

Downing Planned Exit VCT 4 PLC

Half-Yearly Report for
the six months ended
31 May 2009

SHAREHOLDER INFORMATION

Performance summary

	31 May 2009	30 Nov 2008	31 May 2008
Net asset value per Ordinary Share	89.3	95.5	93.8
Cumulative distributions per Ordinary Share	<u>6.0</u>	<u>3.5</u>	<u>3.5</u>
Total return per Ordinary Share	<u>95.3</u>	<u>99.0</u>	<u>97.3</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 for mandate forms should be directed to the Company's registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0GA.

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 (27 July 2009): **70.0p 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

I present my report for the six months ended 31 May 2009. The Company has now completed its investing phase and, in line with its objectives, is now seeking to realise its investments in order to return funds to Shareholders.

The value of the Company's investments has generally been resilient despite the difficult economic climate. Most investments have maintained their value, although two provisions have been made as detailed below.

Portfolio activity

With the Company's investment portfolio already built, portfolio activity was very limited during the period.

The Company's investment in Hoole Hall Country Club Limited underwent a reorganisation in December 2008, with the result that the Company now holds an investment in Hoole Hall Country Club Holdings Limited with a cost of £1.625 million.

There was one other significant investment in the period, being a short-term loan stock investment in an existing investment, Future Films Production Services Limited, to provide funds for the company to take advantage of a new project.

Valuations

The Board has once again undertaken a valuation review of the Company investment portfolio. In most cases, progress has been satisfactory or to plan and the valuations have been agreed at levels equal to original cost. These valuations are generally supported by security that has been taken over assets owned by the investee companies.

As I have mentioned on previous occasions, Vermont Developments Limited went into administration last year, leaving the Company seeking to recover value from the charge it had taken over a plot of development land in Salford. A recent indicative valuation of the development land suggests that the current

market value may be very low. Accordingly, the Directors have reduced the carrying value to £50,000. The reduction is equivalent to 2.1p per share. The Investment Manager considers this valuation to be excessively low and believes that ultimately the Company will realise its investment at a higher value.

Additionally, the Directors have made a provision against the investment in Richstone Contracting Limited. The Company has been building an apartment and hotel complex in south Devon, but recently building work was put on hold while the developer reviews the viability of the planned development in the current market conditions. In view of the current uncertainty about the project, the Board has made a provision of £570,000 against the total cost of £2.5 million. This provision is equivalent to 2.6p per share.

Although it is disappointing to make these two provisions, the Board considers the overall performance of the portfolio to be satisfactory when viewed against the sharp change in the economy that has taken place since the investments were first made.

Net Asset Value and results

At 31 May 2009, the Net Asset Value per share ("NAV") of the Company stood at 89.3p, a decrease of 3.7p (3.9%) since the previous year end of 30 November 2008 (after adjusting for the 2.5p dividend paid during the period).

The loss on ordinary activities after taxation for the period was £835,000, comprising a revenue profit of £199,000 and a capital loss of £1,020,000. Revenue profits are significantly lower than in previous periods as a result of the falls in interest rates.

Share buybacks

As I have stated previously, the Company is now in the process of seeking to exit from its investments to generate proceeds that can be distributed to Shareholders. This process is expected to take some time but will ultimately result in funds being returned to Shareholders

CHAIRMAN'S STATEMENT (continued)

Share buybacks (continued)

without them suffering the discounts that typically arise with share buybacks.

For this reason, the Board is reluctant to use the Company's liquid funds to undertake share buybacks. The Board does however note that there are occasionally forced sellers of shares and wishes to allow them the opportunity to sell their holdings, albeit at a higher discount to NAV than might have been expected.

The Board intends to continue with its policy of buying in any shares that become available at a price equivalent to a 25% discount to the Company's most recently published NAV. The Board will regularly review this policy and make adjustments if it sees fit.

Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is 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

It is clear that the economic climate creates a significantly greater challenge in achieving investment exits in a timely manner and at acceptable prices. During the investing stage it was expected that bank finance would be available to help fund investment realisations which is generally not currently the case. As a result, it is likely that some realisations will be achieved by different means than originally anticipated and others will take longer.

The timing and amount of future dividends is difficult to estimate because it is highly dependent on when investment exits are achieved. However, the Investment Manager anticipates that a significant number of realisations will take place over the next six months. Accordingly, the Board is targeting the payment of a dividend in excess of 50p per share before the end of the first quarter of 2010. Shareholders should appreciate that this is not a forecast and the Board is not giving any guarantee that this can be achieved, but the Board believes it to be a realistic target.

The Board remains confident that the objective of returning funds to Shareholders within approximately five years of the close of Company's offer for subscription as set out in the prospectus is achievable.

A handwritten signature in black ink, appearing to read 'H. Gillespie'.

Hugh Gillespie
Chairman

28 July 2009

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 May 2009

	31 May 2009 £'000	31 May 2008 £'000	30 Nov 2008 £'000
Fixed assets			
Investments	19,094	19,690	19,887
Current assets			
Debtors	121	226	165
Cash at bank and in hand	240	892	879
	<u>361</u>	<u>1,118</u>	<u>1,044</u>
Creditors: amounts falling due within one year	(198)	(528)	(267)
Net assets less current liabilities	<u>19,257</u>	<u>20,280</u>	<u>20,664</u>
Creditors: amounts falling due after more than one year	(21)	(21)	(21)
Net assets	<u>19,236</u>	<u>20,259</u>	<u>20,643</u>
Capital and reserves			
Called up share capital	216	216	216
Capital redemption reserve	1	1	1
Special reserve	20,160	20,205	20,205
Capital reserve - realised	(60)	(50)	(60)
Capital reserve - unrealised	(1,424)	(500)	(404)
Revenue reserve	343	387	685
Equity shareholders' funds	<u>19,236</u>	<u>20,259</u>	<u>20,643</u>
Net asset value per share	89.3p	93.8p	95.5p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2009 £'000	31 May 2008 £'000	30 Nov 2008 £'000
Opening shareholders' funds	20,643	20,965	20,965
Purchase of own shares	(45)	(4)	(4)
Dividends paid	(540)	(540)	(540)
Total recognised gains for the period	(822)	(162)	222
Closing shareholders' funds	<u>19,236</u>	<u>20,259</u>	<u>20,643</u>

UNAUDITED INCOME STATEMENT

for the six months ended 31 May 2009

	Six months ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000
Income	469	-	469
Losses on investments	-	(1,020)	(1,020)
	<u>469</u>	<u>(1,020)</u>	<u>(551)</u>
Investment management fees	(102)	-	(102)
Other expenses	(83)	-	(83)
	<u>284</u>	<u>(1,020)</u>	<u>(736)</u>
Return/(loss) on ordinary activities before taxation	284	(1,020)	(736)
Taxation	(85)	-	(85)
	<u>199</u>	<u>(1,020)</u>	<u>(821)</u>
Return/(loss) attributable to equity shareholders	199	(1,020)	(821)
Return/(loss) per share	0.9p	(4.7p)	(3.8p)

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 2008			Year ended 30 November 2008
Revenue £'000	Capital £'000	Total £'000	Total £'000
639	-	639	1,239
-	(469)	(469)	(383)
<u>639</u>	<u>(469)</u>	<u>170</u>	<u>856</u>
(109)	-	(109)	(208)
(81)	-	(81)	(162)
<u>449</u>	<u>(469)</u>	<u>(20)</u>	<u>486</u>
(142)	-	(142)	(264)
<u>307</u>	<u>(469)</u>	<u>(162)</u>	<u>222</u>
1.4p	(2.1p)	(0.7p)	1.0p

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 May 2009

	Note	31 May 2009 £'000	31 May 2008 £'000	30 Nov 2008 £'000
Cash inflow from operating activities and returns on investments	1	<u>305</u>	<u>768</u>	<u>999</u>
Taxation				
Corporation tax paid		<u>(131)</u>	<u>(266)</u>	<u>(399)</u>
Capital expenditure				
Purchase of investments		<u>(1,853)</u>	<u>(4,900)</u>	<u>(7,771)</u>
Proceeds from disposal of investments		<u>1,625</u>	<u>5,246</u>	<u>8,006</u>
Net cash (outflow)/inflow from capital expenditure		<u>(228)</u>	<u>346</u>	<u>235</u>
Equity dividends paid		<u>(540)</u>	<u>(540)</u>	<u>(540)</u>
Net cash (outflow)/inflow before financing		<u>(594)</u>	<u>308</u>	<u>295</u>
Financing				
Shares repurchased		<u>(45)</u>	<u>(4)</u>	<u>(4)</u>
Net cash outflow from financing		<u>(45)</u>	<u>(4)</u>	<u>(4)</u>
Increase in cash	2	<u>(639)</u>	<u>304</u>	<u>291</u>

Notes to the cash flow statement:

1 Cash inflow from operating activities and returns on investments

Net (loss)/gain before taxation	(187)	(19)	869
Losses on investments	450	469	-
Decrease in other debtors	64	99	160
(Decrease)/increase in other creditors	<u>(22)</u>	<u>219</u>	<u>(30)</u>
Net cash inflow from operating activities	<u>305</u>	<u>768</u>	<u>999</u>

2 Analysis of net funds

Beginning of period	879	588	588
Net cash (outflow)/inflow	<u>(639)</u>	<u>304</u>	<u>291</u>
End of period	<u>240</u>	<u>892</u>	<u>879</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 May 2009

	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	-	15.5%
Richstone Contracting Limited	2,542	1,972	(570)	10.2%
West Tower Holdings Limited	1,750	1,750	-	9.0%
Heyford Contracting (South) Limited	1,650	1,650	-	8.5%
Hoole Hall Country Club Holdings Limited	1,625	1,625	-	8.4%
The Really Fine Leisure Limited	1,100	1,100	-	5.7%
Heyford Contracting (North) Limited	1,037	1,037	-	5.4%
Hoole Hall Spa and Leisure Club Limited	1,000	1,000	-	5.2%
Nu Nu plc	1,000	1,000	-	5.2%
Future Films Production Services Limited	825	825	-	4.3%
Liongold Contracting Limited	434	434	-	2.2%
The Thames Club Limited	150	150	-	0.8%
	<u>16,113</u>	<u>15,543</u>	<u>(570)</u>	<u>80.4%</u>
Non-VCT Qualifying				
Hoole Hall Hotel Limited	1,250	1,250	-	6.5%
Aminghurst Limited	992	992	-	5.1%
The Thames Club Limited	350	350	-	1.8%
Heyford Homes Limited	300	300	-	1.5%
Sanguine Hospitality Limited	243	243	-	1.3%
Future Films Production Services Limited	225	225	-	1.2%
Coastal Partnerships Limited	75	75	-	0.4%
Chapel Street Hotel (2008) Limited	63	63	-	0.3%
Vermont Developments Limited	904	50	(450)	0.3%
Chapel Street Hotel Limited	3	3	-	0%
	<u>4,405</u>	<u>3,551</u>	<u>(450)</u>	<u>18.4%</u>
Total	<u>20,518</u>	19,094	<u>(1,020)</u>	98.8%
Cash at bank		240		1.2%
Total investments		<u>19,334</u>		<u>100.0%</u>

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2009

Additions

£'000

VCT Qualifying investments

Hoole Hall Country Club Holdings Limited	Spa and leisure club and owner operator	1,625
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Non-Qualifying investments

Future Films Production Services Limited	Film production and post-production services	225
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Chapel Street Hotel LLP	Hotel development	3
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1,853

Disposals

	Cost £'000	Proceeds £'000	Profit/(loss) £'000
VCT Qualifying investments			
Hoole Hall Country Club Limited	<u>1,625</u>	<u>1,625</u>	<u>-</u>
	<u>1,625</u>	<u>1,625</u>	<u>-</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly financial results cover the six months to 31 May 2009 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 30 November 2008, 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 2008 and the year ended 30 November 2008 respectively.
5. Return per share for the period has been calculated on 21,563,000 shares, being the weighted average number of shares in issue during the period.
6. **Dividends paid**

	31 May 2009			31 May 2008	30 Nov 2008
	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
Paid in period/year					
2008 Final (2.5p paid 30 April 2009)	540	-	540	-	-
2007 Final (2.5p paid 25 April 2008)	-	-	-	540	540
	<u>540</u>	<u>-</u>	<u>540</u>	<u>540</u>	<u>540</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 2008	1	20,205	(60)	(404)	685	20,427
Gains/(losses) on investments	-	-	-	(1,020)	-	(1,020)
Dividends paid	-	-	-	-	(540)	(540)
Share buybacks	-	(45)	-	-	-	(45)
Retained revenue	-	-	-	-	198	198
Transfer	-	-	-	-	-	-
At 31 May 2009	1	20,160	(60)	(1,424)	343	19,020

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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