

# Downing Planned Exit VCT 4 PLC

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Half-Yearly Report for  
the six months ended  
31 May 2007

# SHAREHOLDER INFORMATION

## Performance summary

	Downing Protected VCT IV plc		Downing Protected VCT V plc	
	31 May 2007	30 Nov 2006	31 May 2007	30 Nov 2006
Net asset value per Ordinary share	95.6	95.7	95.6	95.7
Cumulative distributions per Ordinary share	1.0	-	1.0	-
Total return per Ordinary share	<u>96.6</u>	<u>95.7</u>	<u>96.6</u>	<u>95.7</u>

## Dividends

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

## Share price

The Company's share price can be found in various financial websites with the EPIC code "DPV4". A link to the share price is also available on Downing's website ([www.downing.co.uk](http://www.downing.co.uk)).

Latest share price (18 July 2007):

**89.0p per share**

## Trading Shares

The Company's shares can be bought and sold via a stockbroker in the same way as those of any other company quoted on the London Stock Exchange. There may be tax implications in disposing of your shares therefore you should contact your independent financial adviser if you have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a Stockbroker to sell your shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

## 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 company announcements, share price and dividend history) may be obtained from Downing's website at [www.downing.co.uk](http://www.downing.co.uk).

If you have any queries regarding your shareholding in Downing Protected VCT IV plc, please contact the Registrar on the above number or visit Capita's website at [www.capitaregistrars.com](http://www.capitaregistrars.com) and select the Shareholder Portal.

## CHAIRMAN'S STATEMENT

The six-month period ended 31 May 2007 has seen your Company continue to make good progress in investing its funds as it moves towards the target of having 70% of its funds in VCT qualifying investments.

### Venture capital investments

During the period the Company made two new investments of £1 million each in VCT qualifying businesses. Hoole Hall Country Club and Spa Limited is in the process of developing a hotel near Chester. The Really Fine Leisure Company Limited owns and operates a health and leisure club near Marlow, Bucks. Both companies have experienced management teams and, in both cases, your Company has been able to take first charges over the company's freehold assets.

The Company found some further opportunities to make non-qualifying investments in several developer and other companies. In each case, these investments produce yields higher than fixed interest securities or bank deposits in exchange for a very small increase in risk, therefore the Board have welcomed such investments.

There were a number of realisations during the period, although in all cases, these were redemptions of loan stock investments at par and, were either planned short-term investments, or funds being returned by companies which did not commence their original planned trades, as I mentioned in my statement within the last Annual Report.

At the end of the period, the Board reviewed the portfolio and concluded that, generally, investments were performing to plan and that no provisions against the valuations were required. All investments have therefore been held at values equal to their original cost.

### Fixed interest portfolio

The Company continues to hold a portfolio of eight corporate bonds with a total value of £3.9 million. The increase in interest rates

has resulted in an unrealised loss on this portfolio of £68,000 being recorded over the period.

### Net Asset Value and Results

At 31 May 2007, the Net Asset Value per share ("NAV") of the Company stood at 95.6p, a small increase of 0.9p (0.9%) since the previous year end of 30 November 2006 (after adjusting for the 1p dividend paid during the period).

The profit on ordinary activities after taxation for the period was £196,000, comprising a revenue profit of £264,000 and a capital loss of £68,000.

### Share repurchase

The Company operates a policy, subject to certain restrictions, of buying its own shares when any become available in the market. No shares were purchased in the period for cancellation.

### Outlook

The Board remains satisfied with progress made by the manager in investing the Company's funds and is happy with the quality of investments made to date.

The Board will continue to work closely with the manager to ensure that the investing phase is completed in a timely manner. Once the investing phase is complete, the Board will then be able to start to plan, with the manager, the detail of the Company's realisation and exit strategy, in order to deliver Shareholders a result in line with the objectives that were set at the Company's launch.



**Hugh Gillespie**  
Chairman

19 July 2007

## UNAUDITED INCOME STATEMENT

for the six months ended 31 May 2007

	Six months ended 31 May 2007		
	Revenue £'000	Capital £'000	Total £'000
Income	582	-	582
Losses on investments	-	(68)	(68)
	582	(68)	514
Investment management fees	(104)	-	(104)
Other expenses	(88)	-	(88)
<b>Return on ordinary activities before taxation</b>	390	(68)	322
Taxation	(126)	-	(126)
<b>Return attributable to equity shareholders</b>	264	(68)	196
<b>Return per share</b>	<b>1.2p</b>	<b>(0.3p)</b>	<b>0.9p</b>

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.

Period ended 31 May 2006			Period ended 30 November 2006	
Revenue £'000	Capital £'000	Total £'000	Total £'000	
209	-	209	706	
-	-	-	(21)	
<u>209</u>	<u>-</u>	<u>209</u>	<u>685</u>	
(42)	-	(42)	(152)	
(62)	-	(62)	(146)	
<u>105</u>	<u>-</u>	<u>105</u>	<u>387</u>	
(34)	-	(34)	(133)	
<u>71</u>	<u>-</u>	<u>71</u>	<u>254</u>	
<b>0.5p</b>	<b>-</b>	<b>0.5p</b>	<b>1.4p</b>	

## UNAUDITED SUMMARISED BALANCE SHEET

as at 31 May 2007

	31 May 2007 £'000	31 May 2006 £'000	30 Nov 2006 £'000
<b>Fixed assets</b>			
Investments	19,532	11,000	19,950
<b>Net current assets</b>	1,210	9,579	813
<b>Creditors:</b> amounts falling due after more than one year	(21)	(20)	(21)
<b>Net assets</b>	<u>20,721</u>	<u>20,559</u>	<u>20,742</u>
<b>Capital and reserves</b>			
Called up share capital	217	217	217
Share premium	-	20,271	20,271
Special reserve	20,271	-	-
Capital reserve - realised	-	-	-
Capital reserve - unrealised	(89)	-	(21)
Revenue reserve	322	71	275
<b>Equity shareholders' funds</b>	<u>20,721</u>	<u>20,559</u>	<u>20,742</u>
<b>Net asset value per share</b>	<b>95.6p</b>	<b>94.8p</b>	<b>95.7p</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2007 £'000	31 May 2006 £'000	30 Nov 2006 £'000
<b>Opening shareholders' funds</b>	20,742	-	-
Issue of shares	-	21,680	21,680
Share issue costs	-	(1,192)	(1,192)
Dividends paid	(217)	-	-
Total recognised gains for the period	<u>196</u>	<u>71</u>	<u>254</u>
<b>Closing shareholders' funds</b>	<u>20,721</u>	<u>20,559</u>	<u>20,742</u>

## UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 May 2007

	Note	31 May 2007 £'000	31 May 2006 £'000	30 Nov 2006 £'000
<b>Cash inflow from operating activities and returns on investments</b>	<b>1</b>	<u>407</u>	<u>65</u>	<u>152</u>
<b>Capital expenditure</b>				
Purchase of investments		(5,750)	(11,000)	(21,871)
Proceeds from disposal of investments		<u>6,100</u>	<u>-</u>	<u>1,900</u>
Net cash inflow/(outflow) from capital expenditure		<u>350</u>	<u>(11,000)</u>	<u>(19,971)</u>
<b>Equity dividends paid</b>		(217)	-	-
<b>Net cash inflow/(outflow) before financing</b>		<u>540</u>	<u>(10,935)</u>	<u>(19,819)</u>
<b>Financing</b>				
Shares issued		-	21,730	21,730
Redemption of preference shares		-	(50)	(50)
Share issue costs		-	(1,192)	(1,192)
Proceeds from issue of Loan Notes		-	<u>-</u>	<u>21</u>
Net cash inflow from financing		<u>-</u>	<u>20,488</u>	<u>20,509</u>
<b>Increase in cash</b>	<b>2</b>	<u><u>540</u></u>	<u><u>9,553</u></u>	<u><u>690</u></u>

### Notes to the cash flow statement:

#### 1 Cash inflow from operating activities and returns on investments

Net revenue before taxation	390	105	408
Decrease/(increase) in other debtors	116	(78)	(402)
(Decrease)/increase in other creditors	<u>(99)</u>	<u>38</u>	<u>146</u>
Net cash inflow from operating activities	<u>407</u>	<u>65</u>	<u>152</u>

#### 2 Analysis of net funds

Beginning of period	690	-	-
Net cash inflow	<u>540</u>	<u>9,553</u>	<u>690</u>
End of period	<u>1,230</u>	<u>9,553</u>	<u>690</u>

## SUMMARY OF INVESTMENT PORTFOLIO

as at 31 May 2007

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value £'000
<b>Venture Capital Investments</b>				
<b>VCT Qualifying</b>				
Warwick Contracting Ltd	2,000	2,000	-	9.7%
Heyford Contracting (North) Ltd	1,575	1,575	-	7.6%
Heyford Contracting (South) Ltd	1,500	1,500	-	7.2%
Cadbury House Hotel and Country Club Ltd	1,000	1,000	-	4.8%
Hoole Hall Country Club and Spa Ltd	1,000	1,000	-	4.8%
Nu Nu plc	1,000	1,000	-	4.8%
The Really Fine Leisure Company Ltd	1,000	1,000	-	4.8%
Richstone Contracting Ltd	642	642	-	3.1%
	<u>9,717</u>	<u>9,717</u>	-	<u>46.8%</u>
<b>Non VCT Qualifying</b>				
Green Mountain Contractors Ltd	1,000	1,000	-	4.8%
Midlands Contracting Ltd	1,000	1,000	-	4.8%
Vermont Development Ltd	1,000	1,000	-	4.8%
Bowman Care Homes Ltd	600	600	-	2.9%
Heyford Homes VCT Ltd	600	600	-	2.9%
Gatewales Ltd	500	500	-	2.4%
Property Solutions Ltd	500	500	-	2.4%
OVL Banbury LLP	315	315	-	1.5%
Sanguine Hospitality Ltd	250	250	-	1.2%
Calthorpe Street Ltd	113	113	-	0.6%
	<u>5,878</u>	<u>5,878</u>	-	<u>28.3%</u>
<b>Listed Fixed Interest Investments</b>	<u>4,026</u>	<u>3,937</u>	<u>(68)</u>	<u>19.0%</u>
<b>Total</b>	<u>19,621</u>	<u>19,532</u>	<u>(68)</u>	<u>94.1%</u>
<b>Cash at Bank</b>		1,230		5.9%
<b>Total investments</b>		<u>20,762</u>		<u>100.0%</u>



## SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2007

### Additions

	<b>£'000</b>
<b>VCT Qualifying investments</b>	
Hoole Hall Country Club and Spa Ltd	525
The Really Fine Leisure Company Ltd	1,000
<b>Non-qualifying investments</b>	
Gatewales Ltd	500
Green Mountain Contractors Ltd	1,000
Property Solutions Ltd	500
Sanguine Hospitality Ltd	250
Vermont Development Ltd	1,500
	<u>5,275</u>

### Disposals

	<b>Cost £'000</b>	<b>Proceeds £'000</b>	<b>Profit/(loss) £'000</b>
<b>Non-qualifying investments (All loan stock redemptions)</b>			
Adam Pub Company Ltd	1,000	1,000	-
Blackbush Pub Company Ltd	1,000	1,000	-
Cadbury House Hotel and Country Club Hotel Ltd	600	600	-
Hattanman Contracting Ltd	1,000	1,000	-
Manhattan Contracting Ltd	1,000	1,000	-
Vermont Developments Ltd	500	500	-
Windsor Garden Centres Ltd	1,000	1,000	-
	<u>6,100</u>	<u>6,100</u>	<u>-</u>

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## 1. Basis of accounting

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

### Presentation of Income Statement

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

### Investments

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

Listed fixed income investments are measured using bid prices in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

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

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

### Income

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

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

### Expenses

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

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

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

### 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.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Section 842AA of the Income and Corporation Taxes Act (1988), no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

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

2. All revenue and capital items in the Income Statement derive from continuing operations.
  3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
  4. The comparative figures were in respect of the six-month period ended 31 May 2006 and the 12 month period ended 30 November 2006 respectively.
  5. Return per share for the period has been calculated on 21,680,245 shares, being the weighted average number of shares in issue during the period.
- 6. Dividends paid**

	Revenue £'000	31 May 2007 Capital £'000	Total £'000	31 May 2006 Total £'000	30 Nov 2006 Total £'000
<b>Paid in period/year</b>					
2006 Final (1p paid 27 April 2007)	217	-	217	-	-

**7. Reserves**

	Share premium account £'000	Special reserve £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 30 November 2006	20,271	-	(21)	275	20,525
Losses on investments	-	-	(68)	-	(68)
Transfer	(20,271)	20,271	-	-	-
Dividends paid	-	-	-	(217)	(217)
Retained revenue	-	-	-	264	264
At 31 May 2007	-	20,271	(89)	322	20,504

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

8. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies.
9. Copies of the unaudited interim results will be sent to shareholders shortly. Further copies can be obtained from the Company's Registered Office.

**Directors**

Hugh Gillespie (Chairman)  
Dennis Hale  
Chris Kay

**Secretary and Registered Office**

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**Registrar**

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