

INTERIM REPORT 2007

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

The venture capital portfolio focuses mainly on early stage technology-related companies in the ICT 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 and income tax relief granted at the time of their original subscription.

Financial highlights

Per ordinary share (pence)	30 April 2007	31 October 2006	30 April 2006
Capital values			
Net asset value	54.8	65.8	65.2
Share price	54.3	54.0	54.0
Return and dividends			
Dividend paid in the period	1.0	1.0	1.0
Cumulative dividend (tax free)	5.9	4.9	4.9
Total return*	60.7	70.7	70.1

*Net asset value plus cumulative dividend per share

The returns summarised above are applicable only to original shareholders of Quester VCT 4 plc. They do not represent the historic returns to subsequent subscribers.

The above table excludes any tax benefits (20% income tax relief and capital gains deferral) received on subscription for shares in the Company. Inclusive of initial income tax relief, the total return to an original investor would be equivalent to 80.7p per share as at 30 April 2007.

A final dividend in respect of the year ended 31 October 2006 of 1p per share was paid on 15 March 2007, increasing cumulative dividends to 5.9p per share.

Chairman's statement

Overview

In May 2007 we announced that Quester Capital Management Limited, the company that manages Quester VCT 4 plc, had been acquired by NewMedia SPARK plc ('SPARK'). SPARK is a venture capital investment company traded on the Alternative Investment Market (AIM) of the London Stock Exchange, focused on early stage investment in the ICT and media sectors and is one of the few specialist and successful companies with expertise similar to Quester.

SPARK's current market capitalisation is £64 million and it has a portfolio of 21 investments. Its net assets at 31 March 2007 were £72 million. It specialises in digital media, software applications, technology and communications, which complements Quester's own activities in these areas. Quester's strong healthcare business will be developed alongside SPARK's new focus in this area.

The combined group will be responsible for managing funds of over £275 million including the three Quester-managed VCTs – the Company, Quester VCT plc and Quester VCT 5 plc – the Quester Venture Partnership, an institutional fund, and University linked funds.

The Board believes that the acquisition of Quester by SPARK 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 Quester-managed VCTs, and that the combined management group has the potential to deliver enhanced long-term returns to investors in Quester VCT 4. The Board sees the acquisition of Quester by SPARK as a very positive development.

The combined management team has carried out a fresh assessment of the fair values of the investments in the individual portfolio companies at the current stage of their development against their recent progress to business plans. A number of significant valuation changes have arisen from this review, resulting in a reduction in the net asset value by 11p per share at 30 April 2007 to 54.8p per share.

Net assets

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

	£'000	Pence per share
Net asset value at 31 October 2006	31,924	65.8
Income	125	0.3
Operating expenses	(621)	(1.3)
Net realised gain on investments	185	0.4
Net unrealised loss on investments	(4,525)	(9.5)
Net assets before dividends and share buy-backs	27,088	55.7
Dividends paid net of amounts reinvested	(458)	(1.0)
Share buy-backs	(470)	0.1
Net asset value at 30 April 2007	26,160	54.8

No interim dividend is declared in respect of the period.

Outlook

As noted in the investment manager's report, there are a number of companies where the opportunity may exist for the achievement of a profitable exit in the relatively short term (2007-2008). However, indications are that the flow of cash realisation proceeds from the most significant venture capital investments, provided general market conditions are favourable, looks likely to be concentrated in the years from 2009. The Board is confident that the combined management team will be working closely with these portfolio companies to help them achieve their objectives and to maximise the value of Quester VCT 4's portfolio.

It is regretted that it has been necessary to report a significant reduction in the valuation of the portfolio at 30 April 2007. Overall, we believe that the portfolio offers attractive recovery potential.

Robert Wright

Chairman

27 July 2007

Investment manager's report

Introduction

Following the acquisition of Quester Capital Management Limited by NewMedia SPARK plc on 11 May 2007, the investment team responsible for the management of Quester VCT 4 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.

The combined team presents its first investment manager's report on Quester VCT 4 for the half year to 30 April 2007.

Venture capital portfolio: investment activity

In line with the indication given in the 2006 Annual Report, one new investment has been added to the portfolio at a cost of £700,000 and the Company is now fully invested. A total of £2.6 million was committed in the period to 17 follow-on investments.

New investment

The Company invested £700,000 in a £2.4 million first funding round for UniServity Limited, with the balance provided by other Quester managed funds. UniServity 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 online suite of tools to support innovative ways of teaching and learning, thereby extending the classroom to the internet. UniServity is one of only a few learning platform providers approved by the British Education Communications and Technology Agency as an accredited supplier and is well placed to benefit from the Government's commitment to ensure that all schools have a learning platform before the end of 2008.

Follow-on investments

A feature of the current period is that several portfolio investments have been engaged in raising new rounds of finance to fund their ongoing development. Accordingly, the number of follow-on investments has continued to be substantial.

The most significant of these transactions in the half year were as follows:

- **Workshare:** Workshare is an information security company that delivers secure content compliance solutions ensuring safe information exchange without business disruption. We are very pleased with Workshare's development over the four years since Quester VCT 4's original investment in July 2002. In December 2006 the company closed a US\$23 million Series B funding round led by Steelpoint Capital Partners and supported by the Company and other Quester funds. The capital raised in this new round positions the company to extend its reach worldwide by investing in acquisitions, distribution in new markets and new service delivery models.

- **Azea Networks:** Azea specialises in developing line terminal equipment for transoceanic submarine optical networks: its technology and expertise exploits the full potential of existing cable assets to deliver substantial capacity gains for the operators. In March 2007, following the commissioning of a successful cable upgrade, Azea secured a US\$20 million Series D funding round led by TVM Capital, supported by Quester VCT 4 and other Quester funds and syndicate partners: this provides working capital for further technical and business development and is designed to take the company to break even.
- **Celona Technologies:** Celona is a developer of data migration software for communications service providers (CSPs) enabling them to transform the software platforms which manage their operations without affecting customer service. The company has recently reached an important milestone with the closing of a £7 million Series B funding round with Caledonia Investments plc. This will enable Celona to build out its sales and support activities and will fund further product development, extending the support provided by the Company and other Quester funds (including bridge finance provided during the half year).

We continued to provide bridge finance to Oxford Immunotec, the Oxford University spinout company which has developed a new test for the diagnosis of tuberculosis. This company has been investing resources in the opportunity in the United States, where it has submitted an application for FDA approval for the marketing of its product. Discussions are in progress with US venture capital firms on the terms of a new financing round to support the launch of the US marketing effort.

In line with an earlier commitment, the Company invested its share of the final tranche of the Series B round of Xention Discovery. This drug discovery company is focused on ion channel targets: it has recently initiated Phase I clinical development of a treatment for atrial fibrillation. The additional investment was made after the company achieved several key milestones which were part of the syndicate's requirements for the release of this remaining tranche of existing funding.

Investment manager's report (continued)

Company	Industry Sector	£'000
Advanced Valve Technologies Limited ⁽¹⁾	Industrial products & services	14
Antenova Limited	Communications	129
Anthropics Technology Limited	Communications	10
Arithmatica Limited	Semiconductors	86
Azea Networks Inc	Communications	238
Celona Technologies Limited	Software	304
Celoxica Holdings plc	Software	44
Cluster Seven Limited	Software	97
HTC Healthcare Limited	Consumer services	57
Identum Limited	Software	179
Lectus Therapeutics Limited	Biotechnology	129
Level Four Software Limited	Software	27
Nomad Software Limited	Software	152
Oxford Immunotec Limited	Diagnostics & devices	255
Oxxon Therapeutics Holdings, Inc. ⁽²⁾	Biotechnology	243
Workshare Limited	Software	378
Xention Discovery Limited	Biotechnology	300
		2,642

(1) Loan subsequently repaid.

(2) Bridging investment realised immediately upon the company's acquisition by Oxford Biomedica plc.

Venture capital portfolio: realisations and M&A activity

Realisations from the portfolio of quoted venture capital investments generated £1 million in proceeds and a net gain of £185,000 over carrying value at 31 October 2006. These transactions included the sales of the entire holdings in Cyclacel and Polaron; a start was also made on the process of selling the immediately tradable shares in MediGene AG held following its acquisition of Avidex.

We are pleased to report the acquisition of Quester VCT 4's unquoted holding in Oxxon Therapeutics by the AIM-traded biotech company, Oxford Biomedica plc, this paper-for-paper transaction being the culmination of an exit strategy initiated over a year ago. As part of the arrangements, the existing syndicate was required to put up some additional cash for Oxxon Therapeutics: a loan of £243,000 was made that became represented by tradable shares in the acquirer, which were immediately placed for £268,000 realising a profit of £25,000. The balance of the resulting holding in Oxford Biomedica is subject to marketability restrictions until the end of September 2007.

Venture capital portfolio: valuation changes

The combined management team has carried out a fresh assessment of the fair values of the investments in the individual portfolio companies at the current stage in their development against their recent progress to business plans:

- The valuations of companies that have recently completed third-party funding rounds (Workshare, Azea Networks and Celona Technologies) have been adjusted in line with the terms of those rounds. An adjustment has also been made in the case of Oxford Immunotec to reflect the expected terms of the round currently under negotiation. These revaluations represent an increase of £581,000 in the case of Workshare and reductions totalling £1,954,000 in respect of other companies.
- To reflect an improvement in the company's trading position, the valuation of the holding in Elateral has been increased by £324,000.
- Advanced Valve Technologies, De Novo Pharmaceuticals and HTC Healthcare have found it difficult to achieve success with their corporate strategies: in these cases provisions for impairment have been increased to 100% and in the case of Mesophotonics to 75% of cost, although we continue to work with the companies to achieve value from these investments (reduction in valuations £2,208,000).
- Celldex Therapeutics, Nexagent and Teraview are considered to be all making reasonable progress, but to reflect a more prudent assessment at this stage in their development we have reduced the carrying value of the investments (reduction in valuations £1,470,000).

In summary, the changes in the valuations of unquoted investments have resulted in a net reduction in valuations of £4,727,000.

Listed equity portfolio

The listed equity portfolio has performed well over the half year with the valuation increasing by £408,000. In line with the indication given in the last Annual Report, a total of £3 million has been realised from the portfolio during the half year to provide liquidity for the new investment in UniServity and the follow-on investments that have been made.

Conclusion

With the completion of one new investment during the half-year, the Company is now fully invested. For the immediate future the focus of activity on the part of the management team will be on the development of value in the portfolio companies.

There are a number of companies where the opportunity may exist for the achievement of a profitable exit in the relatively short term (2007-2008). However, the majority of the investments in the venture capital portfolio – dating from Quester VCT 4's main investment

Investment manager's report (continued)

phase 2001-2005 – are in companies which are in the course of development from the early stage at which Quester VCT 4 first invested into stronger revenue growth and progress towards profitability. Accordingly it is too soon to expect cash realisations from these investments in the near future. Indications are that the flow of cash realisation proceeds from the most significant venture capital investments, provided general market conditions are favourable, looks likely to be concentrated in the years from 2009.

Quester Capital Management Limited

Manager

27 July 2007

Fund summary as at 30 April 2007

	Industry sector	Original cost £'000	Valuation £'000	% equity held	% of fund by value
Quoted venture capital investments					
Allergy Therapeutics plc	Biotechnology	700	956	1.1%	3.7%
Celoxica Holdings plc	Software	1,359	153	3.1%	0.6%
Genesis plc	Diagnostics & devices	111	17	0.6%	0.1%
MediGene AG	Biotechnology	1,142	744	1.0%	2.8%
Oxford Biomedica plc	Biotechnology	1,130	684	3.5%	2.6%
Portrait Software plc	Software	1,130	497	2.7%	1.9%
Public Recruitment Group plc	Industrial products & services	250	81	0.6%	0.3%
Quadnetics Group plc	Electronics	143	189	0.3%	0.7%
Total quoted venture capital investments		5,965	3,321		12.7%
Unquoted venture capital investments					
Advanced Valve Technologies Limited	Industrial products & services	1,730	–	30.6%	0.0%
Antenova Limited	Communications	1,383	1,039	4.7%	4.0%
Anthropics Technology Limited	Communications	1,115	45	7.0%	0.2%
Arithmatica Limited	Semiconductors	1,572	515	13.7%	2.0%
Azea Networks Inc	Communications	2,687	1,920	8.3%	7.3%
Celldex Therapeutics Inc	Biotechnology	1,400	585	2.7%	2.2%
Celona Technologies Limited	Software	1,952	1,200	13.6%	4.6%
Cluster Seven Limited	Software	255	255	2.4%	1.0%
De Novo Pharmaceuticals Limited	Diagnostics & devices	803	–	3.0%	0.0%
Elateral Holdings Limited	Software	1,155	479	13.7%	1.8%
Haemostatix Limited	Biotechnology	11	11	0.6%	0.0%
HTC Healthcare Group plc	Consumer services	771	–	8.7%	0.0%
Identum Limited	Software	1,338	1,338	6.7%	5.1%
Lectus Therapeutics Limited	Biotechnology	182	182	1.5%	0.7%
Level Four Software Limited	Software	95	95	0.7%	0.4%
Mesophotonics Limited	Electronics	893	223	7.4%	0.9%
Nexagent Limited	Software	1,666	794	5.7%	3.0%
Nomad Software Limited	Software	1,554	1,554	7.5%	5.9%
Opsys Management Limited	Electronics	1,038	–	3.5%	0.0%
Oxford Immunotec Limited	Diagnostics & devices	1,594	1,470	9.3%	5.6%
Pelikon Limited	Hardware	69	69	0.5%	0.3%
Perpetuum Limited	Electronics	93	93	1.7%	0.4%
Sift Group Limited	Internet	917	698	6.2%	2.7%
Teraview Limited	Diagnostics & devices	947	710	5.4%	2.7%
UniServity Limited	Software	700	700	11.6%	2.7%
Vivacta Limited	Diagnostics & devices	195	195	3.0%	0.7%
Workshare Limited	Software	1,910	2,590	7.3%	9.9%
Xention Discovery Limited	Biotechnology	1,050	1,125	5.1%	4.3%
Total unquoted venture capital investments		29,075	17,885		68.4%
Total venture capital investments		35,040	21,206		81.1%
Listed equity investments		2,650	3,733		14.3%
Total investments		37,690	24,939		95.4%
Cash and other net assets		1,221	1,221		4.6%
Net assets		38,911	26,160		100.0%

Unaudited financial statements

Profit and loss account

	Note	6 months ended 30 April 2007 £'000	6 months ended 30 April 2006 £'000	Year ended 31 October 2006 £'000
Net (losses)/profits on investments at fair value through profit or loss		(4,340)	2,836	3,456
Income		125	194	412
Investment management fee		(395)	(398)	(800)
Other expenses		(223)	(215)	(418)
(Loss)/profit on operating activities		(4,833)	2,417	2,650
Interest payable on loan notes		(3)	(3)	(5)
(Loss)/profit on ordinary activities before taxation		(4,836)	2,414	2,645
Tax on ordinary activities		-	-	-
(Loss)/profit on ordinary activities after taxation		(4,836)	2,414	2,645
Basic and diluted (loss)/earnings per share	4	(10.0)p	4.8p	5.3p

All items in the above statement are derived 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.

A statement of total recognised gains and losses has not been presented because all gains and losses are included in the statement above.

Balance sheet

	30 April 2007 £'000	31 October 2006 £'000	30 April 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	24,939	30,624	28,299
Current assets			
Debtors	34	148	183
Cash at bank	1,601	1,715	4,382
	1,635	1,863	4,565
Creditors: amounts falling due within one year			
Other creditors	(314)	(463)	(330)
Net current assets	1,321	1,400	4,235
Creditors: amounts falling due in over one year	(100)	(100)	(100)
Net assets	26,160	31,924	32,434
Capital and reserves			
Called-up equity share capital	476	485	497
Capital redemption reserve	56	47	35
Share premium account	338	309	310
Special reserve	32,416	33,730	34,437
Fair value reserve	(9,444)	(4,781)	(5,019)
Profit and loss account	2,318	2,134	2,174
Total equity shareholders' funds	26,160	31,924	32,434
Net asset value per share	54.8p	65.8p	65.2p

Summarised cash flow statement

	30 April 2007 £'000	30 April 2006 £'000	31 October 2006 £'000
Net cash outflow from operating activities	(531)	(260)	(783)
Net capital expenditure and financial investment	1,345	(27)	(1,767)
Dividends paid net of amounts reinvested	(458)	(476)	(477)
Buy-back of ordinary shares	(470)	(496)	(899)
Decrease in cash for the period	(114)	(1,259)	(3,926)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period	(114)	(1,259)	(3,926)
Net funds at the start of the period	1,715	5,641	5,641
Net funds at the end of the period	1,601	4,382	1,715

Unaudited financial statements (continued)

Reconciliation of movement in shareholders' funds

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Fair value reserve £'000	Profit and loss account £'000	Total £'000
At 1 November 2006	485	47	309	33,730	(4,781)	2,134	31,924
Shares issued under the Dividend Reinvestment Scheme	–	–	29	–	–	–	29
Shares bought back	(9)	9	–	(470)	–	–	(470)
Realisation of prior years' net unrealised profits on investments	–	–	–	–	(138)	138	–
Transfer from special reserve to profit and loss account	–	–	–	(844)	–	844	–
Transfer of net unrealised loss on revaluation of investments to fair value reserve	–	–	–	–	(4,525)	4,525	–
Loss on ordinary activities after taxation	–	–	–	–	–	(4,836)	(4,836)
Dividend paid	–	–	–	–	–	(487)	(487)
At 30 April 2007	476	56	338	32,416	(9,444)	2,318	26,160

Notes

- The financial information contained in this report has been prepared on the basis of the accounting policies set out in the Annual Report for the year ended 31 October 2006.
- A final dividend in respect of the prior year totalling £487,000 was paid on 15 March 2007.
- The number of ordinary shares in issue as at 30 April 2007 was 47,696,728 (30 April 2006: 49,722,899).
- The calculation of earnings per share for the period is based on the loss after tax of £4,836,000 (2006: profit of £2,414,000) divided by the weighted average number of shares in issue during the period being 48,259,627 (2006: 50,341,560) ordinary shares of 1p each.
- The unaudited financial statements set out above do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the period ended 31 October 2006 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain any statements under S237(2) and (3) of the Companies Act 1985.
- Copies of the unaudited interim results are expected to be sent to shareholders on 27 July 2007. Further copies can be obtained from the Company's registered office.

Corporate information

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Rudy Burger

Andrew Holmes

Alan Lamb

John Spooner

Secretary

Nghi Tran

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