

Downing Planned Exit VCT 4 PLC

Half-Yearly Report for
the six months ended
31 May 2011

SHAREHOLDER INFORMATION

Performance summary

	31 May 2011	30 Nov 2010	31 May 2010
	pence	pence	pence
Net asset value per share	33.8	34.3	38.1
Cumulative dividends per share	56.0	56.0	56.0
Total return per share*	89.8	90.3	94.1

* Net asset value per share plus dividend paid to date

Forthcoming dividend

The Company has declared the following dividend:

Date payable	Ex-div date	Amount per share
26 August 2011	10 August 2011	18.0p

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 0324 (calls cost 10p per minute plus network extras, lines open Monday to Friday 8:30am to 5:30pm), 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 (www.capitaregistrars.com).

Share price

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

Latest share price (21 July 2011): 24.0p per share

Share scam warning

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT houses 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.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I present my report for the six months ended 31 May 2011.

Portfolio review

As Shareholders will be aware, the Company is now working towards realising the remainder of its investment portfolio in order to return funds to Shareholders. During the period to 31 May 2011, there was limited investment activity, but three major realisations have occurred since the period end.

The investments in West Tower Holdings Limited, Hoole Hall Country Club Limited and Hoole Hall Spa and Leisure Club Limited have each been disposed of at prices approximately equal to original cost and previous carrying value. Although these exits took much longer to achieve than had been planned, the fact that the Company was able to recover full value on investments in leisure assets originally made prior to the major financial turmoil of the late 2000s is seen as a successful outcome. The investment in Chapel Street Hotel (2008) LLP was also realised in June 2011, producing a small gain.

The Company now has two major investments remaining: Coast Constructors Limited and Heyford Contracting (South) Limited.

Coast Constructors Limited is building an apartment and hotel resort, known as Gara Rock, in south Devon on land which is owned by Aminghurst Limited. The project has undergone a number of changes from its original plan and has been significantly delayed as a result. However, the apartments are now complete and a full marketing effort is underway. In order to fund the completion of the apartments, the Company had to invest a further £636,000 in the project in January 2011. There is also an additional funding requirement for the completion of the hotel and, as a result, a

further investment of approximately £500,000 is expected to be made by the Company shortly.

The hotel is expected to commence operations in early 2012. Sales of the apartments are progressing, albeit at a slow rate. With the main show apartment recently opened, it is hoped that sales momentum will build over the summer months. A full exit from the investment will depend on the sale of all the apartments and a transaction involving the hotel, so timing is not clear but we hope to see significant progress before the end of the year.

Heyford Contracting (South) Limited has been undertaking two contracts to build commercial office units: the North Gate site in Banbury, Oxfordshire, and the Uppingham Gate site in Uppingham in the East Midlands. Both of the sites comprise seven units, of which two are unlet at North Gate and four are unlet at Uppingham Gate. With most of the building work complete, the focus has now shifted to marketing the remaining units. An exit from the investment is dependent on most of these remaining units being let or sold.

Of the other smaller investments that the Company still holds, it is expected that the investment in Sanguine Hospitality Limited will be realised shortly at close to original cost and negotiations are ongoing in seeking an exit from Future Films Production Services Limited.

The Board has reviewed the valuation of the remaining investments at the period end and made some adjustments to the previous carrying values. The valuation of Heyford Contracting (South) Limited has been reduced by £200,000 in view of the uncertainty regarding the exit from the investment.

CHAIRMAN'S STATEMENT (continued)

Portfolio review (continued)

A further provision of £22,000 has been made against Coast Constructors Limited, based on the latest estimates of the final outcome of the project. A provision of £64,000 has also been made against the remaining investment in Future Films Limited, as a result of doubts about the collectability of a debt due from a third party. In total, valuations have been reduced by £286,000.

Net Asset Value and results

At 31 May 2011, the Net Asset Value per share ("NAV") of the Company stood at 33.8p, a decrease of 0.5p (1.5%) since the year end of 30 November 2010. Total return (NAV plus cumulative dividends paid to date) is now 89.8p. No provision has been made for any performance incentive as the relevant hurdles have not yet been met. Further details are given in note 9.

The loss on ordinary activities after taxation for the period was £103,000, comprising a revenue gain of £183,000 and a capital loss of £286,000.

Dividend

As a result of the realisations mentioned above, the Company is now in a position to declare a further dividend. A dividend of 18p per share will be paid on 26 August 2011 to Shareholders on the register at 12 August 2011. This will bring total dividends paid to Shareholders since launch to 74.0p per share.

Winding up plans

In accordance with the Company's Articles of Association, a resolution was put to Shareholders at the AGM in May 2011 proposing that the Company discontinues as a Venture Capital Trust. The resolution was passed such that the Directors now need to put formal proposals for the liquidation, reorganisation or reconstruction of the Company to Shareholders by February 2012.

In view of the small size of the Company once the dividend described above has been paid, the Board is proposing to go into members' voluntary liquidation shortly after its payment. This will involve the appointment of a liquidator who will oversee the exit from the remaining investments and the return of the further funds to Shareholders. Entering members' voluntary liquidation allows the VCT to benefit from a relaxation of certain VCT regulations which reduces running costs and avoids other difficulties that might be faced in realising the remaining portfolio. It is planned that the existing investment management team will continue in their role throughout the liquidation process.

A circular with formal proposals for the appointment of the liquidator will be prepared and circulated to Shareholders in the near future.

Share buybacks

In view of the fact that the Company is now in the later stages of unwinding its portfolio, the Board wishes to have tight control over the Company's liquid funds and does not wish to expose the Company to any unpredictable cash outflows. The Company is therefore unlikely to undertake any further share buybacks and the Board recommends that Shareholders continue to hold their shares while the remaining value is returned to them by way of dividends and distributions.

No share buybacks were made in the six months to 31 May 2011.

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 invested in small businesses which were mostly immature. The investments were structured, where possible, to take a charge over the assets of the business. In addition, investments are closely monitored by the Investment Manager. 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. The plans for the Company to take advantage of the VCT winding-up regulations, by entering members' voluntary liquidation, will also further reduce the chance of a possible breach.

Going concern statement

The Company is now required to make a statement about going concern within its half-yearly report. The Board considers that the Company has sufficient financial resources at the period end and has limited and predictable expenses and liabilities. As a result, the Directors believe that the Company is well placed to manage its business risks successfully.

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 statements.

Although the Board has plans for the Company to enter members' voluntary liquidation in due course, the Directors do not believe this has any impact on the ongoing valuations of the investments as they will continue to be stated at fair value until they are realised.

Outlook

It has taken longer than expected for the Company to achieve its most recent realisations, primarily due to the continued difficulties in the banking and property sectors and the time and effort that has been needed to secure bank funding to allow exits from certain investee companies.

The remaining investments, namely Coast Constructors Limited and Heyford Contracting (South) Limited, face different challenges before exits can be achieved. The timetable for the next significant distribution to Shareholders will be determined by the progress of sales of the apartments at Gara Rock and the sales or lettings of the commercial units at Uppingham and Banbury.

The plans to enter members' voluntary liquidation will produce cost savings for Shareholders while these final realisations are pursued and should not have any significant negative impact on Shareholders. Formal proposals will be sent out soon seeking Shareholder approval for these plans.



Hugh Gillespie
Chairman

26 July 2011

UNAUDITED INCOME STATEMENT

for the six months ended 31 May 2011

	Six months ended 31 May 2011		
	Revenue £'000	Capital £'000	Total £'000
Income	323	-	323
Gain/(losses) on investments	-	(286)	(286)
	<u>323</u>	<u>(286)</u>	<u>37</u>
Investment management fees	(30)	-	(30)
Other expenses	(62)	-	(62)
Return/(loss) on ordinary activities before taxation	<u>231</u>	<u>(286)</u>	<u>(55)</u>
Taxation	(48)	-	(48)
Return/(loss) attributable to equity shareholders	<u>183</u>	<u>(286)</u>	<u>(103)</u>
Return/(loss) per share	0.8p	(1.3p)	(0.5p)

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 2010			Year ended 30 November 2010
Revenue £'000	Capital £'000	Total £'000	Total £'000
132	-	132	204
-	186	186	(590)
<u>132</u>	<u>186</u>	<u>318</u>	<u>(386)</u>
(62)	-	(62)	(101)
(71)	-	(71)	(134)
<u>(1)</u>	<u>186</u>	<u>185</u>	<u>(621)</u>
(3)	-	(3)	-
<u>(4)</u>	<u>186</u>	<u>182</u>	<u>(621)</u>
(0.1p)	0.9p	0.8p	(2.9p)

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 May 2011

	31 May 2011 £'000	31 May 2010 £'000	30 Nov 2010 £'000
Fixed assets			
Investments	6,362	8,071	6,026
Current assets			
Debtors	374	164	133
Cash at bank and in hand	645	75	1,306
	<u>1,019</u>	<u>239</u>	<u>1,439</u>
Creditors: amounts falling due within one year	(99)	(122)	(80)
Net assets less current liabilities	<u>920</u>	<u>8,188</u>	<u>7,385</u>
Creditors: amounts falling due after more than one year	(21)	(21)	(21)
Net assets	<u><u>7,261</u></u>	<u><u>8,167</u></u>	<u><u>7,364</u></u>
Capital and reserves			
Called up share capital	215	215	215
Capital redemption reserve	2	2	2
Special reserve	9,910	9,910	9,910
Capital reserve - realised	2	2	2
Revaluation reserve	(2,999)	(1,937)	(2,713)
Revenue reserve	131	(25)	(52)
Equity shareholders' funds	<u><u>7,261</u></u>	<u><u>8,167</u></u>	<u><u>7,364</u></u>
Net asset value per share	33.8p	38.1p	34.3p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2011 £'000	31 May 2010 £'000	30 Nov 2010 £'000
Opening shareholders' funds	7,364	18,710	18,710
Purchase of own shares	-	-	-
Dividends paid	-	(10,725)	(10,725)
Total recognised (loss)/gain for the period	(103)	182	(621)
Closing shareholders' funds	<u><u>7,261</u></u>	<u><u>8,167</u></u>	<u><u>7,364</u></u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 May 2011

	Note	31 May 2011 £'000	31 May 2010 £'000	30 Nov 2010 £'000
Cash (outflow)/inflow from operating activities and returns on investments	1	<u>(39)</u>	<u>41</u>	<u>(11)</u>
Taxation				
Corporation tax paid		<u>-</u>	<u>(68)</u>	<u>(53)</u>
Capital expenditure				
Purchase of investments		(636)	(169)	(169)
Proceeds from disposal of investments		<u>14</u>	<u>1,677</u>	<u>2,945</u>
Net cash (outflow)/inflow from capital expenditure		<u>(622)</u>	<u>1,508</u>	<u>2,776</u>
Equity dividends paid		-	(10,725)	(10,725)
Net cash outflow before financing		<u>(661)</u>	<u>(9,244)</u>	<u>(8,013)</u>
Financing				
Shares repurchased		<u>-</u>	<u>-</u>	<u>-</u>
Net cash outflow from financing		<u>-</u>	<u>-</u>	<u>-</u>
Decrease in cash	2	<u>(661)</u>	<u>(9,244)</u>	<u>(8,013)</u>

Notes to the cash flow statement:

1 Cash inflow from operating activities and returns on investments

Net (loss)/gain before taxation	(53)	185	(621)
Losses/(gains) on investments	286	(186)	590
(Increase)/decrease in other debtors	(242)	41	72
(Decrease)/increase in other creditors	(30)	1	(23)
Decrease in amount due to subsidiary undertaking	-	-	(29)
Net cash (outflow)/inflow from operating activities	<u>(39)</u>	<u>41</u>	<u>(11)</u>

2 Analysis of net funds

Beginning of period	1,306	9,319	9,319
Net cash (outflow)	<u>(661)</u>	<u>(9,244)</u>	<u>(8,013)</u>
End of period	<u>645</u>	<u>75</u>	<u>1,306</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 May 2011

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value
Venture Capital Investments				
VCT qualifying				
West Tower Holdings Limited	1,750	1,750	-	25.0%
Coast Constructors Limited	1,755	1,257	(22)	17.9%
Hoole Hall Spa and Leisure Club Limited	1,000	1,000	-	14.3%
Heyford Contracting (South) Limited	1,500	875	(175)	12.5%
Hoole Hall Country Club Holdings Limited	875	875	-	12.5%
Future Films Production Services Limited	128	64	(64)	0.9%
	<u>7,008</u>	<u>5,821</u>	<u>(261)</u>	<u>83.1%</u>
Non-VCT qualifying				
Sanguine Hospitality Limited	243	237	-	3.4%
Chapel Street Hotel (2008) LLP	63	126	-	1.8%
Heyford Contracting (South) Limited	150	125	(25)	1.8%
Vermont Developments Limited	902	50	-	0.7%
Chapel Street Hotel Limited	3	3	-	0.0%
Aminghurst Limited	992	-	-	0.0%
	<u>2,353</u>	<u>541</u>	<u>(25)</u>	<u>7.7%</u>
Total	<u>9,361</u>	<u>6,362</u>	<u>(286)</u>	90.8%
Cash at bank		645		9.2%
Total investments		<u>7,007</u>		<u>100.0%</u>

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 May 2011

Addition

	£'000
VCT qualifying investment	
Coast Constructors Limited	<u>636</u>

Disposal

	Cost £'000	Proceeds £'000	Profit/ (loss) £'000
VCT qualifying investment			
Future Films Production Services Limited	<u>14</u>	<u>14</u>	<u>-</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half-yearly financial results cover the six months to 31 May 2011 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 30 November 2010, 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 and Venture Capital Trusts” revised January 2009 (“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 2010 and the year ended 30 November 2010 respectively.
5. Net Asset Value per share has been calculated on 21,450,413 shares, being the number of shares in issue at the period end.
6. 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.
7. **Dividends paid**

	31 May 2011			31 May 2010	30 Nov 2010
	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
Paid in period/year					
2010 Interim (40.0p paid 1 March 2010)	-	-	-	8,580	8,580
2009 Final (10.0p paid 6 January 2010)	-	-	-	2,145	2,145
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,725</u>	<u>10,725</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
At 1 December 2010	2	9,910	2	(2,713)	(52)	7,149
Losses on investments	-	-	-	(286)	-	(286)
Dividends paid	-	-	-	-	-	-
Share buybacks	-	-	-	-	-	-
Retained revenue	-	-	-	-	183	183
Transfer	-	-	-	-	-	-
At 31 May 2011	2	9,910	2	(2,999)	131	7,046

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.

9. 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 £740,000 (equivalent to 3.4p 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 2011, the Company had no contingencies, guarantees or financial commitments.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

10. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies.
11. 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.
12. 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.

SHAREHOLDER INFORMATION (continued)

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, who will be able to provide up to date details. Downing can be contacted on 020 7416 7780.

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 Planned Exit VCT 4 plc, please contact the registrar, Capita Registrars, or visit Capita's website at www.capitaregistrars.com and select the Shareholder Portal.

Directors

Hugh Gillespie (Chairman)
Dennis Hale
Chris Kay

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