are transferable. The loan notes provide a return to holders, over and above the entitlement to interest of 5% per annum, which is dependent upon the performance of the Company. The return will be paid by way of additional interest and a premium on redemption.

The loan note instrument provides that holders will be entitled to a redemption premium of an amount of up to 20% of the net asset value of the Company (the "Applicable Percentage") depending upon the extent to which the aggregate net asset value and gross distributions from the Company exceed an increasing target level ("Target Base") in the years 2006 to 2012. When the relevant Target Base is first achieved, but not exceeded, in the relevant year, the Applicable Percentage shall be 3%. As and when the net asset value and distributions exceed the Target Base in that year or any later year, then the Applicable Percentage increases by 0.3 multiplied by the excess. The Target Base is 160p per share for the years to 2006, increasing by 2p on the publication of each of the interim statements and audited accounts each year thereafter, rising to 186p on the expiry of the period in 2012. In addition, there is a requirement that as well as the Target Base being achieved, dividends of an aggregate of at least 60p per ordinary share must have been declared by the Company before an entitlement to a redemption premium can arise.

If the Target Base is achieved, additional interest will be payable. Redemptions will take place, if the holders so request, within 60 days of the publication of the audited accounts and interim statements in each applicable year. Holders may require the Company to redeem up to a particular proportion of their loan notes, determined by reference to the Applicable Percentage at that time.

The share option arrangement is viewed as an appropriate incentive plan for those directors, who are also directors of QCML, as it links their benefits to those of the shareholders of the Company. Except for this, no director's remuneration is performance related and directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits. It is considered appropriate that no other aspect of directors' remuneration should be performance related in light of the directors' non-executive status. It is the intention of the Board that the above remuneration policy will continue to apply in the forthcoming financial year and subsequent years.

The directors who served during the year received emoluments as detailed below.

	2003	2002
	£'000	£'000
RA Wright (Chairman)	**15**	15
R Barrow	**12**	12
APG Holmes	**–**	–
APM Lamb	**12**	12
JA Spooner	**–**	–

None of the directors received any other remuneration or benefit during the period except as disclosed in these accounts. APG Holmes and JA Spooner have waived their entitlement to directors' fees for all accounting periods ended on, or prior to, 31 October 2003.

There is no notice period stipulated in the service contracts of the Company with any of the directors. No compensation is payable to directors on leaving office. The graph on page 3 charts the total return (defined as the net asset value per share of the Company plus cumulative dividends paid) to ordinary shareholders since the date of incorporation compared to a range of other indices (since there is no clearly appropriate benchmark against which the performance of the Company should be measured, a range of other indices are shown including the FTSE Small Cap Index, the Hoare Govett Smaller Companies Index and the FTSE AIM Index, which are considered to be the nearest available comparables).

The directors' remuneration report forms part of the Annual Report and Accounts of the Company. These were approved by the Board of Directors on 15 January 2004 and signed on its behalf by Robert Wright.

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Quester VCT 4 plc will be held at Dartmouth House, 37 Charles Street, London W1J 5ED at 11.30 a.m. on 24 February 2004 for the following purposes:

AS ORDINARY BUSINESS

1. **Annual Report and Accounts**

   To receive, consider and adopt the annual report and accounts for the year ended 31 October 2003, together with the auditor's report on those accounts and the auditable part of the directors' remuneration report.

   The directors must present the annual report and accounts for the previous year to shareholders at an Annual General Meeting. The annual report and accounts for the year ended 31October 2003 are set out in this document. As a result of recent legislation, directors are also required to present the auditor's report on the annual accounts and the auditable part of the directors' remuneration report to the Annual General Meeting.

2. **Directors' Remuneration Report**

   To approve the directors' remuneration report for the year ended 31 October 2003.

   As a result of recent legislation, directors of listed companies are required to produce a directors' remuneration report for each financial year of the company containing information relating to the company's remuneration policy for directors and certain other matters and to submit this to shareholders for approval. The directors' remuneration report of the Company for the year ended 31 October 2003 commences on page 48.

3-4 Re-election of the directors who are retiring under the Company's Articles of Association

3. **To re-elect Alan Lamb as a director**

4. **To re-elect John Spooner as a director**

   In accordance with the Company's Articles of Association and the Combined Code on Corporate Governance issued by the UK Listing Authority, Alan Lamb and John Spooner retire at the Annual General Meeting by rotation and, being eligible, offer themselves for re-election. Brief biographical details of Alan Lamb and John Spooner appear on page 19.

5. **The Auditor**

To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the directors to fix its remuneration.

The Company has to appoint auditors at every general meeting at which accounts are presented to shareholders. It is normal practice for the Company's directors to be authorised to agree the auditor's fees.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which resolution 6 shall be proposed as an ordinary resolution and resolutions 7 and 8 shall be proposed as special resolutions:

6. **Authority to allot shares**

THAT the directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £472,181.85 provided that:

(a) such authority shall expire on the day five years after the date of passing of this Resolution;

(b) notwithstanding paragraph (a) above, this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offer or agreement; and

(c) all previous authorities under section 80 of the Act be and they are hereby revoked.

Resolution 6 proposes, as an ordinary resolution, to renew the directors' authority to allot relevant securities of the Company (as that term is defined in the Companies Act 1985). The maximum number of relevant securities that the directors could allot under this authority is 47,218,185, representing approximately 89% of the current issued share capital of the Company. The directors have no present intention to exercise this authority; however, further shares may have to be allotted, inter alia, in connection with the dividend reinvestment scheme. The authority will lapse five years after it is passed.

7. **Authority for the disapplication of pre-emption rights**

THAT, in accordance with section 95 of the Act, the directors be and they are hereby empowered to allot equity securities (as defined in sub-section (2) of section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) contained in Resolution 6 above as if sub-section (1) of section 89 of the Act did not apply to the allotment, provided that the power hereby conferred shall be limited to:

(a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory; and

(b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value not exceeding £52,781.81;

and this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company in 2005 or the date which is fifteen months from the date of this Resolution, whichever is the earlier, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

At the Annual General Meeting of the Company held on 25 February 2003 the directors were empowered to allot shares for cash otherwise than in accordance with the statutory pre-emption rights of shareholders. This power expires unless renewed at the conclusion of this Annual General Meeting. Since in certain circumstances it may be in the best interests of the Company to allot shares for cash otherwise than pro rata to existing shareholders, the directors consider that it is appropriate to renew the power at this Annual General Meeting. The above special resolution will accordingly be proposed giving the directors power to allot equity securities for cash in connection with a rights issue and in other cases up to an aggregate nominal amount of £52,781.81, which is equivalent to 10% of the current issued ordinary share capital of the Company. This power will expire at the conclusion of the next Annual General Meeting of the Company or the date which is 15 months from the date of the resolution, whichever is the earlier.

8. Authority for the company to buy-back its own shares

THAT the Company be and it is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased is 5,278,181;

(b) the minimum price which may be paid for an Ordinary Share is 1p;

(c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market prices shown in the quotations for an Ordinary Share in the Daily Official List of the UK Listing Authority for the five dealing days immediately preceding the day on which the Ordinary Share is purchased;

(d) the authority hereby conferred shall expire on the earlier date which is 15 months from the date of this resolution and the date of the Annual General Meeting of the Company in 2005; and

(e) the Company may enter into a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which would or might be executed and completed wholly or partly after the expiry of such

authority and may make purchases of Ordinary Shares in pursuance of any such contract or contracts.

The directors consider that it may in certain circumstances be advantageous for the Company to be able to purchase its own shares. Occasional market purchases by the Company of its own shares could provide an additional measure of liquidity in the market for the Company's shares and can enhance the net asset value per share for the Company's remaining shareholders. Accordingly, the above resolution proposes, as a special resolution, to renew the existing power of the Company to purchase its own shares, up to a maximum number of 5,278,181 ordinary shares representing 10% of the total number of shares currently in issue.

The maximum price which may be paid for an ordinary share will be an amount which is not more than 5% above the average of the mid-market quotations of the ordinary shares as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the date of purchase, and in any event may not exceed the most recently reported net asset value at the time of the buy-back. The purchase of ordinary shares will involve a stamp duty cost to the Company of approximately 0.5% of the purchase price. Shares that are purchased will be cancelled.

In accordance with the Listing Rules of the UK Listing Authority, the Company will not make purchases during the two-month periods immediately preceding the announcement of its year-end results and half-year results or the period from the end of the financial period until the announcement of results, if shorter.

The power expires at the end of the annual general meeting to be held in 2005 or the date 15 months from the date of the resolution, whichever is the earlier. The power will be exercised only if, in the opinion of the directors, a purchase by the Company of its own shares would be in the interests of shareholders generally.

By order of the Board

MG Williams
Secretary

29 Queen Anne's Gate
London, SW1H 9BU

15 January 2004

Note:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and, on a poll, vote in his/her place.
2. To be valid, a form of proxy, duly signed, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority) must be lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.30 a.m. on 22 February 2004. Completion of a form of proxy will not affect the right of a member to attend and vote at the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of member of the Company at 11.30 a.m. on 23 February 2004 will be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned, the time by which a person must be entered in the register of members in order to have the right to attend or vote at the adjourned meeting is 11.30 a.m. on the day preceding the date fixed for the adjourned meeting. Changes to entries in the register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of directors' service contracts and the register of directors' interests in the Company's shares are available for inspection at the Company's registered office, 29 Queen Anne's Gate, London SW1H 9BU, during normal business hours (public holidays excluded) and will be made available for inspection at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.

Shareholder information

ANNUAL GENERAL MEETING — 11.30 A.M. ON 24 FEBRUARY 2004

The Notice of Annual General Meeting is contained in this report. A proxy form is enclosed with this circular. To be valid, completed proxy forms should be returned to Capita IRG plc no later than 11.30 a.m. on 22 February 2004.

SUNDRY INFORMATION

The mid-market price of shares in Quester VCT 4 plc is reported daily in the Financial Times and appears under the heading ''Investment Companies". Estimates of the Company's current net asset value are reported on certain days in the Financial Times. These estimates are not provided by Quester.

The Company generally announces changes in its net asset value on a monthly basis. However, no announcements will be made in respect of year end net asset values and subsequent month end net asset values until the audited results have been released. Half year net asset value announcements and subsequent month end net asset value announcements will generally not be made until the internal valuation process for the unquoted investments has been completed. No other announcements regarding changes in the net asset value will be made unless material and/or required under UK Listing Authority rules.

DIVIDEND REINVESTMENT SCHEME

A dividend reinvestment scheme has been created to allow shareholders to reinvest their dividends if they so wish. The details of the scheme are contained in the prospectus dated 1 November 2000 that has already been sent to shareholders. Shareholders who have not already done so may elect to join the scheme and should do so by notifying the Company's registrars, Capita Registrars, in writing. Copies of the scheme's terms and conditions may be obtained from the Company's secretary, MG Williams.

Shareholders are reminded that the election to reinvest dividends is an enduring declaration and so applies to all future dividends paid by the Company. In order to cancel this enduring declaration, a written instruction must be sent to Company's registrars, Capita Registrars.

Management and administration

REGISTERED OFFICE	29 Queen Anne's Gate London SW1H 9BU (Registered in England, No 4063505)
MANAGER	Quester Capital Management Limited 29 Queen Anne's Gate London SW1H 9BU Tel: 0207 222 5472 Fax: 0207 222 5250 Email: contact@quester.co.uk www.quester.co.uk Regulated by the FSA
SECRETARY	MG Williams
STOCKBROKER	Evolution Beeson Gregory Limited 100 Wood Street London EC2V 7AN
SOLICITORS	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
AUDITOR	KPMG Audit Plc Chartered Accountants and Registered Auditor
VCT TAX ADVISER	KPMG both of: 8 Salisbury Square London EC4Y 8BB
QUOTED AND FIXED INTEREST INVESTMENT ADVISER	Newton Investment Management Limited 71 Queen Victoria Street, London EC4V 4DR
REGISTRARS	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 020 8639 2000 Fax: 020 7487 7719
BANKERS	The Royal Bank of Scotland Floors 8 & 9 280 Bishopsgate London EC2M 4RB

Quester
29 Queen Anne's Gate
London SW1H 9BU
tel +44 (0) 20 7222 5472
fax +44 (0) 20 7222 5250
e-mail: contact@quester.co.uk
www.quester.co.uk