

Downing Planned Exit VCT 4 PLC

Half-Yearly Report for
the six months ended
31 May 2008

SHAREHOLDER INFORMATION

Performance summary

	31 May 2008	31 May 2007	30 Nov 2007
	pence	pence	pence
Net asset value per Ordinary Share	93.8	95.6	97.0
Cumulative distributions per Ordinary Share	3.5	1.0	1.0
Total return per Ordinary Share	<u>97.3</u>	<u>96.6</u>	<u>98.0</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 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA.

Share price

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

Latest share price (28 July 2008): 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.

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

CHAIRMAN'S STATEMENT

The last six months have seen a continued deterioration in the economy, with the impact of the "credit-crunch" being felt far and wide and showing no signs of easing. Both residential and commercial property sectors have now been hit hard, providing a very different environment for your Company from that which existed at its outset.

Portfolio activity

The Company is now approaching the end of its investment phase. Three VCT-qualifying investments were made in the period at a cost of £2.25 million.

£1 million was invested in Hoole Hall Spa and Leisure Club Limited. These funds will help finance the development of spa and leisure club facilities in the grounds of Hoole Hall Country Club near Chester. A further VCT-qualifying investment of £250,000 was made in Hoole Hall Country Club Limited. This company owns and operates the country club at Hoole Hall, which is used for weddings, banqueting and conferences.

A £1 million VCT-qualifying investment was made in West Tower Holdings Limited. Using these funds, the company acquired The West Tower, a popular, upmarket dining and wedding venue with 12 bedrooms, near Ormskirk.

The Company also made three non-qualifying investments in the period. An investment of £1.25 million was made in Hoole Hall Hotel Limited. Based on the same site as the other Hoole Hall companies mentioned above, this company operates the hotel facilities on the site.

An investment of £750,000 was made in New Swan Holding Company Limited, which acquired The Swan, a restaurant, bar, conference and function venue, also near Ormskirk. The management team is the same team as that involved in West Tower, so this investment complements the qualifying investment described above.

Finally, a non-qualifying investment of £650,000 was made in Cymbal Contracting Limited, after an opportunity arose for your Company to make a short-term loan at an attractive yield and with a high level of security. Cymbal is well known to the Investment Manager and is undertaking a contract developing commercial premises on the Ealing Studios site in West London.

Fixed interest portfolio

To provide funding for the investments described above, the bonds and other fixed interest securities previously held were gradually sold over the period. These disposals produced a small realised gain of £31,000 for the period.

Valuations

The Board has reviewed the progress of each of the Company's investments at the period end. In most cases, progress has been satisfactory or to plan and the valuations have been held at the previous carrying values, often supported by security that has been taken over assets. The investment in Vermont Developments Limited is one exception. The Company made an investment of £1 million in Vermont to partially fund the purchase of development land in Salford, with a charge being taken over the land. The sharp change in the property market has resulted in the development of the site being delayed and has now created some considerable uncertainty over the current market value of the land. In view of this uncertainty, the Board has decided that it is appropriate to make a provision of 50% against this investment, equivalent to £500,000.

Net Asset Value and results

At 31 May 2008, the Net Asset Value per share ("NAV") of the Company stood at 93.8p, a small decrease of 0.7p (0.7%) since the previous year end of 30 November 2007 (after adjusting for the 2.5p dividend paid during the period).

CHAIRMAN'S STATEMENT (continued)

Net Asset Value and results (continued)

The loss on ordinary activities after taxation for the period was £162,000, comprising a revenue profit of £307,000 and a capital loss of £469,000.

Share repurchase

The Company operates a policy, subject to certain restrictions, of buying its own shares when any become available in the market. 5,050 shares were purchased in the period for cancellation at a price of 85.0p per share.

Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is now required in the Company's half year results, to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) investment risk associated with investing in small and immature businesses; and
- (ii) failure to maintain approval as a VCT.

In order to make VCT-qualifying investments, the Company has to invest in small businesses which are often immature. The Investment Manager follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible, and, after an investment is made, closely monitoring the business. The Board is satisfied that this approach reduces the investment risk as far as reasonably possible.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who reports regularly to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

Outlook

Since the period end, the Company has made one further VCT-qualifying investment and has commitments to invest further funds in three existing portfolio investments over the coming months. This will take your Company comfortably above the 70% VCT qualification test and complete the investing phase.

It is now clear that the Company has had to invest a large proportion of its funds during a period immediately before a sharp downturn. While the Company's strategy has been to reduce the risks normally associated with VCTs as much as possible, it cannot totally insulate itself from falls in value of assets, even those over which it has taken a charge. The Manager is therefore closely monitoring investments and, where appropriate, is encouraged by the Board to take decisive action. The Board is confident that this approach will allow the Company to meet its objectives despite the challenging conditions which now prevail.



Hugh Gillespie
Chairman

28 July 2008

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 May 2008

	31 May 2008 £'000	31 May 2007 £'000	30 Nov 2007 £'000
Fixed assets			
Investments	19,690	19,532	20,505
Current assets			
Debtors	226	286	325
Cash at bank and in hand	892	1,230	588
	<u>1,118</u>	<u>1,516</u>	<u>913</u>
Creditors: amounts falling due within one year	(528)	(306)	(432)
Net assets less current liabilities	20,280	20,742	20,986
Creditors: amounts falling due after more than one year	(21)	(21)	(21)
Net assets	<u>20,259</u>	<u>20,721</u>	<u>20,965</u>
Capital and reserves			
Called up share capital	216	217	216
Capital redemption reserve	1	-	1
Special reserve	20,205	20,271	20,209
Capital reserve - realised	(50)	-	-
Capital reserve - unrealised	(500)	(89)	(81)
Revenue reserve	387	322	620
Equity shareholders' funds	<u>20,259</u>	<u>20,721</u>	<u>20,965</u>
Net asset value per share	93.8p	95.6p	97.0p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2008 £'000	31 May 2007 £'000	30 Nov 2007 £'000
Opening shareholders' funds	20,965	20,742	20,742
Purchase of own shares	(4)	-	(62)
Dividends paid	(540)	(217)	(217)
Total recognised gains for the period	(162)	196	502
Closing shareholders' funds	<u>20,259</u>	<u>20,721</u>	<u>20,965</u>

UNAUDITED INCOME STATEMENT

for the six months ended 31 May 2008

	Six months ended 31 May 2008		
	Revenue £'000	Capital £'000	Total £'000
Income	639	-	639
Losses on investments	-	(469)	(469)
	<u>639</u>	<u>(469)</u>	<u>170</u>
Investment management fees	(109)	-	(109)
Other expenses	(81)	-	(81)
Return/(loss) on ordinary activities before taxation	<u>449</u>	<u>(469)</u>	<u>(20)</u>
Taxation	(142)	-	(142)
Return/(loss) attributable to equity shareholders	<u>307</u>	<u>(469)</u>	<u>(162)</u>
Return/(loss) per share	1.4p	(2.1)p	(0.7)p

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.

Six months ended 31 May 2007			Year ended 30 November 2007
Revenue £'000	Capital £'000	Total £'000	Total £'000
582	-	582	1,202
-	(68)	(68)	(60)
<u>582</u>	<u>(68)</u>	<u>514</u>	<u>1,142</u>
(104)	-	(104)	(207)
(88)	-	(88)	(167)
<u>390</u>	<u>(68)</u>	<u>322</u>	<u>768</u>
(126)	-	(126)	(266)
<u>264</u>	<u>(68)</u>	<u>196</u>	<u>502</u>
1.2p	(0.3p)	0.9p	2.3p

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 May 2008

	31 May 2008 £'000	31 May 2007 £'000	30 Nov 2007 £'000	
Cash inflow from operating activities and returns on investments	1	<u>768</u>	<u>407</u>	<u>925</u>
Taxation				
Corporation tax paid		<u>(266)</u>	<u>-</u>	<u>(133)</u>
Capital expenditure				
Purchase of investments		<u>(4,900)</u>	<u>(5,750)</u>	<u>(14,568)</u>
Proceeds from disposal of investments		<u>5,246</u>	<u>6,100</u>	<u>13,953</u>
Net cash inflow/(outflow) from capital expenditure		<u>346</u>	<u>350</u>	<u>(615)</u>
Equity dividends paid		<u>(540)</u>	<u>(217)</u>	<u>(217)</u>
Net cash inflow/(outflow) before financing		<u>308</u>	<u>540</u>	<u>(40)</u>
Financing				
Shares repurchased		<u>(4)</u>	<u>-</u>	<u>(62)</u>
Net cash outflow from financing		<u>(4)</u>	<u>-</u>	<u>(62)</u>
Increase in cash	2	<u>304</u>	<u>540</u>	<u>(102)</u>

Notes to the cash flow statement:

1 Cash inflow from operating activities and returns on investments

Net loss before taxation	(19)	322	768
Losses on investments	469	68	60
Decrease in other debtors	99	116	77
Increase/(decrease) in other creditors	<u>219</u>	<u>(99)</u>	<u>20</u>
Net cash inflow from operating activities	<u>768</u>	<u>407</u>	<u>925</u>

2 Analysis of net funds

Beginning of period	588	690	690
Net cash inflow/(outflow)	<u>304</u>	<u>540</u>	<u>(102)</u>
End of period	<u>892</u>	<u>1,230</u>	<u>588</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 May 2008

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value
Venture Capital Investments				
VCT-Qualifying				
Cadbury House Limited	3,000	3,000	-	14.6%
Heyford Contracting (South) Limited	1,650	1,650	-	8.0%
Hoole Hall Country Club Limited	1,625	1,625	-	7.9%
Richstone Contracting Limited	1,593	1,593	-	7.7%
The Really Fine Leisure Limited	1,100	1,100	-	5.3%
Heyford Contracting (North) Limited	1,037	1,037	-	5.0%
Hoole Hall Spa and Leisure Club Limited	1,000	1,000	-	4.9%
Nu Nu plc	1,000	1,000	-	4.9%
West Tower Holdings Limited	1,000	1,000	-	4.9%
Future Films Production Services Limited	825	825	-	4.0%
	<u>13,830</u>	<u>13,830</u>	-	<u>67.2%</u>
Non-VCT Qualifying				
Hoole Hall Hotel Limited	1,250	1,250	-	6.1%
Aminghurst Limited	992	992	-	4.8%
New Swan Holding Company Limited	750	750	-	3.6%
Cymbal Contracting Limited	650	650	-	3.2%
Bowman Care Homes Limited	600	600	-	2.9%
Gatewales Limited	500	500	-	2.4%
Vermont Developments Limited	1,000	500	(500)	2.4%
Heyford Homes Limited	300	300	-	1.5%
Sanguine Hospitality Limited	243	243	-	1.2%
Coastal Partnerships Limited	75	75	-	0.4%
	<u>6,360</u>	<u>5,860</u>	<u>(500)</u>	<u>28.5%</u>
Total	<u>20,190</u>	<u>19,690</u>	<u>(500)</u>	<u>95.7%</u>
Cash at bank		892		4.3%
Total investments		<u>20,582</u>		<u>100.0%</u>

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2008

Additions

£'000

VCT Qualifying investments

Hoole Hall Spa and Leisure Club Limited	Spa and leisure club and owner operator www.hoolehall.com	1,000
West Tower Holdings Limited	Country house, hotel and restaurant owner and operator www.west-tower.co.uk	1,000
Hoole Hall Country Club Limited	Country house and restaurant owner and operator www.hoolehall.com	250

Non-qualifying investments

Hoole Hall Hotel Limited	Hotel owner and operator www.hoolehall.com	1,250
New Swan Holding Company Limited	Restaurant and bar owner and operator	750
Cymbal Contracting Limited	Building contractor	650

4,900

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2008

Disposals

	Cost £'000	Proceeds £'000	Profit/(loss) £'000
VCT Qualifying investments			
Heyford Contracting (South) Limited	350	350	-
Non-qualifying investments			
Property Solutions Limited	500	500	-
Heyford Homes VCT Limited	300	300	-
Calthorpe Street Limited	113	125	12
Vermont Developments Limited	-	10	10
Sanguine Hospitality Limited	7	15	8
Fixed Interest Investments			
John Hancock 6.625%	521	505	(16)
Toyota 5.25%	502	502	-
HSBC Finance (Household) 6.125%	513	497	(16)
ASIF3 (AIG) 5.625%	504	495	(9)
Metropolitan Life 5.25%	501	495	(6)
ING 4.75%	492	492	-
Bank of Ireland 4.75%	496	490	(6)
Merrill Lynch 5.125%	497	470	(27)
	<u>5,296</u>	<u>5,246</u>	<u>(50)</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly financial results cover the six months to 31 May 2008 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 30 November 2007, which were prepared 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”).
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 2007 and the year ended 30 November 2007 respectively.
5. Return per share for the period has been calculated on 21,608,957 shares, being the weighted average number of shares in issue during the period.
6. **Dividends paid**

	31 May 2008			31 May 2007	30 Nov 2007
	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
Paid in period/year					
2007 Final (2.5p paid 25 April 2008)	540	-	540	-	-
2006 Final (1.0p paid 27 April 2007)	-	-	-	217	217
	<u>540</u>	<u>-</u>	<u>540</u>	<u>217</u>	<u>217</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 1 December 2007	1	20,209	-	(81)	620	20,749
Gains/(losses) on investments	-	-	31	(500)	-	(469)
Dividends paid	-	-	-	-	(540)	(540)
Share buybacks	-	(4)	-	-	-	(4)
Retained revenue	-	-	-	-	307	307
Transfer	-	-	(81)	81	-	-
At 31 May 2008	1	20,205	(50)	(500)	387	20,043

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

10. Copies of the half yearly report will be sent to Shareholders shortly. Further copies can be obtained from the Company’s registered office or can be downloaded from www.downing.co.uk.

Directors

Hugh Gillespie (Chairman)
Dennis Hale
Chris Kay

Secretary and Registered Office

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