Quester VCT 4 PLC

ANNUAL REPORT 2004

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.

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 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 any capital gains tax deferral granted at the time of their original subscription.

CONTENTS

Page

FINANCIAL HIGHLIGHTS

AS AT 31 OCTOBER

Per ordinary share (pence)	**2004**	2003	2002
Capital values			
Net asset value	**67.7**	77.2	81.8
Share price	**62.0**	82.5	82.5
Return and dividends			
Dividend	**–**	–	1.2
Cumulative dividend	**2.9**	2.9	2.9
Total return*	**70.6**	80.1	84.7
Interim dividend for year ending 31 October 2005	**1.0**		

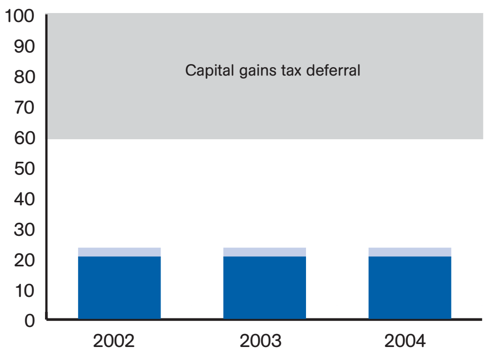
*Net asset value plus cumulative dividend

COMPOSITION OF THE FUND BY VALUE

	%
Venture capital investments	53.4
Listed equity investments*	17.4
Listed fixed interest investments*	2.5
Cash and other net assets*	26.7
	100.0

*Retained as a reserve for potential future venture capital investment

CUMULATIVE CASH RETURN



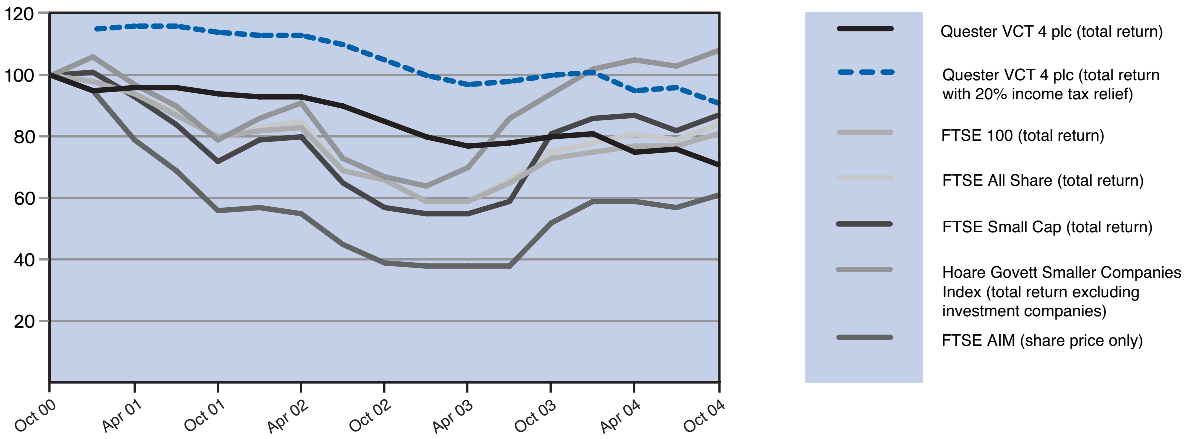
This diagram shows the progress made towards repayment of investors' initial investment, based on:

- the initial 100 pence investment price (December 2000)
- the initial 20 per cent 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

Cumulative dividend   Income tax relief

COMPARATIVE PERFORMANCE

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



CHAIRMAN'S STATEMENT

INTRODUCTION

During the year, Quester's position in the market continued to attract a strong flow of investment opportunities. The initial investment phase of the Company is now essentially complete.

The overall funding environment for small companies is now better than for some time. During the year it was encouraging that a number of key companies in the portfolio were able to close follow-on funding rounds on satisfactory terms, or are planning to do so shortly. Looking ahead to possible opportunities for successful sales of new and developing businesses, it has been encouraging to see a higher level of merger and acquisition (M&A) activity by larger companies and stock market conditions more conducive to the achievement of successful flotations, particularly for smaller companies on the Alternative Investment Market (AIM).

INVESTMENTS COMPLETED

In the current economic environment, with an expectation of relatively low overall growth and low inflation, it has been the Board's view that a strategy of investing in high-growth sectors within the economy offers the best opportunity for the achievement of superior investment returns.

Accordingly, the portfolio of Quester VCT 4, now covering 35 companies including 29 unquoted companies and six companies whose shares are traded on AIM or NASDAQ, includes a strong weighting in the ICT and healthcare and life sciences sectors. The portfolio is well diversified and includes companies operating in a wide range of markets with high growth potential.

Other than in relation to its early investments and AIM companies, Quester VCT 4 has generally co-invested alongside Quester's fund for institutional investors, the Quester Venture Partnership, and other Quester funds. These co-investment arrangements are appropriate to the needs of ambitious high growth companies, which may require significant amounts of capital to develop technology based products or to grow their businesses internationally.

PROGRESS OF THE PORTFOLIO

Shareholders will appreciate that venture capital is a long-term investment which, in the first few years, may often show a drop in net asset value before showing any significant uplift, reflecting initial costs and management fees and the writing down in value of troubled or failed investments which may occur in the first few years of the life of a fund.

At the end of this fourth year, the portfolio still contains a relatively high proportion of early stage businesses. In a number of the technology-based sectors in which Quester VCT 4 has holdings, markets have not developed as rapidly as had been anticipated. Some of the portfolio companies have suffered as a result, with business performance falling behind plan. Provisions totalling £5.1 million have been made in respect of 11 unquoted investments. Other portfolio companies 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.

TRADE SALES AND FLOTATIONS

It is encouraging to be able to report that successful trade sales or flotations of four venture capital investments were achieved during the year. These included two realisations for cash, which have together produced realised gains in the year ended 31 October 2004 of £1,443,000.

The other two transactions have resulted in the Company holding quoted stock in the acquirer and/or an entitlement to future earn-out consideration. At this stage the sale of CDC Solutions Limited has been accounted for on a no profit/no loss basis, while the sale of On Demand Distribution Limited to Loudeye Corporation ("Loudeye") has produced only a modest unrealised gain. Both transactions offer significant potential for future uplift in valuation, through share price performance (in the case of Loudeye) and under the earn-out entitlements.

NET ASSETS, REVENUE AND DIVIDENDS

During the year, there was a 12.3% reduction in the net asset value per share of the Company, from 77.2p at 31 October 2003 to 67.7p at 31 October 2004.

The movement in net assets is summarised as follows:

	£'000	Pence per share
Net asset value at 31 October 2003	40,739	77.2
Income	267	0.5
Investment management fee and other expenses	(1,330)	(2.5)
Realised net gains on disposal of investments	1,606	3.1
Write-off of investments	(1,052)	(2.0)
Net unrealised losses on revaluation of investments	(4,500)	(8.6)
Share buy-backs (serving to enhance NAV by 0.04p per share)	(490)	–
Net asset value at 31 October 2004	35,240	67.7

The statement of total return for the year ended 31 October 2004 shows a loss of £5,009,000, equivalent to 9.5p per share. This comprises a loss of £577,000 on revenue account, with the balance being attributable to capital account.

Against this background, the Directors are not recommending a final dividend for the year ended 31 October 2004. However, it is intended that the Company should shortly revoke its investment company status, to enable a dividend to be paid in respect of the realised gains achieved on venture capital investments during the year. This will be paid as an interim dividend in respect of the year ending 31 October 2005 of 1.0p per share, payable on 1 April 2005.

CHANGE OF CORPORATE BROKER AND MARKET MAKERS

In July 2004 the Company appointed Noble & Company Limited as its corporate broker, replacing Evolution Beeson Gregory Limited. Following this change, Winterflood Securities Limited became market makers in the Company's shares.

OUTLOOK

The investments completed by the Company are, in most cases, still 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

21 January 2005

INVESTMENT MANAGER'S REPORT

PROGRESS WITH VENTURE CAPITAL INVESTMENT

During the year ended 31 October 2004, 11 new investments were completed at an initial cost of £4.1 million.

The new investments included six in unquoted companies: three in software, Argelcom Limited (£89,000), Celona Technologies Limited (£321,000) and Digital Union (UK) Limited (£536,000); one in communications, Amino Technologies plc (£357,000); one in electronics, Mesophotonics Limited (£893,000); and one in consumer services, HTC Healthcare Limited (£536,000).

In pursuit of the Company's strategy to invest in attractive companies raising capital on AIM, a total of £1.3 million was invested in five companies covering a range of different sectors: Allergy Therapeutics plc, Offshore Hydrocarbon Mapping plc, Polaron plc, Public Recruitment Group plc and Quadnetics Group plc.

An additional £2.9 million was invested in 16 of the existing portfolio companies, either as further tranches of originally agreed commitment or as follow-on investment. The follow-on investments included additional commitments to Advanced Valve Technologies Limited (£544,000), Cylacel Group plc (£500,000), Lorantis Holdings Limited (£650,000) and Teraview Limited (£250,000).

As previously reported, 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 11 to 14 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, there may at this stage still be only limited, if any, sales revenues and a reported financial loss. This pattern of financial results should be appreciated as typical of early-stage companies exploiting technology-related opportunities and their business plan.

TRADE SALES AND FLOTATIONS

We are pleased to be able to report that successful trade sales or flotations of four venture capital investments were achieved during the year, including two realisations for cash and two transactions resulting in the Company holding quoted stock in the acquirer and/or an entitlement to future earn-out consideration:

- The biopharmaceutical company Sterix Limited was sold in February 2004 to the European pharmaceutical group Ipsen, Quester VCT 4's investment realising cash proceeds of £1,062,000 and generating a gain of £495,000 on cost of £567,000.
- The holding in Amino Technologies plc, which had been acquired for £357,000 in November 2003 as an unquoted investment, was sold in tranches upon the admission of the company's shares to trading on AIM in June 2004 and subsequently, realising total proceeds of £1,305,000 and a gain of £948,000.
- The digital music service provider On Demand Distribution Limited ("OD2") was acquired by the NASDAQ-quoted company Loudeye Corporation ("Loudeye") in June 2004, to create the largest business-to-business digital media provider in the world with the largest licensed digital music catalogue in the industry. For Quester VCT 4, the initial consideration received in the form of

Loudeye shares – based on the last traded price of these shares on NASDAQ, appropriately discounted – and the accounting value of the deferred consideration receivable together amount as at 31 October 2004 to £694,000, producing an unrealised gain at this stage of £126,000. The ultimate return to Quester VCT 4 will depend upon movements in Loudeye's share price, foreign exchange movements and the future performance of the business itself (under an earn-out entitlement).

- The software company CDC Solutions Limited ("CDC") was sold in December 2003 to Information Holdings Inc., a US-based information services group (since acquired by The Thomson Corporation) which is the parent company of Liquent, Inc. ("Liquent"), hitherto CDC's major competitor. The CDC board and Quester considered that CDC shareholders would ultimately benefit from a merger of the two companies and their improved prospects for growth as a combined business. Quester VCT 4's investment was sold for cash and cash equivalents repaying a substantial part of the original £1.0 million cost of this investment. Depending upon the future performance of the combined business over the coming two years, a good uplift on cost may ultimately be achieved, under an earn-out entitlement. At 31 October 2004, this transaction has been reflected in the accounts on a no profit/no loss basis.

In addition, in July 2004 the Company sold its holding in Offshore Hydrocarbon Mapping plc, which had been acquired for £175,000 in March 2004, realising a gain of £53,000.

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 2004 is provided in the table below:

Industry sector	Existing venture capital portfolio at valuation %	Valuation £'000	Number of investments
Healthcare & life sciences	33.8	6,368	9
Software	23.0	4,330	10
Industrial products & services	12.1	2,270	4
Communications	11.6	2,184	4
Internet	7.2	1,350	2
Electronics	6.0	1,125	3
Semiconductors	3.5	652	2
Consumer goods & services	2.8	536	1
	100.0	18,815	35

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 holds reserves to cover this funding process, provided the companies concerned continue to make satisfactory progress. This is particularly important for a portfolio of this type, and is one of the reasons why we consider that a venture capital portfolio of about 35 investments is appropriate for the Company.

Under the VCT legislation, at least 70% of the Company's investments have to be represented by qualifying holdings. In order to comply with this requirement and maintain an appropriate level of reserves, £5.6 million was held in non-interest bearing cash accounts at the year end (this balance

INVESTMENT MANAGER'S REPORT (CONTINUED)

is expected to be significantly reduced by the end of the current year). This results in a lower level of interest income but is consistent with managing the venture capital portfolio appropriately for current market conditions and long-term capital growth.

VALUATION OF THE VENTURE CAPITAL PORTFOLIO

The venture capital investments have been valued in line with the Company's accounting policies, which are based on the valuation guidelines issued by the British Venture Capital Association ("BVCA") in June 2003.

Holdings in companies whose shares are traded on AIM are valued on the basis of mid-market price on 31 October 2004. It was disappointing that AIT Group plc, which had reported satisfactory results for its financial year ended 31 March 2004, was obliged in August 2004 to issue an announcement that expectations for the year to 31 March 2005 would be lower than anticipated. The share price fell following that announcement and stood at 33p as at 31 October 2004. For Quester VCT 4, the effect was a reduction of £1,066,000 over the year in carrying value of this investment (the valuation at 31 October 2004 being £883,000 against cost of £1,130,000). Other AIM investments showed a net appreciation in value of £201,000.

As regards the unquoted investments, in a number of the technology-based sectors in which Quester VCT 4 has holdings, markets have not developed as rapidly as had been anticipated. Some of the companies in the Quester VCT 4 portfolio have suffered as a result, with business performance falling behind plan. Provisions have been made against cost of the investments concerned: these total £5.1 million in respect of 11 unquoted investments, including Advanced Valve Technologies Limited (£74,000), Anadigm Limited (£1,055,000), Anthropics Technology Limited (£250,000), Arithmatica Limited (£1,057,000), First Index Limited (£1,030,000), Mesophotonics Limited (£223,000), Nexagent Limited (£311,000), Nomad Software Limited (£450,000), Printable Field Emitters Limited (£22,000) and Reqio Limited (£580,000). The investments in First Index Group Limited and Printable Field Emitters Limited have now been treated as write-offs.

Teraview Limited closed a new funding round at a higher price, resulting in a valuation uplift of £108,000. The carrying value of the investment in Sift Group plc has been reduced by £219,000 to reflect current valuation conditions in the venture capital market.

Overall, write-offs resulting from business failures totalled £1.0 million, while the net reduction in carrying value of the ongoing portfolio of unquoted venture capital investments amounted to £4.1 million.

As at 31 October 2004, the Company held entitlements to additional earn-out consideration following two of the trade sales (CDC and OD2), which may in due course add to the overall portfolio valuation.

LISTED EQUITY AND BOND PORTFOLIOS

At 31 October 2004 the Company retained bonds to a value of £876,000. In addition, at 31 October 2004 the Company held a portfolio of listed equities valued at £6.1 million (showing an unrealised capital profit of £312,000).

CONCLUSION

As at the date of this report, the initial investment phase of the Company is essentially 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, it is pleasing to see a significant evolution of the portfolio with a number of trade sales and flotations having been achieved which will lead in due course to full realisation of these investments. Other portfolio companies continue to show the potential to fulfil expectations. Overall, we are confident that the portfolio has substantial upside potential.

Quester Capital Management Limited
Manager

21 January 2005

FUND SUMMARY AS AT 31 OCTOBER 2004

	Industry sector	Original Cost £'000	Valuation £'000	Equity % held	% of fund by value
Quoted venture capital investments					
AIT Group plc	Software	1,130	883	5.8%	2.5%
Allergy Therapeutics plc	Healthcare & life sciences	500	510	1.1%	1.4%
Loudeye Corp.	Internet	568	694	0.8%	2.0%
Polaron plc	Industrial products & services	250	308	1.2%	0.9%
Public Recruitment Group plc	Industrial products & services	250	233	0.8%	0.6%
Quadnetics Group plc	Electronics	143	167	0.5%	0.5%
Total quoted venture capital investments		**2,841**	**2,795**		**7.9%**
Unquoted venture capital investments					
Advanced Valve Technologies Limited	Industrial products & services	1,062	729	26.4%	2.1%
Anadigm Limited	Semiconductors	1,278	223	2.8%	0.6%
Antenova Limited	Communications	999	750	6.8%	2.1%
Anthropics Technology Limited	Communications	1,070	70	7.0%	0.2%
Argelcom Limited	Software	89	89	6.2%	0.3%
Arithmatica Limited	Semiconductors	1,486	429	13.7%	1.2%
Avidex Limited	Healthcare & life sciences	801	801	2.8%	2.3%
Azea Networks, Inc.	Communications	1,332	1,332	6.8%	3.8%
BlazePhotonics Limited	Communications	514	32	2.9%	0.1%
Celona Technologies Limited	Software	321	321	9.0%	0.9%
Celoxica Holdings Limited	Software	1,148	648	2.8%	1.9%
Cyclacel Group plc	Healthcare & life sciences	1,000	1,000	1.4%	2.9%
De Novo Pharmaceuticals Limited	Healthcare & life sciences	750	187	2.8%	0.5%
Digital Union UK Limited	Software	536	536	13.4%	1.5%
Elateral Holdings Limited	Software	1,155	155	15.5%	0.5%
Footfall Limited	Industrial products & services	1,000	1,000	7.7%	2.8%
HTC Healthcare Group plc	Consumer goods & services	536	536	8.7%	1.5%
Lorantis Holdings Limited	Healthcare & life sciences	1,400	1,025	2.5%	2.9%
Mesophotonics Limited	Electronics	893	670	6.0%	1.9%
Nexagent Limited	Software	467	117	1.2%	0.3%
Nomad Software Limited	Software	1,087	537	6.5%	1.5%
Opsys Limited	Electronics	1,038	288	2.9%	0.8%
Oxford Immunotec Limited	Healthcare & life sciences	625	625	9.6%	1.8%
Oxxon Therapeutics Holdings, Inc.	Healthcare & life sciences	987	987	3.5%	2.8%
Reqio Limited	Software	624	44	12.2%	0.1%
Sift Group Limited	Internet	875	656	4.5%	1.9%
Teraview Limited	Healthcare & life sciences	625	733	4.9%	2.1%
Workshare Limited	Software	1,000	1,000	6.6%	2.8%
Xention Discovery Limited	Healthcare & life sciences	500	500	5.8%	1.4%
Total unquoted venture capital investments		**25,198**	**16,020**		**45.5%**
Total venture capital investments		**28,039**	**18,815**		**53.4%**
Listed fixed interest investments		**852**	**876**		**2.5%**
Listed equity investments		**5,811**	**6,123**		**17.4%**
Total investments		**34,702**	**25,814**		**73.3%**
Cash and other net assets		**9,426**	**9,426**		**26.7%**
Net assets		**44,128**	**35,240**		**100.0%**

TEN LARGEST VENTURE CAPITAL INVESTMENTS

AZEA NETWORKS, INC.

www.azea.net

Initial Investment:	May 2002
Cost:	£1,332,000
Valuation:	£1,332,000
Equity held:	6.8%
Valuation basis:	Cost
Co-investing Quester funds*: VCT 5, QVP	

Latest published results:	31.12.2003	31.12.2002
Turnover:	–	–
Loss before tax:	(£3,983,000)	(£1,273,000)
Retained losses:	(£4,759,000)	(£1,120,000)
Net assets/(liabilities):	£7,962,000	(£1,081,000)

An innovative company developing next generation transmission equipment, based on optical networking solutions, to increase the capacity of existing submarine transmission networks. Azea's NX10 product increases the capacity of legacy systems by up to 8 times. The pipeline of sales opportunities is encouraging. Management is in discussions with potential customers regarding field deployments.

LORANTIS HOLDINGS LIMITED

www.lorantis.co.uk

Initial Investment:	April 2001
Cost:	£1,400,000
Valuation:	£1,025,000
Equity held:	2.5%
Valuation basis:	Pricing of last round
Co-investing Quester funds*: VCT 3, VCT 5, QVP	

Latest published results:	31.12.2003	31.12.2002
Turnover:	–	–
Loss before tax:	(£5,643,000)	(£4,817,000)
Retained losses:	(£13,908,000)	(£8,900,000)
Net assets:	£30,928,000	£11,027,000

A drug discovery company focused on the development of novel immunotherapeutics, targeting indications such as asthma, allergic reactions, autoimmune diseases and transplant rejection. This is an early stage biotechnology company based on high quality science. As yet, however, the company has no products in clinical trials and carries inherent science and funding risks. These are balanced by the high quality of the scientific team and the attractive long-term investment potential.

WORKSHARE LIMITED

www.workshare.com

Initial Investment:	July 2002
Cost:	£1,000,000
Valuation:	£1,000,000
Equity held:	6.6%
Valuation basis:	Cost
Co-investing Quester funds*: VCT 5, QVP	

Latest published results:	31.03.2004	31.03.2003
Turnover:	$17,654,000	$15,045,000
Loss before tax:	($4,781,000)	($3,754,000)
Retained losses:	($6,189,000)	($2,050,000)
Net (liabilities)/assets:	($2,578,000)	$1,561,000

A well established company, headquartered in London with offices in San Francisco, New York, Sydney, Singapore and Cape Town. Workshare is the leading provider of document integrating software solutions for professionals in global enterprises. Its suites of high-value document life cycle products includes Workshare 3 for Review, Workshare DeltaView for comparison and verification and Workshare Protect for security. The company has made positive progress since the investment was made.

† Abbreviated accounts submitted to Companies House, therefore published information is unavailable.

* Isis: Isis College Fund Limited Partnerships; VCT 2: Quester VCT 2 plc; VCT 3: Quester VCT 3 plc; VCT 5: Quester VCT 5 plc; QVP: Quester Venture Partnership

TEN LARGEST VENTURE CAPITAL INVESTMENTS (CONTINUED)

FOOTFALL LIMITED

www.footfall.com

Initial Investment:	June 2002
Cost:	£1,000,000
Valuation:	£1,000,000
Equity held:	7.7%
Valuation basis:	Cost
Co-investing Quester funds*: VCT 2, VCT 3, VCT 5	

Latest published results:	31.03.2004	31.03.2003
Turnover:	†	†
Profit/(loss) before tax:	£410,000	(£1,742,000)
Retained losses:	(£6,273,000)	(£7,033,000)
Net assets:	£3,210,000	£2,450,000

Footfall specialises in the provision of pedestrian counting information services to retailers and shopping centre owners. It also publishes the widely used "Footfall Index". Its expertise is to measure and collect data on pedestrian movements and to transform this into meaningful business intelligence. The company enjoys long-term contracts with clients, giving it a high level of recurring revenue. Trading results continue to show positive progress.

CYCLACEL GROUP PLC

www.cyclacel.com

Initial Investment:	May 2001
Cost:	£1,000,000
Valuation:	£1,000,000
Equity held:	1.4%
Valuation basis:	Cost
Co-investing Quester funds*: VCT 3, VCT 5	

Latest published results:	31.12.2003	31.12.2002
Turnover:	£5,000	£808,000
Loss before tax:	(£8,700,000)	(£12,471,000)
Retained losses:	(£39,912,000)	(£32,115,000)
Net assets:	£21,168,000	£12,643,000

A drug discovery company engaged in the design and development of novel therapeutics for cancer and other diseases involving abnormal cell proliferation. Its most advanced research and development programme has completed Phase I trials in Europe. The company has entered into corporate alliances with AstraZeneca, CV Therapeutics, Lorus, Sankyo and a "top five" pharmaceutical major, all in the oncology field. An IPO on the London Stock Exchange and NASDAQ, originally intended for 2004, has been postponed until 2005 when further scientific progress is expected to be announced.

OXXON THERAPEUTICS HOLDINGS, INC.

www.oxti.com

Initial Investment:	March 2003
Cost:	£987,000
Valuation:	£987,000
Equity held:	3.5%
Valuation basis:	Cost
Co-investing Quester funds*: Isis, VCT 5, QVP	

Latest published results:	31.05.2003	31.05.2002
Turnover:	£236,000	–
Loss before tax:	(£3,040,000)	(£1,862,000)
Retained losses:	(£6,096,000)	(£3,327,000)
Net assets:	£14,908,000	£2,878,000

An early stage company focused on the development of innovative therapeutic vaccines for the treatment of chronic infectious diseases, such as HIV, Hepatitis B and cancer. The company, which benefits from technology spun out from Oxford University is making steady progress with its clinical trials. There remain, however, inherent science and funding risks; balanced by the high quality of the scientific team and the attractive long-term investment potential.

† Abbreviated accounts submitted to Companies House, therefore published information is unavailable.

* Isis: Isis College Fund Limited Partnerships; VCT 2: Quester VCT 2 plc; VCT 3: Quester VCT 3 plc; VCT 5: Quester VCT 5 plc; QVP: Quester Venture Partnership

AIT GROUP PLC

www.aitgroup.com

Initial Investment:	September 2002
Cost:	£1,130,000
Valuation:	£883,000
Equity held:	5.8%
Valuation basis:	Mid market
Co-investing Quester funds*: VCT 5	

Latest published results:	31.03.2004	31.03.2003
Turnover:	£19,648,000	£17,584,000
Profits/(loss) before tax:	£2,018,000	(£41,227,000)
Retained losses:	(£37,216,000)	(£40,710,000)
Net liabilities:	(£7,306,000)	(£18,839,000)

An AIM-traded company specialising in customer relationship management software for the financial services, communications and utilities sectors. In the year to 31 March 2004 turnover increased by 11.7% and the company moved into pre-tax profit after exceptional income. However, the company announced in August 2004 that revenues for the current financial year were expected to be lower than those of the year to 31 March 2004. As at 14 January 2005, the share price stood at 39p, 90% of cost.

AVIDEX LIMITED

www.avidex.com

Initial Investment:	July 2002
Cost:	£801,000
Valuation:	£801,000
Equity held:	2.8%
Valuation basis:	Cost
Co-investing Quester funds*: Isis, VCT 3, VCT 5, QVP	

Latest published results:	31.03.2004	31.03.2003
Turnover:	†	†
Profits before tax:	†	†
Retained losses:	(£18,581,000)	(£12,513,000)
Net assets:	£4,555,000	£10,623,000

A drug discovery company focused on the development of cancer and autoimmune therapeutics based around its proprietary T-cell receptor technology. The company was formed in 1999 as a spinout from the University of Oxford's Institute of Molecular Medicine. Scientific progress has been most encouraging. As yet, however, the company has no products in clinical trials and carries inherent science and funding risks. These are balanced by the high quality of the scientific team and the attractive long-term investment potential.

ANTENOVA LIMITED

www.antenova.com

Initial Investment:	April 2001
Cost:	£999,000
Valuation:	£750,000
Equity held:	6.8%
Valuation basis:	Pricing of last round
Co-investing Quester funds*: VCT 3, VCT 5, QVP	

Latest published results:	31.12.2003	31.12.2002
Turnover:	†	†
Profits before tax:	†	†
Retained losses:	(£7,079,000)	(£4,405,000)
Net assets:	£1,440,000	£1,112,000

An early stage company focused on the development and marketing of next-generation antenna technology for wireless networks based on innovative antenna design using ceramic materials. Progress has continued to be positive: since 31 December 2003 the company has recorded its first sales revenues. It has entered into a partnership agreement with Galtronics, a market leader in antenna design and manufacturing, and more recently has been accepted onto the antenna reference list for Intel. It has also signed a laptop antenna contract with Siemens and has contracts with two Tier 1 handset manufacturers.

† Abbreviated accounts submitted to Companies House, therefore published information is unavailable.

* Isis: Isis College Fund Limited Partnerships; VCT 2: Quester VCT 2 plc; VCT 3: Quester VCT 3 plc; VCT 5: Quester VCT 5 plc; QVP: Quester Venture Partnership

TEN LARGEST VENTURE CAPITAL INVESTMENTS (CONTINUED)

TERAVIEW LIMITED

www.teraview.com

Initial Investment:	April 2001
Cost:	£625,000
Valuation:	£733,000
Equity held:	4.9%
Valuation basis:	Pricing of last round
Co-investing Quester funds*: VCT 3	

Latest published results:	**30.04.2004**	**30.04.2003**
Turnover:	†	†
Profits/(loss) before tax:	†	†
Retained losses:	(£5,195,000)	(£3,561,000)
Net assets/(liabilities):	£1,427,000	(£1,531,000)

A Cambridge based company spun out of Toshiba Research Europe in April 2001 to exploit Terahertz imaging technology in the fields of security, pharmaceuticals and medical imaging. Sales for the year 2004 were ahead of the previous year. Additional sales and business development resource is being recruited. The company continues to make progress with two significant contracts in the security and imaging sectors.

† Abbreviated accounts submitted to Companies House, therefore published information is unavailable.

* Isis: Isis College Fund Limited Partnerships; VCT 2: Quester VCT 2 plc; VCT 3: Quester VCT 3 plc; VCT 5: Quester VCT 5 plc; QVP: Quester Venture Partnership

DIRECTORS

ROBERT WRIGHT (58), 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 Chantrey Vellacott DFK.

ROBERT BARROW (54) 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 (60), 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 (55) 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 (50) 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 and comprise the Audit Committee. Robert Wright offers himself for re-election at the Company's Annual General Meeting to be held on 22 February 2005. Further details are provided on page 30.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 October 2004.

ACTIVITIES AND STATUS

The principal activity of the Company during the year was the making of equity investments, mainly in unquoted companies. As at 31 October 2004 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 as a venture capital trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988. In the opinion of the directors the Company has conducted its affairs so as to enable it to continue to obtain such approval. The Company was not at any time up to the date of this report a close company within the meaning of Section 414 of that Act.

The Company's ordinary shares of 1p each have been listed on the Daily Official List of the UK Listing Authority since 10 November 2000.

An ordinary resolution is required to be proposed at the Company's tenth annual general meeting, to be held in 2012, to the effect that the Company should continue as a venture capital trust. This resolution will continue to 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 6 respectively include a review of developments during the year and of future prospects.

RESULTS AND DIVIDEND

The net loss attributable to shareholders for the year ended 31 October 2004 was £577,000. The Board does not recommend the payment of a dividend in respect of the year. However, the Board has resolved to pay an interim dividend in respect of the year ending 31 October 2005 of 1p per share.

As at 31 October 2004, the Company had accumulated unrealised capital losses of £7,637,000 and retained a positive balance on the realised capital reserve of £619,000, following the transfer of £7,009,000 from the Special Reserve.

The mid-market price of Quester VCT 4 plc's shares as at close of business on 31 October 2004 was 62p per share. The mid-market price ranged from 50p to 82.5p during the period.

CORPORATE GOVERNANCE

A report on corporate governance is set out on pages 30 to 31. The directors' remuneration report commences on page 32.

ISSUE AND BUY-BACK OF SHARES

During the year 734,000 ordinary shares of 1p each were bought in by the Company for cancellation at a total cost of £490,000. The impact on the net asset value was to increase it by 0.04p per share.

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 as at 31 October 2004 and as at the date of this report were as follows:

	2004	2003
RA Wright (Chairman)	**100,000**	100,000
R Barrow	**100,000**	100,000
APG Holmes	**100,180**	100,180
APM Lamb	**20,667**	20,667
JA Spooner	**100,180**	100,180

All of the directors' share interests shown above were held beneficially. No options over the share capital of the Company have been granted to the directors.

APG Holmes and JA Spooner are executive directors of Quester Capital Management Limited ("QCML"), the Investment Manager, and shareholders and directors of its parent company, Querist Limited.

APG Holmes and JA Spooner and their immediate families are holders of, in aggregate, £36,000 nominal of the redeemable loan notes referred to in note 12 of the financial statements. A further £12,500 in nominal amount of the redeemable loan notes are held by Quester Venture Participations Limited ("QVPL"), a subsidiary of Querist Limited. APG Holmes and JA Spooner are executive directors of QVPL.

Save for the redeemable loan notes referred to above and the Management Agreement referred to below, there were no contracts subsisting 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 of the financial statements.

MANAGEMENT

QCML is the Investment Manager to the Company. The principal terms of the Company's management agreement with QCML are set out in note 3 of the financial statements.

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

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. As at 31 October 2004 there were nil days' billing from the suppliers of services outstanding (2003: 64 days).

SUBSTANTIAL SHAREHOLDINGS

As at 31 October 2004 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of any class of the issued share capital.

DIRECTORS' REPORT (CONTINUED)

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 22 February 2005.

The Notice of Annual General Meeting is set out at the end of this document. In addition to the standard ordinary resolutions, which include the adoption of the annual report and accounts, the re-election of Robert Wright as a director and the re-appointment of the auditors, the following resolutions are proposed:

Authority to allot shares (Resolution 5 – ordinary resolution)

This resolution proposes to renew the directors' authority to allot relevant securities (as defined in the Companies Act 1985) of the Company. The maximum number of relevant securities that may be allotted under this authority is 47,952,035, which represents the total unissued share capital of the Company.

Authority for the disapplication of pre-emption rights (Resolution 6 - special resolution)

This resolution proposes to renew the directors' power to allot equity securities for cash up to an aggregate nominal amount of £52,047.96 (being 10% of the Company's current issued share capital) without first offering the securities to existing shareholders. The directors consider that it may in certain circumstances be in the best interests of the Company to allot shares for cash otherwise than pro rata to existing shareholders.

Authority for the Company to buy-back its own shares (Resolution 7 - special resolution)

This resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 5,204,796 shares, which represents 10% of the total number of shares currently in issue. 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. 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. Shares that are purchased will be cancelled. 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 the Company's shareholders.

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
21 January 2005

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

FOR THE YEAR ENDED 31 OCTOBER 2004

	Notes	**2004 Revenue £'000**	**2004 Capital £'000**	**2004 Total £'000**	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
Loss on investments	8(c)	**–**	**(3,946)**	**(3,946)**	–	(2,056)	(2,056)
Income	2	**267**	**–**	**267**	1,016	–	1,016
Investment management fee	3	**(486)**	**(486)**	**(972)**	(501)	(501)	(1,002)
Other expenses	4	**(358)**	**–**	**(358)**	(436)	–	(436)
Return on ordinary activities before tax		**(577)**	**(4,432)**	**(5,009)**	79	(2,557)	(2,478)
Tax on ordinary activities	6	**–**	**–**	**–**	5	(1)	4
Return on ordinary activities after tax		**(577)**	**(4,432)**	**(5,009)**	84	(2,558)	(2,474)
Dividends proposed		**–**	**–**	**–**	–	–	–
Transfer (from)/to reserves		**(577)**	**(4,432)**	**(5,009)**	84	(2,558)	(2,474)
Return per share	7	**(1.1)p**	**(8.4)p**	**(9.5)p**	0.2p	(4.8)p	(4.6)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 2004

	Notes	**2004 £'000**	2003 £'000
Fixed assets			
Investments	8	**25,814**	26,687
Current assets			
Debtors	10	**578**	609
Cash at bank		**9,185**	13,809
		9,763	14,418
Creditors (amounts falling due within one year)	11	**(237)**	(266)
Net current assets		**9,526**	14,152
Creditors (amounts falling due in over one year)	12	**(100)**	(100)
Net assets		**35,240**	40,739

Capital and reserves			
Called-up equity share capital	13	**520**	528
Share premium	14	**218**	218
Special reserve	14	**41,975**	49,466
Capital reserve – realised	14	**619**	(3,993)
– unrealised	14	**(7,637)**	(5,602)
Revenue reserve	14	**(455)**	122
Equity shareholders' funds		**35,240**	40,739
Net asset value per share	15	**67.7p**	77.2p

The financial statements on pages 19 to 29 were approved by the directors on 21 January 2005 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 2004

	Notes	2004 £'000	2003 £'000
Cash (outflow)/inflow from operating activities	17	**(1,030)**	327
Corporation tax paid		**–**	(23)
Financial investment			
Purchase of venture capital investments		**(6,993)**	(6,496)
Purchase of listed equities and fixed interest investments		**(2,557)**	(25,083)
Sale/redemption of venture capital investments		**3,715**	108
Sale/redemption of listed equities and fixed interest investments		**2,731**	44,248
Total financial investment		**(3,104)**	12,777
Equity dividends paid		**–**	(607)
Financing			
Issue of shares in accordance with the terms of the dividend reinvestment scheme		**–**	82
Buy back of ordinary shares		**(490)**	(67)
Total financing		**(490)**	15
(Decrease)/increase in cash for the period		**(4,624)**	12,489

Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash for the period	**(4,624)**	12,489
Net funds at the start of the period	**13,809**	1,320
Net funds at the end of the period	**9,185**	13,809

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1 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.

Listed 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 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.

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 listed 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 the revenue account, 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.

The Company has not provided for deferred tax on any capital gains/losses arising on the revaluation or disposal of investments as these items are not subject to tax whilst the Company retains its venture capital status. The Company intends to continue to meet the conditions required for it to continue its approved venture capital trust status for the foreseeable future.

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.

2 INCOME

	2004 £'000	2003 £'000
Dividend income		
Listed equity shares	**179**	132
Interest receivable		
Listed fixed interest securities	**39**	735
Loans to unquoted companies	**–**	4
Bank deposits	**40**	137
Sundry income	**9**	8
	267	1,016

3 INVESTMENT MANAGEMENT FEE

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

A charge of £972,000 (2003: £1,002,000) in respect of the management fee payable to QCML was accrued during the year together with irrecoverable VAT of £181,000 (2003: £185,000). The fee, which is calculated monthly and is payable in advance, was levied at a rate of 2.5% (2003: 2.5%) on the Company's net assets during the financial year ended 31 October 2004.

The manager's appointment is for a fixed term which shall expire on the seventh anniversary of the commencement of the fund and shall continue until terminated by either party subject to a notice period. If such notice is given on or after the seventh anniversary of the commencement of the fund, the notice period shall be the longer of (i) twelve months and (ii) the period from the date on which notice is given to the tenth anniversary of the commencement of the fund. Thereafter the notice period shall be twelve months.

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 £53,000 per annum (linked to the movement in the RPI). This fee is included in other expenses (note 4).

4 OTHER EXPENSES

	2004 £'000	2003 £'000
Administration and secretarial services	**53**	51
Directors' remuneration (note 5)	**39**	39
Auditor's remuneration		
Audit services	**22**	21
Non audit services	**9**	10
Insurance	**11**	7
Legal and professional expenses	**21**	27
UKLA, LSE and registrars fees	**19**	21
Other expenses	**(7)**	43
Irrecoverable VAT	**191**	217
	358	436

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 DIRECTORS' REMUNERATION

	2004 £'000	2003 £'000
Fees paid to directors	**15**	15
Amounts paid to third parties, excluding VAT, in consideration of the services of directors	**24**	24
	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 32.

6 TAX ON ORDINARY ACTIVITIES

	2004 Revenue £'000	2004 Capital £'000	2003 Revenue £'000	2003 Capital £'000
Corporation tax payable - prior year adjustment	**–**	**–**	5	(1)
	–	**–**	5	(1)

Reconciliation of profit on ordinary activities to taxation

	2004 Revenue £'000	2004 Capital £'000	2003 Revenue £'000	2003 Capital £'000
(Loss)/profit on ordinary activities before tax	**(577)**	**(4,432)**	79	(2,557)
Tax on profit on ordinary activities at standard UK corporation tax rate at 30% (2003: 30%)	**(173)**	**(1,330)**	24	(767)
Effects of:				
Loss on investments	**–**	**1,184**	–	617
Loss on operating activities	**173**	**146**	(24)	150
Prior year adjustment	**–**	**–**	5	(1)
	–	**–**	5	(1)

7 RETURN PER SHARE

The revenue loss per share of 1.1p (2003: profit of 0.2p) is based on the aggregate of the net loss from ordinary activities after tax of £577,000 (2003: profit of £84,000) and on ordinary shares of 52,471,757 (2003: 52,791,612), being the weighted average number of shares in issue during the year.

The capital loss per share of 8.4p (2003: 4.8p) is based on the net realised and unrealised capital loss for the period after tax of £4,432,000 (2003: £2,558,000) and on ordinary shares of 52,471,757 (2003: 52,791,612), being the weighted average number of shares in issue during the year.

8 INVESTMENTS

8(a) Summary of investments

	2004 £'000	2003 £'000
Bonds and equity investments	**6,999**	6,831
Venture capital investments	**18,815**	19,856
	25,814	26,687
Bonds and equity investments comprise:		
Listed fixed interest investments	**876**	1,733
Listed equity shares investments	**6,123**	5,098
	6,999	6,831

8 INVESTMENTS – CONTINUED

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 2003	25,353	6,936	32,289
Unrealised losses	(5,497)	(105)	(5,602)
Valuation at 1 November 2003	19,856	6,831	26,687
Movements in the year:			
Purchases at cost	6,993	2,557	9,550
Disposals – proceeds	(3,715)	(2,731)	(6,446)
– realised net gains/(losses) on disposal	1,676	(70)	1,606
Write-off of investments	(1,052)	–	(1,052)
Net unrealised losses on revaluation of investments	(4,943)	443	(4,500)
Amortisation	–	(31)	(31)
Valuation at 31 October 2004	18,815	6,999	25,814
Book cost at 31 October 2004	26,789	6,663	33,452
Unrealised net (losses)/profits at 31 October 2004	(7,974)	336	(7,638)
	18,815	6,999	25,814

8(c) Loss on investments

The overall loss on investments for the period shown in the Statement of Total Return on page 19 is analysed as follows:

	2004 £'000	2003 £'000
Realised net gains on disposal	**1,606**	68
Write-off of investments	**(1,052)**	(500)
Net unrealised losses on revaluation	**(4,500)**	(1,624)
	(3,946)	(2,056)

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

The amounts reported under "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).

9 COMMITMENTS

At 31 October 2004 there were commitments totalling £625,000 (2003: £125,000) in respect of two follow-on investments approved by the Manager but not yet completed.

10 DEBTORS

	2004 £'000	2003 £'000
Debtors: amounts falling due in over one year	**399**	–
Prepayments and accrued income	**41**	89
Other debtors	**138**	520
	578	609

"Debtors: amounts falling due in over one year" represent loan notes and other amounts receivable in connection with the sale of the investment in CDC Solutions Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	2004 £'000	2003 £'000
Trade creditors and accruals	**237**	266

12 CREDITORS (AMOUNTS FALLING DUE IN OVER 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 (2003: £100,000). 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

	2004 £'000	2003 £'000
Authorised:		
100,000,000 ordinary shares of 1p	**1,000**	1,000
Allotted, issued and fully paid:		
52,047,965 (2003: 52,781,815) ordinary shares of 1p	**520**	528

The Company bought back 734,000 ordinary shares with a nominal value of £7,340, representing 1.4% of the issued share capital, at a cost of £490,000. These shares were subsequently cancelled.

14 RESERVES

	Share premium £'000	Special reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
At 1 November 2003	218	49,466	(3,993)	(5,602)	122
Share buy-ins	–	(482)	–	–	–
Net gain on realisation of investments	–	–	1,606	–	–
Write-off of investments	–	–	(1,052)	–	
Transfer from unrealised reserve	–	–	(2,465)	2,465	–
Net unrealised loss on revaluation of investments	–	–	–	(4,500)	–
Transfer from special reserve	–	(7,009)	7,009	–	–
Net expenses charged to capital	–	–	(486)	–	–
Loss for the period	–	–	–	–	(577)
At 31 October 2004	**218**	**41,975**	**619**	**(7,637)**	**(455)**

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.

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 2004 of 67.7p (2003: 77.2p) is based on net assets of £35,240,000 (2003: £40,739,000) divided by the 52,047,965 (2003: 52,781,815) ordinary shares in issue at that date.

16 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
At 1 November 2003	**40,739**	43,198
Issue of shares under the terms of the dividend reinvestment scheme	**–**	82
Cost of share buy-backs	**(490)**	(67)
Total return on ordinary activities after tax	**(5,009)**	(2,474)
At 31 October 2004	**35,240**	40,739

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

	2004 £'000	2003 £'000
Return on ordinary activities before tax	**(577)**	79
Decrease in debtors	**31**	2,493
Decrease in creditors	**(29)**	(2,278)
Management fees charged to capital reserve	**(486)**	(501)
Amortisation of bonds	**31**	534
Net cash (outflow)/inflow from operating activities	**(1,030)**	327

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 66% 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 (2003: £100,000) (see note 12).

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 (2003: 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.

	2004	2003
	£'000	£'000
Floating rate	**3,616**	102
Fixed rate	**1,665**	3,138
Non-interest bearing	**29,718**	37,256
	34,999	40,496

Fixed rate financial asset weighted averages

	2004	2003
Fixed rate financial assets weighted average interest rate	**6.0%**	7.7%
Weighted average time for which rate is fixed (years)	**1.5**	0.6

18 FINANCIAL INSTRUMENTS – CONTINUED

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 £2,784,000 (2003: £1,845,000), representing 6.4% (2003: 4.5%) of the Company's net assets as at that date.

Fair values of financial assets

All the financial assets of the Company are held at fair value as at 31 October 2004.

	Book value and fair value 2004 £'000	Book value and fair value 2003 £'000
Primary financial assets:		
Quoted investments	**9,794**	8,779
Unquoted investments	**16,020**	17,908
Cash at bank	**9,185**	13,809

The fair values of the unquoted investments have been determined according to the methods detailed in the Accounting Policies (note 1).

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, or have received cash where an investment has been realised. These transactions were made at the same time and on the same terms and conditions as applicable to the Company.

	No. of directors	**2004 £'000**	No. of directors	2003 £'000
Anadigm Limited	**2**	**7**	2	7
CDC Solutions Limited sale	**2**	**23**	–	–
Elateral Holdings sale	**2**	**–**	–	–

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

Quester Capital Management Limited may, from time to time, be eligible to receive transaction fees and/or directors' fees from investee companies. During the year ended 31 October 2004, fees of £51,000 attributable to the investments of the Company were received pursuant to these arrangements (2003: £59,000).

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the year with the provisions of Section 1 of the Combined Code on Corporate Governance and the related guidance and good practice suggestions published by the UK Listing Authority in July 2003 and incorporated into the listing rules as the Listing Rules (Combined Code (Amendment)) Instrument 2004.

THE BOARD

The Board consists of five non-executive directors, three of whom are independent of the Company's investment manager.

The Board has a formal schedule of matters reserved to it and meets at least four times each year and on other occasions as required. The Board as a whole is responsible for the appointment of its own members and its professional advisors (neither a nominations or a 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 made by the Manager between the Company and its other managed funds, in accordance with established guidelines. The Board receives detailed management accounting information on a monthly basis. Any additional information is supplied on request.

The attendance of individual directors at Board and committee meetings during the year was as follows:

	Scheduled board meetings	Audit Committee meetings
RA Wright	4/4	2/2
R Barrow	4/4	2/2
APG Holmes	4/4	n/a
APM Lamb	4/4	2/2
JA Spooner	3/4	n/a

There have been no changes to the Chairman's other significant commitments during the year.

A formal process for evaluating the performance of the Board has been introduced in respect of the current financial year. Under this arrangement, the Board, led by the Chairman, has conducted a performance evaluation to determine whether it, its committees and individual directors are functioning effectively. A list of questions, based on the January 2003 Suggestions for Good Practice from the Higgs report, has been used to provide a framework for this evaluation process. Particular attention is paid to those directors who are due for reappointment. The results of the overall evaluation process are communicated to the Board and followed up with appropriate action, if necessary. Performance evaluation will be conducted on an annual basis.

The Articles of Association require that all directors be subject to re-election procedures by rotation at the Annual General Meeting. All directors, in accordance with the code, will submit themselves for re-election at least once every three years. The Chairman is being proposed for re-election at the forthcoming AGM. An independent director has conducted a performance evaluation of the Chairman, taking into account the views of all directors. They consider that the Chairman's performance continues to be effective and that he continues to demonstrate commitment to the role. They therefore believe that RA Wright should be re-elected to the Board.

All directors have access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties if necessary.

THE AUDIT COMMITTEE

The Audit Committee consists of the three independent non-executive directors. Written terms of reference have been constituted for the Audit Committee. The terms of reference are available to shareholders on request. The Audit Committee meets at least twice a year to review the interim financial statement, annual report and accounts and the terms of appointment of the auditor together with its remuneration. The committee undertakes a periodic review of the terms of the management agreement with QCML.

INTERNAL CONTROL

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The process has been in place for the year under review and up to the date of signing this report and accords with Internal Control Guidance for Directors on the Combined Code first published in September 1999 ('the Turnbull guidance'). It is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board 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 QCML. The key risks and internal controls are 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.

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 authorised and 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.

RELATIONS WITH SHAREHOLDERS

The Company does not have any major shareholders.

This year's AGM will be held on 22 February 2005 when shareholders will have the opportunity to meet the Board. The Notice of Meeting is circulated more than 21 days before the AGM (being the statutory requirement). The Combined Code recommends that the Notice of Meeting is sent out at least 20 working days before the meeting. This provision is designed to assist institutional shareholders by giving them sufficient time to correspond with their own shareholders. Quester VCT 4 plc has no institutional shareholders and therefore the Board does not consider this length of notice necessary. 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 that 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that gives 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 are also responsible for safeguarding the assets of the Company, for the system of internal control and hence for taking steps for the prevention and detection of fraud and other irregularities. The Directors confirm that the applicable accounting standards have been followed in the financial statements, which accompany this report.

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 box below). The auditor's opinion is included within the auditor's report on page 33.

The Board as a whole considers directors' remuneration and, as such, a Remuneration Committee has not been established. 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 in note 5.

APG Holmes, JA Spooner and their immediate families are holders of redeemable loan notes as part of a performance incentive plan. Additional details are provided on page 26 and in note 12.

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 in subsequent years.

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

	2004 **£'000**	2003 £'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 2004.

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, which were approved by the Board of Directors on 21 January 2005 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.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements on pages 19 to 29. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 31, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, 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 Company is not disclosed.

We review whether the corporate governance statement on page 30 to 31 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 Company'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 Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 October 2004 and of the loss of the Company for the year then ended; and 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.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

21 January 2005

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 22 February 2005 for the following purposes:

AS ORDINARY BUSINESS

As ordinary business to consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 5 will be proposed as ordinary resolutions and number 6 will be proposed as a special resolution:

1 To receive, consider and adopt the annual report and accounts for the year ended 31 October 2004, together with the auditor's report on those accounts and the auditable part of the directors' remuneration report.

2 To approve the directors' remuneration report for the year ended 31 October 2004.

3 To re-elect Robert Wright as a director.

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

5 **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 £479,520.35 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.

6 **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 5 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 £52,047.96;

and this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company in 2006 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.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution which shall be proposed as a special resolution:

7 Authority for the company to buy-back its own shares

THAT the Company be and it is hereby generally and unconditionally authorised for the purposes of section 166 of the Act 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 5,204,796;

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 of the date which is 15 months from the date of this resolution and the date of the Annual General Meeting of the Company in 2006; 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.

By order of the Board

MG Williams
Secretary

29 Queen Anne's Gate
London, SW1H 9BU
21 January 2005

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 (as enclosed), duly signed, together with the power of attorney or other authority (if any) under which it is signed (or an office or notarially 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 20 February 2005. 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 20 February 2005 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 and the interests of their families 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.

5 In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING — 11.30 a.m. on 22 February 2005

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 Registrars no later than 11.30 a.m. on 22 February 2005.

DIVIDENDS

The directors have resolved to pay an interim dividend of 1p per share in respect of the year ending 31 October 2005.

Payment date	1 April 2005
Ex-dividend date	2 March 2005
Associated record date	4 March 2005

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 the Company's registrars, Capita Registrars.

This instruction must be received by 9 March 2005 if the interim dividend payable on 1 April 2005 is not to be reinvested.

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 Authorised and regulated by the Financial Services Authority
SECRETARY	MG Williams
STOCKBROKER	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
SOLICITORS	Travers Smith 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 Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA
REGISTRARS	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0870 162 3100 Fax: 020 8639 2342
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
email: contact@quester.co.uk
www.quester.co.uk

Quester Capital Management Limited is
authorised and regulated by the FSA