Downing Planned Exit VCT 4 PLC

Report & Accounts
for the year ended
30 November 2010

Downing

SHAREHOLDER INFORMATION

	30 Nov 2010 Pence	30 Nov 2009 Pence
Net asset value per Ordinary share	34.3	87.2
Cumulative distributions per Ordinary share	56.0	6.0
Total return per Ordinary share	90.3	93.2

Dividend history

Year end	Date paid	Pence per share
Final 2006	27 April 2007	1.0
Final 2007	25 April 2008	2.5
Final 2008	30 April 2009	2.5
Interim 2009	6 January 2010	10.0
Interim 2010	5 March 2010	40.0
		56.0

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 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from Capita's website (see below).

Share price

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

Latest share price (30 March 2011): 24p per share

Selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange using a stockbroker. Disposing of shares may have tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision.

The Company has stated that it will from time to time consider making market purchases of its own shares, however, any such purchases are likely to be undertaken at a substantial discount to NAV. Shareholders who wish to sell should contact Downing Management Services Limited, who will be able to provide up to date details. Downing Management Services Limited can be contacted on 020 7416 7780.

Financial calendar

19 May 2011	Annual General Meeting
July 2011	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

If you have any queries regarding your shareholding in Downing Planned Exit VCT 4 plc, please contact the Registrar on the above number or visit Capita's website at **www.capitaregistrars.com** and click on "Shareholders".

downing planned exit VCT 4 plc

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COMPANY INFORMATION

Registered number	5634314
Directors	Hugh Gillespie (Chairman) Dennis Hale Chris Kay
Secretary and registered office	Grant Whitehouse 10 Lower Grosvenor Place London SW1W 0EN Tel: 020 7416 7780
Investment and Administration Manager	Downing Managers 4 Limited 10 Lower Grosvenor Place London SW1W 0EN 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 The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday) www.capitaregistrars.com
Bankers	Bank of Scotland 33 Old Broad Street London BX2 1LB

Share Scam Warning

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

INVESTMENT OBJECTIVES

Downing Planned Exit VCT 4 plc is a venture capital trust ("VCT") 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 11.

FINANCIAL HIGHLIGHTS

(All "pence per share")	**Year ended 30 Nov 10**	**Year ended 30 Nov 09**	**Year ended 30 Nov 08**	**Year ended 30 Nov 07**	**Year ended 30 Nov 06**
Net asset value	34.3	87.2	95.5	97.0	95.7
Total distributions paid since inception	56.0	6.0	3.5	1.0	1.0
Total return	90.3	93.2	99.0	98.0	96.7

DIRECTORS

Hugh Gillespie (Chairman) is non-executive chairman of a number of Downing VCTs, and a non-executive director of Burgess Group plc and Downing Distribution VCT 2 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 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 and was 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 a number of Downing VCTs.

Chris Kay has over 20 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is a non-executive director of a number of other VCTs (including other Downing VCTs) and chief executive of Chrysalis VCT Management Ltd. He is a Cambridge University graduate and gained an MBA at Manchester Business School.

All the Directors are non-executive.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to update Shareholders on developments that have taken place in the year ended 30 November 2010 and on the work that remains to be done as the Company continues to unwind its investment portfolio.

Portfolio activity and investment valuations

The Company's objective from the outset has been to seek to return funds to Shareholders after approximately five years since the close of the Company's fundraising in April 2006. The Investment Manager continued to work actively towards investment realisations throughout the year, achieving proceeds of £2.9m, all exits being at sums equal to previous carrying values. Details of the realisations are given on page 6.

The Company now effectively has four main investments remaining but does face some problems in exiting from these investments. Bank lending continues to be difficult to secure, particularly in the aftermath of the Irish financial crisis. The delicate state of the commercial and residential property markets is also having a significant impact on exit plans.

It is envisaged that exits from investments in West Tower Holdings, and the two Hoole Hall entities (Hoole Hall Country Club Holdings and Hoole Hall Spa and Leisure Club) will be achieved with the assistance of bank debt. Obtaining suitable bank funding is proving time-consuming but the Manager is optimistic that realisations from each of these investments will be achieved during the next few months.

Heyford Contracting (South) is a building contractor which has been involved in the construction of office buildings in Banbury and Uppingham, both of which are now nearing completion. The weakness of the commercial property market and the general economic conditions cast a significant level of uncertainty as to both the timing of and price at which an exit will ultimately be achieved. In view of this, a provision of £300,000 has been made against the investment.

Coast Constructors Limited (previously Richstone Contracting Limited) is involved in building an apartment and hotel development in South Devon, on land owned by Aminghurst Limited. Following the suspension of building work and a comprehensive review of the project, modified planning permission has been obtained and building work on the site has now recommenced. The revised development has required further funding from both your Company and other funders and it is now anticipated that a full exit from the investment will not be achieved until all apartments and the completed hotel have been sold. As with Heyford Contracting, this leaves some uncertainty in terms of timing and the final proceeds from this investment. Taking the investments in Coast Constructors and Aminghurst together, a net reduction in valuation of £332,000 has been made.

Net Asset Value

The Net Asset Value per share ("NAV") at 30 November 2010 stood at 34.3p. With dividends paid to date of 56.0p per share, Total Return (NAV plus cumulative dividends) stood at 90.3p per share.

The Company may be liable to pay a performance incentive fee to members of the management team and Directors if certain targets are met. The targets are related to the timing and amount of future dividends and it is uncertain at this stage what level of fee, if any, will ultimately be payable.

Results

The loss on activities after taxation for the year was £621,000 (2009 loss: £1,287,000) comprising a revenue loss of £31,000 (2009 profit: £370,000) and a capital loss of £590,000 (2009: loss £1,657,000).

Dividends

The Board would normally declare dividends when funds become available as a result of investment realisations. Recently some of the Company's available funds have had to be reinvested in Coast Constructors to help to fund the build out of the project as described above. As a result, the Company does not currently have a significant amount of available funds and is not therefore in a position to declare a further dividend at this time.

We anticipate that the next dividend will be declared in the third or fourth quarter of 2011.

Winding up plans

Under the Company's Articles of Association, the Company must put a resolution to Shareholders at the AGM in 2011, proposing that the Company discontinue as a Venture Capital Trust. This is proposed as Resolution 6 at the forthcoming AGM. If the resolution is passed, the Directors will put formal proposals for the liquidation, reorganisation or reconstruction of the Company to Shareholders within 9 months of the passing of the resolution.

As the Company is now at the stage of realising investments and returning funds to Shareholders, it is reducing in size and may, in due course, become less economically viable as a fully listed company than it currently is. VCT winding up regulations were introduced several years ago to allow VCTs to go into a members' voluntary liquidation and enjoy a relaxation of the usual VCT rules. For example, a VCT in liquidation would delist and therefore save listing and other associated fees. This may therefore be an attractive option for the Company.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

In view of the fact that the Company is now in the process of unwinding its portfolio and returning proceeds to Shareholders, the Board is keen to see that all investment proceeds are distributed across the whole Shareholder base and that funds utilised for share buybacks at this stage in the Company's life are minimal.

Having said that, the Board acknowledges that occasionally there are forced sellers of shares and feels that the Company should provide at least a basic level of support in those circumstances. Rather than suspend share buybacks entirely, the Board will from time to time consider making market purchases of its own shares. Any such purchases are likely to be undertaken at a substantial discount to the NAV.

The Board envisages that all Shareholders, other than those who may consider themselves to be forced sellers, will continue to hold their shares and receive the dividends from the Company which are expected to be paid as further investment realisations are achieved, as this effectively ensures that they exit from the investment at NAV rather than suffering a discount.

The Company did not buy any of its own shares during the year.

A special resolution to renew the Directors' authority to buy in the Company's shares is proposed for the forthcoming AGM as Resolution 5.

Annual General Meeting

The Company's fifth Annual General Meeting will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 10.30 a.m. on 19 May 2011.

One item of special business is proposed at the AGM in respect of the authority to buy in shares as noted above.

Outlook

It is now just short of five years since the close of the Company's fundraising and 56p per share has been returned to Shareholders to date. Taking into account the income tax relief of 40p per share that Shareholders received on their original investment, the net cost of the investment to original Shareholders is now just 4p per share and therefore most of the remaining returns to Shareholders can be viewed as "profit" on the investment. The level of this profit will be determined by the success the Manager has in exiting the remaining investments.

Whilst there is some uncertainty about when exits can be achieved, the Manager's priority is to preserve capital value. There are clear exit routes in place for some of the remaining investments and the Manager is confident that these can be achieved at or close to original cost. In the case of the two largest investments, there is work to be done to secure satisfactory outcomes. In these cases, there is the possibility that proceeds could ultimately be somewhat higher or, indeed, lower than the current valuations and it appears unlikely that these exits will be complete within the next 12 months.

While this outlook is a little more downbeat than we had hoped at this stage, the Board believes that the Manager is taking the right approach towards realising the remaining portfolio and, in time, can achieve satisfactory results for Shareholders.

Hugh Gillespie
Chairman

30 March 2011

INVESTMENT MANAGER'S REPORT

Introduction

In 2010 the Investment Manger was focused on realising investments, with the aim of returning funds to Shareholders. The challenging economic environment has continued to create uncertainty in the marketplace which has led to a slower than anticipated exit from investments as we have sought to achieve the optimal exit value for our Shareholders. Despite this challenging environment the Company successfully divested £2.9m of investments during the year.

Investment activity

The Company began the year with £9.4m of investments and ended the year with £6.0m. The £3.4m reduction was driven by disposals in investments of £2.9m, and a £637,000 valuation reduction on existing investments which was partly offset by a small new investment. The Company succeeded in recovering the cost of all investments disposed of during the year despite the current economic environment. The Company's year-end portfolio comprises 11 investments on which it is actively seeking exit routes.

In April 2010, the Company made a £169,000 additional investment in Coast Constructors Limited (previously called Richstone Contracting Limited), increasing the cost of investment to £1.119m. Previously, a full provision had been taken against the original investment whilst a revised funding plan was developed. In April 2010 the revised funding for both Coast Constructors and Aminghurst Limited was implemented to recover value in these investments, which are both dependent on the same development in South Devon. Post year-end, the Company made a further £636,000 investment in Coast Constructors Limited and is expected to realise this investment by the end of 2011. Following completion of the development, Aminghurst Limited will own a hotel on the site that is likely to take longer to realise.

The Company is planning to seek further realisations through the refinancing of West Tower Holdings Limited and the Hoole Hall Spa and Country Club investments which are all performing in line with budget. This process is taking longer than we initially expected, as banks' enthusiasm for lending to small businesses of this nature remains muted. We are aiming to borrow up to 50% of the value of the freehold trading properties.

Portfolio valuation

Whilst the majority of the portfolio performed in line with expectations in the period, the £637,000 valuation reduction was driven by three investments: Aminghurst Limited and Coast Constructors Limited (discussed above) and Heyford Contracting (South) Limited. Heyford Contracting (South) Limited is the developer of commercial offices in Banbury and in Uppingham. Construction of the offices is now complete and in order to exit the investment we are dependent on the successful sale of the properties. It is likely to take between 18 months and three years to achieve an exit from this investment at reasonable values, and even then we are unlikely to recover the full amount of our investment. Accordingly, it is the Company's view that a reduction in value is appropriate at this time.

Outlook

The general economic conditions in the UK are expected to see a modest improvement in 2011. The continued lack of available funding from traditional sources creates challenges for exiting from the Company's remaining portfolio, with the Company expecting that some investments will take longer to exit than originally expected. Despite these challenges we continue to focus on securing profitable exits and returning further Shareholders' funds in 2011.

Downing Managers 4 Limited

30 March 2011

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 30 November 2010:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
West Tower Holdings Limited	1,750	1,750	-	23.9%
Heyford Contracting (South) Limited**	1,650	1,199	(300)	16.4%
Hoole Hall Spa and Leisure Club Limited	1,000	1,000	-	13.7%
Hoole Hall Country Club Holdings Limited	875	875	-	11.9%
Coast Constructors Limited (formerly Richstone Contacting Limited)	1,119	643	474	8.8%
Sanguine Hospitality Limited*	243	238	(5)	3.2%
Future Films Production Services Limited	142	142	-	1.9%
Chapel Street Hotel (2008) LLP*	63	126	-	1.7%
Vermont Developments Limited*	902	50	-	0.7%
Chapel Street Hotel Limited*	3	3	-	0.0%
Aminghurst Limited*	993	-	(806)	0.0%
	8,740	6,026	(637)	82.2%
Cash at bank and in hand		1,306		17.8%
Total investments		7,332		100.0%

* Non qualifying investment
** Partially non qualifying investment

The movements in the portfolio during the year and the basis of valuation for the largest investments are set out on pages 7 to 10.

REVIEW OF INVESTMENTS

Investment movements for the year ended 30 November 2010

ADDITIONS

	£'000
Coast Constructors Limited (formerly Richstone Contacting Limited)	169
	169

DISPOSALS

	Cost £000	MV at 30/11/09 £000	Proceeds £000	Loss vs cost £000	Realised gain £000
Heyford Contracting (North) Limited	1,037	990	1,037	-	47
Bowman Care Homes Limited*	600	600	600	-	-
East Dulwich Tavern Limited*	319	319	319	-	-
Future Films Production Services Limited	308	308	308	-	-
Westow House Limited*	281	281	281	-	-
Atlantic Dogstar Limited*	150	150	150	-	-
Heyford Homes VCT Limited*	150	150	150	-	-
Hoi Polloi Pub Company Limited*	100	100	100	-	-
Vermont Developments Limited*	1	-	-	(1)	-
	2,946	2,898	2,945	(1)	47

*non qualifying VCT investment

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments:

VCT qualifying investments:

West Tower Holdings Limited

Cost:	£1,750,000	Valuation at 30/11/10:	£1,750,000
Date of first investment:	Feb 2008	Valuation at 30/11/09:	£1,750,000
		Valuation method:	Net assets
Investment comprises:			
Ordinary Shares:	£550,000	Proportion of equity held:	13.0%
Loan Stock:	£1,200,000	Proportion of loan stock held:	20.7%
Summary financial information from statutory accounts to 31 March 2010:		Turnover:	n/a
		Operating loss:	£36,368
		Net assets:	£2,508,818

West Tower Holdings Limited purchased West Tower Limited and The Swan Limited in 2008. West Tower has been re-launched as an exclusive wedding venue based in Aughton, Lancashire, and provides exclusive access to the property and its 17 bedrooms. The Swan Limited owns a nearby inn (traded through West Tower Limited) which was re-launched as a Marco Pierre White franchise restaurant in January 2010. The inn has 12 boutique style bedrooms.

www.westtower.com
www.mpwtheswan.co.uk

Heyford Contracting (South) Limited

HEYFORD
HOMES

Cost:	£1,650,000	Valuation at 30/11/10:	£1,199,975
Date of first investment:	Apr 2006	Valuation at 30/11/09:	£1,500,000
		Valuation method:	Net assets
Investment comprises:			
Ordinary Shares:	£450,025	Proportion of equity held:	37.7%
Loan Stock:	£1,199,975	Proportion of loan stock held:	50.0%
Summary financial information from statutory accounts to 31 December 2009:		Turnover:	£-
		Operating loss:	£156,793
		Net assets:	£1,494,914

Heyford Contracting (South) Limited is a building contractor which undertook a contract to construct a commercial office scheme in Banbury and a commercial construction project in Uppingham, Rutland. The Banbury scheme has completed and two units remain unsold. Phase 1 of the Uppingham project is complete and the enabling works for phase 2 have also completed. Under the construction contracts the Company has a first legal charge over the respective properties.

www.heyfordhomes.co.uk

Hoole Hall Spa and Leisure Club Limited

Cost:	£1,000,000	Valuation at 30/11/10:	£1,000,000
Date of first investment:	May 2008	Valuation at 30/11/09:	£1,000,000
		Valuation method:	Net assets- supported by third party valuation
Investment comprises:			
Ordinary Shares:	£700,000	Proportion of equity held:	9.7%
Loan Stock:	£300,000	Proportion of loan stock held:	16.8%
Summary financial information from statutory accounts to 31 March 2010:		Turnover:	n/a
		Operating profit:	n/a
		Net assets:	£617,925

Hoole Hall Spa and Leisure Club is a health club and spa adjacent to Hoole Hall Country Club. The company is trading well with over 2,000 members.

www.theclubandspachester.co.uk

REVIEW OF INVESTMENTS (continued)

Hoole Hall Country Club Holdings Limited

Cost:	£875,000	Valuation at 30/11/10:	£875,000
Date of first investment:	Dec 2008	Valuation at 30/11/09:	£875,000
		Valuation method:	Net assets- supported by third party valuation
Investment comprises:			
Ordinary Shares:	£487,500	Proportion of equity held:	11.3%
Loan Stock:	£387,500	Proportion of loan stock held:	5.1%
Summary financial information from statutory accounts to 31 March 2010:		Turnover:	£2,923,359
		Operating loss:	£1,757,562
		Net liabilities:	£4,732,857

Hoole Hall Country Club is set on a ten 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 and consists of a Doubletree by Hilton Hotel and a Marco Pierre White bar and grill.

www.theclubandspachester.co.uk

Coast Constructors Limited (Formerly Richstone Contracting Limited)

Cost:	£1,119,458	Valuation at 30/11/10:	£643,515
Date of first investment:	Sep 2006	Valuation at 30/11/09:	£-
		Valuation method:	Discounted cash flow
Investment comprises:			
Ordinary Shares:	£770,000	Proportion of equity held:	23.9%
Loan Stock:	£349,458	Proportion of loan stock held:	45.4%
Summary financial information from statutory accounts to 30 November 2009:		Turnover:	n/a
		Operating profit:	n/a
		Net liabilities:	£1,587,609

Coast Constructor Limited is currently constructing an apartment and hotel complex in Gara Rock, Devon, opposite the town of Salcombe. The development will comprise an 18 bedroom boutique hotel and spa, 14 apartments and 5 cottages and is expected to complete in 2011.

www.gararock.co.uk

Sanguine Hospitality Limited

SANGUINE HOSPITALITY

Cost:	£242,900	Valuation at 30/11/10:	£237,500
Date of first investment:	May 2007	Valuation at 30/11/09:	£242,900
		Valuation method:	Cost- reviewed for impairment
Investment comprises:			
Ordinary Shares:	£5,400	Proportion of equity held:	1.7%
Loan Stock:	£237,500	Proportion of loan stock held:	16.1%
Summary financial information from statutory accounts to 31 March 2010:		Turnover:	n/a
		Operating profit:	n/a
		Net liabilities:	£888,011

Sanguine is a hotel management and investment company. It manages a range of hotels, conference centres and similar properties, many of which it has also invested in.

www.sanguinehospitality.com

Future Films Production Services Limited

Cost:	£141,915	Valuation at 30/11/10:	£141,915
Date of first investment:	July 2007	Valuation at 30/11/09:	£450,000
		Valuation method:	Cost- reviewed for impairment
Investment comprises:			
Ordinary Shares:	£141,915	Proportion of equity held:	16.6%
Loan Stock:	£-	Proportion of loan stock held:	n/a
Summary financial information from statutory accounts to 30 April 2009:		Turnover:	£2,675,289
		Operating loss:	£54,522
		Net assets:	£1,239,922

Future Films is a film production company which is not taking on any new contracts, and is winding down its activities. To date the loan notes and part of the equity has been repaid to the Company. A complete exit from the investment is expected in 2011.

www.futurefilmgroup.com

REVIEW OF INVESTMENTS (continued)

Chapel Street Hotel (2008) LLP

Cost:	£62,500	Valuation at 30/11/10:	£126,000
Date of first investment:	Oct 2008	Valuation at 30/11/09:	£126,000
		Valuation method:	Price of recent investment
Investment comprises:			
Ordinary Shares:	£62,500	Proportion of equity held:	3.1%
Loan Stock:	-	Proportion of loan stock held:	n/a
Summary financial information from statutory accounts to 31 October 2009:		Turnover:	£26,305
		Operating loss:	£251
		Net assets:	£194,513

www.hotelindigoliverpool.co.uk

Chapel Street Hotel LLP provided the financial backing for the Chapel Street Hotel development in return for an option to buy the land. We expect the loan to be repaid and the option cancelled once the building of the hotel has completed in 2011.

Vermont Developments Limited

VERMONT

Cost:	£902,000	Valuation at 30/11/10:	£50,000
Date of first investment:	Feb 2007	Valuation at 30/11/09:	£50,000
		Valuation method:	Third party valuation
Investment comprises:			
Ordinary Shares:	£256	Proportion of equity held:	12.5%
Loan Stock:	£902,221	Proportion of loan stock held:	32.7%
Summary financial information from statutory accounts:			

Vermont Developments Limited owns development land at Adelphi Street, Salford. Due to a significant deterioration in the availability of credit it was not possible to secure funding to build out the site. We have now granted an option on the site to a third party developer who is planning a major development of the area.

Chapel Street Hotel Limited

Cost:	£2,500	Valuation at 30/11/10:	£2,500
Date of first investment:	Dec 2008	Valuation at 30/11/09:	£2,500
		Valuation method:	Cost- reviewed for impairment
Investment comprises:			
Loan Stock:	£2,500	Proportion of loan stock held:	25%
Summary financial information from statutory accounts to 31 December 2009:		Turnover:	n/a
		Operating profit:	£118,574
		Net liabilities:	£42,099

www.hotelindigoliverpool.co.uk

Chapel Street Hotel Limited is a hotel development in the financial district of Liverpool. The building work is expected to complete in 2011 with the hotel opening soon after.

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.

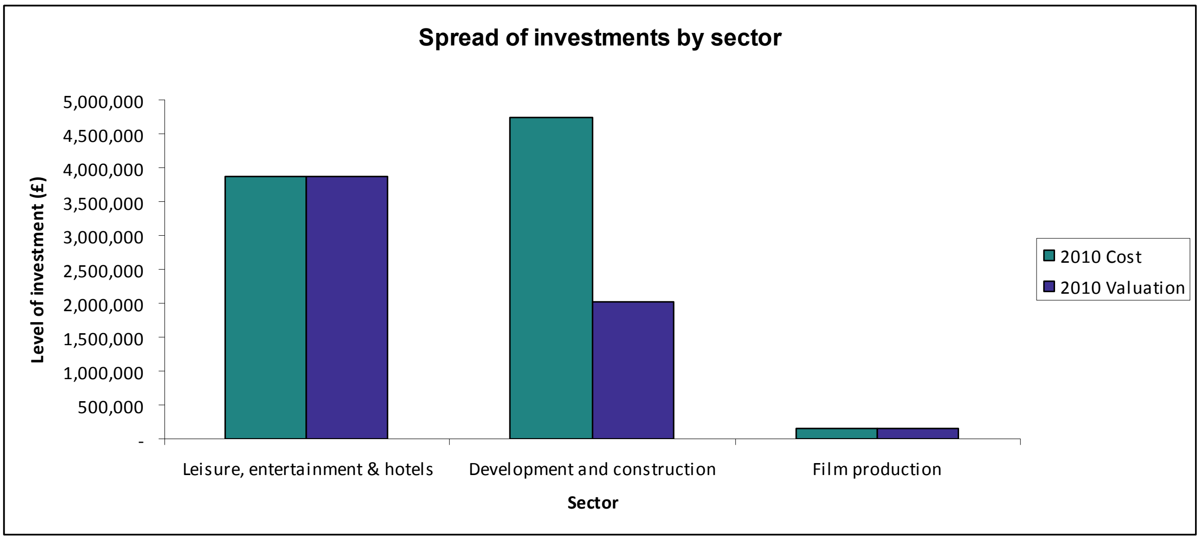
Summary of loan stock interest income recognised in year

	£'000
Loan stock interest recognised in year from ten largest investments	
West Tower Holdings Limited	-
Heyford Contracting (South) Limited	-
Hoole Hall Spa and Leisure Club Limited	80
Hoole Hall Country Club Holdings Limited	44
Coast Constructors Limited (Formerly Richstone Contracting Limited)	18
Sanguine Hospitality Limited	19
Future Films Production Services Limited	-
Chapel Street Hotel (2008) LLP	-
Vermont Developments Limited	-
Chapel Street Hotel Limited	-
	161
Recognised from other investments	24
	185

REVIEW OF INVESTMENTS (continued)

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and value at 30 November 2010) is as follows:



Analysis of investments by type

The allocation of the Company's funds compared to the intended split at 30 November 2010 is summarised as follows:

	Actual portfolio split at 30 Nov 2010	Target Portfolio split
VCT qualifying investments		
Loans to qualifying companies	61%	50%
Ordinary shares in qualifying companies	30%	25%
Total	91%	75%
Non-qualifying investments		
Loans to non qualifying companies	9%	n/a
Ordinary shares in non qualifying companies	0%	n/a
Total	9%	25%
	100%	100%

Under the valuation rules basis within the VCT regulations, the Company continues to meet the requirements of the "70% test" whereby it must hold at least 70% of its funds in VCT qualifying investments (see page 12 for details).

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 30 November 2010.

Principal activity and status

The Directors initially obtained approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Company revoked its status as an investment company on 16 February 2009 to give it the flexibility to consider paying capital dividends. However, the Directors consider that the Company has conducted its affairs in a manner to enable it to continue 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.

Share capital

The Company's capital structure has one class of shares, being Ordinary shares of 1p each. At 30 November 2010, the Company had 21,450,413 such shares in issue.

The Company did not repurchase any of its Shares during the year.

Results and dividends

	£'000	Pence per share
Loss for the year	(621)	(2.9p)

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 5 April 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 2010. It will be recalculated for the year ended 30 November 2011, and at relevant points thereafter.

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary 1p shares of Downing Planned Exit VCT 4 plc or Downing Planned Exit VCT 5 plc at 30 November 2009, 30 November 2010 and the date of this report were as follows:

	Downing Planned Exit VCT 4 plc		Downing Planned Exit VCT 5 plc	
	30 Nov 2010 No. of shares	30 Nov 2009 No. of shares	30 Nov 2010 No. of shares	30 Nov 2009 No. of shares
Directors				
Hugh Gillespie	5,150	5,150	-	-
Dennis Hale	-	-	15,675	15,675
Chris Kay	-	-	12,390	12,390

Downing Planned Exit VCT 4 plc and Downing Planned Exit VCT 5 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.

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 three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Insurance cover

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

Investment Policy

After 30 November 2008, the Company's strategy is to hold at least 75% of its funds in VCT qualifying investments and to seek realisations such that funds can be returned to Shareholders within approximately five years of the close of the Company's original fundraising.

REPORT OF THE DIRECTORS (continued)

Investment Policy (continued)

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-/A3.

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:

1. To ensure that, by and from 1 December 2008, the Company holds at least 70% of its investments in qualifying companies (as defined by Chapter 6 of Income Tax Act 2007);
2. To ensure that, by and from 1 December 2008, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital);
3. At least 10% of each investment in a qualifying company is held in eligible shares (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;
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; and
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

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 aggregate amount paid on any shares issued by the Company, currently equal to £10.7 million. There are no plans to utilise this ability at the current time.

Investment and Administration Manager

Downing Managers 4 Limited ("DM4") provides investment management services to the Company. DM4 is a wholly owned subsidiary of the Company and is paid 1% of net assets per annum based on weighted monthly average net asset value.

The Board is satisfied with DM4's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of DM4 as Investment Manager remains in the best interest of Shareholders.

Additionally, DM4 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 DM4 through a reduction in fees.

Trail commission

The Company has an agreement to pay trail commission annually to Downing Corporate Finance Limited in connection with the Company's original fundraising of Ordinary Shares. This is calculated at 0.25% of the Net Asset Value at each year end.

VCT status

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 works closely with the Investment Manager, they report directly to the Board.

Compliance with the VCT regulations (as described in the Investment Policy) for the year under review is summarised as follows:

	Year ended 30 Nov 2010
1. The Company holds at least 70% of its investments in qualifying companies;	76.2%
2. At least 30% of the Company's qualifying investments are held in "eligible shares";	42.3%
3. At least 10% of each investment in a qualifying company is held in eligible shares;	Complied
4. No investment constitutes more than 15% of the Company's portfolio;	Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	90.8%
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; and	Complied
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

REPORT OF THE DIRECTORS (continued)

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.

Environmental and social policy
As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

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, credit and market risks, are summarised within note 19 to the financial statements.

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 reliefs 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 2006, 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 compliance reports from the Managers which monitor 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.

Substantial interests
As at 30 November 2010, 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.

Auditors
A resolution to reappoint PKF (UK) LLP as the Company's auditor will be proposed at the AGM.

Annual General Meeting
The Annual General Meeting will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 10.30 a.m. on 19 May 2011. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements, and the Directors' Remuneration Report, comply with the requirements of the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company included on the Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS (continued)

Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors confirm to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and result of the Company; and

- that the management report included within the Report of the Directors, Chairman's Statement, Investment Manager's Report and the Review of Investments includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on page 2.

Electronic publication

The financial statements are published on www.downing.co.uk.

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (www.frc.org.uk) is shown on pages 17 to 19.

Statement as to disclosure of information to Auditors

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

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary of Downing Planned Exit VCT 4 plc

Company number: 5634314

Registered office:
10 Lower Grosvenor Place
London SW1W 0EN

30 March 2011

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Section 420 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 19 May 2011.

Under the requirements of Section 497, 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 20.

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 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.

Agreement for services

Each of the Directors has entered into an agreement for services for a fixed term of three years from the date of their appointment and thereafter on a three month rolling notice. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

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 2010 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%
	100.0%

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 2010. It will be recalculated for the year ended 30 November 2011, and at relevant points thereafter.

Directors' remuneration (audited)

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

	Current annual fee £	Year ended 30/11/10 £	Year ended 30/11/09 £
Hugh Gillespie	7,500	7,500	7,500
Dennis Hale	6,000	6,000	6,000
Chris Kay	6,000	6,000	6,000
	19,500	19,500	19,500

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 as part of their performance incentive arrangements. Interest is payable on these loans 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	679	85.7%
	792	100.0%

2010/2011 Remuneration

The remuneration levels for the forthcoming year for the Directors of Downing Planned Exit VCT 4 plc are expected to be at the current annual fee levels shown in the table on page 15.

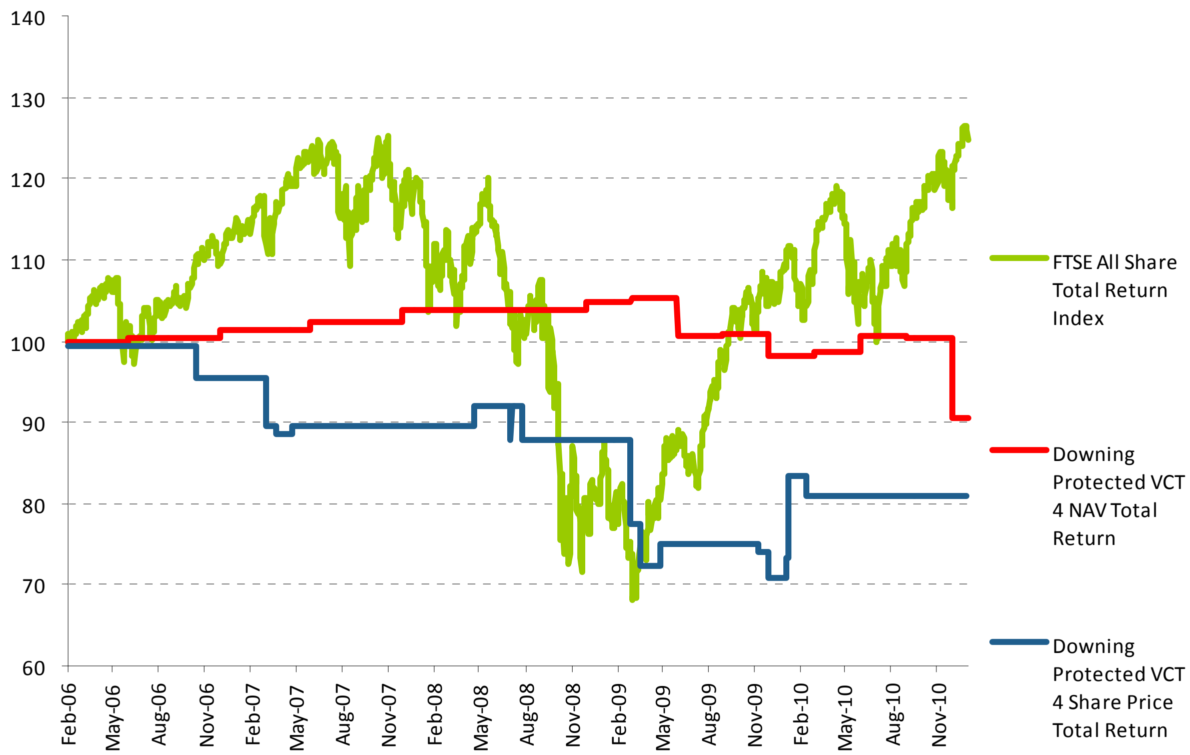
Performance graph

The chart below represents the Company's performance over the period since shares were first listed on the London Stock Exchange, and compares the NAV Total Return of the Company (Net Asset Value plus dividends reinvested) and Share Price Total Return of the Company (Share price plus dividends reinvested) to the FTSE All Share Total Return Index. Although the FTSE All Share Total Return Index is not a perfect benchmark for the Company, it has been chosen as a comparison as the Board considers it is the most appropriate of the major publicly available indices. All series have been rebased to 100 at January 2006, being the Company's launch date.

By order of the Board

Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

30 March 2011



CORPORATE GOVERNANCE

The Directors support the relevant principles of the Combined Code issued in June 2008, 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 the other 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, the terms of engagement of all third party advisers (including Investment Managers and administrators). 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. In addition annual reports are received from the Auditor confirming their independence status. 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 twice during the year. During the year, the Committee reviewed the internal financial controls and concluded that they remained appropriate. 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. The Audit Committee understands that the Investment and Administration Managers have whistle blowing procedures in place.

Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

	Board meetings attended	**Audit committee meetings attended**	**Remuneration and nomination committee meetings attended**
	(5 held)	(2 held)	(0 held)
Hugh Gillespie	5	2	n/a
Dennis Hale	5	2	n/a
Chris Kay	5	2	n/a

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 15, 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 Report of the Directors on page 13, and a statement by the Auditors about their reporting responsibilities is set out in the Auditors' Report on page 20.

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 is 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 Managers 4 Limited.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 and 4, the Investment Manager's Report on page 5 and the Report of the Directors on page 13. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow statement on page 23 and the Report of the Directors on page 12. In addition, notes 18 to 19 of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 apply the going concern basis in preparing the financial statement.

Should the winding-up plans as set out in the Chairman's statement be approved, the Directors do not envisage that this will have any impact on the ongoing valuations of the investments as they will continue to be stated at fair value until they are realised.

Share Capital

The Company has one class of share capital. The rights and obligations attaching to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on pages 3 and 4 and page 11 of the Chairman's Statement and Report of the Directors respectively.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 30 November 2010 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, D1-1, D1-2)

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)

CORPORATE GOVERNANCE (continued)

Compliance statement

c) The Company does not have any independent directors as defined by the Combined Code issued in June 2008 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)

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

30 March 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOWNING PLANNED EXIT VCT 4 PLC

We have audited the financial statements of Downing Planned Exit VCT 4 plc for the year ended 30 November 2010 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 reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Corporate Governance Statement, set out on page 18, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

PKF (UK) LLP

Rhodri Whitlock (Senior statutory auditor)
For and on behalf of PKF (UK) LLP
Statutory auditors
London UK

30 March 2011

INCOME STATEMENT

For the year ended 30 November 2010

		Year ended 30 November 2010			Year ended 30 November 2009		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	204	-	204	888	-	888
Losses on investments	9	-	(590)	(590)	-	(1,657)	(1,657)
		204	(590)	(386)	888	(1,657)	(769)
Investment management fees	3	(101)	-	(101)	(198)	-	(198)
Other expenses	4	(134)	-	(134)	(162)	-	(162)
(Loss)/return on ordinary activities before tax		(31)	(590)	(621)	528	(1,657)	(1,129)
Tax on ordinary activities	6	-	-	-	(158)	-	(158)
(Loss)/return attributable to equity Shareholders		(31)	(590)	(621)	370	(1,657)	(1,287)
Basic and diluted (loss) per share	8	(0.1p)	(2.8p)	(2.9p)	1.7p	(7.7p)	(6.0p)

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. 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.

Other than revaluation movements arising on investments held at fair value through the Income Statement, there were no differences between the return/deficit as stated above and at historical cost.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	Year ended 30 November 2010 £'000	Year ended 30 November 2009 £'000
Opening Shareholders' funds		18,710	20,643
Purchase of own shares	13	-	(106)
Total recognised loss for the year		(621)	(1,287)
Dividends paid	7	(10,725)	(540)
Closing Shareholders' funds		7,364	18,710

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

BALANCE SHEET
as at 30 November 2010

	Note		2010		2009
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		6,026		9,392
Current assets					
Debtors	10	133		205	
Cash at bank and in hand	17	1,306		9,319	
		1,439		9,524	
Creditors: amounts falling due within one year	11	(80)		(185)	
Net current assets			1,359		9,339
Net assets less current liabilities			7,385		18,731
Creditors: amounts falling due after more than one year	12		(21)		(21)
Net assets			7,364		18,710
Capital and reserves					
Called up share capital	13		215		215
Capital redemption reserve	14		2		2
Special reserve	14		9,910		20,099
Capital reserve - realised	14		2		3
Revaluation reserve	14		(2,713)		(2,124)
Revenue reserve	14		(52)		515
Total equity Shareholders' funds			7,364		18,710
Basic and diluted net asset value per Ordinary Share	15		34.3p		87.2p

The financial statements on pages 21 to 34 were approved and authorised for issue by the Board of Directors on 30 March 2011 and were signed on its behalf by

Hugh Gillespie
Chairman
Company number: 5634314

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

CASH FLOW STATEMENT
for the year ended 30 November 2010

	Note	Year ended 30 Nov 2010 £'000	Year ended 30 Nov 2009 £'000
Net cash (outflow)/ inflow from operating activities	16	(11)	483
Taxation			
Corporation tax paid		(53)	(235)
Capital expenditure			
Purchase of investments	9	(169)	(4,066)
Sale of investments	9	2,945	12,904
Net cash inflow from capital expenditure		2,776	8,838
Equity dividends paid	7	(10,725)	(540)
Net cash (outflow)/ inflow before financing		(8,013)	8,546
Financing			
Purchase of own shares	13	-	(106)
Net cash outflow from financing		-	(106)
(Decrease)/ increase in cash	17	(8,013)	8,440

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

NOTES TO THE ACCOUNTS
for the year ended 30 November 2010

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 and Venture Capital Trusts" January 2009 ("SORP").

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value and on the basis that it is not necessary to prepare consolidated accounts as explained in note 9.

The Company implements new Financial Reporting Standards ("FRS") issued by the Accounting Standards Board when required. No new standards have had a material effect on the Company's operations for the year under review.

Presentation of Income Statement
In order to better reflect the activities of a venture capital trust and in accordance with the SORP, 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
Venture capital investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS26.

For unquoted investments, fair value is established using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery) the loss on the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed.

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 time apportionment basis, by reference to the principal sum outstanding and at the effective rate applicable and only where there is reasonable certainty of collection.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

Expenses
All expenses are accounted for on an 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 the policy of allocating Investment Manager's fees 100% as revenue.

Taxation
The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arise.

Deferred taxation, which is not discounted, 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 the accounts.

Other debtors, other creditors and loan notes
Other debtors (including accrued income), other creditors and loan notes are included within the accounts at amortised cost, equivalent to the fair value of the expected balance receivable/payable by the Company.

2. Income

	2010 £'000	2009 £'000
Income from investments		
Loan stock interest	185	868
	185	868
Other income		
Bank interest	19	20
	204	888

3. Investment management fees

The Company's subsidiary undertaking, Downing Managers 4 Limited ("DM4"), 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.

	2010 £'000	2009 £'000
Investment management fees	101	198

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

4. Other expenses

	2010 £'000	2009 £'000
Administration services	45	45
Trail commission	18	47
Directors' remuneration	19	19
Social security costs	1	1
Auditors' remuneration for audit	11	13
Auditors' remuneration for tax compliance services	2	1
Other expenses	38	36
	134	162

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 audited part of the Directors' Remuneration Report on pages 15 and 16.

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

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.

6. Tax on ordinary activities

		2010 £'000	2009 £'000
(a)	**Tax charge for year**		
	UK corporation tax	-	158
	Charge for the year	-	158
(b)	**Factors affecting tax charge for the year**		
	Return on activities before taxation	(621)	(1,129)
	Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 21.0% (2009: 27.5%)	(130)	(310)
	Effects of:		
	Losses on investments	124	455
	Expenses disallowed for tax purposes	4	13
	Losses available to carry forward	2	-
		-	158

7. Dividends

	Year ended 30 November 2010			Year ended 30 November 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid in year						
2010 Interim – 40.0p	-	8,580	8,580	-	-	-
2009 Final – 10.0p	536	1,609	2,145	-	-	-
2008 Final – 2.5p	-	-	-	540	-	540
	536	10,189	10,725	540	-	540

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

8. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue (loss)/return	Capital loss
Return per share is calculated on the following:		£'000	£'000
Year ended 30 November 2010	21,450,413	(31)	(590)
Year ended 30 November 2009	21,545,083	370	(1,657)

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.

9. Investments
"Fair value through profit or loss" assets

	Venture capital investments £'000
Opening cost at 30 November 2009	11,516
Losses at 30 November 2009	(2,124)
Opening fair value at 1 December 2009	9,392
Movement in the year:	
Purchased at cost	169
Sale - proceeds	(2,945)
- realised gains on sales	47
Unrealised losses in the Income Statement	(637)
Closing fair value at 30 November 2010	6,026
Closing cost at 30 November 2010	8,739
Losses at 30 November 2010	(2,713)
	6,026

An analysis of venture capital investments between equity and non-equity elements is set out in note 18.

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 Managers 4 Limited ("DM4") with an attributable cost of £1. Results of the subsidiary undertaking for the year ended 30 November 2010 were as follows:

	Country of registration	Nature of Business	Turnover	Profit before tax	Net assets
			£'000	£'000	£'000
Downing Managers 4 Limited	England and Wales	Investment management and administration services	147	-	5

This subsidiary undertaking has not been consolidated as its exclusion does not materially alter the group's accounts. 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 DM4) are directors and shareholders, has been granted an option to acquire the entire share capital of DM4 at any time after 1 February 2010, for an amount equal to the net asset value of DM4 at the time of exercise.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

10. Debtors

	2010 £'000	2009 £'000
Prepayments and accrued income	133	205
	133	205

11. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to subsidiary undertaking	30	59
Corporation tax	-	54
Other taxes and social security	2	2
Accruals and deferred income	48	70
	80	185

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

	£'000	£'000
Loan notes	21	21

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

	2010 £'000	2009 £'000
Authorised:		
40,000,000 ordinary shares of 1p each	400	400
Issued, Allotted, called up and fully-paid:		
21,450,413 (2009: 21,450,413) ordinary shares of 1p each	215	215

14. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
At 1 December 2009	2	20,099	3	(2,124)	515	18,495
Transfer between reserves	-	-	(48)	48	-	-
Gains/(losses) on investments	-	-	47	(637)	-	(590)
Retained revenue	-	-	-	-	(31)	(31)
Dividend paid	-	(10,189)	-	-	(536)	(10,725)
At 30 November 2010	2	9,910	2	(2,713)	(52)	7,149

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, Capital reserve – realised, and Revenue reserve are all distributable reserves. Distributable reserves at 30 November 2010 were £9,860,000.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

15. Basic and diluted net asset value per Ordinary Share

	Shares in issue		2010 Net Asset Value		2009 Net Asset Value	
	2010	2009	Pence per share	£'000	Pence per share	£'000
Ordinary shares	21,450,413	21,450,413	34.3	7,364	87.2	18,710

As the Company has not issued any convertible shares or share options, there is no dilutive net asset value per ordinary share. The Net Asset Value per share disclosed therefore represents both the basic and diluted net asset value per ordinary share.

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

	2010 £'000	2009 £'000
Return on ordinary activities before taxation	(621)	(1,129)
Losses on investments	590	1,657
Decrease/(increase) in debtors	72	(40)
(Decrease) in creditors	(23)	(3)
Decrease in amounts due to subsidiary undertaking	(29)	(2)
Net cash (outflow)/inflow from operating activities	(11)	483

17. Analysis of changes in cash at bank during the year

	2010 £'000	2009 £'000
Beginning of year	9,319	879
Net cash (outflow)/inflow	(8,013)	8,440
End of year	1,306	9,319

18. Financial instruments and derivatives

The Company's financial instruments comprise investments in unquoted companies, loans & receivables (including cash at bank and debtors) and other financial liabilities. Investments are designated as "fair value through profit and loss". The main purpose of these investments is to generate revenue and capital appreciation for the Company's members.

The fair value of investments is determined using the detailed accounting policy as shown in note 1.

Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company has not entered into any derivative transactions.

FRS29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration, and noting that the valuation methodology applied to a substantial proportion of the portfolio is net asset based, the Directors do not believe that changes to reasonable possible alternative assumptions for the valuation of the portfolio would lead to a significant change in the fair value of the portfolio.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

18. Financial instruments and derivatives (continued)

The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level 1 Reflects financial instruments quoted in an active market;
Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3 Reflects financial instruments that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2009 £'000
Loan notes	-	-	4,253	4,253	-	-	6,940	6,940
Unquoted equity	-	-	1,773	1,773	-	-	2,452	2,452
	-	-	6,026	6,026	-	-	9,392	9,392

Reconciliation of fair value for Level 3 financial instruments held at the period end:

	£'000
Balance at 30 November 2009	9,392
Movements in the income statement:	
Unrealised losses in the income statement	(637)
Realised gains in the income statement	47
	8,802
Purchases at cost	169
Sales proceeds	(2,945)
Balance at 30 November 2010	6,026

Interest rate risk profile of financial assets and financial liabilities
There are four levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise loan note investments;
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and loan note instruments;
- "Variable rate" assets represent investments with interest rate linked, by formula, to utilisation of funds by investee companies and comprise loan note investments;
- "No interest rate" assets do not attract interest and comprise equity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Weighted average interest rate	Weighted average period until maturity	2010 £'000	2009 £'000
Fixed rate	10.8%	571	4,052	6,073
Variable rate	0.0%	n/a	-	806
Floating rate	2.1%	721	1,539	9,338
No interest rate			1,773	2,493
			7,364	18,710

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

Currency exposure
As at 30 November 2010, the Company had no foreign currency exposures.

Borrowing facilities
The Company had no committed borrowing facilities as at 30 November 2010.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

19. Principal financial risks

As a VCT, the majority of the Company's assets are represented by financial instruments which are held as part of the investment portfolio. In order to ensure continued compliance with relevant VCT regulation and to be in a position to deliver the long term capital growth, which is part of the Company's investment objective, the Board is very much aware of the need to manage and mitigate the risks associated with these financial instruments.

The management of these risks starts with the application of a clear investment policy which has been developed by the Board who are experienced investment professionals. Furthermore, the Board has appointed an experienced Investment Manager to whom they have communicated the Company's investment objectives and whose remuneration is linked to the achievement of those objectives. The Investment Manager reports regularly to the Board on performance, and to facilitate the direct Board involvement with key decisions, on whether or not to invest, disinvest and the nature, terms and the security of investments being made.

Further information about the VCT's investment policy is set out in the Report of the Directors on pages 11 to 12.

In assessing the risk profile of its investment portfolio, the Board has identified two principal classes of financial instrument which are analysed within note 9. All investments are "fair value through the profit and loss account" and are recognised as such on initial recognition.

In addition to its investment portfolio, the VCT maintains a cash position. Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc. The Directors consider that the risk profile associated with cash deposits is low and thus the carrying value in the financial statements is a close approximation of the fair value.

The Board has reviewed the Company's financial risk profile. Despite the fact that there has been a clear deterioration in the economic climate, the Board has concluded that, as a result of the manner in which the Company structures its investments so as to try to reduce downside risk, the Company's exposure to financial risk has not changed significantly since the previous year.

The main risks arising from the Company's financial instruments are interest rate, market risk and credit 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. A review of the specific financial risks faced by the Company is presented below.

Market risk
The key market risks to which the company is exposed are interest rate risk and market price risk. The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Market price risk
The Company has no holdings in any listed or quoted equities at the year end. As such it has no direct exposure to substantial movements experienced by stock markets. The Company generally structures its investments such that the majority of any losses are initially borne by its investment partners. Therefore the Company has reduced its exposure to a fall in the value of the businesses in which it invests and any underlying assets held by those businesses, such that it has a charge over substantial assets of the underlying business. The sensitivity of the investments to a 10% increase or decrease in valuation would be an increase or decrease in total return of £603,000 (2009: £939,000) and an increase or decrease in net asset value of the same amount or 8% (2009: 5%).

Interest rate risk
The Company's investment portfolio includes variable rate, floating rate and fixed rate financial instruments, the fair values of which are influenced by differing degrees to changes in market price. Generally, unless the risk profile attaching to the loan note changes, the fair value of variable and floating rate investments is unlikely to alter materially. The fair value of fixed rate investments would, theoretically, increase as base rates fall. However, as a result of the structuring of the Company's investments, the fixed rate investments (loan notes) have strict redemption and transferability conditions and, therefore, any theoretical uplift in fair value would not be a fair reflection of the realisable value of this class of investment.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

19. Principal financial risks (continued)

Interest rate risk (continued)

The Company's future cash flows can be influenced by changes in interest rates resulting in an increase or decrease in income from investments linked to the base rate, and by the credit worthiness of the borrowers of the funds. The maximum exposure to this risk amounts to the value of variable and floating rate assets of £1.5 million (2009: £10.0 million). Sensitivity has been tested by the impact on the NAV over a one year period of a fall in the base rate to nil, being the largest possible fall. The estimated impact on performance and NAV is not deemed significant. The impact is summarised below.

			2010			2009
Movement in interest rate	Risk exposure	Impact on Net Assets	Impact on NAV per share	Risk exposure	Impact on Net Assets	Impact on NAV per share
	£'000	£'000	Pence	£'000	£'000	Pence
0.5% (2009: 0.5%) fall in base rate						
Floating rate investments	1,539	6	0.03p	9,338	23	0.11p
Variable rate investments	-	-	-	806	3	0.01p
4.0% rise in base rate						
Floating rate investments	1,539	45	0.21p	9,338	268	1.25p
Variable rate investments	-	-	-	806	23	0.11p

Credit risk

Credit risk is the risk that the counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company's financial assets that are exposed to credit risk are summarised as follows:

		2010 £'000	2009 £'000
Investments in loan stocks	note 18	4,253	6,940
Cash and cash equivalents		1,306	9,319
Interest, dividends and other receivables		127	179
		5,686	16,438

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures.

Cash is mainly held by Bank of Scotland plc. Consequently, the Directors consider that the risk profile associated with cash deposits is low. Interest, dividends and other receivables are predominantly covered within the investment management procedures.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the Company only ever has a very low level of creditors, being £80,000 (2009: £185,000), holds significant cash balances and no borrowings (other than the £21,000 of loan notes issued to the management team in respect of the performance incentive fee), the Board believes that the Company's exposure to liquidity risk is low.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows a maturity analysis of the assets, representing the length of time that it could take the Company to realise assets if it were required to do so.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

19. Principal financial risks (continued)

Liquidity risk (continued)

As at 30 November 2010	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Past due £'000	Total £'000
Loan note investments	-	-	-	715	3,538	4,253
Unquoted investments	-	-	-	1,773	-	1,773
Accrued loan note income	-	127	-	-	-	127
	-	127	-	2,488	3,538	6,153

Past due financial assets, as shown above, relate to five loan note investments on which the interest is overdue. Otherwise, one would fall between three months and one year and the other four would fall between one and five years. The investments are still deemed recoverable, in full, by the Investment Manager.

20. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for Shareholders.

The requirements of the VCT Regulations and the fact that the Company, with the exception of the loan notes of £21,000, has a policy of not having any borrowings mean that there is limited scope to manage the Company's capital structure. However, to the extent it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to Shareholders, purchasing its own shares or issuing new shares.

As the Company has a low level of liabilities, the Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

21. Contingencies, guarantees and financial commitments

Contingent liability re. performance incentive fees

As explained in the Report of the Directors on page 11, the Company may be liable to pay performance incentive fees by way of additional interest on the loan notes issued to the Management Team and Directors. The amount of additional interest, if any, is dependent on the level of distributions made to Shareholders before 5 April 2012. The maximum amount payable under these arrangements is 10% of the net proceeds paid to Shareholders.

If the Company's assets and liabilities were realised at the current carrying values and other targets met, the maximum level of performance fees payable would be £1.6 million (equivalent to 7.3p per share). However, in view of the significant uncertainties as to what extent the targets will actually be met, the Directors are unable to make a reliable estimate of the performance fees (if any) that will ultimately be payable.

Other than as described above, at 30 November 2010, the Company had no contingencies, guarantees or financial commitments.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 November 2010

22. Related party transactions

Downing Managers 4 Limited ("DM4"), a wholly owned subsidiary, is the Company's Investment Manager. Details of the agreement with DM4 are included in note 3. During the year ended 30 November 2010, £101,000 (2009: £198,000) was payable to DM4. Additionally, DM4 provides accounting, secretarial and administrative services for an annual fee of £40,000 (plus RPI) per annum. During the year ended 30 November 2010, £45,000 (2009: £45,000) was due in respect of administration fees. At the year end a balance of £30,000 (2009: £59,000) was due to DM4.

Each Director holds loan notes issued by the Company as part of the performance incentive arrangements. These are described in the Directors' Remuneration Report on page 16 and referred to in note 21 in respect of the contingent liability relating to these loan notes.

23. Controlling party

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

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING OF DOWNING PLANNED EXIT VCT 4 PLC

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Downing Planned Exit VCT 4 plc will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 10.30 a.m. on 19 May 2011 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 2010 together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. 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 or until the Company is liquidated, whichever is the sooner.
4. 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

5. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) 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 3,196,112, representing approximately 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 five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

   (iv) the Company may validly 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 on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

Ordinary Resolution

6. That the Company discontinue as a Venture Capital Trust and that proposals be submitted to Shareholders for the voluntary liquidation, reconstruction or other reorganisation of the Company within 9 months of the passing of this resolution.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary

Registered Office
10 Lower Grosvenor Place
London SW1W 0EN

30 March 2011

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING (continued)

Notes

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Downing Management Services Limited before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

(e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, 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 for at least 15 minutes prior to and during the meeting.

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10.30 a.m. on 17 May 2011 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10.30 a.m. on 17 May 2011 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(g) As at 9 a.m. on 30 March 2011, the Company's issued share capital comprised 21,450,413 Ordinary Shares and the total number of voting rights in the Company were 21,450,413. The website referred to above will include information on the number of shares and voting rights.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

DOWNING PLANNED EXIT VCT 4 PLC

For use at the Annual General Meeting of the above-named Company to be held on 19 May 2011, at 10 Lower Grosvenor Place, London SW1W 0EN at 10.30 a.m.

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 10 Lower Grosvenor Place, London SW1W 0EN on 19 May 2011 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast. Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	**FOR**	**AGAINST**	**WITHHELD**
1. To receive and adopt the Directors' report and accounts.	☐	☐	☐
2. To approve the Directors' Remuneration Report.	☐	☐	☐
3. To re-appoint the Auditors and authorise the Directors to determine their remuneration.	☐	☐	☐
4. To re-elect Hugh Gillespie as a Director.	☐	☐	☐
SPECIAL BUSINESS			
5. To authorise the Directors to make market purchases of its shares.	☐	☐	☐
6. That the Company discontinue as a Venture Capital Trust.	☐	☐	☐

Dated this ……………………… day of ………………………………………………………………………… 2011

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

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

* Delete as appropriate

NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

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Business Reply
Licence Number
RRJU-YLYH-CTJK

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Downing Planned Exit VCT 4 plc
c/o Downing Management Services Limited
10 Lower Grosvenor Place
London SW1W 0EN

Second Fold

First fold