Downing Planned Exit VCT 4 PLC

Report & Accounts
for the year ended
30 November 2006

Downing

SHAREHOLDER INFORMATION

Performance summary	Downing Protected VCT IV plc 30 November 2006	Downing Protected VCT V plc 30 November 2006
Net asset value per share	95.7p	95.7p
Proposed dividends (payable on 27 April 2007)	1.0p	1.0p

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Queries relating to dividends, shareholdings and requests for Mandate Forms should be directed to the Company's Registrar, Capita Registrars, on 0870 162 3124, or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA.

Share price

The Company's share price can be found on various financial websites with the EPIC code "**DPV4**".

Latest share price (20 March 2007): **90.0p per share**

Trading Shares

The Company's ordinary shares can be bought and sold in the same way as any other company quoted on the London Stock Exchange via a stockbroker. There may be tax implications in respect of this, therefore Shareholders should contact their independent financial adviser if they have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so they will need to use a Stockbroker to sell their shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Downing Management Services Limited can be contacted on telephone number 020 7416 7780.

Financial Calendar

25 April 2007	Annual General Meeting
27 April 2007	Payment of dividend
August 2007	Announcement of interim results

Notification of change of address

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

Other information for shareholders

Up to date Company information (including financial statements, share price and dividend history) may be obtained from Downing's website at www.downing.co.uk by clicking on "VCT Information and Accounts".

If you have any queries regarding your shareholding in Downing Protected VCT IV plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

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COMPANY INFORMATION

Registered number	5634314
Directors	Hugh Gillespie (Chairman) Dennis Hale Chris Kay
Secretary and Registered Office	Grant Whitehouse 69 Eccleston Square London SW1V 1PJ Tel: 020 7416 7780
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW
Investment Manager and Administrator	Downing Protected Managers IV Limited 69 Eccleston Square London SW1V 1PJ Tel: 020 7416 7780
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA Tel no: 0870 162 3124
Bankers	Bank of Scotland West End Office St James's Gate 14-16 Cockspur Street London SW1Y 5BL

INVESTMENT STRATEGY

Downing Protected VCT IV plc is a venture capital trust established under the legislation introduced in the Finance Act 1995. The Company's principal objectives are to:

- maintain VCT status to enable Shareholders to benefit from 40% income tax relief on investment;
- reduce the risks normally associated with VCT investments; and
- target a tax-free return to Shareholders of 10% per annum (16.7% per annum gross equivalent to a 40% taxpayer) over approximately five years (based on a net of income tax relief cost of investment of 60p per share).

The Company's current and target portfolio are set out below.

	Current Portfolio Split 30 Nov 2006	Target Portfolio Split (by 30 Nov 2008)
Qualifying Investments		
Loans to Qualifying Companies	27%	50%
Ordinary shares in Qualifying Companies	10%	25%
Non-Qualifying Investments		
Cash and fixed income securities	23%	25%
Other investments	40%	-
	100%	100%

DIRECTORS

Hugh Gillespie (Chairman) (64) is non-executive chairman of Pennine AIM VCT plc, Downing Protected VCT II plc, Downing Protected VCT III plc, Downing Protected VCT V plc, Downing Protected VCT VI plc and a non-executive director of Burgess Group plc. He was formerly a director of Hill Samuel Bank Limited and non-executive director or chairman of a number of public companies.

Dennis Hale (51) was, until recently, an investment director of Financial Management Bureau Limited ("FMB"), a firm of independent financial advisers based in Cumbria. He was responsible for VCT research within FMB, whose clients have invested in VCTs since 1997. Prior to founding FMB in 1987, he worked for several life assurance companies. He is an Associate of the Institute of Actuaries and holds The Investment Management Certificate. He graduated from the University of Hull with a degree in Mathematics in 1974. He is also a director of Downing Protected VCT II plc, Downing Protected VCT III plc, Downing Protected VCT V plc and Downing Protected VCT VI plc.

Chris Kay (45) has approximately 20 years' experience in the venture capital industry. He spent nine years with 3i plc, where he was an investment director, and a further eight years at Elderstreet Private Equity Limited, where he headed up the VCT team. He is responsible for managing Chrysalis VCT, as well as being chairman of Downing Protected I VCT plc and a director of Downing Protected VCT II plc, Downing Protected VCT III plc and Downing Protected VCT V plc.

All the Directors are non-executive.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's first Annual Report and Accounts and welcome the opportunity to update Shareholders on the progress made to date in investing the funds.

Fundraising

The Company completed a very successful fundraising in April 2006, with its offer for subscription being fully subscribed and, along with its sister company, Downing Protected VCT V plc, raising gross proceeds of £43.3 million. Downing Protected VCT IV plc issued 21.7 million shares, giving net proceeds (after issue costs) of £20.5 million.

Venture capital investments

The success of the fundraising has given the Company a substantial level of funds to invest. The Board has been very satisfied with the progress made by the Investment Manager to date.

By 30 November 2006, the Company had made a total of six VCT-qualifying investments at a total cost of £7.7 million.

In addition to the VCT-qualifying investments, a number of opportunities have arisen for the Company to make non-qualifying investments in the form of secured loans to companies owning property or other assets. These investments yield superior rates to gilts and other fixed interest securities without a significant increase in the level of risk. By the year-end, the Company had made four such investments at a total cost of £1.6 million.

As I mentioned in my report with the interim statement, the Company also funded several companies in order to pursue a number of opportunities. At the year-end, six such companies were still seeking to commence or acquire businesses, and had not commenced trading. Should these companies fail to secure suitable ventures, they will be wound up and funds returned.

Further details are set out in the Investment Manager's Report and Review of Investments on pages 5 to 10.

Fixed interest investments

In line with the investment strategy set out in the Company's prospectus, the Company has acquired a portfolio of fixed interest securities. Eight corporate bonds were acquired at a total cost of £4.0 million. The portfolio gave rise to an unrealised capital loss during the period of £21,000, but also yielded £81,000 in interest.

Net Asset Value

At 30 November 2006, the Company's Net Asset Value per share ("NAV") stood at 95.7p, a rise of 1.2p (1.3%) from the initial NAV of 94.5p. The Company's investment strategy is predominantly to minimise risk and such a strategy inevitably means that the opportunities to generate significant profits are limited. The performance of all investments to date has been satisfactory so they have continued to be carried at valuations equal to cost. The NAV performance is therefore considered to be in line with the investment strategy and expectations.

Results and dividend

The profit on activities after taxation for the period was £254,000 comprising a revenue profit of £275,000 and a capital loss of £21,000.

The Board is proposing to pay a revenue dividend of 1.0p per share on 27 April 2007 to Shareholders on the register at the close of business on 30 March 2007.

Share repurchase

In line with most VCTs (subject to close periods and other regulatory restrictions), the Company has a policy of buying in any of its own shares that become available in order to ensure that there is a liquid market.

Buying in shares for cancellation has a negative effect on the Company's ability to pay revenue dividends. Therefore, in line with usual practice for VCTs, the Company has cancelled its share premium account and created a distributable Special Reserve, which can be utilised to buy back shares without affecting the Company's ability to pay dividends. Court confirmation for the cancellation was received on 6 December 2006.

The Company did not buy in any shares for cancellation in the period.

CHAIRMAN'S STATEMENT (continued)

Registrars

The Board has changed the Company's Registrars from Computershare plc to Capita Registrars ("Capita"). Any enquiries to the Registrar should now be addressed to Capita, whose contact details are set out on Page 1.

Annual General Meeting

The Company's first Annual General Meeting will be held at 69 Eccleston Square, London, SW1V 1PJ at 2.15pm on 25 April 2007.

Outlook

Progress in building the Company's investment portfolio has been solid, although there is still a significant level of funds to be invested. The Investment Manager reports a satisfactory pipeline of new opportunities so the Board is optimistic that the Company's investment phase can be completed in good time. This will be helpful when, in due course, the focus turns towards achieving investment realisations in a timely manner to allow distributions to be made to Shareholders in line with the Company's objectives.

Hugh Gillespie
Chairman

21 March 2007

INVESTMENT MANAGER'S REPORT

Introduction

We are pleased to report that good progress has been made in this initial period in investing the funds raised by the Company and its sister Company.

At 30 November 2006, the Company had invested £7.7 million in VCT qualifying investments, equivalent to 37.4% of its total funds. Under the VCT regulations the Company has to invest at least 70% of its funds in qualifying investments by 30 November 2008. However, the objective is to reach the 70% target much earlier than then to give the Company a better chance of achieving successful investment exits at an earlier stage.

VCT-qualifying investments

The Company's largest investment to date has been £2 million into Warwick Contracting Limited, a newly established building contractor. In October 2006, Warwick won the contract to develop a 72 room extension to the Cadbury House Hotel near Bristol. The opportunity also arose to invest in Cadbury House Hotel and Country Club Limited, the company which owns and operates the hotel, health club and other facilities on the site. A further £1.6 million was invested in this company.

In April 2006, the Company invested £1 million in Nu Nu plc, a children's nursery owner and operator. The Company currently owns ten nurseries, over which charges have been taken to secure the loan stock element of the investment.

The Company invested £1.575 million (of which £1.075 million was in the form of loan stock) in Heyford Contracting (North) Limited, a regional building contracting company. The company has been awarded contracts to build two residential developments in Northampton. The Company's loan stock investment is secured on the value of these contracts.

The Company also invested in a similar company, Heyford Contracting (South) Limited. An investment of £1.5 million was made to allow the company to win and commence work on the development of a commercial office unit in Banbury. The loan stock element of the investment is secured on the value of the contract.

Richstone Contracting Limited, a residential construction contractor, received an investment of £1.2 million from the Company. Richstone is currently undertaking a contract to refurbish and extend a residential block of flats in Banbury.

Non-qualifying investments

The Company has had the opportunity to make some non-VCT qualifying investments in businesses which can provide high levels of security with more attractive returns than are available from gilts or similar investments. Four such investments have been made totalling £1.6 million, which will enhance the return from the funds set aside for fixed interest investments.

In addition to the above, we set up several companies with a number of third parties with the intention of acquiring various businesses including pubs and garden centres. Some of these companies have to date not identified suitable businesses that meet our investment criteria and are now likely to return our investment and be wound up. We are nevertheless happy with the level of dealflow we are seeing and expect to be able to find alternative uses for the returned funds.

Outlook

Performance to date of all the investments has been to plan and we remain confident that, to the extent it is possible, we have well secured positions.

Since the year end we have completed two further investments of £1 million each and have commitments in place for £1.2 million of further qualifying investments. This will take the proportion of VCT qualifying investments to over 50%. Over the next 12 months we hope to complete the task of building the investment portfolio.

Downing Protected Managers IV Limited

21 March 2007

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 30 November 2006:

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
VCT qualifying investments				
Warwick Contracting Limited	2,000	2,000	-	9.8%
Heyford Contracting (North) Limited	1,575	1,575	-	7.6%
Heyford Contracting (South) Limited	1,500	1,500	-	7.3%
Cadbury House Hotel and Country Club Limited *	1,000	1,000	-	4.8%
Nu Nu plc	1,000	1,000	-	4.8%
Richstone Contracting Limited	642	642	-	3.1%
	7,717	7,717	-	37.4%
Non-qualifying investments				
Bowman Care Homes Limited	600	600	-	2.9%
Cadbury House Hotel and Country Club Limited *	600	600	-	2.9%
Heyford Homes VCT Limited	600	600	-	2.9%
OVL Banbury LLP	315	315	-	1.6%
Calthorpe Street Limited	113	113	-	0.7%
Adam Pub Company Limited	1,000	1,000	-	4.8%
Blackbush Pub Company Limited	1,000	1,000	-	4.8%
Hattanman Contracting Limited	1,000	1,000	-	4.8%
Manhattan Contracting Limited	1,000	1,000	-	4.8%
Midlands Contracting Limited	1,000	1,000	-	4.8%
Windsor Garden Centres Limited	1,000	1,000	-	4.8%
	8,228	8,228	-	39.8%
Listed fixed income securities				
John Hancock 6.625%	521	516	(5)	2.5%
HSBC Finance (Household) 6.125%	513	510	(3)	2.5%
ASIF3 (AIG) 5.625%	504	502	(2)	2.4%
Toyota 5.25%	502	500	(3)	2.4%
Metropolitan Life 5.25%	501	498	(3)	2.4%
Merrill Lynch 5.125%	497	496	(1)	2.4%
Bank of Ireland 4.75%	496	493	(2)	2.4%
ING 4.75%	492	490	(2)	2.4%
	4,026	4,005	(21)	19.4%
	19,971	19,950	(21)	96.6%
Cash at bank and in hand		690		3.4%
Total investments		20,640		100.0%

* Investment comprises both qualifying and non qualifying elements

REVIEW OF INVESTMENTS (continued)

Warwick Contracting Limited

Cost:	£2,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£600,025	Profit before tax:	N/A
A Loan Stock:	£999,975	Retained profit:	N/A
B Loan Stock:	£400,000	Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£2,000,000	Proportion of equity held:	25%

Warwick Contracting Limited acts as a building contractor and won a contract to build a 72 room hotel extension for Cadbury House Hotel and Country Club (see below). Work is progressing to schedule, with the intention of completing the works by 6th April 2007. The Company invested £1 million in April 2006 and made a further investment of £1 million in October 2006. The loan stock element of the Company's investment is secured on the building contract.

Cadbury House Hotel and Country Club Limited

www.cadburyhouse.co.uk

Cost:	£1,600,000	Latest published accounts:	31/03/06
Investment comprises:		Turnover:	£1.3 million
Ordinary Shares:	£300,000	Loss before tax:	(£1.0 million)
C Loan Stock:	£700,000	Retained loss:	(£1.0 million)
E Loan Stock:	£600,000	Net assets:	£536,000
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,600,000	Proportion of equity held:	6%

Cadbury House is a country club set in 14 acres close to Bristol airport. It has a health club, conference and banqueting facilities and is a popular wedding venue. The new health club was completed in May 2006, and the construction of a 72 room hotel is underway. The Company invested a total of £1.6 million in the Company (of which £600,000 is non-VCT qualifying) in October 2006.

Heyford Contracting (North) Limited

Cost:	£1,575,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£500,025	Profit before tax:	N/A
Loan Stock:	£1,074,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,575,000	Proportion of equity held:	25%

Heyford Contracting (North) Limited is a building contractor that is finalising contracts to build two residential developments in Northampton. £1 million was invested in the company in April 2006, with a further investment of £575,000 being made in November 2006.

Heyford Contracting (South) Limited

Cost:	£1,500,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£450,025	Profit before tax:	N/A
Loan Stock:	£1,049,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,500,000	Proportion of equity held:	25%

Heyford Contracting (South) Limited is a building contractor which has a contract to develop a commercial office scheme in Banbury, Oxfordshire. The development is progressing satisfactorily with the first unit expected to be completed in May 2007. The Company invested £1 million in April 2006 and a further £500,000 in October 2006.

Nu Nu plc

www.nunu.co.uk

Cost:	£1,000,000	Latest published accounts:	30/09/06
Investment comprises:		Turnover:	£4.5 million
Ordinary Shares:	£100,000	Loss before tax:	(£236,000)
Loan Stock:	£900,000	Retained loss:	(£236,000)
		Net assets:	£6.9 million
Valuation method:	Fair value	Proportion of loan stock held:	25%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	0.8%

Nu Nu plc owns and operates 10 children's nurseries and is using the investment to fund its continued expansion. The VCT's loan stock investment is secured by a first charge over the nurseries.

REVIEW OF INVESTMENTS (continued)

Richstone Contracting Limited

Cost:	£642,500	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£200,000	Profit before tax:	N/A
Loan Stock:	£442,500	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£642,500	Proportion of equity held:	25%

Richstone Contracting Limited is in the process of undertaking a residential refurbishment and building project in Banbury, Oxfordshire. Progress to date on this contract is satisfactory and a profitable completion is expected in May 2007. Further contracts are currently under review.

Bowman Care Homes Limited

www.downingcarehomes.co.uk

Cost:	£600,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	-	Profit before tax:	N/A
Loan Stock:	£600,000	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	27.2%
Valuation at 30/11/06:	£600,000	Proportion of equity held:	Nil

Bowman Care Homes Limited acquired the share capital of Downing (Chertsey Road) Limited in July 2006. The company owns and operates a special needs care home in Byfleet, Surrey. The VCT's investment is mainly in the form of loan stock which is secured against the care home and is not qualifying for VCT purposes.

Heyford Homes VCT Limited

HEYFORD HOMES

www.heyfordhomes.co.uk

Cost:	£600,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	-	Profit before tax:	N/A
Loan Stock:	£600,000	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	31.6%
Valuation at 30/11/06:	£600,000	Proportion of equity held:	Nil

Heyford Homes VCT Limited is a property developer which is currently developing two sites in Northampton. The Company invested £600,000 in loan stock in November 2006 as a non-VCT qualifying investment. The loan stock is secured by a first charge over the land at the two sites.

OVL Banbury LLP

Cost:	£315,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	-	Profit before tax:	N/A
Loan Stock:	£315,000	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£315,000	Proportion of equity held:	-

OVL Banbury LLP owns the land in Banbury which is being developed by Heyford Homes (South) Limited (see above). A non-VCT qualifying loan stock investment of £315,000 was made in the partnership in October 2006. The loan stock is secured by a first charge over the land at the site.

Calthorpe Street Limited

Cost:	£112,500	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	-	Profit before tax:	N/A
Loan Stock:	£112,500	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£112,500	Proportion of equity held:	-

Calthorpe Street Limited owns the land in Banbury which is being developed by Richstone Contracting Limited. A non-VCT qualifying loan stock investment of £112,500 was made in the company in September 2006. The loan stock is secured by a first charge over the site at Banbury.

REVIEW OF INVESTMENTS (continued)

Adam Pub Company Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Adam Pub Company Limited was established in April 2006 partly funded by a non-qualifying loan stock investment of £1 million from the VCT. The company has been seeking to acquire a freehold pub or similar business but has to date not been able to identify a suitable opportunity.

Blackbush Pub Company Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Blackbush Pub Company Limited was established in April 2006 with the intention of seeking a pub or similar business to acquire and operate. The company was partly funded by a non-qualifying loan stock investment of £1 million from the VCT. A suitable pub has not yet been identified although the management are continuing to review possible targets.

Manhattan Contracting Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Manhattan Contracting Limited was established with a view to securing commercial and residential construction contracts in and around London. To date it has proven difficult to find contracts that are suitably profitable and secure. In the absence of identifying such contracts, the company's investment may be repaid and the funds invested in other opportunities.

Hattanman Contracting Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Hattanman Contracting Limited was established to undertake contracting projects. Given the difficulties encountered in securing worthwhile contracts, since the year end the company has decided to repay the loan stock to the VCT.

REVIEW OF INVESTMENTS (continued)

Midlands Contracting Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Midlands Contracting Limited was established to undertake contracting projects, funded by a £1 million non-qualifying loan stock investment from the VCT in April 2006. The management are continuing to seek a suitable project for the company to undertake.

Windsor Garden Centres Limited

Cost:	£1,000,000	Latest published accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£25	Profit before tax:	N/A
Loan Stock:	£999,975	Retained profit:	N/A
		Net assets:	N/A
Valuation method:	Fair value	Proportion of loan stock held:	50%
Valuation at 30/11/06:	£1,000,000	Proportion of equity held:	25%

Windsor Garden Centres Limited was established to acquire and operate a garden centre. The company was funded by a £1 million loan stock investment in April 2006. However, the management have been unable to secure a suitable business to acquire and, in February 2007, decided to repay the loan stock investment to the VCT.

Note: The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

REPORT OF THE DIRECTORS

The Directors present the first Annual Report and Accounts of the Company for the period from incorporation to 30 November 2006.

The Company was incorporated on 24 November 2005. The Company commenced trading on 19 January 2006, followed by the admission of its shares to the Official List of the London Stock Exchange.

Principal activity and status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and has received provisional approval to act as a Venture Capital Trust from HM Revenue and Customs. The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

The Company has no employees (other than the Directors).

The Company's business during the period is reviewed in the Chairman's Statement and the Investment Manager's Report.

Results and dividends

	£'000	Pence per share
Return for the period	254	1.4p

Your Board is proposing to pay a final revenue dividend of 1.0p per share payable on 27 April 2007 to shareholders on the register at 30 March 2006.

Share Capital

Pursuant to the Offers for Subscription contained in the Prospectus dated 13 December 2005, the Company issued 21.7 million shares and raised net proceeds of £20.5 million.

Directors

Anthony Hunt and Andrew Woolf of Howard Kennedy were the initial Directors, appointed on 24 November 2005, of the Company and resigned on 7 December 2005.

The following Directors of the Company were appointed on 7 December 2005. None of the Directors had any interests in the shares of Downing Protected VCT IV plc or Downing Protected VCT V plc at the date of their appointments. Their interests in the issued ordinary shares of 1p of both Companies at the period end were as follows:

	Downing Protected VCT IV plc 30 Nov 2006 No. of shares	Downing Protected VCT V plc 30 Nov 2006 No. of shares
Directors		
Hugh Gillespie	5,150	-
Dennis Hale	-	15,675
Chris Kay	-	12,390

There have been no changes in the Directors' share interests between 30 November 2006 and the date of this report. In line with the articles of association, all of the Directors are to retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board recommends that shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 2 together with the results for the period to date, in order to support the resolution to re-appoint all three Directors.

Each of the Directors entered into a consultancy agreement dated 13 December 2005. These agreements are for a period of three years and thereafter are terminable on 3 months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Investment management and administration fees

Downing Protected Managers IV Limited ("DPM IV") has been appointed as investment manager to the Company. DPM IV is a wholly owned subsidiary of the Company and is paid 1% of weighted average monthly net assets per annum.

Additionally, DPM IV has been appointed to provide administration services to the Company for a fee of £40,000 (plus RPI) per annum.

The agreement is for a minimum term of three years with a twelve month notice period on either side at any time after two years following the commencement of the agreement.

The annual running costs of the Company, for the year, are also subject to a cap of 2.5% of net assets of the Company plus cumulative distributions. Any excess costs over this cap are met by DPM IV through a reduction in fees.

Performance incentive fees

Performance incentive fees, payable to the Directors and the investment manager, will not be triggered until the shareholders receive proceeds of over 80p per 60p invested (£1 net of 40p income tax relief) and achieve a tax-free compound return of at least 8% per annum (after allowing for the income tax relief) both targets being achieved within six years of the last allotment of Shares.

REPORT OF THE DIRECTORS (continued)

Performance incentive fees (continued)
These fees will be equal to 10% of the total distributions paid by the Company to Shareholders until 30 June 2010 and the fees reduce accordingly thereafter. The performance incentive fees have been calculated in respect of the year under review, and, as the targets have not been met, no fee is due to be paid for the year ended 30 November 2006. It will be recalculated for the year ended 30 November 2007, and annually thereafter, following approval of the audited accounts by shareholders.

VCT status adviser
The Company has appointed Pricewaterhouse-Coopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular review of the portfolio. Although PwC work closely with the Investment Manager, they report directly to the Board.

Creditor payment policy
The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the period end.

Financial Instruments
The material risks arising from the Company's financial instruments are investment and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 18. These policies have remained unchanged since the beginning of the financial period.

As a Venture Capital Trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio.

The Company's interest rate risk is as follows:

- "floating rate assets", which include financial assets and liabilities, bear interest at rates based predominately on quarterly LIBOR.
- "fixed rate assets" represent investments with predetermined yield targets.
- "variable rate assets" represent investments with interest rates linked, by formula, to base rate.
- "no interest rate assets" include investments in ordinary shares with no attributable fixed dividend rate.

Annual General Meeting
The Annual General Meeting will be held at 69 Eccleston Square, London SW1V 1PJ at 2.15pm on 25 April 2007. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Auditors
During the period, PKF (UK) LLP were appointed as auditors of the Company. A resolution proposing their re-appointment will be submitted at the AGM.

Substantial interests
As at 30 November 2006 and the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the issued ordinary share capital.

Statement of Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to Auditors
The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary
69 Eccleston Square
London SW1V 1PJ

21 March 2007

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 25 April 2007.

Under the requirements of Schedule 7A, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditors' Report on page 17.

Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's articles of association as follows:

(i) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time). The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of the determination equally.

(ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses incurred in attending Meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

Service contracts

Each of the Directors has entered into a consultancy agreement for a fixed term of three years from the date of their appointment and thereafter on a three month rolling notice.

Performance incentive fees

Performance incentive fees, payable to the Directors and the investment manager, will not be triggered until the shareholders receive proceeds of over 80p per 60p invested (£1 net of 40p income tax relief) and achieve a tax-free compound return of at least 8% per annum (after allowing for the income tax relief) both targets being achieved within six years of the last allotment of Shares.

These fees will be equal to 10% of the total proceeds of the Company until 30 November 2009 and the fees reduce accordingly thereafter.

The Directors and members of the Investment Management Team of the Company are entitled to performance incentive fees in the following proportions:

	Share of incentive fee
Hugh Gillespie	2.5%
Dennis Hale	2.5%
Chris Kay	10.0%
Investment Management Team	85.0%
	100.0%

The performance incentive fees have been calculated in respect of the period under review, and, as the targets have not been met, no fee is due to be paid for the period ended 30 November 2006. It will be recalculated for the year ended 30 November 2007, and annually thereafter, following approval of the audited accounts by shareholders.

Directors' remuneration (audited)

Directors' remuneration for the Company and its subsidiary for the period under review was as follows:

	Current annual fee £	2006 fee £
Hugh Gillespie	7,500	6,467
Dennis Hale	6,000	5,174
Chris Kay	6,000	5,174
	19,500	16,815

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

DIRECTORS' REMUNERATION REPORT (continued)

Loan Notes

The Directors of the Company and members of the Investment Management Team have subscribed for loan notes upon which interest is payable at a rate of 3.75% per annum as follows:

	Interest £	Proportion of loan notes held
Hugh Gillespie	19	2.4%
Dennis Hale	19	2.4%
Chris Kay	75	9.5%
Investment Management Team	638	85.7%
	751	100.0%

2006/2007 Remuneration

The remuneration levels for the forthcoming year for the Directors of Downing Protected VCT IV plc are expected to be at the current annual fee levels shown in the table on page 13.

Insurance Cover

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

Performance graph

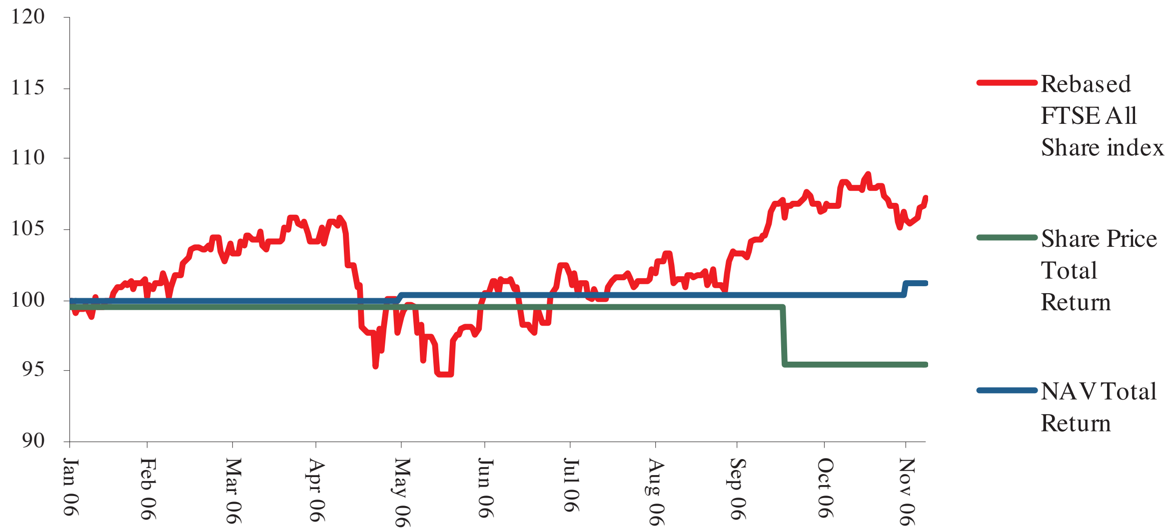
The chart below represents the Company's performance over the period since shares were first listed on the London Stock Exchange, and compares the Total Return of the Company (Net Asset Value plus dividends) to a rebased FTSE All Share index including re-invested dividends. The FTSE All Share Index has been chosen as a comparison as the Board considers it is the publicly available index which most closely matches the spread of investments held by the Company and has been rebased to 100 at January 2006, the launch date.

By order of the Board

GWhitehouse

Grant Whitehouse
Secretary
69 Eccleston Square
London
SW1V 1PJ

21 March 2007



CORPORATE GOVERNANCE

The Directors support the relevant principles of the new Combined Code issued in July 2003, being the principles of good governance and the code of best practice, as set out in Section 1 of the Combined Code annexed to the Listing Rules of the UK Listing Authority.

The Board

The Company has a Board comprising three non-executive directors. The Chairman and senior director is Hugh Gillespie. Biographical details of all Board members (including significant commitments of the Chairman) are shown on page 2.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code all of the Directors are offering themselves for re-election at the next AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and reviews, periodically, of the terms of engagement of all third party advisers (including investment managers and administrators). All the members of the Board attended each full board meeting held during the period, as well as the appropriate committee meetings. The board has a formal schedule of matters specifically reserved for its decision.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

As the Company has a small Board of non-executive Directors, all three Directors sit on all committees. The Chairman of each committee is Hugh Gillespie. The audit committee meets twice yearly, and the remuneration and nomination committees meet as required. All committees have defined terms of reference and duties.

Audit committee

The Audit Committee is responsible for reviewing the interim and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the auditors are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded. The Committee is satisfied with the performance of the auditors and recommends to Shareholders that they be re-appointed as auditors for the forthcoming year.

The Audit Committee met once during the period. The Audit Committee recommended that internal financial controls be implemented. The Audit Committee also decided to appoint PKF (UK) LLP as auditors of the Company. They also considered the need for an internal audit function and concluded that due to the size of the Company this would not be an appropriate function.

As the Company has no staff, other than the Directors, there are no procedures in place in respect of C3.4 of the Combined Code.

Remuneration committee

The Remuneration committee met once during the period to set the Directors' remuneration. Details of the specific levels of remuneration due to each director are set out in the Directors' Remuneration Report on page 13 and this is subject to shareholder approval.

Nomination committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate.

Relations with shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the period, or to meet with major shareholders if so requested.

In addition to the formal business of the AGM, representatives of the investment manager and the Board are available to answer any questions a shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form can be found at the end of these financial statements.

CORPORATE GOVERNANCE (continued)

Relations with shareholders (continued)

The terms of reference of the committees and the conditions of appointment of non-executive Directors are available to Shareholders on request.

Financial Reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 12, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 17.

Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the period.

Although the Board are ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company to Downing Protected Managers IV Limited.

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.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting period ended 30 November 2006 with the provisions set out in Section 1 of the Combined Code.

a) New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major shareholders so Shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the Annual General Meeting. (A5-1, A3-3)

b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its committees, the individual directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (A6, A7-2)

c) The Company does not have any independent directors as defined by the Combined Code issued in July 2003 as a result of other directorships of companies managed by the same investment manager. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code. (A3-2, A3-3). (Consequently the Board and the remuneration, nomination and audit committees do not comply with B2-1 and C3-1.)

d) Non-executive Directors' contracts are on three months' rolling notice following an initial three year fixed term, whereas the recommendation is for fixed term renewable contracts. In the Directors' opinion this does not make a substantive difference to the circumstances of the Company. (B1-6).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOWNING PROTECTED VCT IV PLC

We have audited the financial statements of Downing Protected VCT IV plc for the period ended 30 November 2006 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of Directors' responsibilities.

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 in the Directors' Report includes that specific information presented in the review of investments that is cross referenced 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 the information specified by law regarding Directors' Remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Review of Investments and the Corporate Governance 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.

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 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 at 30 November 2006 and of its return 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.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors
London UK

21 March 2007

INCOME STATEMENT
For the period ended 30 November 2006

	Note	Period ended 30 November 2006		
		Revenue £'000	Capital £'000	Total £'000
Income	2	706	-	706
Loss on investments	9	-	(21)	(21)
		706	(21)	685
Investment management fees	3	(152)	-	(152)
Other expenses	4	(146)	-	(146)
Return on ordinary activities before tax		408	(21)	387
Tax on ordinary activities	6	(133)	-	(133)
Return attributable to equity shareholders		275	(21)	254
Return per share	8	1.5p	(0.1p)	1.4p

All Revenue and Capital items in the above statement derive from continuing operations.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period ended 30 November 2006 £'000
Opening shareholders' funds	-
Proceeds from share issue	21,680
Share issue costs	(1,192)
Total recognised gains for the period	254
Closing shareholders' funds	20,742

The accompanying notes are an integral part of these financial statements.

downing protected VCT IV

BALANCE SHEET
as at 30 November 2006

	Notes	£'000	2006 £'000
Investments			
"Fair value through profit or loss" assets	**9**		19,950
Current Assets			
Debtors	**10**	402	
Cash at bank and in hand		690	
		1,092	
Creditors: amounts falling due within one year	**11**	(279)	
Net current assets			813
Net assets less current liabilities			20,763
Creditors: amounts falling due after more than one year	**12**		(21)
Net assets			20,742
Capital and reserves			
Called up share capital	**13**		217
Share premium account	**14**		20,271
Capital reserve – unrealised	**14**		(21)
Revenue reserve	**14**		275
Total equity shareholders funds			20,742
Net asset value per ordinary share			95.7p

The financial statements on pages 18 to 27 were approved and authorised for issue by the Board of Directors on 21 March 2007 and were signed on its behalf by

Hugh Gillespie
Chairman

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENT
For the period ended 30 November 2006

	Notes	Period ended 30 Nov 2006 £'000
Net cash inflow from operating activities	**16**	152
Capital expenditure		
Purchase of investments		(21,871)
Proceeds from disposal of investments		1,900
Net cash outflow from capital expenditure		(19,971)
Net cash outflow before financing		(19,819)
Financing		
Proceeds from ordinary share issue		21,680
Proceeds from preference share issue		50
Share issue costs		(1,192)
Redemption of preference shares		(50)
Proceeds from issue of Loan Notes		21
Net cash inflow from financing		20,509
Increase in cash	**17**	690

The accompanying notes are an integral part of these financial statements.

NOTES TO THE ACCOUNTS
for the period ended 30 November 2006

1. Accounting policies

Basis of accounting
The Company has prepared its financial statements under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised December 2005 ("SORP").

Presentation of Income Statement
In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Investments
All investments are designated as "fair value through profit or loss" assets and are initially measured at cost, equivalent to their fair value.

Listed fixed income investments are measured using bid prices.

The Directors establish the fair value of unquoted investments by using an adjusted net asset valuation model, as they believe this best reflects the nature of the underlying investments and it is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Where an investment has been held for less than one year, unless there are any indications to the contrary, fair value is assumed to be equal to the cost of the investment. The unrealised depreciation or appreciation arising on the valuation of investments and gains and losses arising on the disposal of investments are dealt with in the capital reserve.

It is not the Company's policy to exercise significant influence over investee companies. Therefore the results of these companies are not incorporated into the income statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

Income
Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount, and only where there is reasonable certainty of collection.

Expenses
All expenses are accounted for on accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated.

The Company has adopted a policy of charging 100% of the Investment Management fees to the revenue account.

Issue costs
Issue costs have been deducted from the share premium account.

Deferred taxation
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

NOTES TO THE ACCOUNTS (continued)
for the period ended 30 November 2006

2. Income

	2006 £'000
Income from investments	
Loan stock interest	380
Listed fixed income securities	81
	461
Other income	
Bank interest	245
	706

3. Investment management fees

The Company's subsidiary undertaking, Downing Protected Managers IV Limited ("DPM IV"), provides management services in respect of the portfolio of venture capital investments. The management fee, which is charged to the Company, is based on an annual amount of 1.0% of weighted average monthly net asset value. The Manager also provides administration services for a fee of £40,000 (plus RPI) per annum. Fees in relation to these services are shown within note 4.

	2006 £'000
Investment management fees	152

4. Other expenses

	2006 £'000
Administration services	35
Trail commission	52
Directors' remuneration	17
Social security costs	1
Auditors' remuneration for audit	9
Auditors' remuneration for non-audit services	2
Other expenses	30
	146

The annual running costs of the Company, for the year, are also subject to a cap of 2.5% of net assets of the Company.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the Directors' Remuneration Report on pages 13 and 14.

The Company had no employees (other than Directors) during the period. Costs in respect of these are referred to in note 4 above.

NOTES TO THE ACCOUNTS (continued)
for the period ended 30 November 2006

6. Tax on ordinary activities

	2006 £'000
(a) Tax charge for period	
UK corporation tax at 28.9%	133
Charge for the period	133
(b) Factors affecting tax charge for the period	
Revenue return on ordinary activities before taxation	408
Tax charge calculated on revenue return on ordinary activities before taxation at the applicable rate of 28.9%	118
Effects of:	
Expenses disallowed for tax purposes	15
	133

7. Dividends

	Period ended 30 November 2006		
	Revenue £'000	Capital £'000	Total £'000
Proposed			
2006 revenue dividend of 1p per ordinary share	217	-	217

8. Return per share

Revenue return per ordinary share is based on the net revenue after taxation of £275,000, in respect of 18,458,903 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Capital loss per ordinary share is based on the net capital loss after taxation of £21,000, in respect of 18,458,903 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

9. Investments

"Fair value through profit or loss" assets

	Listed fixed income securities £'000	Venture capital investments £'000	Total £'000
Opening cost and fair value at 24 November 2005	-	-	-
Movement in the period:			
Purchased at cost	4,026	17,845	21,871
Sale - proceeds	-	(1,900)	(1,900)
Unrealised losses in the income statement	(21)	-	(21)
Closing fair value at 30 November 2006	4,005	15,945	19,950
Closing cost at 30 November 2006	4,026	15,945	19,971
Losses at 30 November 2006	(21)	-	(21)
	4,005	15,945	19,950

NOTES TO THE ACCOUNTS (continued)
for the period ended 30 November 2006

9. Investments (continued)
"Fair value through profit or loss" assets

No costs incidental to the acquisitions of investments were incurred during the period.

The Company also owns 100% of the issued ordinary share capital of Downing Protected Managers IV Limited with an attributable cost of £1. Results of subsidiary undertaking for the period ended 30 November 2006 were as follows:

	Country of registration	Nature of Business	Turnover £'000	Retained profit £'000	Net assets £'000
Downing Protected Managers IV Limited	England and Wales	Investment management and administration services	190	4	4

This subsidiary undertaking has not been consolidated as it is not considered material to the group. The financial statements therefore present information about the Company as an individual undertaking and not about its group.

Downing Corporate Finance Limited, a company in which Nicholas Lewis and Tony McGing (directors of DPM IV) are directors and shareholders, has been granted an option to acquire the entire share capital of DPM IV at any time after 1 December 2008 for an amount equal to the net asset value of DPM IV at the time of exercise.

10. Debtors

	2006 £'000
Prepayments and accrued income	402

11. Creditors: amounts falling due within one year

	2006 £'000
Amounts due to subsidiary undertakings	68
Corporation tax	133
Other taxes and social security	2
Accruals and deferred income	76
	279

12. Creditors: amounts falling due after more than one year

	2006 £'000
Loan notes	21

The Company issued loan notes on 2 December 2005 creating up to 25,000 unsecured redeemable loan stock notes of £1.00 each, 21,052 of which have been issued at par to the holders set out on page 14.

The loan notes entitle the holders to interest at a rate of 3.75% per annum payable on 30 November in each year (the "Initial Interest"). In addition to the Initial Interest the loan notes entitle the holders to be paid additional interest which will depend upon the performance of the Company and will not be triggered until the performance incentive fee conditions are met.

NOTES TO THE ACCOUNTS (continued)
for the period ended 30 November 2006

13. Called up share capital

	2006 £'000
Authorised:	
40,000,000 ordinary shares of 1p each	400
Issued, Allotted, called up and fully-paid:	
21,680,245 ordinary shares of 1p each	217

The authorised share capital upon incorporation was £400,000 divided into 50,000 Redeemable Preference Shares of £1 each and 35,000,000 Ordinary Shares of 1p each, of which two Ordinary shares were issued, nil paid, to the subscribers to the Memorandum of Association.

On 1 December 2005, the two Ordinary shares issued to the subscribers were paid up in full. On the same day 50,000 Redeemable Preference shares were issued to Downing Management Services Ltd, one-quarter paid up, so as to enable the Company to obtain a certificate under Section 117 of the Companies Act 1985.

Between 19 January 2006 and 5 April 2006, 21,680,243 Ordinary shares of 1p each were issued at £1 per share pursuant to the offers for subscription by way of a prospectus. The aggregate consideration for the shares was £21,680,243 which excludes issue costs of £1,192,413.

On 19 January 2006 the 50,000 Redeemable Preference shares were paid up in full and then subsequently redeemed out of the proceeds of the offers. Upon redemption, the unissued share capital thereby created was sub-divided into and redesignated as 5,000,000 Ordinary shares of 1p each. Following this, the authorised share capital was £400,000 divided into 40,000,000 Ordinary shares of 1p each.

14. Reserves

	Share premium account £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 24 November 2005	-	-	-	-
Share capital issued	21,463	-	-	21,463
Expenses of share issue	(1,192)	-	-	(1,192)
Losses on investments	-	(21)	-	(21)
Retained revenue	-	-	275	275
At 30 November 2006	20,271	(21)	275	20,525

The Revenue Reserve is a distributable reserve.

15. Net asset value per ordinary share

	2006	
	Net asset value per share Pence	Net asset value £'000
Ordinary shares	95.7	20,742

Net asset value per ordinary share is based on net assets at the period end, and on 21,680,245 ordinary shares, being the number of ordinary shares in issue at the period end.

NOTES TO THE ACCOUNTS (continued)
for the period 30 November 2006

16. Reconciliation of net revenue return before taxation to net cash flow from operating activities

	2006 £'000
Net revenue return before taxation	408
Increase in prepayments and accrued income	(402)
Increase in accruals and deferred income	146
Net cash inflow from operating activities	152

17. Analysis of changes in cash during the period

	2006 £'000
Beginning of period	-
Net cash inflow	690
End of period	690

18. Financial instruments and derivatives

The Company's financial instruments comprise investments in unquoted companies, cash and liquid resources and are all designated as "fair value through profit or loss". The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The Company has not entered into any derivative transactions.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial period.

Interest rate risk profile of financial assets and financial liabilities
Financial assets and liabilities
The Company's financial assets and liabilities, other than the Company's investments and loan notes, are floating rate. Equity investments have no attributable interest rate and loan stock investments and listed fixed income investments have either a fixed interest rate or an interest rate linked to base. Loan notes issued by the Company also have a fixed interest rate.

	Average interest rate	Average period until maturity	2006 £'000
Fixed rate	4.8%	1,466 days	5,884
Variable rate	4.6%	1,678 days	3,793
Floating rate	4.1%	1,404 days	8,915
No interest rate			2,150
			20,742

- "Fixed rate assets" represent investments with predetermined yield targets.
- "Variable rate assets" represent investments with interest rate linked, by formula, to utilisation of funds by investee companies.
- "Floating rate assets" represent investments with interest rates linked, by formula, to base rate.
- "No interest rate assets" include investments in ordinary shares with no fixed dividend rate.

Financial liabilities
The Company has no financial liabilities or guarantees other than as stated in the Balance Sheet.

Currency exposure
As at 30 November 2006, the Company had no foreign currency exposures.

NOTES TO THE ACCOUNTS (continued)
for the period ended 30 November 2006

18. Financial instruments and derivatives (continued)

Borrowing facilities
The Company had no committed borrowing facilities as at 30 November 2006.

Liquidity Risk
There is liquidity risk associated with unquoted investments which are not readily realisable.

Investment risk
As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's Statement.

Market risk
Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The investments the Company holds are, in the main, thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

The Board (or a nominated Director) considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost involved.

19. Contingencies, guarantees and financial commitments

At 30 November 2006, the Company had no contingencies, guarantees or financial commitments.

20. Controlling party and related party transactions

In the opinion of the Directors there is no immediate or ultimate controlling party.

In accordance with the prospectus dated 13 December 2005, the Company paid £1,192,000 to Downing Corporate Finance Limited, a company in which Nick Lewis and Tony McGing (executive directors of the Investment Manager, DPM IV) are directors and shareholders, in respect of capital raising fees. Out of these fees, Downing Corporate Finance Limited has paid costs incidental to the Offers, including application for admission of the Shares to the Official List and commission to the Authorised Financial advisers. No amounts were outstanding at the period end.

The Company has appointed Downing Protected Managers IV Limited ("DPM IV") as its Investment Manager. Details of the agreement with DPM IV are included in note 3. During the period ended 30 November 2006, £152,000 was payable to DPM IV. Additionally, the Company has appointed DPM IV to provide accounting, secretarial and administrative services for an annual fee of £40,000 (plus RPI) per annum. During the period ended 30 November 2006, £35,000 was due in respect of administration fees. At the period end a balance of £68,000 was due to DPM IV.

21. Post Balance Sheet Event

In line with usual practice for VCTs, the Company has cancelled its Share Premium account and created a distributable Special Reserve, which can be utilised to buy back shares without affecting the Company's ability to pay dividends. Court confirmation for the cancellation was received on 6 December 2006.

NOTICE OF THE FIRST ANNUAL GENERAL MEETING OF DOWNING PROTECTED VCT IV PLC

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of Downing Protected VCT IV plc will be held at 69 Eccleston Square, London, SW1V 1PJ at 2.15pm on 25 April 2007 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the period ended 30 November 2006 together with the report of the auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 1p per share.
4. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Hugh Gillespie, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Dennis Hale, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Chris Kay, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

Special Resolutions

8. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 1p each in the capital of the Company ("ordinary shares") provided that:

    (i) the maximum number of ordinary shares hereby authorised to be purchased is 3,230,356, representing 14.9% of the present issued capital of the Company;

    (ii) the minimum price which may be paid for an ordinary share is 1p, exclusive of all expenses;

    (iii) the maximum price which may be paid for an ordinary share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the ordinary shares as derived from the Daily Official List of the London Stock Exchange, for each of the ten business days immediately preceding the day on which the ordinary share is contracted to be purchased;

    (iv) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of ordinary shares in pursuance of any such contract.

    and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary

Registered Office
69 Eccleston Square
London SW1V 1PJ
21 March 2007

NOTICE OF THE FIRST ANNUAL GENERAL MEETING (continued)

Notes

(a) Any member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.

(b) To be valid the instrument appointing a proxy and authority under which it is executed must be deposited at the Company's registered office (69 Eccleston Square, London SW1V 1PJ) not less than 48 hours before the time of the Meeting.

(c) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person.

(d) Copies of the Directors' consultancy agreements and the Register of Directors' interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice, until the end of the Annual General Meeting and for at least 15 minutes prior to and during the meeting.

FORM OF PROXY

DOWNING PROTECTED VCT IV PLC

For use at the Annual General Meeting of the above-named Company to be held on 25 April 2007, at 69 Eccleston Square, London, SW1V 1PJ at 2.15pm.

I/We* ……….………...
(in BLOCK CAPITALS please)

of ………...

being the holder(s)* of ordinary shares of 1p each in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or ………...

of ………...
as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 69 Eccleston Square, London, SW1V 1PJ on 25 April 2007 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' report and accounts.	☐	☐	☐
2. To approve the Directors' Remuneration Report.	☐	☐	☐
3. To approve the payment of a final dividend of 1p per ordinary share.	☐	☐	☐
4. To re-appoint the auditors and authorise the Directors to determine their remuneration.	☐	☐	☐
5. To re-elect Hugh Gillespie as a Director.	☐	☐	☐
6. To re-elect Dennis Hale as a Director.	☐	☐	☐
7. To re-elect Chris Kay as a Director	☐	☐	☐
SPECIAL BUSINESS			
8. To authorise the Directors to make market purchases of its shares	☐	☐	☐

Dated this ……………………… day of ……….………………………………………………………………… 2007

Signature(s) ……………………………………………….…../……….……………………………………………………..

Notes:
1. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the meeting" and insert the name and address of the person whom you wish to appoint in the space provided. A proxy need not be a member of the Company.
2. In the case of a corporation this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
3. In the case of joint shareholders any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. If you do not indicate the way you desire your proxy to vote, you will be deemed to have authorised your proxy to vote or abstain from voting at his/her discretion.
5. To be valid this form of proxy must be completed and deposited (together with any power of attorney, or other authority under which it is signed) at the Company's registered office (69 Eccleston Square, London SW1V 1PJ) not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
6. Completion of this form will not preclude you from attending and voting at the meeting if you so wish.
7. Any alteration made to the form of proxy must be initialled.

* Delete as appropriate

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Business Reply Service
Licence No. SW8768

Downing Protected VCT IV plc
69 Eccleston Square
London
SW1V 1YU

Second Fold

First fold