Quester
VCT 4 PLC

Annual Report
for the fourteen months to 31 December 2007

SPARK
Ventures

About **Quester VCT 4 plc**

The objective of Quester VCT 4 plc is to provide shareholders with an attractive income and capital return enhanced by tax benefits, by investing in a diverse portfolio consisting largely of unquoted investments. From time to time the portfolio will also include quoted equities and fixed interest securities.

The venture capital portfolio focuses mainly on technology-related companies in the TMT (technology, media and telecoms) and healthcare sectors.

Dividends paid by Quester VCT 4 plc, as an approved venture capital trust, are tax free to eligible shareholders, which substantially enhances the effective returns to shareholders.

Investment in venture capital trusts should be viewed as a high risk, long-term investment. 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.

Overview

Accounts

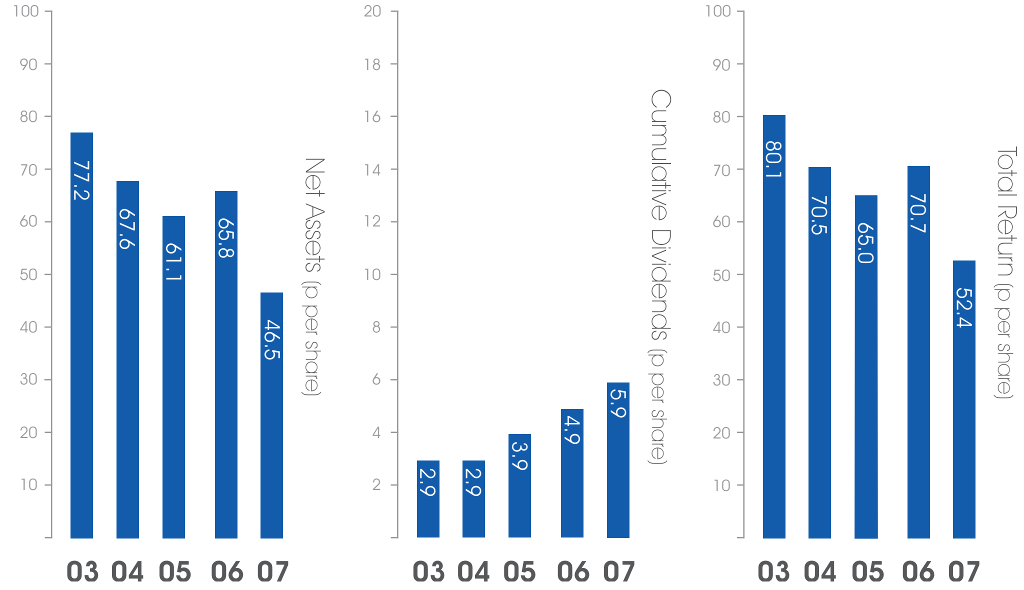
Financial highlights as at 31 December 2007

Per ordinary share (pence)	31.12.07	31.10.06	31.10.05
Net asset value	46.5	65.8	61.1
Dividends			
Dividend paid (1)	1.0	1.0	1.0
Cumulative dividend (2)	5.9	4.9	3.9
Total return (3)	52.4	70.7	65.0
Return including tax benefits (4)	72.4	90.7	85.0

(1) Dividend paid in the financial period ended on the date stated
(2) Cumulative dividends paid by Quester VCT 4 plc
(3) Net asset value plus cumulative dividend per share to ordinary shareholders since the launch of the Company
(4) Return after 20% income tax relief but excluding capital gains deferral.
The returns summarised above are applicable only to subscribers of shares in Quester VCT 4 plc at the time of launch of the Company in November 2000. They do not represent the historic returns to subsequent subscribers or purchasers of shares.

Dividend

The Board recommends a final dividend of 1.0p per share, for approval at the AGM. This recommended dividend would bring the cumulative dividends to 6.9p per share.



Composition of the fund by value

Unquoted venture capital investments	75.0%
Quoted venture capital investments	9.2%
Listed equity investments and fixed interest securities	14.8%
Cash and other net current assets	1.0%
Total	**100.0%**

Chairman's statement

Overview

In May 2007 we announced that the Quester management company had been acquired by NewMedia SPARK plc (since renamed SPARK Ventures plc). SPARK Ventures plc is a venture capital investment company traded on the Alternative Investment Market (AIM) of the London Stock Exchange. It specialises in digital media, software applications, technology and communications, complementing the established activities of the former Quester group in these areas and its strong healthcare business.

The Board believes that the acquisition by SPARK Ventures plc will provide greater access to some of the UK's best early stage entrepreneurs as well as broadening the range of investment opportunities available to the Company. It believes that the newly combined management group has the potential to deliver enhanced long-term returns to investors in Quester VCT 4 plc.

The Board was involved in meetings with a number of possible acquirers of the Quester management company and held further meetings with SPARK to discuss its plans for the future management of Quester VCT 4. The Board sees the acquisition by SPARK as a very positive development, and one that was much needed, particularly in view of the negative performance of the fund to date (a net asset value of 46.5p per share at 31 December 2007, cumulative dividends of no more than 5.9p per share having been paid since launch, and an IRR for investors of -9.1% per annum).

The two management teams have now been successfully integrated. Several investments have seen a transition to new managers within SPARK, while longstanding and valuable relationships with former Quester managers have been retained, particularly where they have been able to contribute to an exit process. The name of the Manager of Quester VCT 4 plc has been changed to SPARK Venture Management Limited ("SPARK").

The accounting date of the Company has been changed to 31 December, to simplify the administration of the three Quester VCTs under SPARK's management, which now all report on the same date. This report therefore covers the 14 month period from 31 October 2006 to 31 December 2007. Shareholders' approval is being sought at the Annual General Meeting to a change in the name of the Company to SPARK VCT 2 plc.

Since taking over management responsibility, the combined team has been very active in reviewing both the portfolio and the investment strategy. In particular, I would like to highlight the following actions taken by SPARK which have had the full support of the Board. The combined team has conducted a detailed review of the portfolio, including reassessment of the business strategy, progress to date, opportunities and potential for value of each of the investee companies. The companies have been classified into those that are key to producing a good return for the whole portfolio; companies with potential for growth; and companies where the plan is simply for cash recovery of the existing valuation. The review resulted in the write-off of a number of investments and a net reduction in valuation of others, contributing to a significant reduction in the net asset value per share at 31 December 2007.

Since 31 December 2007, a successful exit from the investment in Nomad Payments Limited and a trade sale of Identum Limited have been achieved, generating proceeds totalling £3.8 million which is available for reinvestment. The SPARK team now plans to refocus Quester VCT 4's investment strategy mainly onto later stage companies which are already revenue generating and with the likelihood of shorter holding periods prior to realisation.

The SPARK team's review of the existing portfolio has confirmed encouraging prospects for a number of the most significant venture capital investments. While the majority of these companies are still at early stage and subject to all the associated risks, a number of them are considered to offer the potential for significant capital growth.

Results for the 14 months ended 31 December 2007

The movement in net assets and net assets per share is summarised in the table below:

	Unquoted venture capital investments £'000	Quoted venture capital investments £'000	Bond, equities and net current assets £'000	Total £'000	Pence per Share
Net asset value at 31 October 2006	**20,206**	**3,406**	**8,312**	**31,924**	**65.8**
Income and net gains on disposal	90	185	468	743	1.6
Operating expenses	–	–	(1,262)	(1,262)	(2.7)
Write-off of investments net of recoveries	(4,727)	(334)	–	(5,061)	(10.6)
Net (loss)/gain on revaluation of investments	(2,599)	(1,229)	591	(3,237)	(6.8)
Net assets before dividends and share buy-backs	**12,970**	**2,028**	**8,109**	**23,107**	**47.3**
Dividend paid net of amounts reinvested	–	–	(455)	(455)	(1.0)
Share buy-backs	–	–	(907)	(907)	0.2
Net investment	3,352	(28)	(3,324)	–	–
Net asset value at 31 December 2007	**16,322**	**2,000**	**3,423**	**21,745**	**46.5**

Net assets per share, before the payment of dividends and share buy-backs, fell by 18.5p in the 14 months to 31 December 2007. The dividend paid in the 14 month period was 1p per share.

The net asset value at 31 December 2007 is stated before accounting for the recommended final dividend of 1p per share, amounting to £0.5 million.

The total return to shareholders from the launch of the Company in November 2000 to 31 December 2007 was 52.4p per share before taking account of tax reliefs. The charts on page 1 show the movement in total return over the last five accounting periods.

The valuation review by the SPARK team has resulted in an overall reduction in valuation of the unquoted investments for the 14-month period of £7,326,000 (including £4,727,000 representing impairment in value of investments), net of a gain of £1,466,000 in respect of Nomad Payments Limited which has been valued at 31 December 2007 at its trade sale price.

The 14 month period has seen, as expected, substantial follow-on investment in a number of key companies in the portfolio. A number of these companies have demonstrated successful business progress by closing new financing rounds at an uplift on the Company's original investment valuation. In other cases, the terms of new financing rounds or other transactions positive for the future of the business, such as a merger with a larger company, have been such as to necessitate a downward valuation adjustment at 31 December 2007 even though the Manager considers that there are prospects for the ultimate realisation of a substantial capital gain.

Over the period the quoted venture capital portfolio lost £1,378,000, of which £334,000 represents impairment in value of investments.

The portfolio of bonds and listed equity investments performed well, with an overall appreciation in value of £842,000.

The trade sale of Nomad Payments Limited, which was in the final stages of negotiation at 31 December 2007 and closed in January 2008, generated proceeds of £3,020,000 (a multiple of 1.9 times cost). This investment dated from December 2001 and had been carried in the Company's accounts at cost throughout the subsequent period. The trade sale of Identum Limited, also closed in January 2008, brought in proceeds of a further £763,000.

Chairman's statement (cont.)

Review of investment strategy
Following the integration of the SPARK and Quester teams, and the review of the portfolio discussed above, the Board reassessed the Company's investment strategy.

The activities of Quester VCT 4 have been focused in the venture capital area. 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, before gains on the successful investments start to flow through.

The portfolio of Quester VCT 4 has been invested in early stage companies, with a significant bias towards technology. The Board is satisfied that SPARK has longstanding skills, and a better record over recent years than Quester, in this area.

The Board decided that the broad objectives will remain as before, subject to important changes in investment emphasis. The investment policy is set out in full on page 18. Within the context of that policy, the principal changes in SPARK's investment approach from that of Quester will be as follows:

- A greater focus on revenue producing companies, which may also require less capital
- A shorter target holding period than Quester (under 5 years)
- SPARK's traditional expertise in media technology
- In healthcare, a reduced emphasis on drug discovery opportunities and a greater emphasis on areas such as medical devices and diagnostics
- SPARK's experience in achieving returns from struggling companies
- An overriding concentration on market opportunities that are appropriate for early stage companies, rather than backing novel technologies
- A reduced emphasis on investment in AIM companies, unless they match the core risk/return and pricing criteria in SPARK's area of expertise.

Board
As announced on 10 March 2008, Andrew Holmes, formerly managing director and chairman of the Quester management company, announced his intention to retire from the Board at the forthcoming AGM. John Spooner, also a director of the Quester management company, resigned from the Board on that date. I would like to record the Board's warmest appreciation of the contribution that Andrew and John have made to the affairs of the Company since its establishment in 2000.

Jay Patel, executive director of SPARK, was appointed to the Board on 10 March 2008. In accordance with the Articles of Association, he will stand for election at the AGM.

Dividends
The dividend policy of the Company is to seek to maximise the dividend payable from available distributable profits. Owing to the nature of a VCT, dividends payable can vary considerably from time to time depending on the level of income and capital gains.

The successful exit from Nomad Payments Limited and the trade sale of Identum Limited, both of which closed in January 2008, have generated proceeds totalling £3.8 million and in the case of the Nomad transaction a significant capital gain. The Board recommends a final dividend of 1p per share, amounting to £467,000, for approval at the AGM. This dividend would be payable on 27 June 2008.

Outlook

The bulk of the value in the assets of the Company is now represented by a more concentrated venture capital portfolio including around 20 significant investments which have been assessed by the SPARK team as having positive prospects. It is emphasised that many of these investments are still at early stage and subject to all the associated risks.

In a number of cases it may be appropriate for strategic reasons to seek an early realisation of the investment. More generally, however, on the assumption of successful progress of the key companies, and subject to favourable business and market conditions, it should be expected that the bulk of the profitable realisations of investments from within the existing portfolio will be concentrated in the period 2010 to 2011.

The process of reinvestment in new opportunities by the Manager commenced with a £450,000 investment in Isango! Limited in March 2008 and is expected to continue during the remainder of the year. The Manager has informed the Board that it sees good deal flow in both technology and medical sciences in line with the investment policy described above.

Looking ahead, the Board recognises the potential volatility in returns from an early stage technology portfolio. It believes that the modified approach adopted by SPARK to the implementation of investment policy will, in the longer term, provide better prospects for sustainable growth in net asset values and total returns.

Robert Wright
Chairman
30 April 2008

Fund summary as at 31 December 2007

	Industry sector	Cost [1] £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Nomad Payments Limited	TMT	1,554	3,020	11.6%	13.9%
Workshare Limited	TMT	1,910	2,591	7.3%	11.9%
Celona Technologies Limited	TMT	2,059	1,307	8.6%	6.0%
Xtera Communications, Inc.	TMT	2,687	1,275	8.3%	5.9%
Oxford Immunotec Limited	Healthcare	1,780	1,194	6.3%	5.5%
Xention Limited	Healthcare	1,050	1,125	5.1%	5.2%
Teraview Limited	Healthcare	1,064	827	5.4%	3.8%
Antenova Limited	TMT	1,384	779	4.7%	3.5%
Identum Limited [2]	TMT	763	763	6.7%	3.5%
Uniservity Limited	TMT	700	700	11.6%	3.2%
Sift Group Limited	TMT	917	698	6.2%	3.2%
MediGene AG *FRANKFURT*	Healthcare	1,142	676	0.6%	3.1%
Elateral Holdings Limited [2]	TMT	479	479	13.8%	2.2%
Arithmatica Limited	TMT	600	414	13.7%	1.9%
Oxford BioMedica plc *AIM*	Healthcare	1,147	368	0.3%	1.7%
		19,236	**16,216**		**74.5%**
Other venture capital investments					
Portrait Software plc *AIM*	TMT	1,130	340	2.7%	1.6%
Allergy Therapeutics plc *AIM*	Healthcare	700	327	1.1%	1.5%
Vivacta Limited	Healthcare	228	286	1.8%	1.3%
Cluster Seven Limited	TMT	255	255	2.4%	1.2%
Celldex Therapeutics, Inc.	Healthcare	1,400	182	2.7%	0.8%
Perpetuum Limited	TMT	146	166	1.5%	0.8%
Quadnetics Group plc *AIM*	TMT	143	116	0.3%	0.5%
Celoxica Holdings plc [2] *AIM*	TMT	109	109	2.6%	0.5%
Other investments: valuations less than £100,000 [2]		652	325		1.5%
		4,763	2,106		9.7%
Total venture capital investments		**23,999**	**18,322**		**84.2%**
Total quoted venture capital investments		4,628	2,000		9.2%
Total unquoted venture capital investments		19,371	16,322		75.0%
		23,999	18,322		84.2%
Listed equity investments and fixed interest securities		2,236	3,212		14.8%
Total investments		**26,235**	**21,534**		**99.0%**
Cash and other net assets		**211**	**211**		**1.0%**
Net assets		**26,446**	**21,745**		**100.0%**

(1) Amounts shown as cost represent acquisition cost as reduced in certain cases[2] by amounts written off as representing an impairment in value

(2) Cost reduced by amounts written off as representing an impairment in value

Details of movements in valuation of the venture capital investments over the 14 month period to 31 December 2007 are set out in note 9(c) in the notes to the financial statements.

Business review

The business review has been prepared in accordance with Section 234ZZB of the Companies Act 1985 and forms part of the Directors' report to shareholders. The investment policy is set out on page 18.

Management changes

Following the acquisition of Quester Capital Management Limited by NewMedia SPARK plc (since renamed SPARK Ventures plc) on 11 May 2007, the investment team now responsible for the management of Quester VCT 4 plc is led by Andrew Carruthers, CEO of SPARK, along with Jay Patel, Executive Director, and Tom Teichman, Chairman of SPARK, and ongoing members of the Quester team.

Portfolio update and overview

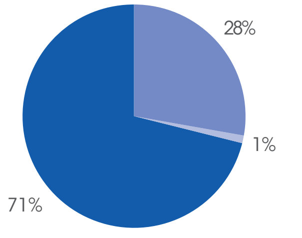
The combined SPARK team has conducted a detailed review of the portfolio, including reassessment of the business strategy, progress to date, opportunities and potential for value of each of the investee companies. The companies have been classified into those that are key to producing a good return for the whole portfolio; companies with potential for growth; and companies where the plan is simply for cash recovery of the existing valuation.

In parallel with this review, the SPARK team has reviewed the fair values of the investments. This review, coupled with events affecting the investee companies and stock market and financing conditions generally, has resulted in the write-off of a number of investments and a net reduction in valuation of others. Further details are given under "Valuation changes" below.

The bulk of the value in the assets of the Company is now represented by a more concentrated venture capital portfolio including around 20 significant investments which have been assessed by the SPARK team as having positive prospects. It is emphasised that many of these investments are still at early stage and subject to all the associated risks.

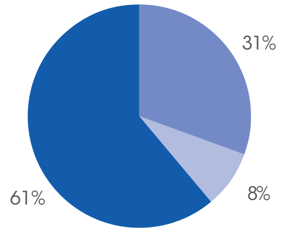
The Fund summary on page 6 lists the venture capital investments held by the Company at 31 December 2007 with their cost and valuation at that date. The 15 largest venture capital investments (including Nomad Payments Limited and Identum Limited which have since been sold) collectively account for 74.5% of the net assets at the balance sheet date. Highlights of a number of key developments in the portfolio are set out under "Portfolio developments" below. Further details of the 15 largest investments are given on pages 14 to 17.

The charts below show the composition of the venture capital investment portfolio at 31 December 2007 according to industry sector, time elapsed since the date of first investment in each case and whether the investment is quoted or unquoted and, in the latter case, whether the company concerned is at early stage or development stage:



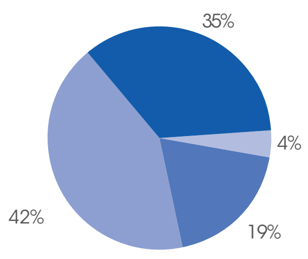
Sector analysis (value)

- TMT
- Healthcare
- Other



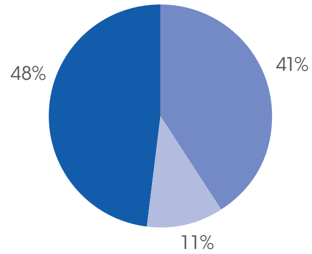
Sector analysis (number)

- TMT
- Healthcare
- Other



Age of investment

- up to 1 year
- 1-3 years
- 4-5 years
- 6-7 years



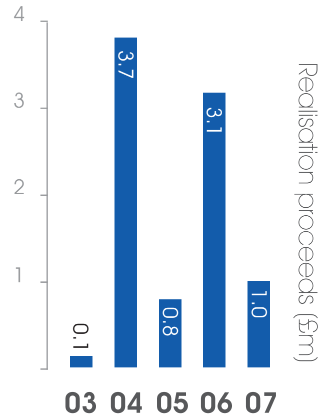
Quoted/unquoted/stage

- Unquoted early stage
- Unquoted development stage
- Quoted

Portfolio developments

Realisations

We are pleased to report the achievement of a successful exit from Nomad Payments Limited: the trade sale to Metavante Technologies, Inc. (NYSE: MV), a leading provider of banking and payments technologies for financial services firms and businesses worldwide, closed on 10 January 2008 realising £3,020,000 (of which £2,449,000 has been received in cash and £571,000 is held in escrow for a period of 18 months or more), for a multiple of 1.9 times original cost.



The trade sale of Identum Limited to Trend Micro, Inc., a global leader in antivirus and content security, which also closed in January 2008, has brought in proceeds of a further £763,000.

M&A activity

In March 2007 Oxxon Therapeutics was acquired by the AIM-traded healthcare company Oxford BioMedica plc in a share-for-share transaction representing the culmination of an exit strategy initiated in 2006. As a condition of the transaction, an additional £243,000 was invested in Oxxon Therapeutics: this subsequently became represented by tradable shares in the acquirer, which were immediately placed in the market. The balance of the resulting holding in Oxford BioMedica plc is currently retained in the portfolio.

In relation to Azea Networks, Inc. and despite the company's success in March 2007 in securing a US$20 million Series D funding round led by TVM Capital, it was decided that certain strategic business development issues would most effectively be addressed through merger with a larger group. This was achieved in November 2007 with the acquisition of Azea by the US venture-backed company Xtera Communications, Inc. on a share-for-share basis, valuing Azea at US$34.6 million (a 14% discount on the post-money valuation at the venture capital round led by TVM Capital). This transaction provides Quester VCT 4 with an investment through which Azea's commercial opportunities are more likely to be successfully realised, as well as offering growth opportunities from a more diversified business base.

The merger of Celldex Therapeutics, Inc. with the NASDAQ-listed AVANT Immunotherapeutics, Inc. was announced in October 2007 and closed in March 2008. While the terms on which the merger has taken place represent a significant reduction in valuation from that previously reported for the holding in Celldex, the transaction leaves Quester VCT 4 with a holding in a publicly-traded company with a substantial pipeline of product candidates and technology platforms, on the basis of which the SPARK team is optimistic as to the prospects for recovery of value.

Follow-on financings

The 14-month period to 31 December 2007 has seen, as expected, substantial follow-on investment in a number of key companies in the portfolio. The following highlights the most significant transactions:

- Celona Technologies Limited: Celona is a developer of data transformation software for large enterprises, enabling them to migrate from the legacy software platforms which manage their operations to modern systems without affecting customer service. The company reached an important milestone in June 2007 with the closing of a £7.0 million Series B funding round with Caledonia Investments plc, enabling it to build out its sales and support activities and to fund further product development.

- Oxford Immunotec Limited: This Oxford University spinout company is commercialising a new test for the diagnosis of tuberculosis. The closing of its Series C funding round in October 2007 raised US$40 million (including the conversion of bridge finance) and was one of the world's largest fund raisings for a diagnostics company in 2007. The round was led by two new international investors, Clarus Ventures in the US and German-based Wellington Partners. The funding will be used to support the next stage of the company's development, including building up its sales and marketing capabilities in the United States, securing approval by the US Food and Drug Administration (FDA) and launching T-SPOT®.*TB* in the US market, and significantly enhances its prospects.

- Workshare Limited: Workshare is an information security company that delivers secure content compliance solutions ensuring safe information exchange without business disruption. In December 2006 the company closed a Series B funding round led by US venture capital firm Steelpoint Capital Partners and supported by Intel Capital alongside the Company and other Quester funds. The company has now achieved more than US$200 million in cumulative revenues, a current bookings run-rate of US$30 million annually and an installed base over 6,000 organisations.

- Xention Limited: This drug discovery company is focused on ion channel targets: it has recently initiated Phase I clinical development of a treatment for atrial fibrillation. During 2007 the company achieved several key milestones and the SPARK team is encouraged by its commercial progress.

The valuation of the new funding round of Workshare represented a significant uplift on the Company's original investment valuation. In the cases of Celona and Oxford Immunotec, the terms of the new financing rounds have been such as to necessitate a downward valuation adjustment at this stage even though the transactions were positive for the future of the business and the Manager considers that there are prospects for the ultimate realisation of a substantial capital gain.

Other portfolio progress

The business progress of the other unquoted companies included within the fifteen largest venture capital investments and held throughout the period, namely Antenova Limited, Elateral Holdings Limited, Sift Group Limited and Teraview Limited, has been generally satisfactory although in certain cases the valuations have been adjusted to reflect the SPARK team's assessment of fair value at 31 December 2007. Bridge finance has been provided to Arithmatica Limited against a plan for an early realisation of this investment.

Among the Company's smaller venture capital investments, we are pleased with the business progress achieved by the specialist software company Cluster Seven Limited, early stage life sciences company Haemostatix Limited, and diagnostics business Vivacta Limited, with the latter company successfully closing a new financing round during the period at an uplift on the Company's original cost of investment.

We are pleased with our first investment in the 'green tech' sector, energy harvesting company Perpetuum Limited, which has achieved good early progress and has successfully closed a new financing round during the period at an uplift on the Company's original cost of investment.

Write-offs

We regret to report that Nexagent Limited to which follow-on funding was provided during the period has suffered an adverse development since 31 December 2007, being unable to secure a necessary tranche of further funding.

A number of other investments have been written off as wholly or substantially irrecoverable, as detailed under "Valuation changes" below.

Investment activity

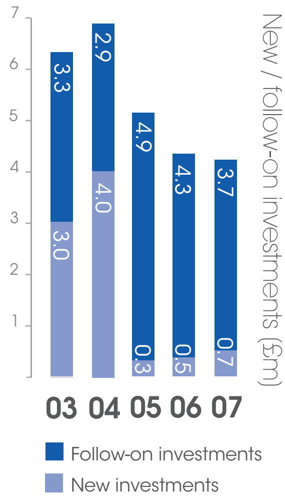
New investments

During the 14-month period to 31 December 2007, the pace of new investment was constrained by cash resources. A single new investment was completed as set out in the table below:

Company	Sector	£'000
Unquoted companies:		
Uniservity Limited	TMT	700

Uniservity Limited is a development stage company which is a leading provider of web-based learning platforms to the educational sector, enhancing communication and collaboration between schools, teachers, pupils and the community. Uniservity's learning platforms provide schools with a customised suite of tools to support innovative ways of teaching and learning, thereby extending the classroom to the Internet.

Since the period end, following the recent realisations, the Company has closed its first investment sourced from SPARK, with £450,000 being committed to Isango! Limited, an early stage online travel website company offering users an authoritative source of travel experiences such as holiday tours, sightseeing, attractions and activities in more than 50 countries across the world.



Follow-on investments

The table below sets out the follow-on investments completed during the 14-month period to 31 December 2007.

Company	Sector	£'000
Follow-on rounds:		
Antenova Limited	TMT	129
Azea Networks, Inc. (since acquired by Xtera Communications, Inc.)	TMT	238
Celona Technologies Limited	TMT	411
Cluster Seven Limited	TMT	97
Lectus Therapeutics Limited	Healthcare	129
Nexagent Limited	TMT	189
Oxford Immunotec Limited	Healthcare	441
Teraview Limited	Healthcare	117
Workshare Limited	TMT	378
Xention Limited	Healthcare	300
Other companies (8)		223
		2,652
Bridge finance ahead of planned merger or realisation:		
Advanced Valve Technologies Limited[(1)]	Other	14
Arithmatica Limited	TMT	171
HTC Healthcare Group plc	Other	107
Identum Limited	TMT	357
Nomad Payments Limited	TMT	152
Oxxon Therapeutics Holdings, Inc. (since acquired by Oxford BioMedica plc)	Healthcare	243
		1,044
		3,696

(1) Loan subsequently repaid

The most significant of the follow-on rounds, namely those relating to Azea Networks, Inc. (since acquired by Xtera Communications, Inc.), Celona Technologies Limited, Nexagent Limited, Oxford Immunotec Limited, Workshare Limited and Xention Limited have been covered under "Portfolio developments" above.

As far as the provision of bridge finance is concerned, the subsequent realisation of the investments in Nomad Payments Limited and Identum Limited and the acquisition of Oxxon Therapeutics by the AIM-traded company Oxford BioMedica plc have been covered under "Portfolio developments". In the case of HTC Healthcare Group plc, the business plan objectives of follow-on finance provided were not achieved: additional bridge finance has been advanced in recent months based on a plan for the stabilisation of the business and designed to permit an early exit. Efforts towards a realisation of the investment in Arithmatica Limited also remain ongoing.

Looking ahead – new investment opportunities
The proceeds of the sale of Nomad Payments Limited and Identum Limited will be available for reinvestment in new venture capital opportunities to be selected from SPARK's deal flow.

The investment policy of the Company is set out in full on page 18 and is unchanged in substance from that set out in the prospectus dated 1 November 2000.

In selecting new investments to add to the portfolio, within the context of that policy, the SPARK investment team intends to give greater emphasis to:

- the identification of later-stage venture capital opportunities (i.e. in companies that are revenue-generating at date of first investment); and
- investments for which the holding period (the period from date of first investment to ultimate realisation for cash) may be expected to be less than the 5+ years typically the case hitherto.

Having regard to the particular experience and reputation of the SPARK investment team, the programme of new investment may be expected to include, within the TMT (technology, media and telecoms) sector, a greater emphasis on opportunities in the digital media and software applications sectors and a reduced exposure to 'hardware' investments which tend to involve longer holding periods and are typically highly demanding in terms of capital requirements. In healthcare, for similar reasons, a reduced exposure to drug discovery and a greater emphasis on areas such as medical devices and diagnostics may be expected.

In the selection of new venture capital investments, the emphasis is expected to be on unquoted companies; where investment in an AIM-traded company is being considered, the investment decision will be made by reference to the underlying risk and return criteria in SPARK's area of expertise rather than against a plan for the building of a quoted venture capital portfolio.

Valuation changes
Events during the period, and the results of the SPARK team's review, have necessitated significant changes in the valuations of the venture capital investments. In some cases the changes reflect the terms of recent transactions, or market prices in respect of the quoted investments, while in others the changes reflect the management team's own review of the companies' current stage of development and their prospects.

Unquoted venture capital investments
During the 14 months to 31 December 2007, in respect of unquoted investments, the review has resulted in a write-down of £7,326,000 (of which £4,727,000 has been written off as representing an impairment in value), net of gains totalling £2,125,000.

The following changes have been made in respect of investments considered to have future potential:

- Nomad Payments Limited increased to reflect the terms of the trade sale which was in the final stages of negotiation at 31 December 2007 (increase of £1,466,000).

- Perpetuum Limited, Vivacta Limited and Workshare Limited increased to reflect the terms of the most recent financing rounds (increases of £20,000, £58,000 and £581,000 respectively) and Celona Technologies Limited and Oxford Immunotec Limited similarly reduced (reductions of £752,000 and £803,000 respectively).
- Following the merger of Azea Networks, Inc. with Xtera Communications, Inc., the valuation has been reduced to reflect the last round price of the shares received in exchange (reduction £1,412,000); similarly the valuation of the holding in Celldex Therapeutics, Inc. has been reduced to reflect the terms of the agreed merger with AVANT Immunotherapeutics, Inc. (reduction £843,000).
- Antenova Limited, Arithmatica Limited, Lectus Therapeutics Limited and Teraview Limited reduced to reflect the management team's assessment of the companies' value at this stage in their development (total reduction £914,000).

The write-offs are as follows:

- The valuation of the holding in Identum Limited has been reduced to reflect the terms of the trade sale completed since 31 December 2007 (write-off £753,000). In relation to Nexagent Limited, full provision has been made as an impairment in value to reflect the circumstances described under "Portfolio developments" above (write-off in period £1,776,000). Efforts to find a trade buyer for Advanced Valve Technologies Limited within the timeframe dictated by the company's dwindling financial resources proved unsuccessful and the company has been placed into administration (write-off £1,032,000).
- In respect of De Novo Pharmaceuticals Limited, HTC Healthcare Group plc, Mesophotonics Limited, Opsys Management Limited and Pelikon Limited the valuations have been reduced as an impairment in value to reflect the management team's assessment of the companies' value at this stage in their development or estimated to be recoverable in a trade sale (write-off in the period £1,490,000).
- In respect of Elateral Holdings Limited an accounting adjustment has been made to reverse an earlier provision of £324,000 made as an impairment in value.

Quoted venture capital investments
The period ended 31 December 2007 has seen poor performance of the companies in Quester VCT 4's quoted venture capital portfolio. Market movements, and a number of individual setbacks, have resulted in an overall reduction in valuation of quoted venture capital investments of £1,378,000, of which £334,000 has been written off as representing an impairment in value. The most severe losses in value have been in the cases of healthcare companies Allergy Therapeutics plc (£584,000), Oxford BioMedica plc (£280,000) and Medigene AG (£257,000) and the accelerated computing company Celoxica Holdings plc (£298,000).

Listed equity and bond portfolio
Approximately £4.6 million was withdrawn from the equity and bond portfolio during the period to fund the investments and the operations of the Company.

Outlook
The SPARK team's review of the portfolio has confirmed encouraging prospects for a number of the most significant venture capital investments.

It is emphasised, however, that the majority of these companies are still at an early stage and remain vulnerable, in the case of certain of the healthcare companies, to the risk of adverse results in scientific development or clinical programmes and, in the case of the TMT companies, to the normal risks of early stage commercial development when there may be a critical dependence on key customer contracts, as well as ongoing funding risk.

On the assumption of successful progress of the key investments, and subject to favourable business and market conditions, it should be expected that the bulk of the profitable realisations of investments from within the existing portfolio will be concentrated in the period 2010 to 2011, although it is always possible that earlier opportunities may arise for the crystallisation of strategic value.

SPARK Venture Management Limited
Manager
30 April 2008

Fifteen largest venture capital investments

Nomad Payments Limited

Cost	£1,554,000
Valuation	£3,020,000
Basis of valuation	Sold post 31 December 2007
Equity held	11.6%
Location	London
Business	Secure card payments processing solutions for banking organisations
History	Investment in 2001 following Quester led syndicate in 2000 to fund company's expansion
Co-investment	Quester VCT plc and Quester Venture Partnership

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	4.5	4.2
Loss before tax	(1.8)	(1.3)
Loss after tax	(1.6)	(1.3)
Net liabilities	**(4.4)**	**(2.8)**

Celona Technologies Limited

Cost	£2,059,000
Valuation	£1,307,000
Basis of valuation	Funding round
Equity held	8.6%
Location	London
Business	Developer and provider of application migration software
History	Sole institutional investor in 2004 post angel round
Co-investment	Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/3	2006 £'m	2005 £'m
Net liabilities/(assets)	**(0.9)**	**0.4**

Workshare Limited

Cost	£1,910,000
Valuation	£2,591,000
Basis of valuation	Funding round
Equity held	7.3%
Location	London
Business	Software security tools for safe business information exchange
History	Expansion finance in 2006, Quester sole investor in 2002
Co-investment	Quester VCT plc, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/3	2006 $'m	2005 $'m
Sales	22.7	19.9
Loss before tax	(2.3)	(1.0)
Loss after tax	(2.3)	(0.1)
Net liabilities	**(4.9)**	**(2.7)**

Xtera Communications, Inc.

Cost	£2,687,000
Valuation	£1,275,000
Basis of valuation	Acquisition of Azea by Xtera
Equity held	8.3%
Location	Allen, Texas, USA
Business	Optical networking upgrade solutions for repeatered subsea cable assets
History	Quester funds 2002 co-investment prior to 2007 merger with Xtera
Co-investment	Quester VCT 5 and Quester Venture Partnership

Oxford Immunotec Limited

Cost	£1,780,000
Valuation	£1,194,000
Basis of valuation	Funding round
Equity held	6.3%
Location	Oxford, UK
Business	Development and sale of T-cell measurement diagnostic products
History	Early stage investment by Quester funds in 2003
Co-investment	Quester VCT 5, Quester Venture Partnership and Isis College Fund Limited Partnerships

Audited financial information Year ended 31/12	2005 £'m	2004 £'m
Sales	0.3	–
Loss before tax	(3.6)	(1.5)
Loss after tax	(3.5)	(1.3)
Net assets	**4.9**	**1.2**

Teraview Limited

Cost	£1,064,000
Valuation	£827,000
Basis of valuation	Funding round
Equity held	5.4%
Location	Cambridge, UK
Business	Commercial development of ways to exploit terahertz radiation
History	Initial investment made in 2001, early stage
Co-investment	Quester VCT plc

Audited financial information Year ended 30/04	2007 £'m	2006 £'m
Sales	1.3	0.8
Loss before tax	(3.5)	(4.3)
Loss after tax	(3.2)	(4.3)
Net liabilities	**(6.5)**	**(3.3)**

Xention Limited

Cost	£1,050,000
Valuation	£1,125,000
Basis of valuation	Funding round
Equity held	5.1%
Location	Cambridge, UK
Business	Ion channel drug discovery and candidate development
History	Co-investment in 2003 round following company formation in 2002
Co-investment	Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Net assets	**6.6**	**4.0**

Antenova Limited

Cost	£1,384,000
Valuation	£779,000
Basis of valuation	Manager's valuation
Equity held	4.7%
Location	Cambridge, UK
Business	Developer of antenna technology and radio solutions
History	Co-led syndicate in a 2001 institutional round, early stage
Co-investment	Quester VCT plc, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/12	2005 £'m	2004 £'m
Net assets	**4.2**	**6.8**

Fifteen largest venture capital investments (cont.)

Identum Limited

Cost	£763,000
Valuation	£763,000
Basis of valuation	Sold post 31 December 2007
Equity held	6.7%
Location	Bristol, UK
Business	Developer of "Private Post", e-mail encryption software
History	University of Bristol spin out, main Quester funds investment in 2004
Co-investment	Quester VCT 5, Quester Venture Partnership and Sulis Seedcorn Fund

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Net liabilities	**(3.2)**	**(0.6)**

Sift Group Limited

Cost	£917,000
Valuation	£698,000
Basis of valuation	Funding round
Equity held	6.2%
Location	Bristol, UK
Business	Web content management system provider
History	Development capital, Quester co-led, 1999
Co-investment	Quester VCT plc

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	5.9	4.4
Profit before tax	0.1	–
Profit after tax	0.1	–
Net assets	**0.4**	**0.2**

Uniservity Limited

Cost	£700,000
Valuation	£700,000
Basis of valuation	Funding round (cost)
Equity held	11.6%
Location	Reading, UK
Business	Learning platform solution provider for school community collaboration
History	Early stage investment in 2007, including Secondary stock from angel investors
Co-investment	Quester VCT plc and Quester VCT 5

Audited financial information Year ended 31/7	2006 £'m	2005 £'m
Net assets	**0.5**	**0.3**

MediGene AG

Cost	£1,142,000
Valuation	£676,000
Basis of valuation	Frankfurter Wertpapierbörse bid price
Equity held	0.6%
Location	Munich, Germany
Business	R&D for the treatment of cancer and autoimmune diseases.
History	Original investment in Avidex in 2002, a 1999 Oxford University spin out
Co-investment	Quester VCT plc, Quester VCT 5, Quester Venture Partnership and Isis College Fund Limited Partnerships

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	–	–
Loss before tax	(7.8)	(4.9)
Loss after tax	(7.8)	(4.3)
Net assets	**3.3**	**2.8**

Elateral Holdings Limited

Cost	£479,000
Valuation	£479,000
Basis of valuation	Funding round
Equity held	13.8%
Location	Farnham, UK
Business	Web based marketing automation service developer
History	Quester joined an expansion round in 1999, post 3i seed funding VCT 4 joined in 2001
Co-investment	Quester VCT plc

Audited financial information Year ended 31/3	2007 £'m	2006 £'m
Sales	2.4	1.9
Profit before tax	0.1	–
Profit after tax	0.1	0.1
Net liabilities	**(0.9)**	**(1.0)**

Oxford BioMedica plc

Cost	£1,147,000
Valuation	£368,000
Basis of valuation	AIM bid price
Equity held	0.3%
Location	Oxford, UK
Business	Development of vaccines and gene therapy for oncology & neurotherapy
History	2003 Quester led syndicate in an Oxford University spinout
Co-investment	Quester VCT 5, Quester Venture Partnership and Isis College Fund Limited Partnerships

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	0.8	0.8
Loss before tax	(19.4)	(10.3)
Loss after tax	(17.6)	(9.1)
Net assets	**30.1**	**46.6**

Arithmatica Limited

Cost	£600,000
Valuation	£414,000
Basis of valuation	Manager's valuation
Equity held	13.7%
Location	Oxford, UK
Business	Silicon math solutions for designers of integrated circuits
History	Original investment made in February 2001 series A round
Co-investment	Quester VCT plc, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Net (liabilities)/assets	**(0.1)**	**0.3**

Investment policy

The investment policy of the Company is to invest principally in a diversified venture capital portfolio, including unquoted companies with good growth prospects and companies whose shares are traded on AIM, and also in a portfolio of listed equities and fixed-interest securities.

The intended asset allocation is as follows:

- 85% in a venture capital portfolio designed to achieve capital growth; and
- 15% in a portfolio of listed equities or fixed-interest securities, this allocation to be held as a reserve and available for follow-on financing of companies in the existing venture capital portfolio or to meet the net operating expenses of the Company,

but the percentages may be varied from time to time so that, for example, the **asset allocation** could involve a higher percentage of venture capital investments if the reserve is fully utilised for follow-on investment in the venture capital portfolio.

Risk diversification within the venture capital portfolio will be achieved by a spread of investments across different industry sectors and investment stages. The portfolio will be focused mainly on technology-related companies in the TMT and healthcare sectors. Initial investment may be made in companies at early stage or development stage or in companies seeking to raise capital on AIM.

The target size for venture capital investments at date of first investment will be between £500,000 and £1.0 million (which may be increased with subsequent follow-on investment) and no single investment at cost will normally exceed 5% of the Company's net asset value.

From time to time the venture capital portfolio may include listed, NASDAQ-traded or AIM-traded companies in which investment was originally made on an unquoted basis.

Risk diversification within the portfolio of listed equities and fixed interest securities will be achieved by a broad spread of equity and other investments to be selected by the Company's quoted and fixed interest investment adviser.

Gearing will not normally be employed.

The Directors intend that the Company will continue to qualify as a Venture Capital Trust under the provisions of sections 258-332 of the Income Tax Act 2007. Under these provisions it is a requirement that not more than 15% of the Company's gross assets be invested in the securities of any one company or group (aggregating for this purpose any existing holding in the company concerned). From time to time, however, within the portfolio of fixed-interest securities, more than 15% of the Company's gross assets may be invested in a single Government stock (e.g. a short-dated gilt).

Board of Directors

Robert Wright, 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 director of Wizzair Limited, an airline based in central Europe deploying the low-cost air carrier model.

Rudy Burger, has over 25 years of international business experience in the information technology and the digital media sectors, as well as having significant experience in M&A, restructuring and turnarounds. He has held senior positions at Xerox (VP Software), NEC (Executive VP and CTO), Media Lab Europe (CEO) and Scipher plc (CEO) and is currently Chairman and CEO of US Development Partners and is on the advisory boards of Hot Origin Venture Capital and the Institute for Global Futures. Rudy is also on Motorola's Research Board.

Andrew Holmes was the executive chairman of Quester, which he founded in 1984, until it was sold to SPARK Ventures plc in May 2007. He previously spent eight years with 3i plc, 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 was a director of SPARK Venture Management Limited as at the year end, but recently retired in April 2008. Andrew will be retiring as a Director of the Company at the forthcoming Annual General Meeting.

Alan Lamb, 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.

Jayesh Patel, part of the founding team at SPARK and currently responsible for their investments in IMI, Skinkers, Unanimis, Complinet, MarketClusters and gamblingcompliance. Previously he was involved in Kobalt, Firebox, elata and mblox. He led the creation of a serviced office at Glasshouse Street and the sale of a substantial stake in Spuetz as well as many minor exits. He was previously a director of NewMedia Investors and held executive positions at UBS Warburg and BSkyB. He qualified as a Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics.

All the Directors are non-executive and Robert Wright, Rudy Burger and Alan Lamb are independent of the Manager. In accordance with the Company's Articles of Association, at the forthcoming Annual General Meeting, Rudy Burger offers himself for election and Jayesh Patel, having been appointed on 10 March 2008, offers himself for election. John Spooner, who resigned on 10 March 2008, was a Director for the period under review.

Directors' report

The Directors present their report and the audited financial statements for the fourteen months to 31 December 2007.

Activities and status

The principal activity of the Company during the period was the making of equity investments, mainly in unquoted companies. As at 31 December 2007 the Company had been granted provisional approval by HM Revenue & Customs as a Venture Capital Trust in accordance with Sections 258-332 of the Income Tax Act 2007. 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 the Income and Corporation Taxes Act 1988.

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.

Business review

The Business review which is required by Section 234ZZB of the Companies Act 1985 which has been prepared by the Manager and adopted by the Directors is set out on page 7 and is included in the Directors' report by reference.

Change of accounting date

The accounting reference date has been changed from 31 October to 31 December, which results in a 14 month accounting period to 31 December 2007 for the period under review. The change in accounting reference date has been implemented to simplify the administration of the three Quester VCTs, which from now on will report on the same date.

Financial results and dividends

The net loss attributable to shareholders for the period ended 31 December 2007 was £8,817,000 (year ended 31 October 2006: profit of £2,645,000). A final dividend in respect of the year ended 31 October 2006 of 1.0p per share, equivalent to £487,000, was paid on 12 March 2007. The Board proposes the payment of a final dividend of 1.0p per share, equivalent to £467,000, which upon approval by shareholders at the Annual General Meeting, will be payable on 27 June 2008.

As at 31 December 2007, the Company had accumulated losses, net of gains on revaluations of £4,701,000 (31 October 2006: net losses of £4,781,000) and retained a positive balance on its profit and loss account of £2,416,000 (31 October 2006: positive balance of £2,134,000). During the period a transfer of £9,666,000 has been made from the special reserve to the profit and loss account to offset losses arising in the period, including £5,061,000 representing write-off of venture capital investments during the period and £3,810,000 representing losses of prior years now considered to represent an impairment in value: see note 14.

Share capital

In accordance with CA85 Schedule 7 paragraph 13, the Directors provide the following information about the Company's securities.

The Company's capital structure is shown on page 44. The shares carry a right to receive discretionary dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings. Information regarding substantial shareholdings is disclosed on page 23.

On a show of hands, every shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, and every proxy for any shareholder (regardless of the number of shareholders for whom he is a proxy), shall have one vote on a show of hands. On a poll every shareholder present in person or by proxy or by representative (in the case of a corporate member) shall have one vote for each share of which he is the holder, proxy or representative. Instruments appointing a proxy to vote at a general meeting of the company have to be executed in accordance with the Company's articles of association, and delivered to the Company or such other place specified in the notice convening the meeting not less than 48 hours before the time that the meeting is to commence.

The Company's articles can be amended only by a special resolution of the members, requiring a majority of not less than 75% of such members as vote in person or by proxy.

Information, about the appointment of directors, their terms and period of appointment, and their re-election are given in the corporate governance statement on page 28. Their existing power to authorise and allot shares and to repurchase equity securities, and the resolution to renew this facility, are documented in the AGM resolutions on page 24.

Purchase and cancellation of shares

During the period 1,834,582 ordinary shares of 1p each were bought in by the Company for cancellation at a total cost of £907,000. The impact on the net asset value was to increase it by 0.2p per share. The purpose of the share buy-backs was to satisfy demand from those shareholders who sought to sell their shares during the period, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However its ability to do so may be constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA.

Directors

The Directors of the Company who served during the period and their interests in the issued ordinary shares of 1p each of the Company at 31 December 2007 and as at the date of this report were as follows:

	31 December 2007	31 October 2006
RA Wright (Chairman)	**100,000**	100,000
RE Burger	**–**	–
APG Holmes	**100,180**	100,180
APM Lamb	**21,646**	21,308
JA Spooner (resigned 10 March 2008)	**100,180**	100,180

JR Patel was appointed as a Director of the Company on 10 March 2008.

The interests in the ordinary shares of the Company held by APG Holmes and JA Spooner, as disclosed in the table above, include interests held by connected parties.

All of the Directors' share interests shown above were held beneficially and no right to subscribe for shares in the Company was granted to, or exercised by, any Director during the period.

APG Holmes and JA Spooner who were directors of SPARK Venture Management Limited ("SVML"), the Manager, throughout the period, retired as directors on 16 April 2008. JR Patel was appointed as a director of SVML on 4 June 2007. Save for the Management Agreement referred to in note 3 of the financial statements and the redeemable loan notes referred to below, no contracts subsisted during or at the end of the period in which any Director was materially interested. Disclosures required by Financial Reporting Standard (FRS) 8, "Related Party Disclosures" are set out in note 19 of the financial statements.

APG Holmes and his immediate family hold £18,000 nominal value of the redeemable loan notes and JA Spooner and his immediate family hold £18,000 nominal value of the redeemable loan notes. These are the 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 SPARK Ventures plc. APG Holmes and JA Spooner resigned as directors of QVPL on 11 May 2007 and JR Patel was appointed as a director on the same date.

Directors' responsibility statement

The Directors' responsibility statement is set out on page 32.

Secretary

Nghi Tran is the Company Secretary.

Investment manager

SPARK Venture Management Limited (''SVML"), formerly called Quester Capital Management Limited, is the Manager to the Company. The Manager was acquired by NewMedia SPARK plc (since renamed SPARK Ventures plc) on 11 May 2007 and its name was changed to the present one on 24 October 2007. The principal terms of the Company's management agreement with SVML as applicable during the period ended 31 December 2007 are set out in note 3 of the financial statements and have not changed throughout the period to 31 December 2007.

The suitability of the position of the Manager is under continuous assessment by the Directors. The Directors considered several new managers prior to the acquisition of Quester Capital Management Limited by NewMedia SPARK plc in May 2007 and concluded that the expertise of the combined team of investment managers (as it would be following that acquisition) in early stage TMT and healthcare companies meant that the combined team would be best placed to manage the portfolio. In the opinion of the Directors the continuing appointment of the Manager on the terms set out in the management agreement is in the interests of the shareholders as a whole.

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

Performance measurement

It is the responsibility of the Manager to seek the best investments and to manage the portfolio in the most beneficial way to achieve the highest returns for shareholders. The Board reviews investment activity and the performance of the Company on a continuous basis. Each Director receives a detailed quarterly report from the Manager, including management accounts and progress reports on the investee companies. The net asset value of the Company's shares is announced quarterly via a regulatory news service: see page 55 for details.

The Board considers total return to shareholders to be the key performance indicator: this is given on page 1. Total return is a combination of net asset value and amounts returned to shareholders by way of dividend. This measure does not reflect the tax benefits available to shareholders at the time of their initial investment. Whilst it is appropriate to consider the performance of the Company relative to its peers, which is a review undertaken by the Board, a direct comparison is not always appropriate or relevant given the Company's niche investment focus and there are no particularly relevant indices with which to compare the performance of the Company.

The Board is aware that share price performance is the most important factor to many of the Company's shareholders. Share price performance is linked to movements in net asset value, but an overriding factor is the very limited secondary market for VCT shares generally and the share price will typically be at a discount to net asset value. The Board undertakes a regular review of the level of the discount and consideration is given to ways in which share price performance may be enhanced.

Financial instruments
Information on the Company's objectives and policies in relation to financial risk and its management and exposure of market risk, liquidity and credit risk is provided in note 18 to the financial statements.

Principal risks and how the Board seeks to mitigate them
The Company's assets consist principally of unquoted venture capital investments (mainly in equities), quoted venture capital investments (in equities) and listed investments more generally: its main area of risk therefore relates to investment selection and the subsequent performance of the underlying businesses. Risks are inherent in venture capital investment, particularly in early stage companies. The specific key risks faced by the Company, together with the Board's approach to mitigation of operational and regulatory risks are as set out below. Information in respect of risks associated with financial instruments held by the Company is provided in note 18 to the financial statements.

Objective, strategy and investment performance
The Board regularly reviews the investment policy in relation to market and economic conditions and the operation of the Company's peers. The Board receives regular reporting allowing it to monitor the Company's investment performance and its compliance with the investment policy. The Manager regularly presents to the Board and detailed quarterly progress reports on the investee companies are circulated to the Board and considered at the quarterly Board meetings. The rationale for individual investment selection is documented prior to the making of an investment. This documentation is also circulated to the Board.

Regulatory – compliance with the Venture Capital Trust rules
A breach of the Venture Capital Trust rules could result in HM Revenue and Customs withdrawing the Company's VCT approval. If this approval were to be withdrawn, the Company would lose its VCT status and all tax reliefs, including those available to shareholders, would be likely to be cancelled, some possibly with retrospective effect. The Board and the Manager frequently review compliance with the Venture Capital Trust rules. Information on the Company's continued compliance with the relevant rules and regulations is formally reported to the Board on a regular basis.

Operational
All proposed investment decisions are notified by the Manager to the Board prior to a decision to invest being made and all significant transactions and income and expenditure are reported to the Board. The Board regularly considers all operational risks and the measures in place to control them. The Board ensures that satisfactory assurances are received from the Manager. The Manager produces quarterly reports for review by the Company's Audit Committee and representatives of the Manager are available to attend meetings in person if required.

Creditor payment policy
The Company's payment policy is to ensure settlement of supplier invoices in accordance with their standard terms. At 31 December 2007 there were no days billings from the suppliers of services outstanding (31 October 2006: nil).

Substantial shareholdings
As at 31 December 2007 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% of any class of the issued share capital.

Audit information
The Directors holding office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

Annual General Meeting

The Annual General Meeting will be held at Le Meridien Piccadilly, 21 Piccadilly, London W1J 0BH at 10:00 a.m. on 20 June 2008.

The Notice of Annual General Meeting is set out at the end of this document. In addition to ordinary resolutions relating to the adoption of the annual report and accounts, the approval of the directors' remuneration report, the election and re-election of Directors and the re-appointment of Grant Thornton UK LLP as auditor, the following resolutions are proposed:

Authority to declare a final dividend (Resolution 3 – ordinary resolution)

This resolution proposes to declare a final dividend of 1.0p per share in respect of the period ended 31 December 2007. The proposed dividend is equivalent to £467,000 and upon approval by shareholders at the Annual General Meeting, will be payable on 27 June 2008.

Authority to allot shares (Resolution 7 – 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 the Directors could allot under this authority is 53,284,475, which represents the total unissued share capital of the Company. The Directors have no present intention to exercise this authority. The authority will lapse five years after it is passed.

Authority for the disapplication of pre-emption rights (Resolution 8 – special resolution)

This resolution proposes to renew the Directors' power to allot equity securities for cash up to an aggregate nominal amount of £46,715.53 (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 to change the Company name (Resolution 9 – special resolution)

This resolution proposes that the name of the Company be changed from Quester VCT 4 plc to SPARK VCT 2 plc.

Authority for the Company to purchase its own shares (Resolution 10 – special resolution)

This resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 4,671,553 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 that 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 London Stock Exchange plc 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.

Adoption of new Articles of Association (Resolution 11 – special resolution)

It is proposed in resolution 11 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in company law brought about by the Companies Act 2006 (the "2006 Act"), which is being brought into force in stages.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted.

A copy of the New Articles, together with a copy marked-up to show the differences between the New Articles and the Current Articles, are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this document until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting itself from 9:30 a.m. until the close of the Meeting.

Specific references to the Companies Act 1985 (the "1985 Act") in the Current Articles

Where provisions of the 1985 Act have been already repealed or replaced in their entirety by new provisions in the 2006 Act, references to "the Act" (i.e. the 1985 Act) have been updated to refer to the 2006 Act.

Form of resolution

The concept of extraordinary resolutions has not been retained under the 2006 Act, therefore references to extraordinary resolutions have been replaced with references to special resolutions. Similarly, the term "extraordinary general meeting" is no longer used in the 2006 Act, therefore references to extraordinary general meetings have been replaced in the New Articles by references to general meetings.

Electronic and web communication

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

Votes of members

Under the 2006 Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles reflect these new provisions.

Investigations into interest in shares

Section 212 of the 1985 Act, which allows public companies to investigate who held an interest in their shares, has been repealed and replaced by new (but similar) provisions of the 2006 Act. Although the regimes are substantially the same, appropriate cross-reference changes in the New Articles have been made. The New Articles have also been redrafted for clarity.

Maximum age of directors

The provisions of the 1985 Act which prevented a person from being appointed a director of a company if he had reached the age of 70 (subject to certain exceptions) and imposed a duty on a director to disclose his age, if over 70, have been repealed but not replaced. The New Articles have been amended to remove such restrictions.

Notices of general meeting

All general meetings of public companies (other than the annual general meeting) of which notice is given after 1 October 2007 may be called upon 14 days' notice. The New Articles have been amended to reflect this.

Conflicts of interest
The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the directors decide whether to authorise a conflict or potential conflict. First, only those directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Exercise of members' rights
The 2006 Act provides for indirect investors who hold their shares through intermediaries to exercise certain membership rights. One of these rights is that members of a company (for instance, nominees) will be able to nominate another person (for instance, the beneficial holder of shares) to receive all of the information that those nominating members are entitled to receive as shareholders as if the nominated person was himself a shareholder. The New Articles provide for the nomination process and include associated provisions relating to the Company's maintenance of records of nominations made. The directors believe that relatively few members will wish to make use of nomination rights, but any members wishing to do so should contact the Company's registrar, Capita Registrars.

Directors' indemnities and loans to fund expenditure
The 2006 Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings.

Deemed receipt or email
Following the recommendation in the 2007 ICSA Guidance on Electronic Communication of Shareholders the New Articles contain a provision stating that when any notice or other shareholder information is given or sent by the Company by electronic means, it shall be deemed to have been given on the same day as it was sent to an address supplied by the member or person nominated by the member to receive shareholder information. This is different to the default provision in the 2006 Act. Section 1147(2) of the 2006 Act states that emails are deemed to be delivered 48 hours from the date they are sent.

General
The New Articles have been updated to be consistent with CREST and certain provisions of the New Articles have therefore been redrafted to include appropriate references to the CREST system. References to Redeemable Non-Voting Preference Shares have been removed as such shares of the Company have been redeemed and no longer form part of its share capital, issued or unissued.

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

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditor on 30 July 2007 creating a casual vacancy, which the Directors filled by appointing Grant Thornton on 11 October 2007. Accordingly, a resolution to reappoint Grant Thornton as auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the Annual General Meeting. Under Section 388 of Companies Act 1985, this resolution requires special notice.

By order of the Board

Nghi Tran
Secretary
30 April 2008

Statement of corporate governance

Except where stated, the Board considers that the Company has complied throughout the period with the provisions of Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 and the application of those provisions is set out below.

The Board

The Board consists of five non-executive Directors, three of whom are independent of the Company's investment Manager. It is the intention that Andrew Holmes who is associated with the Manager will resign as a Director at the Annual General Meeting reducing the Board to four members. JA Spooner resigned on 10 March 2008 and was replaced by JR Patel both of whom are associated with the Manager; however the majority of the Board acts independently of the Manager. The Company has no staff and consequently the provisions of the Combined Code which relate to the division of responsibilities between a chairman and a chief executive officer are not applicable. The Board has considered whether it is appropriate to appoint a senior independent director and have concluded that, due to the size of the Board, the size of the business and its lack of complexity, it is inappropriate for the time being. The appointment of a senior independent director is reviewed annually.

The Board has a formal schedule of matters reserved to it and meets between three and 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 professional advisers (neither a nominations committee nor a remuneration committee has 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 and related party transactions. 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 the minutes of the investment committee of the Manager that meets weekly to discuss the venture capital portfolio and receives a detailed quarterly report from the Manager, including management accounts and progress reports on the investee companies. Any additional information is supplied on request.

The attendance of individual Directors at Board and Committee meetings during the fourteen months to 31 December 2007 was as follows:

	Scheduled Board meetings	Scheduled Audit Committee meetings
RA Wright (Chairman)	6/6	2/2
RE Burger	6/6	2/2
APG Holmes	6/6	n/a
APM Lamb	6/6	2/2
JA Spooner (resigned 10 March 2008)	5/6	n/a

In addition to the meetings referred to above, a number of further Board, Committee and individual meetings were held during the period to deal with matters arising in the ordinary course of the Company's business.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgement and has concluded that all of the Directors are independent of the Manager with the exception of APG Holmes, JR Patel and JA Spooner. There is a formal process for evaluating the performance of the Board. 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 2006 Combined Code 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 evaluations are conducted annually.

The Articles of Association require that all Directors be subject to re-election procedures by rotation at the Annual General Meeting ("AGM"). All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years and annually in the case of Directors who have served for longer than nine years. The Articles of Association also require that any Directors appointed by the Board during the year shall hold office until the following AGM and shall then be eligible for re-election.

Accordingly, RE Burger is proposed for re-election and JR Patel, having been appointed on 10 March 2008, is proposed for election at the AGM. The Chairman has conducted a performance evaluation of RE Burger and APM Lamb, taking into account the views of all Directors. He considers that their performance continues to be effective and that they continue to demonstrate commitment to their roles. He therefore believes that RE Burger should be re-elected to the Board. The Chairman's own evaluation is performed by the other Directors, who consider that his performance continues to be effective, that he continues to demonstrate commitment to his role.

Under the terms of appointment of all Directors, the liability of the Company on termination of a directorship is limited to any unpaid fees due at the date of termination.

All Directors have access to the advice and services of the Company Secretary and are able to take independent professional advice in furtherance of their duties if necessary. Information regarding the terms of appointment of the non-executive Directors is available on request.

The Audit Committee

The Audit Committee consists of the three independent non-executive Directors and is chaired by RA Wright who is also Chairman of the Board. This is considered appropriate as the Company's Board is small. Written terms of reference have been constituted for the Audit Committee and are available to shareholders on request. The Audit Committee meets at least twice a year to review the interim management statements, half yearly financial report, 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 SVML. The auditor, Grant Thornton UK LLP, also performs tax services, monitors compliance with the Venture Capital Trust provisions and advises on accounting issues. The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the auditor. The Audit Committee has satisfied itself that the auditor is independent and that its objectivity is unimpaired.

Internal control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. It has adopted a risk-based approach to identifying the key internal controls, including financial, operational and compliance controls and risk management systems, the performance of which has subsequently been monitored throughout the period and up to the date of approval of this report. The key risks and internal controls are re-appraised annually by the Directors and the appraisal 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. No significant failings or weaknesses were identified from this process.

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 its 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 SVML under the terms of the Management Agreement. SVML, which is authorised and regulated by the Financial Services Authority, 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 Annual General meeting will be held on 20 June 2008 when shareholders will have the opportunity to meet the Board. The Notice of Meeting is set out on page 51. 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.

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 commencing on page 49.

The Board as a whole considers Directors' remuneration and a remuneration committee has not been established. The Board has access to independent advice where it considers it appropriate. The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The Company's Articles of Association limit fees payable to the Directors to £125,000 in aggregate. Directors' fees payable during the period totalled £57,000 (year ended 31 October 2006: £37,000) as set out below and in note 5 to the financial statements.

As detailed out in note 12 to the financial statements, APG Holmes, JA Spooner and their immediate families are holders of redeemable loan notes as part of a performance incentive plan. APG Holmes and JA Spooner who were executive directors of SVML throughout the period resigned on 16 April 2008. With this exception, no Director's or former 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 any Director's remuneration should be performance related in light of their 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 consider that total return (defined as the net asset value per share of the Company plus cumulative dividends paid) to ordinary shareholders since the date of launch of the Company is the most appropriate indicator of the performance of the Company. The total return (excluding tax benefits of 20p per share) of 52.4p, which is given on page 1, can be compared against the issue price of 100p at the date of launch in November 2000.

Fees payable in respect of services provided by the Directors who served during the period are listed below.

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
RA Wright	**22**	15
RE Burger	**17**	10
APG Holmes (1)	**–**	-
APM Lamb	**18**	12
JA Spooner (1)	**–**	–
	57	37

None of the Directors received any other remuneration or benefit during the period except as disclosed in these accounts.

(1) APG Holmes and JA Spooner waived their entitlement to Directors' fees for all accounting periods ended on, or prior to, 31 December 2007.

There is no notice period stipulated in the service contracts with any of the Directors. No compensation is payable to Directors on leaving office.

The Directors' remuneration report forms part of the annual report and accounts. These were approved by the Board of Directors on 30 April 2008 and signed on its behalf by the Chairman.

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

Directors' responsibility statement

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards.

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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The financial statements are published on the www.sparkventures.com website, which is a website maintained by the Manager. The maintenance and integrity of the website maintained by SPARK Ventures plc or any of its subsidiaries is, so far as it relates to the Company, the responsibility of SPARK Ventures plc. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Under applicable law and regulations, the Directors are responsible for preparing a Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable UK accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The responsibility statement was approved by the Directors on 30 April 2008 and signed on their behalf by the Chairman.

Profit and loss account for the fourteen months to 31 December 2007

	Notes	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
(Loss)/gain on investments at fair value through profit or loss	9(d)	**(7,862)**	3,456
Income	2	**307**	412
Investment management fee	3	**(924)**	(923)
Other expenses	4	**(332)**	(295)
(Loss)/profit on operating activities		**(8,811)**	2,650
Interest payable on loan notes	12	**(6)**	(5)
(Loss)/profit on ordinary activities before taxation		**(8,817)**	2,645
Tax on (loss)/profit on ordinary activities	6	**–**	–
(Loss)/profit on ordinary activities after taxation		**(8,817)**	2,645
Basic and fully diluted (loss)/earnings per share	8	**(18.5)p**	5.3p

All 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.

There are no gains and losses for the period other than those passing through the profit and loss account of the Company.

The accompanying notes are an integral part of this statement.

Balance sheet as at 31 December 2007

	Notes	31 December 2007 £'000	31 October 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	9(a)	**21,534**	30,624
Current assets			
Debtors	10	**14**	148
Cash at bank		**599**	1,715
		613	1,863
Creditors: amounts falling due within one year	11	**(302)**	(463)
Net current assets		**311**	1,400
Creditors: amounts falling due in over one year	12	**(100)**	(100)
Net assets		**21,745**	31,924
Capital and reserves			
Called-up equity share capital	13	**467**	485
Share premium account	14	**339**	309
Capital redemption reserve	14	**67**	47
Special reserve	14	**23,157**	33,730
Revaluation reserve	14	**(4,701)**	(4,781)
Profit and loss account	14	**2,416**	2,134
Total equity shareholders' funds		**21,745**	31,924
Net asset value per share	15	**46.5p**	65.8p

The financial statements on pages 33 to 48 were approved by the Directors on 30 April 2008 and were signed on their behalf by:

Robert Wright
Chairman

The accompanying notes are an integral part of this statement.

Cash flow statement for the fourteen months to 31 December 2007

	Notes	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Cash outflow from operating activities	16	**(982)**	(783)
Financial investment			
Purchase of venture capital investments	9(b)	**(4,396)**	(4,834)
Purchase of listed equities and fixed interest investments	9(b)	**(645)**	(1,476)
Sale of venture capital investments	9(b)	**982**	3,091
Sale/redemption of listed equity and fixed interest investments	9(b)	**5,287**	1,410
Amounts recovered from investments previously written off	9(d)	**–**	42
Total net financial investment		**1,228**	(1,767)
Equity dividends paid	7	**(487)**	(501)
Financing			
Buy-back of ordinary shares	13	**(907)**	(899)
Issue of shares under the terms of the dividend reinvestment scheme		**32**	24
Total financing		**(875)**	(875)
Decrease in cash for the period		**(1,116)**	(3,926)

Reconciliation of net cash flow to movement in net funds		
Decrease in cash for the period	**(1,116)**	(3,926)
Net funds at the start of the period	**1,715**	5,641
Net funds at the end of the period	**599**	1,715

The accompanying notes are an integral part of this statement.

Net funds comprise cash at bank and on short term deposit.

Reconciliation of movements in shareholders' funds
for the fourteen months to 31 December 2007

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 November 2006	485	309	47	33,730	(4,781)	2,134	31,924
Shares issued under the dividend reinvestment scheme	2	30	–	–	–	–	32
Shares purchased for cancellation	(20)	–	20	(907)	–	–	(907)
Realisation of prior years' net losses on investments	–	–	–	–	3,317	(3,317)	–
Transfer from special reserve to profit and loss account	–	–	–	(9,666)	–	9,666	–
Net loss on revaluation of investments	–	–	–	–	(3,237)	3,237	–
Loss on ordinary activities after taxation	–	–	–	–	–	(8,817)	(8,817)
Dividends paid	–	–	–	–	–	(487)	(487)
At 31 December 2007	**467**	**339**	**67**	**23,157**	**(4,701)**	**2,416**	**21,745**

The accompanying notes are an integral part of these statements.

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, except for the measurement at fair value of fixed asset investments, and in accordance with applicable UK accounting standards.

Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment policy, and information about the portfolio is provided internally on that basis to the Board.

Accordingly, upon initial recognition (using trade date accounting) the investments are designated by the Company as 'at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off to the profit and loss account).

Subsequently, the investments are valued at 'fair value', which is measured as follows:

- UK listed and AIM-traded investments are valued at their bid prices at the close of the period as issued by the London Stock Exchange; investments listed overseas are valued at bid prices (where a bid price is available) or otherwise at fair value based on published price quotations.

- unquoted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date. Such investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the investee company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate such an 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.

The Company does not exercise control or significant influence over investee companies and in accordance with the exemptions under FRS 9 "Associates and Joint Ventures", where the Company holds more than 20% but less than 50% of an investment and the investment is not a subsidiary, it is not treated as an associated company.

Gains and losses on investments
When the Company revalues its investments during an accounting period, any gains or losses are recognised in the profit and loss account within 'gains/(losses) on investments at fair value through profit or loss'. Any losses on investments that are not considered by the Directors to reflect an impairment in the value of the investment are subsequently transferred from/to the revaluation reserve. When an investment is sold or the Directors consider that its value is impaired, any amount held in the revaluation reserve is transferred to the profit and loss account. Where the overall result on the sale of investment is a loss or there is an impairment in the value of an investment, a transfer is made from the special reserve to the profit and loss account, equal to the amount of such losses.

Income
Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Income receivable on unquoted equity and non-equity shares and loan notes are brought into account when the Company's right to receive payment and expect settlement is established. 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 interest rate, provided there is no reasonable doubt that payment will be received in due course.

Expenses
All expenses, including expenses incidental to the acquisition or disposal of an investment, are accounted for on an accruals basis and are charged wholly to the profit and loss account. Any costs associated with the issue of shares are charged to the share premium account. Any costs associated with the buy-back of shares are charged to the special reserve.

Taxation
Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the 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 maintains its Venture Capital Trust status. The Company intends to continue to meet the conditions required for it to hold approved Venture Capital Trust status for the foreseeable future. Deferred tax assets in respect of surplus management expenses are only recognised to the extent that those expenses are likely to be recoverable against future taxable profits of the Company.

Foreign exchange
The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities that are measured at fair value, which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Exchange differences arising on settlement of monetary items and from retranslating at the balance sheet date of investments and other financial instruments measured at fair value through profit or loss, and other monetary items, are included in the profit and loss account. Exchange differences relating to investments and other financial instruments measured at fair value are subsequently included in the transfer to the revaluation reserve.

Dividends
Dividends payable to equity shareholders are recognised in the reconciliation of movements in shareholders' funds when they are paid, or have been approved by shareholders in the case of a final dividend and become a liability of the Company.

2 Income

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Dividend income		
– Unlisted companies	**6**	5
– Listed companies - UK	**99**	168
– Listed companies - foreign	**40**	63
Interest receivable		
– Loans to venture capital investee companies	**84**	–
– Bank deposits	**55**	41
Other income	**23**	135
	307	412

3 Investment management fee

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Investment management fee	**801**	800
Irrecoverable VAT	**123**	123
	924	923

SVML provides investment management services to the Company under an agreement dated 30 October 2000.

SVML is a wholly owned subsidiary of SPARK Ventures plc, a company of which JR Patel is an executive director and a beneficial shareholder. APG Holmes and JA Spooner were executive directors of SVML until their retirement in April 2008.

The management fee, which is calculated monthly and is payable quarterly in advance, is levied at a rate of 2.5% on the Company's net assets. 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. There are no provisions for compensation payable in the event of termination.

SVML also provides administrative and secretarial services to the Company for which it was entitled to a fee of £67,000 for the period (year ended 31 October 2006: £56,000) adjusted annually in line with changes in the Retail Price Index.

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 SVML out of the fee above.

4 Other expenses

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Administrative and secretarial services	**67**	56
Directors' remuneration (note 5)	**57**	37
Auditor's remuneration		
– Fees payable to the Company's auditor for audit of the financial statements	**16**	14
– Fees payable to the Company's auditor and its associates for other services relating to tax	**8**	6
Legal and professional expenses	**32**	40
Insurance	**8**	13
UKLA, LSE and registrar's fees	**20**	24
Transaction costs	**29**	14
Irrecoverable VAT	**41**	39
Other	**54**	52
	332	295

5 Directors' remuneration

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Amounts payable to Directors or companies controlled by them	**57**	37

The total fees paid or payable in respect of individual Directors for the period is detailed in the Directors' remuneration report commencing on page 31.

6 Tax on ordinary activities

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Corporation tax	**–**	–

Reconciliation of (loss)/profit on ordinary activities to taxation

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
(Loss)/profit on ordinary activities before taxation	**(8,817)**	2,645
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (31 October 2006: 30%)	**(2,645)**	794
Effects of:		
Non taxable items – UK dividends and net losses/(gains) on investments	**2,327**	(1,089)
Unutilised management expenses	**318**	295
	–	–

The Company has excess trading losses of £4,616,000 (2006: £3,600,000) that are available for offset against future profits. A deferred tax asset of £1,385,000 (2006: £1,080,000) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

7 Dividends

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Final dividend: 1p per share paid on 12 March 2007	**487**	–
Interim dividend: 1p per share paid 1 March 2006	**–**	501
	487	501

The Board proposes a final dividend of 1.0p per share, equivalent to £467,000 in respect of the period ended 31 December 2007 which, upon approval by shareholders at the Annual General Meeting, will be payable on 27 June 2008 and consequently has not been recognised in the accounts.

8 Earnings per share

The loss per share of 18.5p (year ended 31 October 2006: earnings 5.3p) is based on the loss on ordinary activities after tax of £8,817,000 (year ended 31 October 2006: earnings £2,645,000) and on the weighted average number of ordinary shares in issue during the period of 47,714,817 (year ended 31 October 2006: 49,861,329).

There is no dilution effect in respect of the period ended 31 December 2007 (31 October 2006: nil).

9 Investments

9(a) Summary of investments

	31.12.07 £'000	31.10.06 £'000
Venture capital investments	**18,322**	23,612
Listed equity investments	**3,212**	7,012
	21,534	30,624

9(b) Movements in investments

	Venture capital investments £'000	Listed equity investments £'000	Total £'000
Cost at 1 November 2006	30,074	5,331	35,405
Net (loss)/gain at 1 November 2006	(6,462)	1,681	(4,781)
Valuation at 1 November 2006	23,612	7,012	30,624
Movements in the period:			
Purchases at cost	4,396	645	5,041
Disposals			
– proceeds	(982)	(5,287)	(6,269)
– net gains on disposal	185	251	436
Impairment in value	(5,061)	–	(5,061)
Net (loss)/gain on revaluation of investments	(3,828)	591	(3,237)
Valuation at 31 December 2007	**18,322**	**3,212**	**21,534**
Book cost at 31 December 2007	23,999	2,236	26,235
Net (loss)/gain at 31 December 2007	(5,677)	976	(4,701)
Valuation at 31 December 2007	**18,322**	**3,212**	**21,534**

Amounts shown as cost represent acquisition cost, less any reduction made on account of impairment in value.

9(c) Venture capital investments

	Valuation at 01.11.06 £'000	Additions £'000	Disposals £'000	Write-offs £'000	Other revaluations £'000	Valuation at 31.12.07 £'000
Fifteen largest venture capital investments						
Nomad Payments Limited	1,402	152	–	–	1,466	3,020
Workshare Limited	1,632	378	–	–	581	2,591
Celona Technologies Limited	1,648	411	–	–	(752)	1,307
Xtera Communications, Inc.	2,449	238	–	–	(1,412)	1,275
Oxford Immunotec Limited	1,556	441	–	–	(803)	1,194
Xention Limited	825	300	–	–	–	1,125
Antenova Limited	1,005	129	–	–	(355)	779
Teraview Limited	947	117	–	–	(237)	827
Identum Limited	1,159	357	–	(753)	–	763
Uniservity Limited	–	700	–	–	–	700
Sift Group Limited	698	–	–	–	–	698
MediGene AG *Frankfurt*	1,133	–	(200)	–	(257)	676
Elateral Holdings Limited	155	–	–	324	–	479
Arithmatica Limited	429	171	–	–	(186)	414
Oxford BioMedica plc *AIM*	631	243	(226)	–	(280)	368
	15,669	3,637	(426)	(429)	(2,235)	16,216
Other unquoted venture capital investments	5,669	694	(14)	(4,298)	(901)	1,150
Other quoted venture capital investments	2,274	65	(357)	(334)	(692)	956
	23,612	**4,396**	**(797)**	**(5,061)**	**(3,828)**	**18,322**

9(d) (Loss)/gain on investments

The overall (loss)/gain on investments at fair value through profit or loss disclosed in the profit and loss account is analysed as follows:

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
Net gain on disposal	**436**	2,176
Write-off of investments	**(5,061)**	–
Recoveries made in respect of investments previously written off	**–**	42
Net (loss)/gain on revaluation of investments	**(3,237)**	1,238
	(7,862)	3,456

'Net gain on disposal represents the difference between proceeds received and the carrying values of those investments sold during the period.

The amounts reported under 'write-off of investments' represent the proportions of the carrying value that have, in the opinion of the Directors, suffered an impairment in value.

10 Debtors

	31.12.07 £'000	31.10.06 £'000
Other debtors	–	138
Prepayments and accrued income	**14**	10
	14	148

11 Creditors (amounts falling due within one year)

	31.12.07 £'000	31.10.06 £'000
Accruals	**302**	463
	302	463

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/or held appointments with the SPARK group of companies, hold redeemable loan notes in the Company, totalling a nominal amount of £100,000 (2006: £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. In line with FRS 26, this right to additional interest and premium on redemption is an embedded derivative that for accounting purposes is separated from the redeemable loan notes. This embedded derivative has been accounted for as a financial liability at fair value through the profit and loss account and is valued at £nil (2006: £nil).

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 half yearly financial 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 half yearly financial 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

	31.12.07 £'000	31.10.06 £'000
Authorised:		
100,000,000 (31.10.06: 100,000,000) ordinary shares of 1p	1,000	1,000
Allotted, issued and fully paid:		
46,715,525 (31.10.06: 48,502,665) ordinary shares of 1p	467	485

The Company bought back for cancellation 1,834,582 ordinary shares, representing 3.8% of the opening issued share capital, at a cost of £907,000.

Under the terms of the dividend reinvestment scheme 47,442 shares with an aggregate nominal value of £474 were issued during the period for a net consideration of £32,000. The Finance Acts 2006 and 2007 set out new regulations relating to the investment of new capital raised, which extend to dividend reinvestment schemes. The regulations levy an undue administrative burden on the operation of such schemes and the Board resolved to discontinue the Scheme.

14 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 November 2006	309	47	33,730	(4,781)	2,134
Shares issued under the dividend reinvestment scheme	30	–	–	–	–
Shares purchased for cancellation	–	20	(907)	–	–
Realisation of prior years' net losses on investments	–	–	–	3,317	(3,317)
Transfer from special reserve to profit and loss account	–	–	(9,666)	–	9,666
Loss on revaluation of investments	–	–	–	(3,237)	3,237
Loss on ordinary activities after taxation	–	–	–	–	(8,817)
Dividends	–	–	–	–	(487)
At 31 December 2007	**339**	**67**	**23,157**	**(4,701)**	**2,416**

The capital redemption reserve was created to reflect the repurchase and cancellation of shares.

The special reserve is a distributable reserve that was created following the cancellation of the share premium account. 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 and also to facilitate the payment of dividends to shareholders earlier than would otherwise have been possible as transfers can be made from this reserve to the profit and loss account to offset losses on disposal of investments and impairments in value of investments. Accordingly a transfer of £9,666,000 (including £5,061,000 representing impairments in value of investments during the period and £3,810,000 representing losses of previous years now treated as impairments in value) has been made from the special reserve to the profit and loss account.

Other gains and losses arising on the inclusion of investments at fair value, are transferred to the revaluation reserve.

The Directors consider that a net gain of £976,000 (31 October 2006: £1,681,000) included in the revaluation reserve is distributable.

15 Net asset value per share

The net asset value per share as at 31 December 2007 of 46.5p (31 October 2006: 65.8p) is based on net assets of £21,745,000 (31 October 2006: £31,924,000) divided by the 46,715,525 ordinary shares in issue at that date (31 October 2006: 48,502,665). There is no dilution effect as at 31 December 2007 (year ended 31 October 2006: nil).

16 Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	Fourteen months to 31.12.07 £'000	Twelve months to 31.10.06 £'000
(Loss)/profit on operating activities	**(8,811)**	2,650
Loss/(gain) on fair value through profit or loss on investments	**7,862**	(3,456)
Decrease in debtors	**134**	189
Decrease in creditors	**(161)**	(166)
Net purchase of bought interest	**(6)**	–
Cash outflow from operating activities	**(982)**	(783)

17 Commitments and guarantees

As at 31 December 2007 there were legal commitments totalling £15,000 (31 October 2006: £209,000) in respect of further funding to be provided to existing investee companies. There were no guarantees outstanding (31 October 2006: £nil).

18 Financial instruments

As a Venture Capital Trust the Company invests in unquoted and AIM-traded UK companies in accordance with the investment policy set out on page 18. In addition to its venture capital portfolio, which is invested mainly in technology-related companies in the TMT and healthcare sectors, the Company maintains liquidity balances in the form of cash, listed fixed interest securities and listed equities held for follow-on financing and new venture capital investment and debtors and creditors that arise directly from its operations. At 31 December 2007, 84.2% (£18.3 million) of the Company's net assets were invested in venture capital investments and 15.8% (£3.4 million) in liquidity balances.

In pursuing its investment policy, the Company is exposed to risks that could result in a reduction in the value of net assets and consequently funds available for distribution by way of dividend or for re-investment.

These risks and the management of them, which is the responsibility of the Manager and monitored by the Directors, are unchanged from the previous accounting period and are set out below.

Market risk

The fair value of the future cash flows of financial instruments held by the Company may fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk:

- Currency risk
  The Company has no significant financial instruments denominated in foreign currencies.

- Interest rate risk
  The Company has no significant interest rate risk.

- Other price risk
  Venture capital investments carry a significant risk of failure. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments within the TMT and healthcare sectors, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual

holdings. There is a concentration of risk due to the focused investment policy. This risk is mitigated by the specialised expertise of the Manager. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

A movement of 6.9% (the annual average percent reduction in total return over the last five accounting periods of the Company) in the fair value of the total venture capital portfolio would result in a movement of £1,264,000 in profit before tax, which would affect the net asset value by 2.71p per share.

The liquidity balances include £3,212,000 of listed equities and fixed interest securities that are subject to market price changes. The Directors monitor the performance of the portfolio on a regular basis and review and agree policies with the Manager for managing this risk. A movement of 6.9% in the fair value of the listed equity and fixed interest securities portfolio would result in a movement of £222,000 in profit before tax, which would affect the net asset value by 0.47p per share.

Liquidity risk

The Company's assets comprise quoted and unquoted equity and non-equity shares, fixed income securities, short term money market investments and cash. Although the Company's AIM traded and unquoted investments are less liquid than securities listed on the London Stock Exchange, the Company has 15.8% of the investment portfolio invested in cash, short-term debtors and creditors and readily realisable securities, which are sufficient to meet any funding commitments that may arise. As at the period end, the Company had no borrowings, except for the redeemable loan notes disclosed in note 12.

Credit risk

The Directors consider that there is no significant credit risk faced by the Company.

Fair values of financial assets and financial liabilities

Financial assets and liabilities are carried in the balance sheet at either their fair value (investments), or the balance sheet amount is a reasonable approximation of the fair value (amounts due from brokers, dividends receivable, accrued income, due to brokers, accruals, and cash at bank).

Capital disclosures

The Company's objective is to deliver, as far as is consistent with venture capital investment, steady growth in the net asset value of the fund and in total return (net asset value plus cumulative dividends paid). This is unchanged from the previous accounting period.

The capital subscribed to the Company by original investors has been managed in accordance with the Company's objectives. The available capital at 31 December 2007 is £21.7 million (31 October 2006: £31.9 million) as shown in the balance sheet, which includes the Company's share capital and reserves.

The dividend policy of the Company is unchanged from that set out in the original prospectus dated 1 November 2000 and is to seek to maximise the dividend payable from available distributable profits. Owing to the nature of a VCT, dividends payable can vary considerably from time to time depending both on the level of income received from investments and, more significantly, on whether gains on disposal of investments have been made by the VCT and the return achieved on the realisations. Accordingly the level of dividends will fluctuate and in some periods it is possible that no dividend will be paid.

The Board periodically reviews the need for share buy-backs. The purpose of share buy-backs is to satisfy demand from those shareholders who seek to sell their shares, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However its ability to do so may be constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. The Company's current policy in this respect is unchanged from the previous accounting period.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

19 Related party disclosures

Quester Services Limited, (a fellow subsidiary of the Manager) for which APG Holmes and JA Spooner acted as directors until 11 May 2007 and JR Patel acted as a director from that date, may from time to time be eligible to receive transaction fees and/or directors' fees from investee companies. During the period ended 31 December 2007, fees of £43,000 attributable to the investments of the Company were received pursuant to these arrangements (year ended 31 October 2006: £35,000).

APM Lamb's contract for the provision of company secretarial services to investee company, Identum Limited, terminated in December 2007.

Certain Directors and members of their immediate families have undertaken the following transactions in the shares of companies in which Quester VCT 4 plc has invested. These transactions were made on the same terms and conditions as applicable to the Company:

	No. of Directors	Fourteen months to 31.12.07 £'000	No. of Directors	Twelve months to 31.10.06 £'000
MediGene AG (purchase)	1	10	–	–
Oxford Biomedica plc (purchase)	1	5	–	–
Portrait Software plc (purchase)	1	8	–	–

20 Co-investment

The Company has made venture capital investments in companies in which other funds managed by SVML have also invested:

For the purposes of this note, the following abbreviations apply:
SPARK Ventures plc – SPK
Quester VCT plc – QVCT
Quester VCT 5 plc – QVCT 5
Quester Venture Partnership – QVP
Isis College Fund Limited Partnerships and Second Isis College Fund Limited Partnership – ICF
Lachesis Seed Fund Limited Partnership – Lachesis
Sulis Seedcorn Fund Limited Partnership – Sulis

Company	Co-investors
Allergy Therapeutics plc	QVCT and QVCT 5
Antenova Limited	QVCT, QVCT 5 and QVP
Anthropics Technology Limited	QVCT and QVP
Arithmatica Limited	QVCT, QVCT 5 and QVP
Celldex Therapeutics, Inc.	QVCT, QVCT 5 and QVP
Celona Technologies Limited	QVCT 5 and QVP
Celoxica Holdings plc	QVP and ICF
Cluster Seven Limited	QVCT, QVCT 5 and QVP
Elateral Holdings Limited	QVCT
Genosis plc	QVCT and QVCT 5
Haemostatix Limited	QVCT, QVCT 5, QVP and Lachesis
HTC Healthcare Group plc	QVCT and QVCT 5

Company	Co-investors
Identum Limited	QVCT 5, QVP and Sulis
Lectus Therapeutics Limited	QVCT, QVCT 5, QVP and Sulis
Level Four Software Limited	QVCT, QVCT 5 and QVP
MediGene AG	QVCT, QVCT 5, QVP and ICF
Nomad Payments Limited	QVCT and QVP
Oxford BioMedica plc	QVCT 5, QVP and ICF
Oxford Immunotec Limited	QVCT 5, QVP and ICF
Pelikon Limited	QVCT and QVCT 5
Perpetuum Limited	QVCT, QVCT 5, QVP and Sulis
Portrait Software plc	QVCT 5
Quadnetics Group plc	QVCT 5
Sift Group Limited	QVCT
Synarbor plc (Public Recruitment Group)	QVCT 5
Teraview Limited	QVCT
Uniservity Limited	QVCT and QVCT 5
Vivacta Limited	QVCT, QVCT 5 and QVP
Workshare Limited	QVCT, QVCT 5 and QVP
Xention Limited	QVCT 5 and QVP
Xtera Communications, Inc. (Azea Networks, Inc.)	QVCT 5 and QVP

SVML resigned as manager of the Sulis Seedcorn Fund on 5 October 2007.

21 Post balance sheet events

Subsequent to the period end the Company has not made any new investments in excess of 20% of the equity capital of an investee company or any follow-on investments that would raise the Company's existing stake above 20% of the equity capital of an investee company.

Report of the independent auditor to the members of Quester VCT 4 PLC

We have audited the financial statements (the ''financial statements") of Quester VCT 4 plc for the period ended 31 December 2007 which comprise the profit and loss account, balance sheet, cash flow statement, reconciliation of movements in shareholders' funds, and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

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

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' responsibility statement.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the business review that is cross referred from the business review section of the Directors' report.

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

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the financial highlights, Chairman's statement, fund summary, business review, fifteen largest venture capital investments, investment policy, Board of Directors, Directors' report, statement of corporate governance, the unaudited part of the Directors' remuneration report, and Directors' responsibility statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the independent auditor to the members of Quester VCT 4 PLC (cont.)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the period then ended;

- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
30 April 2008

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Quester VCT 4 plc (the "Company") will be held at Le Meridien Piccadilly, 21 Piccadilly, London W1J 0BH at 10:00 a.m. on 20 June 2008 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 7 will be proposed as ordinary resolutions and number 8 will be proposed as a special resolution.

1 To receive, consider and adopt the annual report and accounts for the period ended 31 December 2007 and 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 period ended 31 December 2007.

3 To declare a final dividend of 1.0p per share in respect of the period ended 31 December 2007.

4 To re-elect RE Burger as a Director.

5 To elect JR Patel as a Director.

6 To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix its remuneration.

7 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 £532,844.75 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 are hereby revoked.

8 Authority for the disapplication of pre-emption rights

THAT, in accordance with Section 95 of the Act, the Directors be and 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 7 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 £46,715.53;

and this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company in 2009 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 resolutions which shall be proposed as special resolutions:

9 Authority for change of company name

THAT the name of the Company be changed to "SPARK VCT 2 PLC"

10 Authority for the company to purchase 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 4,671,553;

(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 per cent of the average of the middle market prices shown in the quotations for an Ordinary Share in the Daily Official List of the UK Listing Authority for the five dealing days immediately preceding the day on which the Ordinary Share is purchased;

(d) the authority hereby conferred shall expire on the earlier date which is fifteen months from the date of this resolution and the date of the Annual General Meeting of the Company in 2009; 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.

11 Adoption of new Articles of Association

THAT the existing Articles of Association of the Company be deleted in their entirety and the new Articles of Association produced to the meeting and for the purpose of identification signed by the Chairman of the meeting be adopted in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board
Nghi Tran
Secretary

33 Glasshouse Street
London, W1B 5DG
30 April 2008

Note:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders of the Company) to exercise all or any of the rights of the shareholders to attend and speak and 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 at the offices of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 10:00 a.m. on 18 June 2008. Completion of a form of proxy will not affect the right of a shareholder 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 members of the Company at 10:00 a.m. on 18 June 2008 will be entitled to attend and vote at the aforesaid 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 10:00 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 are available for inspection at the Company's registered office, 33 Glasshouse Street, London, W1B 5DG, during normal business hours (public holidays excluded) and will be made available for inspection at the place of the Annual General Meeting for 30 minutes prior to and during the meeting. In addition, a copy of the new Articles of Association and the existing Articles of Association marked to show the changes being proposed by resolution 11 will be available for inspection at 33 Glasshouse Street, London, W1B 5DG.

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 holding.

Contacts

Directors
RA Wright (Chairman)
RE Burger
APM Lamb
JR Patel

Secretary
Nghi Tran

Registered office
33 Glasshouse Street
London W1B 5DG
(Registered in England, No 4063505)

Manager
SPARK Venture Management Limited
33 Glasshouse Street
London W1B 5DG

Stockbroker
Noble & Company Limited
120 Broad Street
London EC2N 1AR
Tel: 020 7763 2321

Solicitors
Travers Smith
10 Snow Hill
London EC1A 2AL

Auditor and VCT tax adviser
Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London EC2P 2YU

Quoted and fixed interest investment adviser
Newton Investment Management Limited
Mellon Financial Centre
160 Queen Victoria Street
London EC4V 4LA

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Tel: 0871 664 0300
(Calls to Capita Registrars cost 10p
per minute plus network extras)

Bankers
The Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB

Shareholder information

Annual General Meeting — 10:00 a.m. on 20 June 2008

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 the offices of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10:00 a.m. on 18 June 2008.

Dividend

The directors have proposed a final dividend of 1.0p per share in respect of the period ending 31 December 2007.

Payment date	27 June 2008
Ex-dividend date	28 May 2008
Associated record date	30 May 2008

Shareholders should note that the dividend reinvestment scheme operated by the Company has been withdrawn. The Finance Acts 2006 and 2007 set out new regulations relating to the investment of new capital raised, which extended to dividend reinvestment schemes. The regulations levy an undue administrative burden on the operation of such schemes and the Board resolved to discontinue the scheme.

Share price and net asset value announcements

The Company's ordinary shares are listed on the London Stock Exchange. The mid-market price of shares in Quester VCT 4 plc is reported daily in the Financial Times in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites. Estimates of the Company's current net asset value are reported on certain days in the Financial Times. These estimates are not provided by the Manager.

The Company generally announces changes in its net asset value on a quarterly basis. However, no announcements will be made in respect of year end net asset values until the audited results are available. Half year and quarterly 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 UKLA rules.

Share buy-backs

There is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy-back limited volumes of its shares from time to time. However, its ability to do so is, or may be, constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. Shareholders seeking to sell their shares should contact the Company's stockbroker, Noble & Company Limited (see page 54 for details).

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

Notification of change of shareholder details

Communications with shareholders are mailed to the registered address held by Capita Registrars, the Company's registrar. In the event of a change of address or other amendment, this should be notified to Capita Registrars under the signature of the registered holder.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Investor relations

Shareholders may view details of their shareholdings online. The service may be accessed from the Investor Relations section of the SPARK website, www.sparkventures.com

If shareholders have any questions or comments about their investment, please contact SPARK:

Tel: 0207 851 7777 Email: contact@sparkventures.com

In addition, the Board is always pleased to respond to any written shareholder queries, which should be sent to the Company's registered office.

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