

# Downing Planned Exit VCT 4 PLC

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Half-Yearly Report for  
the six months ended  
31 May 2010

## SHAREHOLDER INFORMATION

### Performance summary

	31 May 2010	30 Nov 2009	31 May 2009
	pence	pence	pence
Net asset value per Ordinary Share	38.1	87.2	89.3
Cumulative distributions per Ordinary Share	56.0	6.0	6.0
Total return per Ordinary Share	<u>94.1</u>	<u>93.2</u>	<u>95.3</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](http://www.downing.co.uk)).

Latest share price (29 July 2010): **24.0p 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 Planned Exit VCT 4 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

I present my report for the six months ended 31 May 2010.

### Change of name

Following Shareholder approval at the AGM on 10 May 2010, the Company changed its name to "Downing Planned Exit VCT 4 plc". The new name better describes the Company's objectives and differentiates it from other Downing funds with different strategies.

### Portfolio review

Shareholders will be aware that the Company's objective is to seek to return funds to Shareholders within approximately five years from April 2006, being the date that the Company's fundraising closed. The Company has been continuing to work on realising its investment portfolio although there are a number of reasonably large investments which are not yet at a stage where exits are possible on acceptable terms.

A number of realisations were achieved in the period generating proceeds of £1.7 million, although many of these were from investments that were undertaken as short-term non-qualifying investments for the purpose of producing extra investment income for the Company.

Two of the major remaining investments are Coast Constructors Limited and Aminghurst Limited. Aminghurst Limited owns a plot of land in South Devon Limited which is being built by Coast Constructors Limited into apartments and a resort. The project has undergone some significant changes to the original plan, requiring revised planning permission and a refinancing. This has pushed back the anticipated completion date which is now expected to be in approximately 12 months' time. As part of

the refinancing, your Company made a further investment of £169,000 in the period and is committed to a further short-term investment in the coming months. Despite this departure from the original plan, the project is now making good progress and the manager is optimistic that a satisfactory outcome from both Coast Constructors Limited and Aminghurst Limited will ultimately be achieved.

West Tower Holdings Limited is similar in that its original plan has been substantially revised. The Company owns two venues in Lancashire, which have recently been converted into a dedicated wedding venue and a Marco Pierre White restaurant respectively. Both venues are in the process of establishing themselves which should allow an exit at approximately original cost in due course.

The Company holds investments in Hoole Hall Spa and Leisure Limited and Hoole Hall Country Club Holdings Limited. Both companies operate facilities at the site of a hotel in Chester, which has now been awarded the "Doubletree by Hilton" badge. This rebranding is helping to increase occupancy at the hotel, which, in turn, is supporting the development of the leisure, banqueting and wedding venue businesses. The manager anticipates that exits are likely to be achieved through refinancing within the next 12 months.

Heyford Contracting (North) Limited is progressing satisfactorily and is in the process of completing a residential development near Northampton. Since the end of the period under review, it has been able to return £537,000 by redeeming part of the loan stock investment.

## CHAIRMAN'S STATEMENT (continued)

### Portfolio review (continued)

Heyford Contracting (South) Limited has been undertaking two commercial office development contracts. In one case, although the build is well advanced, further work is needed by the developer to achieve sales. As a result, there is currently some uncertainty as to when realisation of the investment might be achieved.

In reviewing the valuation of the investments at the period end, the Directors have made one adjustment from the previous carrying value. As a result of the good progress made in implementing the company's revised plan, a provision which had been made previously against the investment in Aminghurst was released producing an uplift of £186,000. The Board is satisfied that all other investments remain fairly valued at their previous valuations.

### Net Asset Value and results

At 31 May 2010, the Net Asset Value per share ("NAV") of the Company stood at 38.1p, an increase of 0.9p (1.0%) since the previous year end of 30 November 2009 (after adjusting for the total dividends of 50p per share paid during the period). Total return (NAV plus cumulative dividend paid to date) now stands at 94.1p. Shareholders should note that no provision has been made for performance incentives which could be payable as described in note 8.

The profit on ordinary activities after taxation for the period was £182,000, comprising a revenue loss of £4,000 and a capital gain of £186,000.

### 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.

However, in order to provide some support for forced sellers, 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.

No share buybacks were made in the six months to 31 May 2010.

### Risk and uncertainties

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

## CHAIRMAN'S STATEMENT (continued)

### Risk and uncertainties (continued)

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

Economic conditions are clearly not ideal for a company seeking to realise an unquoted investment portfolio at full value and in a timely manner. Having said that, the Board is satisfied with the Manager's progress and is pleased to note that clear exit routes are now visible for most of the remaining investments.

The Board had hoped that the Company would be in a position to pay a further dividend to investors later this calendar year. In view of the additional short-term investment that will be needed in Coastal Constructors, the next dividend might now not be paid until the first quarter of 2011, with late 2011 being a realistic target for the return of the majority of the remaining funds to Shareholders.



**Hugh Gillespie**  
Chairman

30 July 2010

## UNAUDITED INCOME STATEMENT

for the six months ended 31 May 2010

	Six months ended 31 May 2010		
	Revenue £'000	Capital £'000	Total £'000
Income	132	-	132
Gain/ (losses) on investments	-	186	186
	132	186	318
Investment management fees	(62)	-	(62)
Other expenses	(71)	-	(71)
<b>Return/ (loss) on ordinary activities before taxation</b>	<b>(1)</b>	<b>186</b>	<b>185</b>
Taxation	(3)	-	(3)
<b>Return/ (loss) attributable to equity shareholders</b>	<b>(4)</b>	<b>186</b>	<b>182</b>
<b>Return/ (loss) per share</b>	<b>(0.1p)</b>	<b>0.9p</b>	<b>0.8p</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.

Six months ended 31 May 2009			Year ended 30 November 2009
Revenue £'000	Capital £'000	Total £'000	Total £'000
469	-	469	888
-	(1,020)	(1,020)	(1,657)
469	(1,020)	(551)	(769)
(102)	-	(102)	(198)
(83)	-	(83)	(162)
284	(1,020)	(736)	(1,129)
(85)	-	(85)	(158)
199	(1,020)	(821)	(1,287)
<b>0.9p</b>	<b>(4.7p)</b>	<b>(3.8p)</b>	<b>(6.0p)</b>

## UNAUDITED SUMMARISED BALANCE SHEET

as at 31 May 2010

	31 May 2010 £'000	31 May 2009 £'000	30 Nov 2009 £'000
<b>Fixed assets</b>			
Investments	8,071	19,094	9,392
<b>Current assets</b>			
Debtors	164	121	205
Cash at bank and in hand	75	240	9,319
	<u>239</u>	<u>361</u>	<u>9,524</u>
Creditors: amounts falling due within one year	(122)	(198)	(185)
<b>Net assets less current liabilities</b>	<u>8,188</u>	<u>19,257</u>	<u>18,731</u>
<b>Creditors:</b> amounts falling due after more than one year	(21)	(21)	(21)
<b>Net assets</b>	<u><u>8,167</u></u>	<u><u>19,236</u></u>	<u><u>18,710</u></u>
<b>Capital and reserves</b>			
Called up share capital	215	216	215
Capital redemption reserve	2	1	2
Special reserve	9,910	20,160	20,099
Capital reserve - realised	2	(60)	3
Investment holding losses	(1,937)	(1,424)	(2,124)
Revenue reserve	(25)	343	515
<b>Equity shareholders' funds</b>	<u><u>8,167</u></u>	<u><u>19,236</u></u>	<u><u>18,710</u></u>
<b>Net asset value per share</b>	<b>38.1p</b>	<b>89.3p</b>	<b>87.2p</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2010 £'000	31 May 2009 £'000	30 Nov 2009 £'000
<b>Opening shareholders' funds</b>	18,710	20,643	20,643
Purchase of own shares	-	(45)	(106)
Dividends paid	(10,725)	(540)	(540)
Total recognised (loss)/ gain for the period	182	(822)	(1,287)
<b>Closing shareholders' funds</b>	<u><u>8,167</u></u>	<u><u>19,236</u></u>	<u><u>18,710</u></u>



## UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 May 2010

	Note	31 May 2010 £'000	31 May 2009 £'000	30 Nov 2009 £'000
<b>Cash inflow from operating activities and returns on investments</b>	1	41	305	483
<b>Taxation</b>				
Corporation tax paid		(68)	(131)	(235)
<b>Capital expenditure</b>				
Purchase of investments		(169)	(1,853)	(4,066)
Proceeds from disposal of investments		1,677	1,625	12,904
Net cash (outflow)/inflow from capital expenditure		1,508	(228)	8,838
<b>Equity dividends paid</b>		(10,725)	(540)	(540)
<b>Net cash (outflow)/inflow before financing</b>		(9,244)	(594)	8,546
<b>Financing</b>				
Shares repurchased		-	(45)	(106)
Net cash outflow from financing		-	(45)	(106)
<b>Increase/ (decrease) in cash</b>	2	(9,244)	(639)	8,440

### Notes to the cash flow statement:

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

Net (loss)/gain before taxation	185	(736)	(1,129)
(Gains)/ losses on investments	(186)	1,020	1,657
Decrease/ (increase) in other debtors	41	44	(40)
Increase/ (decrease) in other creditors	1	(23)	(5)
Net cash inflow from operating activities	41	305	483

#### 2 Analysis of net funds

Beginning of period	9,319	879	879
Net cash (outflow)/inflow	(9,244)	(639)	8,440
End of period	75	240	9,319

## SUMMARY OF INVESTMENT PORTFOLIO

as at 31 May 2010

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value
<b>Venture Capital Investments</b>				
<b>VCT-Qualifying</b>				
West Tower Holdings Limited	1,750	1,750	-	21.5%
Heyford Contracting (South) Limited	1,500	1,350	-	16.6%
Hoole Hall Spa and Leisure Club Limited	1,000	1,000	-	12.3%
Heyford Contracting (North) Limited	1,038	990	-	12.2%
Hoole Hall Country Club Holdings Limited	875	875	-	10.7%
Future Films Production Services Limited	373	373	-	4.6%
Coast Constructors Limited (formerly Richstone Contracting Limited)	1,119	169	-	2.1%
	<u>7,655</u>	<u>6,507</u>	-	<u>80.0%</u>
<b>Non-VCT Qualifying</b>				
Aminghurst Limited	993	993	186	12.2%
Sanguine Hospitality Limited	243	243	-	3.0%
Heyford Contracting (South) Limited	150	150	-	1.8%
Chapel Street Hotel (2008) LLP	63	126	-	1.5%
Vermont Developments Limited	902	50	-	0.6%
Chapel Street Hotel Limited	2	2	-	0.0%
	<u>2,353</u>	<u>1,564</u>	<u>186</u>	<u>19.1%</u>
<b>Total</b>	<u>10,008</u>	<u>8,071</u>	<u>186</u>	<u>99.1%</u>
<b>Cash at bank</b>		75		0.9%
<b>Total investments</b>		<u>8,146</u>		<u>100.0%</u>

## SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2010

### Addition

£'000

#### VCT Qualifying investment

Coast Constructor Limited  
(formerly Richstone Contracting Limited)

169

### Disposals

	Cost £'000	Proceeds £'000	Profit/(loss) £'000
<b>VCT Qualifying investments</b>			
Bowman Care Homes Limited	600	600	-
East Dulwich tavern Limited	319	319	-
Westow House Limited	281	281	-
Atlantic Dogstar Limited	150	150	-
Heyford Homes VCT Limited	150	150	-
Hoi Polloi Pub Company Limited	100	100	-
Future Films Production Services Limited	77	77	-
Vermont Developments Limited	1	-	-
	<u>1,678</u>	<u>1,677</u>	<u>-</u>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly financial results cover the six months to 31 May 2010 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 30 November 2009, 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 2009 and the year ended 30 November 2009 respectively.
5. Return per share for the period has been calculated on 21,450,413 shares, being the weighted average number of shares in issue during the period.

### 6. Dividends paid

	31 May 2010			31 May 2009	30 Nov 2009
	Revenue	Capital	Total	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>Paid in period/year</b>					
2010 Interim (40.0p paid 1 March 2010)	-	8,580	8,580	-	-
2009 Final (10.0p paid 6 January 2010)	536	1,609	2,145	-	-
2007 Final (2.5p paid 25 April 2008)	-	-	-	540	540
	<u>536</u>	<u>10,189</u>	<u>10,725</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	Investment holding losses £'000	Revenue reserve £'000	Total £'000
At 1 December 2009	2	20,099	3	(2,124)	515	18,495
Gains/(losses) on investments	-	-	-	186	-	186
Dividends paid	-	(10,189)	-	-	(536)	(10,725)
Share buybacks	-	-	-	-	-	-
Retained revenue	-	-	-	-	(4)	(4)
Transfer	-	-	(1)	1	-	-
At 31 May 2010	2	9,910	2	(1,937)	(25)	7,952

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. Contingent liability re. performance incentive fees

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 summarised as follows:

- (i) 10% of the net proceeds paid to Shareholders before 5 April 2010;
- (ii) 5% of the net proceeds paid to Shareholders between 6 April 2010 and 5 April 2011; and
- (iii) 2.5% of the net proceeds paid to Shareholders between 6 April 2011 and 5 April 2012.

No performance fee is payable unless Shareholders (who invested at the launch of the Company) have received proceeds of at least 80p per share and achieved a compound return on their investment in excess of 8% per annum.

If the Company's assets and liabilities were realised at the current carrying values and the compound return and other targets met, the maximum level of performance fees payable would be approximately £1.5 million (equivalent to 7.1p per share). 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 31 May 2010, the Company had no contingencies, guarantees or financial commitments.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. 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.
  
10. 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.
  
11. 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](http://www.downing.co.uk).



**Directors**

Hugh Gillespie (Chairman)  
Dennis Hale  
Chris Kay

**Secretary and Registered Office**

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