

Downing Planned Exit VCT 4 PLC

Report & Accounts
for the year ended
30 November 2007

SHAREHOLDER INFORMATION

| | Downing Protected VCT IV plc | |
|---|---------------------------------|-------------|
| | 30 Nov 2007 | 30 Nov 2006 |
| | Pence | Pence |
| Net asset value per Ordinary share | 97.0 | 95.7 |
| Cumulative distributions per Ordinary share | 1.0 | - |
| Total return per Ordinary share | <u>98.0</u> | <u>95.7</u> |

Dividend History

| Year end | Date Paid | Pence per share |
|---------------------|---------------|-----------------|
| Final 2006 | 27 April 2007 | 1.0 |
| Proposed 2007 Final | | <u>2.5</u> |
| | | <u>3.5</u> |

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 0871 664 0300 (calls cost 10p per minute plus network extras), 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 February 2007): **89.0p 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 disposing of all or part of your holding, so 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 020 7416 7780.

Financial Calendar

| | |
|---------------|---|
| 23 April 2008 | Annual General Meeting |
| 25 April 2008 | Payment of dividend |
| August 2008 | Announcement of half yearly financial 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 Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU Tel: 020 7416 7780 |
| Solicitors | Howard Kennedy 19 Cavendish Square London W1A 2AW |
| Investment and Administration Manager | Downing Protected Managers IV Limited Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU Tel: 020 7416 7780 www.downing.co.uk |
| 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: 0871 664 0300 |
| Bankers | Bank of Scotland West End Office St James's Gate 14-16 Cockspur Street London SW1Y 5BL |

OBJECTIVES

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 their 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 detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 9.

DIRECTORS

Hugh Gillespie (Chairman) (65) is non-executive chairman of Pennine AIM VCT plc, Downing Protected VCT II – IX, 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 (54) 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 – IX.

Chris Kay (47) 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 plc, as well as being chairman of Downing Protected VCT I 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 Annual Report for Downing Protected VCT IV plc for the year ended 30 November 2007. As envisaged, the focus throughout the Company's second year has continued to be on building the investment portfolio.

Venture capital investments

During the year the Company made new VCT qualifying investments in five businesses at a total cost of £4.75 million. In addition, two of the Company's investments merged when Warwick Contracting Limited was acquired in a share-for-share transaction by Cadbury House and Country Club Limited. There was also a small part disposal when Heyford Contracting (North) Limited repaid £537,000 of loan stock to the VCT. At the year end, the Company held a VCT Qualifying portfolio comprising eight investments with a total cost of £11.9 million.

The Company also made property loans and similar non-VCT qualifying investments in seven businesses at a total cost of £4.8 million. At the year end, the Company's non-qualifying portfolio comprised nine investments with a cost of £4.6 million.

The Board has reviewed each of the investments with the Manager at the year end and is pleased to report that all businesses are performing more or less to plan and accordingly all investments continue to be carried at values equal to original cost.

Further details are set out in the Investment Manager's Report and Review of Investments on pages 4 to 8.

Fixed interest investments

The Company continues to hold a portfolio of eight fixed interest securities. This portfolio had a value at the year end of £3.9 million and produced a small unrealised capital loss of £60,000 over the year.

Net Asset Value

At 30 November 2007, the Company's Net Asset Value per share ("NAV") stood at 97.0p, an increase of 2.3p (2.4%) over the year (after adjusting for the 1p dividend paid in the year). The Company's investment strategy is predominantly to minimise risk and such a strategy inevitably means that the opportunities to generate significant capital profits are limited. The NAV performance is therefore in line with the Board's expectations.

Results and dividend

The profit on activities after taxation for the year was £502,000 (2006: £254,000) comprising a revenue profit of £562,000 and a capital loss of £60,000.

The Board is proposing to pay a revenue dividend of 2.5p per share on 25 April 2008 to Shareholders on the register at the close of business on 7 March 2008.

Share repurchase

The Company operates a policy, subject to certain restrictions, of buying shares that become available in the market at a price equivalent to a 10% discount to the Company's most recently published NAV. During the year the Company purchased 71,205 shares for cancellation at a price of 86.0p per share.

A special resolution to continue this policy is proposed for the forthcoming AGM. The Board recommends that Shareholders vote in favour of Resolution 6.

Annual General Meeting

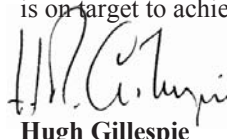
The Company's second Annual General Meeting will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU at 11:15 am on 23 April 2008.

One item of special business, seeking approval for the Company to be able to buy its own shares as described above, will be proposed. Notice of the meeting is at the end of this document.

Outlook

The Company has made steady progress to date such that the task of building the investment portfolio is now nearly complete. The Investment Manager is currently progressing three opportunities which, assuming they all complete, will take the Company above the target of having 70% of its funds invested in VCT Qualifying investments.

The economic outlook has become increasingly uncertain during recent months. Although more testing conditions might, when the time comes, make the task of achieving investment exits more challenging, the Manager is confident that the structure of the investments will allow exits to be achieved successfully and in a timely manner. The Board therefore remains satisfied that the Company is on target to achieve its objectives.

A handwritten signature in black ink, appearing to read 'H. Gillespie', is written over a white background.

Hugh Gillespie
Chairman

20 February 2008

INVESTMENT MANAGER'S REPORT

Introduction

We are pleased to report that the task of building the Company's investment portfolio has continued to progress to plan over the year under review and the job is now nearing completion.

At 30 November 2007 the Company held eight VCT Qualifying investments with a total cost of £11.9 million. This equates to a VCT Qualification level of 58.9%; the target level is 70% which needs to be met by 30 November 2008. We are currently progressing several potential new investments and expect these to complete within the next two months and take the Company's VCT Qualifying level above 70%.

VCT Qualifying investments

During the year, the Company made three new investments and two further investments in existing portfolio companies.

In January 2007, the Company invested £1 million in The Really Fine Leisure Company Limited. The company owns and operates The Marlow Club, a health and fitness centre located on the outskirts of Marlow, Buckinghamshire. The club underwent extensive development work in 2006 and is now successfully increasing its membership with its new facilities. A further investment of £100,000 was made into the business in August 2007 to fund further improvements to the club.

The VCT invested £1 million in Hoole Hall Country Club and Spa Limited in February 2007. The company owns Hoole Hall near Chester, which trades as a hotel and conference centre. The property is now being developed to include a new spa, swimming pool and gym. A further £375,000 was invested in the company in November 2007 as further funding for the work.

In July 2007, the Company invested £825,000 in Future Films Production Services Limited, a business providing production and post-production services for commercial feature films. The company has started work on two films to date, both of which are progressing to plan. The VCT has been able to secure its investment against near-certain future cash flows of the company.

A follow-on investment of £500,000 was made in Heyford Contracting (South) Ltd in October 2007 to provide funding for a new contract being undertaken by the company. Similarly, a further investment of £950,000 was made into Richstone Contracting Limited, which successfully completed its first development project and has now commenced work on a new holiday apartment construction project called Gara Rock in South Devon.

There was one further significant development within the VCT Qualifying investment portfolio. Warwick Contracting Limited was acquired by another portfolio company, Cadbury House and Country Club Limited in June 2007, in a share-for-share transaction. In November 2007, there was further reorganisation whereby the VCT's investment was transferred to Cadbury House Limited. This reorganisation allowed funding to be put in place to further work on the Cadbury House complex, near Bristol.

Non-qualifying investments

We have continued to see a significant number of non-VCT Qualifying opportunities which can provide high levels of security with more attractive yields than the VCT would otherwise receive. Seven such investments have been made in the year at a total cost of £4.8 million. These funds had initially been earmarked for fixed interest securities so have been redeployed to produce slightly enhanced returns with negligible increase in risk.

The Company also exited from a number of non-qualifying investments during the year. Vermont Development Limited repaid £500,000 being part of the Company's loan stock investment, OVL Banbury Limited repaid £315,000 being the full amount of the Company's loan stock investment and seven further companies, which had been set up with various investment partners but failed to find suitable businesses to acquire, returned £7 million to the Company being a sum equal to the amount originally invested.

Outlook

It is clear that market conditions have shifted in recent months. We have therefore considered how this might impact on the VCT and identified three areas:

- Security cover
- New investment opportunities
- Investment exits

In terms of the security position of the Company's investments, we believe that any falls in the property prices would have to be large to have any significant impact on the performance of the VCT.

The change in conditions may have a beneficial impact in terms of new investment opportunities. With fewer active lenders in the market place, the VCT may now be able to obtain slightly improved terms on its remaining investments.

Finally a change in the economic climate might make the process, at the appropriate time, of seeking exits from investments more challenging. However, we feel confident that the structuring of our investments should allow exits to be achieved and funds to be returned to Shareholders within our planned timescale.

Downing Protected Managers IV Limited

20 February 2008

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 30 November 2007:

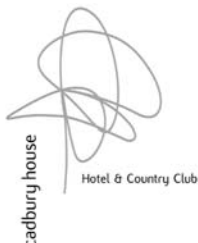
| | Cost £'000 | Valuation £'000 | Valuation movement in period £'000 | % of portfolio |
|--|---------------|--------------------|---|-------------------|
| VCT qualifying investments | | | | |
| Cadbury House Limited | 3,000 | 3,000 | - | 14.2% |
| Heyford Contracting (South) Limited | 2,000 | 2,000 | - | 9.5% |
| Richstone Contracting Limited | 1,592 | 1,592 | - | 7.6% |
| Hoole Hall Country Club and Spa Ltd | 1,375 | 1,375 | - | 6.5% |
| The Really Fine Leisure Company Limited | 1,100 | 1,100 | - | 5.2% |
| Heyford Contracting (North) Limited | 1,038 | 1,038 | - | 4.9% |
| Nu Nu plc | 1,000 | 1,000 | - | 4.8% |
| Future Films Production Services Limited | 825 | 825 | - | 3.9% |
| | <u>11,930</u> | <u>11,930</u> | <u>-</u> | <u>56.6%</u> |
| Non-qualifying investments | | | | |
| Vermont Development Ltd | 1,000 | 1,000 | - | 4.8% |
| Aminghurst Limited | 992 | 992 | - | 4.7% |
| Bowman Care Homes Limited | 600 | 600 | - | 2.8% |
| Heyford Homes VCT Ltd | 600 | 600 | - | 2.8% |
| Gatewales Limited | 500 | 500 | - | 2.4% |
| Property Solutions Ltd | 500 | 500 | - | 2.4% |
| Sanguine Hospitality Ltd | 250 | 250 | - | 1.2% |
| Calthorpe Street Limited | 113 | 113 | - | 0.5% |
| Coastal Partnerships Limited | 75 | 75 | - | 0.4% |
| | <u>4,630</u> | <u>4,630</u> | <u>-</u> | <u>22.0%</u> |
| Listed fixed income securities | | | | |
| John Hancock 6.625% | 521 | 507 | (9) | 2.4% |
| Toyota 5.25% | 502 | 498 | (1) | 2.4% |
| HSBC Finance (Household) 6.125% | 513 | 494 | (16) | 2.3% |
| ASIF3 (AIG) 5.625% | 504 | 493 | (10) | 2.3% |
| Metropolitan Life 5.25% | 501 | 493 | (4) | 2.3% |
| Bank of Ireland 4.75% | 496 | 491 | (3) | 2.3% |
| ING 4.75% | 492 | 490 | - | 2.3% |
| Merrill Lynch 5.125% | 497 | 479 | (17) | 2.3% |
| | <u>4,026</u> | <u>3,945</u> | <u>(60)</u> | <u>18.6%</u> |
| | <u>20,586</u> | <u>20,505</u> | <u>(60)</u> | <u>97.2%</u> |
| Cash at bank and in hand | | 588 | | 2.8% |
| Total investments | | <u>21,093</u> | | <u>100.0%</u> |

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments:

VCT qualifying investments:

Cadbury House Limited



www.cadburyhotelbristol.co.uk

| | | | |
|------------------------|------------|--------------------------------|--------------------|
| Cost: | £3,000,000 | Latest published accounts: | None yet published |
| Investment comprises: | | Turnover: | n/a |
| Ordinary Shares: | £900,000 | Profit before tax: | n/a |
| C Loan Stock: | £2,100,000 | Net assets: | n/a |
| Valuation method: | Fair value | Proportion of loan stock held: | 37.5% |
| Valuation at 30/11/07: | £3,000,000 | Proportion of equity held: | 11.0% |
| Valuation at 30/11/06: | Not held | | |

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. Following a restructuring the VCT has an investment in the company with a total cost of £3,000,000.

Heyford Contracting (South) Ltd



| | | | |
|------------------------|------------|--------------------------------|--------------|
| Cost: | £2,000,000 | Latest published accounts: | 31/12/06 |
| Investment comprises: | | Turnover: | £2.1 million |
| Ordinary Shares: | £450,000 | Profit before tax: | £33,000 |
| A Loan Stock: | £525,000 | Net assets: | £954,000 |
| B Loan Stock: | £525,000 | | |
| C Loan Stock: | £500,000 | | |
| Valuation method: | Fair value | Proportion of loan stock held: | 50.0% |
| Valuation at 30/11/07: | £2,000,000 | Proportion of equity held: | 25.0% |
| Valuation at 30/11/06: | £1,500,000 | | |

Heyford Contracting (South) Limited is a building contractor which had a contract to construct a commercial office scheme in Banbury, Oxfordshire. This project is now completed and sales of the units by the client developer are progressing satisfactorily. A further commercial construction project has now commenced in Uppingham, Rutland. The Company invested £1 million in April 2006, a further £500,000 in October 2006 and a further £500,000 in October 2007.

Richstone Contracting Limited



| | | | |
|------------------------|------------|--------------------------------|--------------------|
| Cost: | £1,592,500 | Latest published accounts: | None yet published |
| Investment comprises: | | Turnover: | n/a |
| Ordinary Shares: | £267,500 | Profit before tax: | n/a |
| A Ordinary Shares: | £217,500 | Net assets: | n/a |
| Loan Stock: | £442,500 | | |
| A Loan Stock: | £665,000 | | |
| Valuation method: | Fair value | Proportion of loan stock held: | 27.0% |
| Valuation at 30/11/07: | £1,592,500 | Proportion of equity held: | 28.8% |
| Valuation at 30/11/06: | £643,000 | | |

Richstone Contracting Limited has recently successfully completed a residential refurbishment and building project in Banbury, Oxfordshire. A new major project is now underway constructing a holiday-apartment complex called Gara Rock in South Devon. The VCT invested a further £950,000 in the company in November 2007 to provide working capital to fund the construction costs.

Hoole Hall Country Club and Spa Ltd



www.hoolehall.com

| | | | |
|------------------------|------------|--------------------------------|--------------------|
| Cost: | £1,375,000 | Latest published accounts: | None yet published |
| Investment comprises: | | Turnover: | n/a |
| B Ordinary Shares: | £412,500 | Profit before tax: | n/a |
| A Loan Stock: | £962,500 | Net assets: | n/a |
| Valuation method: | Fair value | Proportion of loan stock held: | 16.0% |
| Valuation at 30/11/07: | £1,375,000 | Proportion of equity held: | 9.4% |
| Valuation at 30/11/06: | Not held | | |

Hoole Hall is set on a 5.5 acre site on the edge of Hoole, near Chester. It comprises a Victorian mansion, a large conservatory and a modern extension. The property has undergone an extensive refurbishment to bring it up to a 4 star standard. A new restaurant and 250 seat function room are currently being built and a new-build spa and health club facility are planned for the future. The VCT invested £1 million in February 2007 and a further £375,000 in November 2007.

REVIEW OF INVESTMENTS (continued)

The Really Fine Leisure Company Limited



www.themarlowclub.co.uk

| | | | |
|------------------------|------------|--------------------------------|--------------|
| Cost: | £1,100,000 | Latest published accounts: | 31/12/06 |
| Investment comprises: | | Turnover: | £1.1 million |
| Ordinary Shares: | £301,000 | Loss before tax: | (£195,000) |
| Loan Stock: | £799,000 | Net assets: | £1.1million |
| Valuation method: | Fair value | Proportion of loan stock held: | 50.0% |
| Valuation at 30/11/07: | £1,100,000 | Proportion of equity held: | 7.0% |
| Valuation at 30/11/06: | Not held | | |

Really Fine Leisure Company owns and operates The Marlow Club, which is a newly-refurbished health and fitness club in Marlow, Bucks. Additionally, it has also just acquired a site in North London, where it is seeking planning to build a facility incorporating outdoor sports with a health and fitness club. The VCT invested £1 million in January 2007 and a further £100,000 in August 2007.

Heyford Contracting (North) Ltd



| | | | |
|------------------------|------------|--------------------------------|----------|
| Cost: | £1,038,000 | Latest published accounts: | 31/12/06 |
| Investment comprises: | | Turnover: | £Nil |
| Ordinary Shares: | £500,000 | Profit before tax: | £Nil |
| Loan Stock: | £538,000 | Net assets: | £Nil |
| Valuation method: | Fair value | Proportion of loan stock held: | 50.0% |
| Valuation at 30/11/07: | £1,038,000 | Proportion of equity held: | 25.0% |
| Valuation at 30/11/06: | £1,575,000 | | |

Heyford Contracting (North) Limited is a building contractor that is undertaking 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. Following the completion of the first project £537,000 of loan stock was repaid to the VCT in September 2007.

Nu Nu plc



| | | | |
|------------------------|------------|--------------------------------|--------------|
| 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 | Net assets: | £6.9 million |
| Valuation method: | Fair value | Proportion of loan stock held: | 25.0% |
| Valuation at 30/11/07: | £1,000,000 | Proportion of equity held: | 0.8% |
| Valuation at 30/11/06: | £1,000,000 | | |

Nu Nu plc owns and operates ten 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.

www.nunu.co.uk

Future Films Production Services Limited



| | | | |
|------------------------|------------|--------------------------------|--------------------|
| Cost: | £825,000 | Latest published accounts: | None yet published |
| Investment comprises: | | Turnover: | n/a |
| Ordinary Shares: | £247,500 | Profit before tax: | n/a |
| Loan Stock: | £557,500 | Net assets: | n/a |
| Valuation method: | Fair value | Proportion of loan stock held: | 25.0% |
| Valuation at 30/11/07: | £825,000 | Proportion of equity held: | 16.6% |
| Valuation at 30/11/06: | Not held | | |

This is a film production and post-production services company set up with Future Films Limited. The Company has undertaken work on two films to date; an animated adventure called "Planet 51" and a thriller starring Ben Kingsley, provisionally called "50 Dead Men". Since the company is merely a service provider, the company's earnings are not dependent on the ultimate success of the underlying films and the VCT's investment is secured on UK Government film tax credits. The film projects undertaken to date have gone to plan and there is a good pipeline of further films.

REVIEW OF INVESTMENTS (continued)

Non-qualifying investments

Vermont Development Ltd



| | | | |
|------------------------|------------|--------------------------------|--------------|
| Cost: | £1,000,000 | Latest published accounts: | 31/12/06 |
| Investment comprises: | | Turnover: | £7.0 million |
| Loan Stock: | £1,000,000 | Profit before tax: | £449,000 |
| | | Net assets: | £2.0 million |
| Valuation method: | Fair value | | |
| Valuation at 30/11/07: | £1,000,000 | Proportion of loan stock held: | 25.0% |
| Valuation at 30/11/06: | Not held | Proportion of equity held: | Nil |

Vermont Developments Limited is a property developer focussing its activities in the North West. The company has successfully completed a number of developments and has now acquired a site in Adelphi Street, Salford on which it plans to develop two low rise apartment blocks alongside an existing tower. The VCT made a non-qualifying, loan stock investment of £1 million in the company in February 2007.

www.vermontdevelopments.com

Aminghurst Ltd



| | | | |
|------------------------|------------|--------------------------------|--------------|
| Cost: | £992,500 | Latest published accounts: | 30/11/06 |
| Investment comprises: | | Turnover: | £ Nil |
| Loan Stock: | £992,500 | Loss before tax: | (£186,000) |
| | | Net assets: | £1.1 million |
| Valuation method: | Fair value | | |
| Valuation at 30/11/07: | £992,500 | Proportion of loan stock held: | 9.0% |
| Valuation at 30/11/06: | Not held | Proportion of equity held: | Nil |

Aminghurst Limited owns a site at Gara Rock, South Devon, on which Richstone Contracting Limited is proposing to contract to build a hotel and holiday apartments. Planning permission has already been granted for the holiday apartments phase of the development. The planning permission for the hotel element has been submitted and a decision is expected shortly

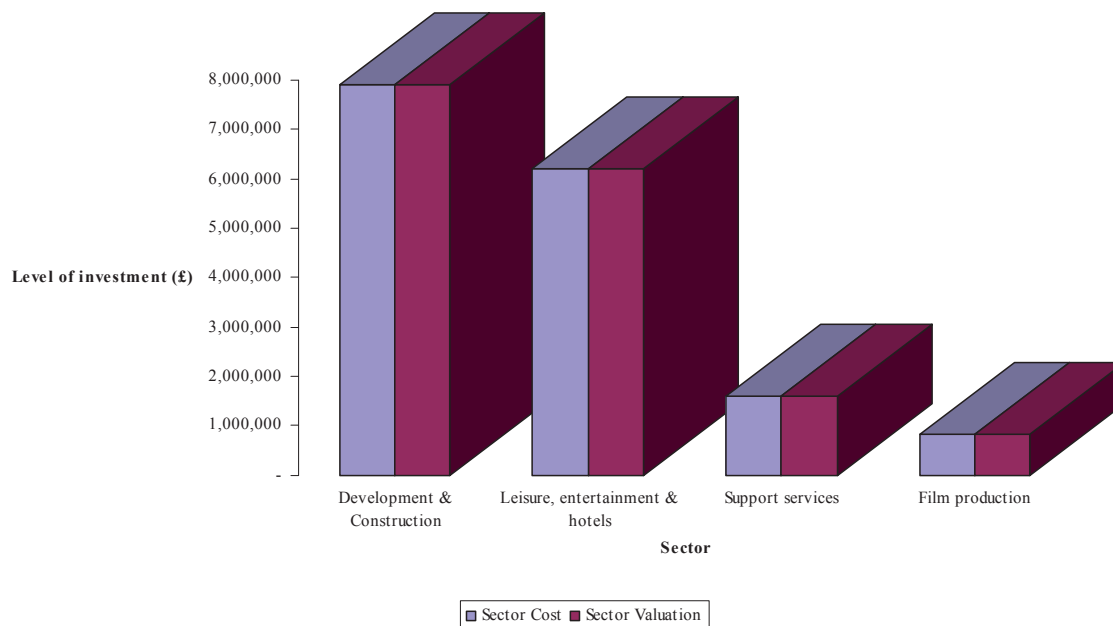
www.gara.co.uk

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.

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and value at 30 November 2007) is as follows:

Spread of Investments by Sector



REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 30 November 2007.

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 Part 6 of the Income Tax Act 2007.

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

Business review and developments

The Company's business review and developments during the year are reviewed in the Chairman's Statement, Investment Manager's Report and the Review of Investments.

Results and dividends

| | £'000 | Pence per share |
|--|------------|-----------------------|
| Return for the year | <u>502</u> | 2.3p |
| Revenue dividend in respect of prior year (paid 27 April 2007) | <u>217</u> | 1.0p |

Your Board is proposing to pay a final revenue dividend of 2.5p per share payable on 25 April 2008 to Shareholders on the register at 7 March 2008.

Repurchase of shares

During the year the company purchased 71,205 of its Ordinary shares at a cost of 86.0p per share and representing 0.33% of the issued share capital. These shares were subsequently cancelled.

Directors

The Directors of the Company during the year and their beneficial interests in the issued ordinary 1p shares of Downing Protected VCT IV plc or Downing Protected VCT V plc at 30 November 2006, 30 November 2007 and at the date of this report were as follows:

| | Downing Protected VCT IV plc | | Downing Protected VCT V plc | |
|------------------|------------------------------------|------------------|-----------------------------------|------------------|
| | 30 Nov 2007 | 30 Nov 2006 | 30 Nov 2007 | 30 Nov 2006 |
| | No. of shares | No. of shares | No. of shares | No. of shares |
| Directors | | | | |
| Hugh Gillespie | 5,150 | 5,150 | - | - |
| Dennis Hale | - | - | 15,675 | 15,675 |
| Chris Kay | - | - | 12,390 | 12,390 |

Downing Protected VCT IV plc and Downing Protected VCT V plc were launched under one prospectus with investors being allotted shares in one Company or the other. The Directors, therefore, feel it is appropriate to present their holdings in both companies.

There have been no changes in the Directors' share interests between 30 November 2007 and the date of this report.

In line with the articles of association, Hugh Gillespie retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The other Directors have reviewed Hugh's performance and have concluded that he continues to make a valuable contribution to the Company and remains committed to his role. They therefore recommend that Shareholders re-elect him at the forthcoming Annual General Meeting.

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 Policy

The Company's strategy is to invest 75% of its funds in VCT Qualifying investments by 30 November 2008.

Qualifying Investments

Qualifying investments comprise investments in UK trading companies which own substantial assets or have contracts over which the VCT takes a charge to provide security on its investments. Qualifying investments will, where possible, be structured to include a significant element of the investment in loan stock, typically one third of the investment by value.

Non-Qualifying investments

The funds not employed in Qualifying Investments will be invested in:

- Fixed Income Securities; and/or
 - Loans secured on property or other assets.
- Fixed income securities will consist mainly of bonds issued by the UK Government, major companies and institutions and will have credit ratings of not less than A minus/A3.

The allocation of the Company's funds compared to the intended split at 30 November 2008 is summarised as follows:

| | Target Portfolio Split (by 30 Nov 08) | Current Portfolio Split 30 Nov 2007 |
|---|---|---|
| Qualifying Investments | | |
| Loans to Qualifying Companies | 50% | 40% |
| Ordinary shares in Qualifying Companies | 25% | 16% |
| Non-Qualifying Investments | <u>25%</u> | <u>44%</u> |
| | <u>100%</u> | <u>100%</u> |

REPORT OF THE DIRECTORS (continued)

Investment Policy (continued)

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

| | Position at 30/11/07 |
|--|-------------------------|
| 1. To ensure that, by and from 1 October 2008, the Company holds at least 70% of its investments in qualifying companies (as defined by Chapter 6 of Income Tax Act 2007); | 58.9% |
| 2. To ensure that, by and from 1 October 2008, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital); | 28.5% |
| 3. At least 10% of each investment in a qualifying company is held in eligible shares (by cost at time of investment); | Complied |
| 4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment); | Complied |
| 5. The Company's income for each financial year is derived wholly or mainly from shares and securities; | 94.2% |
| 6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; | 11.4% |
| 7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year). | Complied |

Borrowings

It is not the Company's intention to have any borrowings.

The Company does however have the ability to borrow a maximum amount equal to 50% of the funds raised under its offers for subscription less the total amount paid for repurchasing its own shares, currently equal to £10.8 million. There are no plans to utilise this ability at the current time.

Investment and administration manager

Downing Protected Managers IV Limited ("DPM IV") provides investment management services 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.

The Board is satisfied with DPM IV's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of DPM IV as investment manager remains in the best interest of Shareholders.

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.

Fixed income investment advisory

Downing Corporate Finance Limited provides investment advisory and dealing services to the Company in respect of fixed income securities for a fee of £2,500 (plus VAT) per annum.

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 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 2007. It will be recalculated for the year ended 30 November 2008, and annually thereafter, following approval of the audited accounts by shareholders.

VCT status adviser

The Company has retained PricewaterhouseCoopers 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 year end.

Key performance indicators

At each board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives (as shown on page 2). The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see Shareholder Information page).

In addition, the Board considers the Company's performance in relation to other VCTs.

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, liquidity, investment and marketability risks, are summarised within note 19 to the financial statements.

REPORT OF THE DIRECTORS (continued)

Principal risks and uncertainties (continued)

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax relief's currently available to shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UKLA Listing rules and the Companies Act 1985 could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Managers which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

Annual General Meeting

The Annual General Meeting will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU at 11:15am on 23 April 2008. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Auditors

A resolution proposing the reappointment of PKF (UK) LLP will be submitted at the AGM.

Substantial interests

As at 30 November 2007 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 year. 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



Grant Whitehouse
Secretary
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

20 February 2008

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 23 April 2008.

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 16.

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 | 2.4% |
| Dennis Hale | 2.4% |
| Chris Kay | 9.5% |
| Investment Management Team | 85.7% |
| | <u>100.0%</u> |

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 2007. It will be recalculated for the year ended 30 November 2008, and annually thereafter, following approval of the audited accounts by Shareholders.

Directors' remuneration (audited)

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

| | Current annual fee £ | Year ended 30/11/07 £ | Period ended 30/11/06 £ |
|----------------|-------------------------------|--------------------------------|----------------------------------|
| Hugh Gillespie | 7,500 | 7,500 | 6,467 |
| Dennis Hale | 6,000 | 6,000 | 5,174 |
| Chris Kay | 6,000 | 6,000 | 5,174 |
| | <u>19,500</u> | <u>19,500</u> | <u>16,815</u> |

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 | 677 | 85.7% |
| | <u>790</u> | <u>100.0%</u> |

2007/2008 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 12.

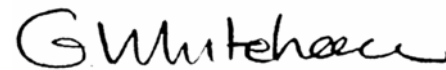
Insurance Cover

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

Performance graph

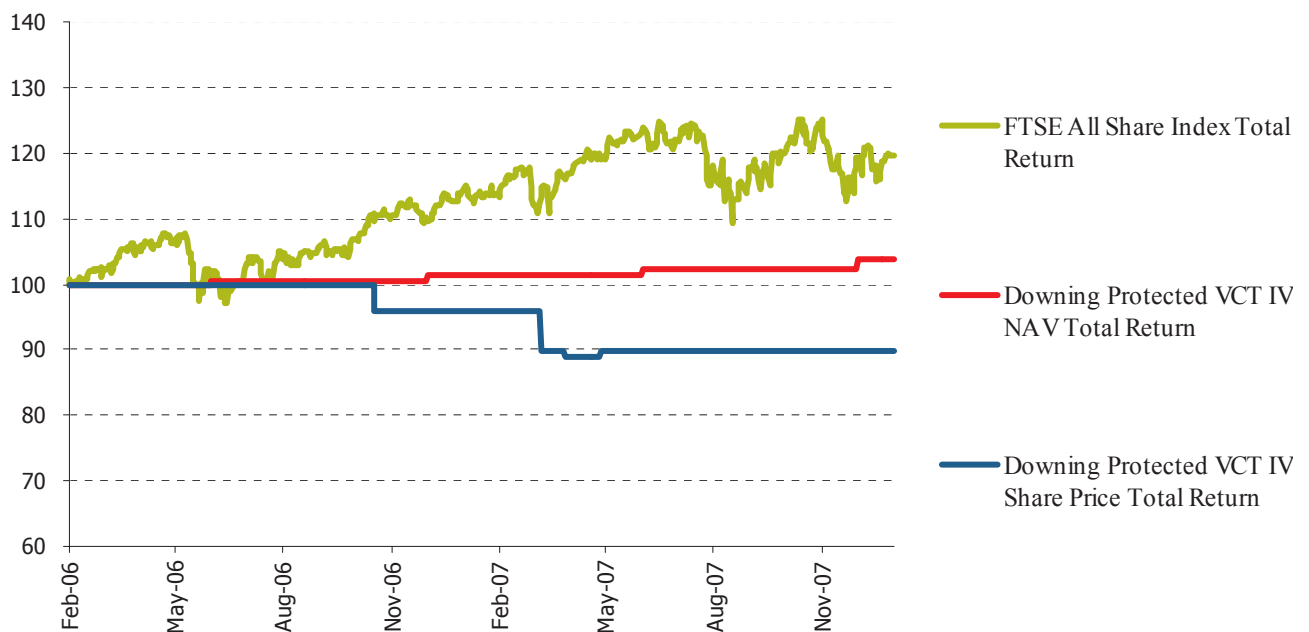
The chart below represents the Company's performance over the period since shares were first listed on the London Stock Exchange, and compares the Total Return of the Company (Net Asset Value plus dividends) to a rebased FTSE All Share index including re-invested dividends. The FTSE All Share Index has 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



Grant Whitehouse
Secretary
Kings Scholars House
230 Vauxhall Bridge Road
London
SW1V 1AU

20 February 2008



CORPORATE GOVERNANCE

The Directors support the relevant principles of the new Combined Code issued in July 2006, 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, Hugh Gillespie is offering himself 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 year, 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 half yearly 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 year. The Audit Committee recommended that internal financial controls be implemented. The Audit Committee also decided to re-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 Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 12, 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 year, 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 Administrator collates 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 11, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 16.

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 year.

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 year. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 30 November 2007 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 2006 as a result of other directorships of companies managed by the same investment management team. 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 year ended 30 November 2007 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 Chairman's Statement, Investment Management Report and 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 2006 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 2007 and of its return for the year 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.

A handwritten signature in black ink that reads 'PKF (UK) LLP'.

PKF (UK) LLP
Registered Auditors
London UK

20 February 2008

INCOME STATEMENT

For the year ended 30 November 2007

| | Note | Year ended 30 November 2007 | | | Period ended 30 November 2006 | | |
|---|------|-----------------------------|------------------|----------------|-------------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Income | 2 | 1,202 | - | 1,202 | 706 | - | 706 |
| Loss on investments | 9 | - | (60) | (60) | - | (21) | (21) |
| | | 1,202 | (60) | 1,142 | 706 | (21) | 685 |
| Investment management fees | 3 | (207) | - | (207) | (152) | - | (152) |
| Other expenses | 4 | (167) | - | (167) | (146) | - | (146) |
| Return on ordinary activities before tax | | 828 | (60) | 768 | 408 | (21) | 387 |
| Tax on ordinary activities | 6 | (266) | - | (266) | (133) | - | (133) |
| Return attributable to equity shareholders | | 562 | (60) | 502 | 275 | (21) | 254 |
| Return per share | 8 | 2.6p | (0.3p) | 2.3p | 1.5p | (0.1p) | 1.4p |

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

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

| | Note | Year ended 30 November 2007 £'000 | Period ended 30 November 2006 £'000 |
|-------------------------------------|------|---|---|
| Opening shareholders' funds | | 20,742 | - |
| Proceeds from share issue | | - | 21,680 |
| Share issue costs | | - | (1,192) |
| Purchase of own shares | | (62) | - |
| Total recognised gains for the year | | 502 | 254 |
| Dividends paid | 7 | (217) | - |
| Closing shareholders' funds | | 20,965 | 20,742 |

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

BALANCE SHEET

as at 30 November 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|--|-------|---------------|---------------|
| Investments | | | |
| “Fair value through profit or loss” assets | 9 | 20,505 | 19,950 |
| Current Assets | | | |
| Debtors | 10 | 325 | 402 |
| Cash at bank and in hand | | 588 | 690 |
| | | <u>913</u> | <u>1,092</u> |
| Creditors: amounts falling due within one year | 11 | <u>(432)</u> | <u>(279)</u> |
| Net current assets | | <u>481</u> | <u>813</u> |
| Net assets less current liabilities | | 20,986 | 20,763 |
| Creditors: amounts falling due after more than one year | 12 | <u>(21)</u> | <u>(21)</u> |
| Net assets | | <u>20,965</u> | <u>20,742</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 216 | 217 |
| Capital redemption reserve | 14 | 1 | - |
| Special reserve | 14 | 20,209 | - |
| Share premium account | 14 | - | 20,271 |
| Capital reserve – unrealised | 14 | (81) | (21) |
| Revenue reserve | 14 | 620 | 275 |
| Total equity shareholder's funds | | <u>20,965</u> | <u>20,742</u> |
| Net asset value per Ordinary share | 15 | 97.0p | 95.7p |

The financial statements on pages 17 to 27 were approved and authorised for issue by the Board of Directors on 20 February 2008 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 year ended 30 November 2007

| | Notes | Year ended 30 Nov 2007 £'000 | Period ended 30 Nov 2006 £'000 |
|--|-----------|--|--|
| Net cash inflow from operating activities | 16 | 925 | 152 |
| Taxation | | | |
| Corporation tax paid | | (133) | - |
| Capital expenditure | | | |
| Purchase of investments | 9 | (14,568) | (21,871) |
| Proceeds from disposal of investments | 9 | 13,953 | 1,900 |
| Net cash outflow from capital expenditure | | <u>(615)</u> | <u>(19,971)</u> |
| Equity dividends paid | 7 | (217) | - |
| Net cash outflow before financing | | (40) | (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 |
| Purchase of own shares | 13 | (62) | - |
| Net cash (outflow)/inflow from financing | | <u>(62)</u> | <u>20,509</u> |
| (Decrease)/increase in cash | 17 | <u>(102)</u> | <u>690</u> |

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

NOTES TO THE ACCOUNTS

for the year ended 30 November 2007

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").

Comparative figures

The comparative figures within these accounts are for the period from 24 November 2005 to 30 November 2006.

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 Part 6 of the Income Tax Act 2007.

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.

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 year ended 30 November 2007

2. Income

| | 2007 £'000 | 2006 £'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Income from investments | | |
| Loan stock interest | 914 | 380 |
| Listed fixed income securities | 218 | 81 |
| | <u>1,132</u> | <u>461</u> |
| Other income | | |
| Bank interest | 60 | 245 |
| Monitoring fees | 10 | - |
| | <u>1,202</u> | <u>706</u> |

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.

| | 2007 £'000 | 2006 £'000 |
|----------------------------|-----------------------------|-----------------------------|
| Investment management fees | <u>207</u> | <u>152</u> |

4. Other expenses

| | 2007 £'000 | 2006 £'000 |
|--|-----------------------------|-----------------------------|
| Administration services | 42 | 35 |
| Trail commission | 52 | 52 |
| Directors' remuneration | 19 | 17 |
| Social security costs | 1 | 1 |
| Auditors' remuneration for audit | 9 | 9 |
| Auditors' remuneration for tax compliance services | 1 | 2 |
| Other expenses | 43 | 30 |
| | <u>167</u> | <u>146</u> |

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 12 and 13.

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2007

6. Tax on ordinary activities

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| (a) Tax charge for year | | |
| UK corporation tax at 30.0% (2006: 28.9%) | 266 | 133 |
| Charge for the year | <u>266</u> | <u>133</u> |
| (b) Factors affecting tax charge for the year | | |
| Revenue return on ordinary activities before taxation | <u>828</u> | <u>408</u> |
| Tax charge calculated on revenue return on ordinary activities before taxation at the applicable rate of 30.0% (2006: 28.9%) | 248 | 118 |
| Effects of: | | |
| Expenses disallowed for tax purposes | <u>18</u> | <u>15</u> |
| | <u>266</u> | <u>133</u> |

7. Dividends

| | Year ended 30 November 2007 | | | Period ended 30 November 2006 | | |
|---------------------|--------------------------------|------------------|----------------|----------------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Paid in year | | | | | | |
| 2006 Final – 1.0p | <u>217</u> | <u>-</u> | <u>217</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Proposed | | | | | | |
| 2007 Final – 2.5p | 540 | - | 540 | - | - | - |
| 2006 Final – 1.0p | <u>-</u> | <u>-</u> | <u>-</u> | <u>217</u> | <u>-</u> | <u>217</u> |
| | <u>540</u> | <u>-</u> | <u>540</u> | <u>217</u> | <u>-</u> | <u>217</u> |

8. Return per share

Revenue return per Ordinary share is based on the net revenue after taxation of £562,000 (2006: £275,000), in respect of 21,676,345 (2006: 18,458,903) Ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital loss per Ordinary share is based on the net capital loss after taxation of £60,000 (2006: £21,000), in respect of 21,676,345 (2006: 18,458,903) Ordinary shares, being the weighted average number of ordinary shares in issue during the year.

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per Ordinary share. The return per share disclosed therefore represents both the basic and diluted return per Ordinary share.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2007

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 30 November 2006 | 4,026 | 15,945 | 19,971 |
| Unrealised losses at 30 November 2006 | (21) | - | (21) |
| Opening fair value at 1 December 2006 | <u>4,005</u> | <u>15,945</u> | <u>19,950</u> |
| Movement in the year: | | | |
| Purchased at cost | - | 14,568 | 14,568 |
| Sale - proceeds | - | (13,953) | (13,953) |
| Unrealised losses in the Income Statement | (60) | - | (60) |
| Closing fair value at 30 November 2007 | <u>3,945</u> | <u>16,560</u> | <u>20,505</u> |
| Closing cost at 30 November 2007 | 4,026 | 16,560 | 20,586 |
| Losses at 30 November 2007 | (81) | - | (81) |
| | <u>3,945</u> | <u>16,560</u> | <u>20,505</u> |

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

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 the subsidiary undertaking for the year ended 30 November 2007 were as follows:

| | Country of registration | Nature of Business | Turnover £'000 | Profit before tax £'000 | Net assets £'000 |
|--|------------------------------------|--|---------------------------|--|---------------------------------|
| Downing Protected Managers IV Limited | England and Wales | Investment management and administration services | 249 | - | 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 February 2010 for an amount equal to the net asset value of DPM IV at the time of exercise.

10. Debtors

| | 2007 £'000 | 2006 £'000 |
|--------------------------------|-----------------------|-----------------------|
| Prepayments and accrued income | <u>325</u> | <u>402</u> |

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2007

11. Creditors: amounts falling due within one year

| | 2007 | 2006 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts due to subsidiary undertaking | 62 | 68 |
| Corporation tax | 266 | 133 |
| Other taxes and social security | 2 | 2 |
| Accruals and deferred income | 102 | 76 |
| | <u>432</u> | <u>279</u> |

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

| | 2007 | 2006 |
|------------|--------------|--------------|
| | £'000 | £'000 |
| Loan notes | <u>21</u> | <u>21</u> |

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.

13. Called up share capital

| | 2007 | 2006 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Authorised: | | |
| 40,000,000 Ordinary shares of 1p each | <u>400</u> | <u>400</u> |
| Issued, Allotted, called up and fully-paid: | | |
| 21,609,040 (2006: 21,680,245) Ordinary shares of 1p each | <u>216</u> | <u>217</u> |

During the year the Company repurchased 71,205 Ordinary shares of 1p each for an aggregate consideration of £62,000, being an average price of 86.0p per share and which represented 0.33% of the Company's issued share capital. These shares were subsequently cancelled.

14. Reserves

| | Capital redemption reserve | Special reserve | Share premium account | Capital reserve - unrealised | Revenue reserve | Total |
|---------------------------------------|-----------------------------------|------------------------|------------------------------|-------------------------------------|------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 December 2006 | - | - | 20,271 | (21) | 275 | 20,525 |
| Cancellation of Share Premium account | - | 20,271 | (20,271) | - | - | - |
| Repurchase of shares | 1 | (62) | - | - | - | (61) |
| Losses on investments | - | - | - | (60) | - | (60) |
| Retained revenue | - | - | - | - | 562 | 562 |
| Dividend paid | - | - | - | - | (217) | (217) |
| At 30 November 2007 | <u>1</u> | <u>20,209</u> | <u>-</u> | <u>(81)</u> | <u>620</u> | <u>20,749</u> |

The Special Reserve was created on 6 December 2006 by the cancellation of the Share Premium account following court approval. The Special Reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay capital distributions. The Special Reserve and Revenue Reserve are all distributable reserves.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2007

15. Net asset value per Ordinary share

| | 2007 | | 2006 | |
|------------------------------------|--------------------------|------------------------------------|--------------------------|---------------|
| Net asset value per share Pence | Net asset value £'000 | Net asset value per share Pence | Net asset value £'000 | |
| Ordinary shares | <u>97.0</u> | <u>20,965</u> | <u>95.7</u> | <u>20,742</u> |

Net asset value per Ordinary share is based on net assets at the year end, and on 21,609,040 (2006: 21,680,245) Ordinary shares, being the number of Ordinary shares in issue at the year end.

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

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Net revenue return before taxation | 828 | 408 |
| Decrease/(increase) in prepayments and accrued income | 77 | (402) |
| Increase in accruals and deferred income | 26 | 78 |
| Decrease/(increase) in amounts due to subsidiary undertaking | <u>(6)</u> | <u>68</u> |
| Net cash inflow from operating activities | <u>925</u> | <u>152</u> |

17. Analysis of changes in cash during the year

| | 2007 £'000 | 2006 £'000 |
|---------------------------|---------------|---------------|
| Beginning of year | 690 | - |
| Net cash (outflow)/inflow | <u>(102)</u> | <u>690</u> |
| End of year | <u>588</u> | <u>690</u> |

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 and 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 year.

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2007

18. Financial instruments and derivatives (continued)

| | Average interest rate | Average period until maturity | 2007 £'000 | 2006 £'000 |
|------------------|--------------------------|----------------------------------|---------------|---------------|
| Fixed rate | 6.4% | 1,232 days | 10,623 | 5,884 |
| Variable rate | 7.1% | 1,297 days | 5,202 | 3,793 |
| Floating rate | 6.2% | 1,339 days | 1,731 | 8,915 |
| No interest rate | | | 3,409 | 2,150 |
| | | | 20,965 | 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 2007, the Company had no foreign currency exposures.

Borrowing facilities

The Company had no committed borrowing facilities as at 30 November 2007.

19. Principal financial risks

Interest rate risk

The Company receives interest at a rate agreed with its banker. As the Company must comply with the VCT regulations, increases in interest rates could lead to a potential breach of these regulations. The Company therefore monitors the level of income received from fixed, floating and non interest rate assets to ensure that the regulations are not breached.

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.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 November 2007

19. Principal financial risks (continued)

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.

20. Contingencies, guarantees and financial commitments

At 30 November 2007, the Company had no contingencies, guarantees or financial commitments.

21. Controlling party and related party transactions

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

Downing Protected Managers IV Limited ("DPM IV"), a wholly owned subsidiary is the Company's Investment Manager. Details of the agreement with DPM IV are included in note 3. During the year ended 30 November 2007, £207,000 (2006: £152,000) was payable to DPM IV. Additionally, DPM IV provides accounting, secretarial and administrative services for an annual fee of £40,000 (plus RPI) per annum. During the year ended 30 November 2007, £42,000 (2006: £35,000) was due in respect of administration fees. At the year end a balance of £62,000 (2006: £68,000) was due to DPM IV.

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

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Downing Protected VCT IV plc will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU at 11:15am on 23 April 2008 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 year ended 30 November 2007 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 2.5p 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.

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

Special Resolution

6. 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 3,219,747, 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

A handwritten signature in black ink that reads "G Whitehouse".

Grant Whitehouse
Secretary

Registered Office
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU
20 February 2008

NOTICE OF THE SECOND 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 (Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU) 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 23 April 2008, at Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU at 11:15 am.

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 Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU on 23 April 2008 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. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To approve the Directors' Remuneration Report. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To approve the payment of a final dividend of 2.5p per Ordinary share. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-appoint the auditors and authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect Hugh Gillespie as a Director. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL BUSINESS

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| 6. To authorise the Directors to make market purchases of its shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--|--------------------------|--------------------------|--------------------------|

Dated this day of 2008

Signature(s)/.....

If you are unable to attend the AGM and wish to put any comments to the Board, please use the box below.

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 (Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU) 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
Licence Number
RRJU-PLYH-CTJK



Downing Protected VCT IV plc
c/o Downing Management Services Limited
Kings Scholars House
230 Vauxhall Bridge Road
London
SW1V 1AU

Second Fold

First fold

