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Quester VCT 4 PLC

Interim Report 2006

Financial highlights

Per ordinary share (pence)	6 months to 30 April 2006	Year to 31 October 2005	6 months to 30 April 2005
Capital values			
Net asset value	**65.2**	61.3	64.4
Share price	**54.0**	60.0	60.0
Return and dividends			
Dividend	**1.0***	1.0	1.0
Cumulative dividend	**4.9**	3.9	3.9
Total return**	**70.1**	65.2	68.3

* The 2006 interim dividend was paid on 1 March 2006
** Net asset value plus cumulative dividend per share

An investment in Quester VCT 4 plc should be viewed as a high risk, long term venture capital investment. 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.

Interim report

Overview

The Company's net asset value has risen by 3.9p per share to 65.2p over the six months to 30 April 2006. Total return to shareholders, which takes account of the interim dividend of 1p per share paid on 1 March 2006, has risen by 4.9p or 7.5% over the same period.

The portfolio has performed much as expected. Net asset value growth achieved over the period has lagged that seen on the financial markets, which rose strongly during the period. As the Company's investments are largely unquoted, net asset value will not generally move in line with quoted markets. However, during the period increasing business confidence produced a beneficial environment for many of the companies in which we have invested, which has helped them develop and grow.

Net assets and dividends

The movement in net assets is summarised in the table below:

	£'000	Pence per share
Net asset value at 31 October 2005	30,992	61.3
Income	194	0.4
Operating expenses	(616)	(1.2)
Net realised gain on investments	2,083	4.1
Net unrealised gain on investments	753	1.5
Dividend paid, net of amounts reinvested	(476)	(1.0)
Share buy-backs	(496)	0.1
Net asset value at 30 April 2006	**32,434**	**65.2**

Interim report (continued)

The most significant event during the period was the cash sale of Footfall Limited in December 2005, which gave rise to a realised gain of £2million, equivalent to 4p per share. An interim dividend of 1p per share was declared on the back of this successful exit.

Net assets have also benefited from a net upwards revaluation of investments of £753,000, or 1.5p per share. Further information is provided on page 4.

The directors do not propose a further interim dividend.

Venture capital portfolio: realised gains and new investments

During the period, two investments were sold generating proceeds of £3.1million and £3million was committed to new and follow-on investments.

In addition to the disposal of Footfall Limited, the residual holding of Loudeye Inc, was sold. The Loudeye investment, which arose from the original investment in On Demand Distribution Limited, returned an overall profit of £221,000 on an original cost of £568,000.

This has been an active period in terms of further investment with funds being committed to five companies new to the portfolio and 11 existing portfolio investments.

The five new investments are:

		£'000
Cluster Seven Limited	Software	158
Haemostatix Limited	Biotechnology	5
Lectus Therapeutics Limited	Biotechnology	53
PanOpSys Limited	Diagnostics & devices	56
Perpetuum Limited	Electronics	93
		365

Other than the investment in Cluster Seven, which is revenue generating, these investments are all early stage and pre-revenue. The initial investments are deliberately small and further investment is to be made on an agreed milestone related basis, the objective being to manage the Company's exposure to these exciting but early stage, and therefore higher risk, investments.

Cluster Seven develops and sells enterprise spreadsheet management software. The company's products provide control over spreadsheets being used in mission critical environments. In the current regulatory environment, the control of spreadsheets is paramount and there is a substantial potential global market for Cluster Seven's products. The company has built an impressive client base, principally in the major financial centres of London and New York.

Haemostatix is a drug discovery company concentrating on the development of an alternative to blood platelet transfusion. The company's product, HaemoPlax™, represents a new type of treatment that is potentially safer and easier to use than the current therapy, with a significant saving in ancillary treatments costs. This was a small initial investment; subsequent to 30 April, Quester VCT 4 together with the investment syndicate provided further planned funding to Haemostatix, which had successfully achieved its initial scientific milestones.

Lectus Therapeutics specialises in the discovery and development of novel drugs (ion channel modulators) for diseases associated with pain management, urinary incontinence and angina, offering important clinical and economic advantages over existing therapies in this growing market. The company raised £8.2million in its first institutional round of venture capital funding (Series A) which Quester co-led alongside a leading French venture capital firm, Sofinnova, and the two largest Japanese pharmaceutical firms, Takeda and Astellas.

PanOpSys is a medical diagnostics company focusing on the provision of fast, simple point-of-care diagnostics. Early diagnosis converts into substantial savings for healthcare providers and point-of-care testing is the fastest growing market sector in diagnostics. The company recently raised £3million in a Series A funding led by Quester and is at an exciting stage in the optimisation and commercialisation of its patented piezofilm technology.

Perpetuum produces electromechanical vibration energy harvesting micro-generators to power wireless sensor nodes, eliminating the need for hard wiring or batteries. This technology addresses the growing and substantial market for wireless sensor systems, which are used for a wide range of applications.

The majority of these new investments are shared with Quester's institutional fund, the Quester Venture Partnership. Several have also been seed funded by the Quester managed university linked funds, as part of Quester's proactive deal sourcing strategy.

The Board has decided that no new companies should be added to the venture capital portfolio for the time being. This reflects the existing diversity of the venture capital portfolio of 38 investments and the fact that the Company's remaining liquid assets are currently scheduled to provide further funding to this portfolio. This situation will be kept under regular review and is likely to change, particularly when cash proceeds are received on the future disposal of investments.

£2.6million was invested as part of the planned further funding of 11 existing companies in the portfolio, as below:

		£'000
Advanced Valve Technologies Limited	Industrial products & services	258
Identum Limited	Software	714
Azea Networks, Inc.	Communications	376
Celona Technologies Limited	Software	357
Nomad Software Limited	Software	190
Teraview Limited	Diagnostics & devices	197
Workshare Limited	Software	393
Others	–	132
		2,617

Interim report (continued)

Venture capital portfolio: valuation changes

Overall, the value of the venture capital portfolio has fallen over the period by £324,000.

The largest individual valuation gain was seen on the now quoted investment in Cyclacel Pharmaceuticals, Inc.. This company was formed on the merger of Cyclacel Limited with Xcyte Therapies, Inc. to form a larger international biopharmaceutical company with a franchise in one of the most exciting fields of biology and with a development-stage portfolio of targeted oncology drug candidates affecting the cancer cell cycle. The investment is now valued at its market price, which has resulted in an uplift in its carrying value of £149,000.

The quoted investment in Public Recruitment Group plc fell in value by £162,000 in autumn 2005 although recent news flow has, however, been more positive.

Avidex Limited, an Oxford based biotechnology company, secured further funding via a significant investment from a new trade partner, Syngenta. This funding will take the company through to the next stage of its development and demonstrates the progress made with its science, although the fair value of the investment has been reduced by £290,000 to reflect the pricing of this third party investment. This valuation change reflects current valuation trends across the biotechnology sector generally, as opposed to specific performance issues with the business itself.

The valuation of the investment in Teraview was reduced by £108,000 back to cost based on the pricing of the last round of equity financing.

Listed equity portfolio

The listed equity portfolio, which was showing an unrealised profit of £1,877,000 as at 30 April 2006, has performed well and has generated a total return over the six months of £1,172,000.

Outlook

Progress has been made by the portfolio and we were pleased with the profit generated from the sale of Footfall, which serves to demonstrate the ability of companies in the portfolio to deliver good returns. We believe that this potential value will become increasingly apparent as the portfolio matures.

12 July 2006

Fund summary
As at 30 April 2006

	Industry sector	Original cost £'000	Valuation £'000	% equity held	% of fund by value
Quoted venture capital investments					
Allergy Therapeutics plc	Biotechnology	500	784	1.1%	2.4%
Celoxica Holdings plc	Software	1,315	716	3.7%	2.2%
Cyclacel Pharmaceuticals, Inc.	Biotechnology	1,000	399	0.5%	1.2%
Genosis plc	Diagnostics & devices	111	73	0.9%	0.2%
Polaron plc	Industrial products & services	250	110	1.2%	0.3%
Portrait Software plc	Software	1,130	379	5.0%	1.2%
Public Recruitment Group plc	Industrial products & services	250	51	0.8%	0.2%
Quadnetics Group plc	Electronics	143	127	0.5%	0.4%
Total quoted venture capital investments		4,699	2,639		8.1%
Unquoted venture capital investments					
Advanced Valve Technologies Limited	Industrial products & services	1,730	1,032	30.6%	3.2%
Antenova Limited	Communications	1,254	1,005	5.4%	3.1%
Anthropics Technology Limited	Communications	95	25	7.0%	0.1%
Arithmatica Limited	Semiconductors	429	429	13.7%	1.3%
Avidex Limited	Biotechnology	1,144	525	2.6%	1.6%
Azea Networks, Inc.	Communications	2,140	2,140	7.9%	6.6%
Celona Technologies Limited	Software	1,023	1,023	13.6%	3.2%
Cluster Seven Limited	Software	158	158	2.0%	0.5%
De Novo Pharmaceuticals Limited	Diagnostics & devices	803	176	3.0%	0.5%
Elateral Holdings Limited	Software	655	155	13.7%	0.5%
Global Silicon Limited	Semiconductors	67	67	0.8%	0.2%
Haemostatix Limited	Biotechnology	5	5	0.6%	0.0%
HTC Healthcare Group plc	Consumer services	714	425	8.7%	1.3%
Identum Limited	Software	980	980	13.7%	3.0%
Lectus Therapeutics Limited	Biotechnology	53	53	1.5%	0.1%
Level Four Software Limited	Software	68	68	0.7%	0.2%
Lorantis Holdings Limited	Biotechnology	1,400	1,025	2.7%	3.2%
Mesophotonics Limited	Electronics	893	670	7.4%	2.1%
Nexagent Limited	Software	1,537	1,458	5.8%	4.5%
Nomad Software Limited	Software	1,402	832	7.5%	2.6%
Opsys Management Limited	Electronics	288	72	3.5%	0.2%
Oxford Immunotec Limited	Diagnostics & devices	1,339	1,556	9.3%	4.8%
Oxxon Therapeutics Holdings, Inc	Biotechnology	985	492	3.5%	1.5%
PanOpSys Limited	Diagnostics & devices	56	56	2.1%	0.2%
Pelikon Limited	Hardware	69	69	0.5%	0.2%
Perpetuum Limited	Electronics	93	93	1.7%	0.3%
Sift Group Limited	Internet	917	698	6.2%	2.2%
Teraview Limited	Diagnostics & devices	947	947	5.4%	2.9%
Workshare Limited	Software	1,532	1,632	6.8%	5.0%
Xention Discovery Limited	Biotechnology	750	825	5.1%	2.5%
Total unquoted venture capital investments		23,526	18,691		57.6%
Total venture capital investments		28,225	21,330		65.7%
Listed equity investments		5,092	6,969		21.5%
Total investments		33,317	28,299		87.2%
Cash and other net assets		4,135	4,135		12.8%
Net assets		**37,452**	**32,434**		**100.0%**

Unaudited financial statements

Profit and loss account

	Note	6 months ended 30 April 2006 Total £'000	6 months ended 30 April 2005 Total £'000	Year ended 31 October 2005 Total £'000
Net gains/(losses) on fair value through profit or loss on investments		**2,836**	(811)	(2,141)
Income		**194**	211	437
Investment management fee		**(398)**	(429)	(847)
Other expenses		**(215)**	(188)	(324)
Profit/(loss) on operating activities		**2,417**	(1,217)	(2,875)
Interest payable on loan notes		**(3)**	(3)	(5)
Profit/(loss) on ordinary activities before taxation		**2,414**	(1,220)	(2,880)
Tax on ordinary activities		**–**	–	–
Profit/(loss) on ordinary activities after taxation		**2,414**	(1,220)	(2,880)
Basic and diluted profit/(loss) per share	3	**4.8p**	(2.4)p	(5.6)p

Statement of historical cost profits and losses

	6 months ended 30 April 2006 £'000	6 months ended 30 April 2005 £'000	Year ended 31 October 2005 £'000
Profit/(loss) on ordinary activities before taxation	**2,414**	(1,220)	(2,880)
Realisation of prior years' net unrealised gains/(losses) on investments	**120**	(4,010)	(3,722)
Historical cost profit/(loss) on ordinary activities before taxation	**2,534**	(5,230)	(6,602)
Historical cost profit/(loss) for the period	**2,534**	(5,230)	(6,602)

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.

Balance sheet

	30 April 2006 £'000	31 October 2005 £'000	30 April 2005 £'000
Fixed assets			
Investments	**28,299**	25,474	25,301
Current assets			
Debtors	**183**	337	362
Cash at bank	**4,382**	5,641	7,943
	4,565	5,978	8,305
Creditors (amounts falling due within one year)	**(330)**	(360)	(402)
Net current assets	**4,235**	5,618	7,903
Creditors (amounts falling due in over one year)	**(100)**	(100)	(100)
Net assets	**32,434**	30,992	33,104
Share capital and reserves			
Called-up equity share capital	**497**	506	514
Capital redemption reserve	**35**	26	–
Share premium account	**310**	285	284
Special reserve	**34,437**	34,969	35,820
Fair value reserve	**(5,019)**	(5,652)	(3,983)
Profit and loss account	**2,174**	858	469
Total equity shareholders' funds	**32,434**	30,992	33,104
Net asset value per share	**65.2p**	61.3p	64.4p

Summarised cash flow statement

	6 months ended 30 April 2006 £'000	6 months ended 30 April 2005 £'000	Year ended 31 October 2005 £'000
Cash outflow from operating activities	**(260)**	(147)	(494)
Net capital expenditure and financial investment	**(27)**	(179)	(1,682)
Equity dividends paid	**(501)**	(521)	(521)
Buy-back of ordinary shares	**(496)**	(463)	(915)
Issue of shares under the dividend reinvestment scheme	**25**	68	68
Decrease in cash for the period	**(1,259)**	(1,242)	(3,544)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period	**(1,259)**	(1,242)	(3,544)
Net cash at the start of the period	**5,641**	9,185	9,185
Net cash at the end of the period	**4,382**	7,943	5,641

Unaudited financial statements (continued)

Reconciliation of movement in shareholders' funds

For the six months ended 30 April 2006

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Fair value reserve £'000	Profit and loss account £'000
At 1 November 2005	506	26	285	34,969	(5,652)	858
Shares purchased for cancellation	(9)	9	–	(496)	–	–
Shares issued under the terms of the dividend reinvestment scheme	–	–	25	–	–	–
Transfer of net unrealised gain on revaluation of investments to fair value reserve	–	–	–	–	753	(753)
Realisation of prior years' net unrealised gains on investments	–	–	–	–	(120)	120
Transfer from special reserve to profit and loss account	–	–	–	(36)	–	36
Dividends paid (note 2)	–	–	–	–	–	(501)
Profit on ordinary activities after taxation	–	–	–	–	–	2,414
At 30 April 2006	497	35	310	34,437	(5,019)	2,174

Notes to the unaudited financial statements

1. This Interim Report has been prepared using new accounting standards, which have been issued to begin the process of converging UK standards with International Financial Reporting Standards ("IFRS"). The relevant standards are FRS 25 Financial Instruments: Disclosure and Presentation and FRS 26 Financial instruments: Measurement. These standards have been adopted by the Company with effect from 1 November 2005.

Listed investments actively traded in organised financial markets are valued at fair value which is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Previously all listed investments were valued with reference to closing mid-market prices at the balance sheet date. The effect of this change in accounting policy on the net asset value of the Company as at 30 April 2006 has been to reduce it by £51,000. The comparative figures have not been restated as the impact is immaterial.

In addition, transaction costs incurred on the purchase and sale of investments are now charged through the Profit and Loss Account in the period in which they are incurred instead of being included within the cost of the investment or deducted from the proceeds of a sale. The effect of this change in accounting policy has been to decrease profit on ordinary activities after tax by £6,900 although the overall impact is net asset value neutral. The comparative figures have not been restated as the impact is immaterial.

2. On 10 January 2006 the directors resolved to pay an interim dividend of 1p per share. This was paid on 1 March 2006.

3. The calculation of the profit per share for the period is based on the net profit after taxation of £2,414,000 divided by the weighted average number of shares in issue during the period of 50,341,560.

4. The unaudited financial statements set out above do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

5. Copies of the unaudited interim results are expected to be sent to shareholders on 13 July 2006. Further copies can be obtained from the Company's registered office.

Corporate information

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