

Downing FOUR VCT plc

Half Yearly Report
for the six months ended
30 September 2016



FINANCIAL HIGHLIGHTS

	30 Sept 2016 pence	31 March 2016 pence	30 Sept 2015 pence
DSO B Share pool			
Net asset value per DSO B Share	20.0	17.6	72.4
Net asset value per DSO C Share	0.1	0.1	0.1
Cumulative dividends per DSO B Share	91.5	91.5	32.5
Estimated performance incentive *	(5.3)	(4.8)	(4.0)
Total return per DSO B Share and DSO C Share	<u>106.3</u>	<u>104.4</u>	<u>101.0</u>
DSO D Share pool			
Net asset value per DSO D Share	75.5	75.6	76.0
Cumulative dividends per DSO D Share	22.5	20.0	17.5
Total return per DSO D Share	<u>98.0</u>	<u>95.6</u>	<u>93.5</u>
DP67 Share pool			
Net asset value per DP67 Share	63.9	60.4	62.9
Cumulative dividends per DP67 Share	25.8	23.8	21.8
Total return per DP67 Share	<u>89.7</u>	<u>84.2</u>	<u>84.7</u>
DP2011 General Share pool			
Net asset value per DP2011 Gen Ord Share	25.0	75.1	78.9
Net asset value per DP2011 Gen A Share	30.3	5.9	6.1
Cumulative dividends per DP2011 Gen Ord Share	45.0	22.5	20.0
Total return per DP2011 Gen Ord Share and Gen A Share	<u>100.3</u>	<u>103.5</u>	<u>105.0</u>
<i>Estimated Performance incentive (already included above) *</i>	4.6	-	-
DP2011 Structured Share pool			
Net asset value per DP2011 Struc Ord Share	14.9	77.1	80.8
Net asset value per DP2011 Struc A Share	31.8	6.1	6.3
Cumulative dividends per DP2011 Struc Share	55.0	22.5	20.0
Total return per DP2011 Struc Ord Share and Struc A Share	<u>101.7</u>	<u>105.7</u>	<u>107.1</u>
<i>Estimated Performance incentive (already included above) *</i>	4.8	-	-
DP2011 Low Carbon Share pool			
Net asset value per DP2011 Low Carbon Share	41.7	41.6	90.0
Cumulative dividends per DP2011 Low Carbon Share	73.9	73.9	21.4
Estimated performance incentive *	(6.8)	-	-
Total return per DP2011 Low Carbon Share	<u>108.8</u>	<u>115.5</u>	<u>111.4</u>

*A full explanation of the performance incentive arrangements for each share pool is given on pages 33 to 34.

SHAREHOLDER INFORMATION

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 Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from www.capitaassetservices.com by selecting Shareholders and employees and then Leaflets and forms.

Terminology

Throughout this document the following terms are used: -

DSO Ordinary Share(s)	The pool of assets allocated to DSO Ordinary Shares and DSO A Shares combined (Now cancelled)
DSO B Share(s)	The pool of assets allocated to DSO B Shares and DSO C Shares combined
DSO D Share(s)	The pool of assets allocated to the DSO D Shares
DP67 Share(s)	The pool of assets allocated to the DP67 Shares
DP2011 General Share(s)	The pool of assets allocated to DP2011 General Ordinary Shares and DP2011 General A Shares combined
DP2011 Structured Share(s)	The pool of assets allocated to DP2011 Structured Ordinary Share(s) and DP2011 Structured A Shares combined
DP2011 Low Carbon Share(s)	The pool of assets allocated to DP2011 Low Carbon Share(s)

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. If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's Half Yearly Report for the six months ended 30 September 2016. The period has been notable for the outcome of the EU Referendum and, more recently, the US election result. These events have, however, had little impact on your Company and, in general, progress across the various share pools has continued to be satisfactory.

Share pools

The Company now has six active share pools each with a different profile. This report includes sections covering each share pool, I will give a brief overview of each pool.

DSO B Share Pool

The combined NAV of one DSO B Share and one DSO C Share stood at 20.1p at 30 September 2016, an increase of 2.4p per share or 13.8% over the period. Total Return now stands at 111.6p per share, compared to the cost for Shareholders who invested in the B Share offer, net of income tax relief, of 70.0p. Based on the current performance it is estimated that a performance fee equivalent to 5.3p per B Share may become payable to members of the management team when the task of returning funds to Shareholders is complete. This would result in a net Total Return of 106.3p. Further details of the performance incentive arrangements are set out on page 33.

The pool is in the process of realising its remaining investments and we are optimistic that it will be in a position to declare a final distribution to shareholders in the new year.

DSO D Share Pool

The DSO D Share NAV stood at 75.5p at 30 September 2016, an increase of 2.4p per share or 3.2% over the period, after adjusting for the dividends paid in the period of 2.5p. Total Return now stands at 98.0p per share, compared to the cost for Shareholders who invested in the D Share offer, net of income tax relief, of 70.0p.

The DSO D Share pool will seek to begin the process of realising its investments to return funds to investors in August 2017.

DP67 Share Pool

The DP67 Share pool arose from the merger with Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc. As at 30 September 2016, the NAV of the DP67 Shares stood at 63.9p per share.

This represents an increase of 5.5p (9.1%) (after adjusting for the dividend paid) over the period. Total Return for DP67 shareholders now stands at 89.7p per share.

The DP67 Share pool will be commencing the process of realising its investments to return funds to investors in 2018.

DP2011 General Share Pool

Now that the Share Pool is in the process of returning funds to Shareholders, an estimate has been made of the performance incentive that may ultimately be paid to members of the management team were the remaining investments to be realised at current carrying value. This is achieved by the allocation of value to the DP2011 General A Shares from the DP2011 General Ordinary Shares.

After providing for an estimate performance incentive of 4.6p per DP2011 General Ordinary Share, as at 30 September 2016, the NAV of a combined holding of one DP2011 General Ordinary Share and one DP2011 General A Share stood at 55.3p per share. This represents an increase of 1.4p or 1.8% (after adjusting for the dividends paid) over the period before adjusting for the performance incentive. Further details of the performance incentive arrangements are set out on page 34.

Total Return for DP2011 General Shareholders now stands at 100.3p compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

The Share pool has started the task of realising its investments earlier this year and will make further distributions to Shareholders as this process progresses.

CHAIRMAN'S STATEMENT (continued)

DP2011 Structured Share Pool

As with the DP2011 General pool, an estimate has now been made of the performance incentive that may ultimately be paid to members of the management team were the remaining investments to exit at current carrying value.

After providing for an estimated performance incentive of 4.8p per DP2011 Structured Ordinary Share, as at 30 September 2016, the NAV of a combined holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share stood at 46.7p per share. This represents an increase of 1.0p or 1.2% (after adjusting for the dividends paid) over the period, before adjusting for the performance incentive. Further details of the performance incentive arrangements are set out on page 34.

Total Return for DP2011 Structured Shareholders now stands at 101.7p compared to the cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

As with the DP2011 General Share Pool, the task of realising the investments has commenced and further distributions will be made to Shareholders as this process progresses.

DP2011 Low Carbon Share Pool

As part of the merger Low Carbon Shareholders received 0.935 new DP2011 Low Carbon Ordinary Shares in the Company for every Low Carbon Ordinary Share they previously owned in the original company. This was done to rebase the cost of the original shares to 100p.

As with the other DP2011 share pools, we have now calculated the potential impact of performance fees. These are estimated to amount to 6.8p per share if the remaining investments are sold at current carrying value. Further details of the Performance Incentive arrangements are set out on page 34.

After providing for these fees, the NAV of the DP2011 Low Carbon Shares as at 30 September 2016 was 34.9p per share. In terms of investment performance – i.e after adding back dividends and provisions for the performance fees - this represents an increase of 0.1p or 0.1%. Total Return for DP2011 Low Carbon Shareholders now stands at 108.8p compared to the equivalent cost for Shareholders who invested in the original offer, net of income tax relief, of 70.0p.

As with the other DP2011 share pools, the process of returning funds to investors commenced in 2016. In respect of the Low Carbon pool, the Manager is working on transactions to realise the remaining investments and we believe that a final distribution should be made to Shareholders in the first half of 2017.

DSO Ordinary Share Pool

In August 2016, the DSO Ordinary Share and A Share classes were cancelled following the completion of the return of capital to shareholders earlier in the year.

Dividends

In line with the usual policy, interim dividends will be paid as follows:

DSO D Shares	2.5p
DP67 Shares	2.0p

The interim dividends will be paid on 6 January 2017 to Shareholders on the register at 16 December 2016.

No dividends in respect of the other share pools are being declared at this time as they are in the process of realising investments and dividends will be declared as disposals are achieved.

Share buybacks

The Company will buy DSO D Shares or DP67 Shares that become available in the market and will usually expect to do so at a price approximately equal to the latest NAV of the shares, subject to regulatory restrictions and other factors such as availability of liquid funds.

CHAIRMAN'S STATEMENT (continued)

Share buybacks (continued)

In respect of the other share pools that are in the process of returning funds to Shareholders the Board does not intend to buy in any of those shares as it is envisaged that the exit for these Shareholders will now be facilitated by way of distributions.

There were no shares purchased in the period ended 30 September 2016.

Future fundraising plans

Although the Company has a number of share pools, each of them currently operates a planned exit strategy and, in time, each share pool will wind up.

The Board has given consideration to the future of the Company and, in conjunction with the Manager, is progressing plans to launch two new share pools with "evergreen" investment strategies. One share pool will have a generalist focus and the other a healthcare/life sciences focus. The proposed new share pools should help to maintain the size of the Company as the existing pools wind up and enable the Company to keep running costs at a reasonable level for all Shareholders.

Naturally, full details will be sent to Shareholders when they are available.

Board

As one of the original share pools has now wound up and others are in the process of winding up, the Directors have reviewed the composition of the Board. As a result, Mark Mathias and Robin Chamberlayne have decided to resign as directors, leaving the Company with a Board comprising three directors.

I would like to thank both Mark and Robin for their valuable contributions since the Company's launch as Downing Protected Opportunities VCT1 plc in 2009 and wish them every success in their other ventures.

Outlook

Much of the Manager's focus over the remainder of the year will be on investment disposals from the share pools that are in the process of returning funds to Shareholders. Also some provisional plans will start to be developed for the pools that have not yet reached that stage.

Investment performance is generally satisfactory and the Manager will continue to closely monitor all investments to ensure that this remains the case, particularly the investments in the DSO D Share pool and DP67 Share pool, where we believe there are prospects for improved performance before the realisation process gets underway.

We believe that the proposed new fundraising mentioned above may provide Shareholders with an attractive new opportunity for a new VCT investment. The fundraising is expected to launch shortly and I will write to all Shareholders with full details at that time.



Lord Flight
Chairman

2 December 2016

INVESTMENT MANAGER'S REPORT

DSO B SHARE POOL

The DSO B Share pool continues to make progress with the process of realising the portfolio and expects to be in a position to return all remaining funds in the first half of 2017.

Portfolio Activity

A number of investments were exited during the period to 30 September 2016, with four full disposals, two partial disposals and deferred consideration from previous disposals, which produced total proceeds of £1.7 million and a gain of £480,000.

At 30 September 2016, the pool held eight investments with a total valuation of £1.7 million. There were three minor valuation changes at the period end for Mosaic Spa and Health Clubs Limited, Fenkle Street LLP and Redmed Limited resulting in a net valuation reduction of £22,000. The carrying values adopted at the period end are consistent with the values at which we believe the investments can be realised.

The majority of investments have performed to plan although a small number which have underperformed historically are yet to fully recover.

Realisation plans

There are exit plans in place for the remaining investments. The significant holdings in Westcountry Solar Solutions Limited and Avon Solar Energy Limited are expected to be sold in the first quarter of the next calendar year.

A number of exit options are being pursued for Mosaic Spa and Health Clubs Limited.

Results

At 30 September 2016 the DSO B Share NAV stood at 20.0p and the DSO C Share NAV at 0.1p, giving a combined NAV of 20.1p.

Based on the performance to date, it is expected that performance hurdles will be met and a performance incentive fee will be payable to members of the management team. It is estimated that this fee might be equivalent to 5.3p per DSO B Share.

After adjusting for the fee, Total Return (NAV plus dividends to date) now stands at 106.3p for a combined holding of one DSO B Share and one DSO C Share. This represents a net increase of 1.9p over the period, equivalent to an increase of 10.7%.

Shareholdings should note that although the DSO C Shares currently have nominal value, meeting the performance hurdles will trigger a transfer of value from the DSO B Shares to the DSO C Shares.

Profit on ordinary activities after taxation for the period was £490,000, comprising revenue profit of £51,000 and capital profit of £439,000.

Outlook

Exits from the remaining investments are being pursued and, it is expected that the next DSO B Share dividend will be declared when either all or most of the remaining investments have been realised. Timing is difficult to estimate as the realisations are dependent on third parties but we envisage this will be in the first half of 2017.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO

DSO B SHARE POOL

as at 30 September 2016

DSO B SHARE POOL

	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Qualifying investments				
Westcountry Solar Solutions Limited	500	500	-	12.1%
Mosaic Spa and Health Clubs Limited*	692	441	(79)	10.7%
Avon Solar Energy Limited	420	435	-	10.6%
Redmed Limited*	37	27	(6)	0.7%
Future Biogas (Reepham Road) Limited	633	-	-	0.0%
Quadrate Spa Limited	276	-	-	0.0%
	<u>2,558</u>	<u>1,403</u>	<u>(85)</u>	<u>34.1%</u>
Non-qualifying investments				
Fenkle Street LLP	154	340	63	8.2%
Camandale Limited	587	-	-	0.0%
	<u>741</u>	<u>340</u>	<u>63</u>	<u>8.2%</u>
Total	<u>3,299</u>	<u>1,743</u>	<u>(22)</u>	<u>42.3%</u>
Cash at bank and in hand		2,379		57.7%
Total investments		<u>4,122</u>		<u>100.0%</u>

*partially non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

DSO B SHARE POOL

for the period ended 30 September 2016

Disposals	Cost £000	Valuation at 31/03/2016 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Kidspace Adventures Holdings Limited	750	930	939	189	9
Quadrate Spa Limited	56	-	313	257	313
Future Biogas (Reepham Road) Limited	257	193	257	-	64
Future Biogas (SF) Limited	122	122	147	25	25
Redmed Limited	29	24	30	1	6
Camandale Limited	5	-	5	-	5
<i>Deferred consideration</i>					
Liverpool Nurseries Limited	-	-	46	46	46
Kilmarnock Monkey Bar Limited	-	-	12	12	12
Total	1,219	1,269	1,749	530	480

INVESTMENT MANAGER'S REPORT

DSO D SHARE POOL

At 30 September 2016, the D Share pool was fully invested and held 14 Venture Capital investments with a value of £4.4 million and one Structured Product investment with a value of £593,000.

Portfolio activity

Unquoted portfolio

There was one disposal during the period. Pearce and Saunders Limited loan notes were redeemed at par.

Portfolio valuation

Two small uplifts in value were recognised in the period for Merlin Renewables Limited and Lambridge Solar Limited, totalling £127,000.

Structured Product portfolio

The Structured Product portfolio was valued at £593,000 as at 30 September 2016. During the period sales and redemptions realised £606,000 leaving one remaining investment in the portfolio which is due to mature next year.

The remaining investment increased in value by £21,000 over the period.

Results and net asset value

At 30 September 2016, the NAV per DSO D Share stood at 75.5p per share; an increase of 2.4p per share (3.2%) since 31 March 2016 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one DSO D Share now totals 98.0p.

The gain on ordinary activities after taxation was £187,000, comprising a revenue profit of £31,000 and capital profit of £156,000.

Dividends

A 2.5p dividend per DSO D Share will be paid on 6 January 2017 to shareholders on the register at 16 December 2016.

Outlook

The focus for the DSO D Share portfolio is now on close monitoring and support of the portfolio companies in order to maximise growth opportunities until the realisation process commences in 2017.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO

DSO D SHARE POOL

as at 30 September 2016

	Cost £000	Valuation £000	Unrealised gain in period £000	% of portfolio by value
Qualifying investments				
Vulcan Renewables Limited	653	779	-	13.4%
Merlin Renewables Limited	500	575	75	9.9%
Goonhilly Earth Station Limited	570	570	-	9.8%
Lambridge Solar Limited	500	569	52	9.8%
Nightjar Sustainable Power Limited	485	485	-	8.3%
Apex Energy Limited	400	400	-	6.9%
City Falkirk Limited	562	236	-	4.1%
Fubar Stirling Limited	358	225	-	3.9%
Fresh Green Power Limited	200	200	-	3.4%
Pearce and Saunders Limited*	300	192	-	3.3%
Green Energy Production UK Limited	100	100	-	1.7%
Cheers Dumbarton Limited	64	22	-	0.4%
Pearce and Saunders DevCo Limited	20	20	-	0.3%
Lochrise Limited	17	-	-	0.0%
	<u>4,729</u>	<u>4,373</u>	<u>127</u>	<u>75.2%</u>
Structured Product investments				
HSBC 5.4% Dual Index Synthetic Zero	501	593	21	10.2%
	<u>5,230</u>	<u>4,966</u>	<u>148</u>	<u>85.4%</u>
Cash at bank and in hand		860		14.6%
Total investments		<u>5,826</u>		<u>100.0%</u>

* partially non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

DSO D SHARE POOL

for the period ended 30 September 2016

Disposals	Cost £000	Valuation at 31/03/2016 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
<i>Qualifying Investments</i>					
Pearce and Saunders Limited	294	294	294	-	-
<i>Structured Products</i>					
HSBC 7.1% Defensive Worst Of Auto Call	251	286	303	52	17
Credit Suisse 7% Defensive Worst Of Auto Call	251	291	303	52	12
	<u>796</u>	<u>871</u>	<u>900</u>	<u>104</u>	<u>29</u>

INVESTMENT MANAGER'S REPORT

DP67 SHARE POOL

The DP67 Share pool has been formed from the merger with Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc. These companies were sister companies which held identical investment portfolios.

Portfolio activity

The DP67 pool now holds ten investments, of which Cadbury House Holdings Limited and Gatewales Limited represent the largest proportion of the pools net assets.

There were two qualifying additions to the portfolio during the period; £300,000 in Brownfields Limited which is seeking to develop small scale waste disposal projects; and £400,000 in Yamuna Renewables Limited which is working on an opportunity in the wood refinery sector.

Loan notes in Kidspace Adventures Holdings Limited and Hobblers Heath Limited, totalling £965,000 were redeemed at par during the period.

Portfolio valuation

The DP67 portfolio continues to perform well and there were a number of uplifts in value during the period.

Gatewales Limited holds the right to share in the profit from a hotel development. The profit share has started to be paid out and a further uplift of £274,000 reflects the anticipated returns still due over the coming months.

Fenkle Street LLP and Snow Hill Developments LLP, both property development companies in Newcastle and Birmingham respectively, were uplifted by a total of £403,000.

These uplifts were offset in part by a value reduction of £82,000 on Oak Grove Renewables Limited, which continues to experience operating issues.

Net asset value and results

At 30 September 2016, the NAV per DP67 Share stood at 63.9p per share, an increase of 5.5p per share (9.1%) since the year end (after taking into account the 2.0p dividend paid during the period). The NAV plus cumulative dividends paid to date for one DP67 Share now totals 89.7p.

The profit on ordinary activities after taxation for the period was £617,000, comprising a revenue profit of £137,000 and a capital profit of £480,000.

Dividends

A 2.0p dividend per DP67 Share will be paid on 6 January 2017 to shareholders on the register at 16 December 2016.

Outlook

We are reasonably pleased with the recent overall performance of the DP67 portfolio as is reflected in the recent uplifts in value. The portfolio is now almost fully invested and we will continue to monitor the existing portfolio to ensure that opportunities from growth are maximised.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO

DP67 SHARE POOL

as at 30 September 2016

	Original cost £000	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Qualifying investments					
Cadbury House Holdings Limited	1,206	1,409	1,613	-	22.1%
Gatewales Limited	1,194	564	1,123	274	15.4%
Oak Grove Renewables Limited	820	820	533	(82)	7.3%
Yamuna Energy Limited	-	400	400	-	5.5%
Brownfields Limited	-	300	300	-	4.1%
		<u>3,493</u>	<u>3,969</u>	<u>192</u>	<u>54.4%</u>
Non-qualifying investments					
Snow Hill Developments LLP	500	526	810	285	11.1%
Fenkle Street LLP	77	405	637	118	8.7%
London and City Shopping Centre Limited	-	99	99	-	1.4%
Coast Constructors Limited	1,866	-	-	-	0.0%
Gara Rock Resort Limited (previously Aminghurst Limited)	415	-	-	-	0.0%
		<u>1,030</u>	<u>1,546</u>	<u>403</u>	<u>21.2%</u>
Total		<u><u>4,523</u></u>	<u><u>5,515</u></u>	<u><u>595</u></u>	<u><u>75.6%</u></u>
Cash at bank and in hand			<u><u>1,775</u></u>		<u><u>24.4%</u></u>
Total investments			<u><u>7,290</u></u>		<u><u>100.0%</u></u>

“Original cost” refers to the cost of the investment by the original VCT

“Cost” reflects the values at which investments were transferred at the merger in July 2015

SUMMARY OF INVESTMENT MOVEMENTS

DP67 SHARE POOL

for the period ended 30 September 2016

Additions

£000

Qualifying investments

Brownfields Limited
Yamuna Energy Limited

300

400

700

Disposals	Cost £000	Valuation at 31/03/2016* £000	Disposal proceeds £000	Total loss against cost £000	Realised loss in period £000
<i>Full disposal</i>					
Qualifying investments					
Kidspace Adventures Holdings Limited	578	578	578	-	-
Hobblers Heath Limited	387	387	387	-	-
<i>Partial disposal</i>					
Non-qualifying investments					
Snow Hill Developments LLP	558	642	550	(8)	(92)
	<u>1,523</u>	<u>1,607</u>	<u>1,515</u>	<u>(8)</u>	<u>(92)</u>

* Being the date of the merger

INVESTMENT MANAGER'S REPORT DP2011 GENERAL SHARE POOL

At 30 September 2016 the DP2011 General Share pool portfolio was valued at £7.3 million, comprising 10 fully or partly qualifying investments and a further 5 non-qualifying investments.

Following the five year anniversary this year, the pool paid the first substantial return of capital dividend during the period. We will look to seek appropriate exit strategies for the remainder of the portfolio to maximise returns to shareholders.

Portfolio activity

Three full disposals were made during the period generating total proceeds of £3.2 million and gains of £80,000.

There were no additions as the portfolio is now in the planned exit phase.

Portfolio valuation

The majority of the portfolio continues to perform in line with expectations, however there have been a number of adjustments to valuations at 30 September 2016, resulting in an unrealised value decrease of £16,000.

The two biggest valuation movements were as follows: -

Snow Hill Developments LLP owns a long leasehold interest in the Holiday Inn Express Hotel in Birmingham. The value has been increased by £131,000 as visibility of future cash flows has improved.

Unfortunately, this was offset by a write down of £130,000 on Mosaic Spa and Health Club Limited, which is still suffering performance issues at the Shrewsbury site.

Net asset value and results

At 30 September 2016, the DP2011 General Share NAV stood at 25.0p per share and the DP2011 General A Share NAV at 30.3p per share, giving a total NAV of 55.3p.

Total Return (NAV plus dividends paid to date) now stands 100.3p, an increase of 1.4p (1.8%) since the year end, after accounting for the dividend paid during the period of 22.5p, but ignoring the estimated performance incentive that may be payable.

The profit on ordinary activities after taxation for the period was £188,000, comprising a revenue profit of £178,000 and a capital gain of £10,000.

Dividends

During the period the DP2011 General pool made the first significant return of capital dividend of 22.5p, in line with the planned exit strategy.

We hope to make another substantial dividend payment to Shareholders in 2017, however the disposal process may take some time to complete.

Outlook

The coming months will be focussed on realisations within the portfolio as well as continuing to monitor investments and maximising growth opportunities.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO DP2011 GENERAL SHARE POOL

as at 30 September 2016

	Original Cost £000	Cost £000	Valuation £000	Unrealised gain/(loss) in period £000	% of portfolio by value
Qualifying investments					
Vulcan Renewables Limited	1,845	2,199	2,199	-	23.9%
Mosaic Spa and Health Clubs Limited*	1,238	1,147	825	(130)	9.0%
Westcountry Solar Solutions Limited	600	600	600	-	6.5%
Odysian (Holdings) Limited	857	873	591	-	6.4%
Wickham Solar Limited	472	550	575	25	6.2%
Avon Solar Energy Limited	505	505	523	-	5.7%
City Falkirk Limited	674	330	283	-	3.1%
Oak Grove Renewable Limited	400	400	275	(42)	3.0%
Fubar Stirling Limited	429	410	270	-	2.9%
Cheers Dumbarton Limited	76	27	27	-	0.3%
		<u>7,041</u>	<u>6,168</u>	<u>(147)</u>	<u>67.0%</u>
Non-qualifying investments					
Snow Hill Developments LLP	750	750	881	131	9.6%
London City Shopping Centre Limited	50	88	88	-	1.0%
Clean Electricity Limited	70	70	70	-	0.8%
UK Renewable Power Limited	55	55	55	-	0.6%
21st Century Energy Limited	22	22	22	-	0.2%
		<u>985</u>	<u>1,116</u>	<u>131</u>	<u>12.2%</u>
Total		<u>8,026</u>	<u>7,284</u>	<u>(16)</u>	<u>79.2%</u>
Cash at bank and in hand			<u>1,925</u>		<u>20.8%</u>
Total investments			<u>9,209</u>		<u>100.0%</u>

* partially non-qualifying

“Original cost” refers to the cost of the investment by the original VCT

“Cost” reflects the values at which investments were transferred at the merger in July 2015

SUMMARY OF INVESTMENT MOVEMENTS

DP2011 GENERAL SHARE POOL

for the period ended 30 September 2016

Disposals	Cost £000	Valuation at 31/03/2016 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Full Disposal					
Qualifying investments					
Kidspace Adventures Holdings Limited	1,351	1,384	1,398	47	14
Tooting Tram and Social Limited*	1,187	1,223	1,289	102	66
Non-qualifying investments					
Kidspace Adventures Limited	539	539	539	-	-
	3,077	3,146	3,226	149	80

*Partially non-qualifying

INVESTMENT MANAGER'S REPORT DP2011 STRUCTURED SHARE POOL

At 30 September 2016 the DP2011 Structured Share pool was fully invested with a portfolio value of £4.3 million, comprising 11 fully or partly qualifying investments.

Following the five year anniversary this year, the pool paid the first substantial return of capital dividend during the period. We will look to seek appropriate exit strategies for the remainder of the portfolio to maximise returns to shareholders.

Portfolio activity

Unquoted investments

Two full disposals were made during the period generating total proceeds of £1.6 million and gains of £53,000.

There were no additions as the portfolio is now in the planned exit phase.

Portfolio valuation

The majority of the portfolio continues to perform in line with expectations, however there have been a number of adjustments to valuations at 30 September 2016, resulting in an unrealised value decrease of £120,000.

Mosaic Spa and Health Club Limited, which is still suffering performance issues at the Shrewsbury site, was written down by £87,000.

Oak Grove Renewables Limited, which continues to experience operating issues was also written down by £58,000.

This was offset in part by an uplift of £25,000 on Wickham Solar, due to continued good performance of the solar farm in Lincolnshire.

Structured Product portfolio

The remainder of the structured portfolio matured during the period, generating total proceeds of £1.4 million and gains of £30,000 (total gains of £282,000 over the cost to the original pool).

Net asset value and results

At 30 September 2016, the DP2011 Structured Share NAV stood at 14.9p per share and the DP2011 Structured A Share NAV at 31.8p per share, giving a total NAV of 46.7p.

Total Return (NAV plus dividends paid to date) now stands at 101.7p, an increase of 1.0p (1.2%) since the year end after taking into account the dividend paid during the period of 32.5p, but before adjusting for the estimated performance incentive that may become payable.

The profit on ordinary activities after taxation for the period was £61,000, comprising a revenue profit of £136,000 and a capital loss of £75,000.

Dividend

During the period the DP2011 Structured pool made the first significant return of capital dividend of 32.5p, in line with the planned exit strategy.

We hope to make another substantial dividend payment to Shareholders in 2017, however the disposal process may take some time to complete.

Outlook

The coming months will be focussed on realisations within the portfolio as well as continuing to monitor investments and maximising growth opportunities.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO DP2011 STRUCTURED SHARE POOL

as at 30 September 2016

	Original cost £000	Cost £000	Valuation £000	Unrealised (loss)/gain in period £000	% of portfolio by value
Qualifying investments					
Vulcan Renewables Limited	1,091	1,305	1,305	-	24.1%
Wickham Solar Limited	472	550	575	25	10.6%
Mosaic Spa and Health Clubs Limited*	825	685	470	(87)	8.7%
Westcountry Solar Solutions Limited	400	400	400	-	7.4%
Odysian (Holdings) Limited	571	582	394	-	7.3%
Oak Grove Renewables Limited	545	545	375	(58)	6.9%
Avon Solar Energy Limited	336	336	348	-	6.4%
City Falkirk Limited	450	220	189	-	3.5%
Fubar Stirling Limited	286	273	180	-	3.3%
Cheers Dumbarton Limited	51	18	18	-	0.3%
Lochrise Limited	13	-	-	-	0.0%
Total		<u>4,914</u>	<u>4,254</u>	<u>(120)</u>	<u>78.5%</u>
Cash at bank and in hand			<u>1,155</u>		<u>21.5%</u>
Total investments			<u>5,409</u>		<u>100.0%</u>

* partially non-qualifying

“Original cost” refers to the cost of the investment by the original VCT

“Cost” reflects the values at which investments were transferred at the merger in July 2015

SUMMARY OF INVESTMENT MOVEMENTS

DP2011 STRUCTURED SHARE POOL

for the period ended 30 September 2016

Disposals	Cost £000	Valuation at 31/03/2016 £000	Disposal proceeds £000	Total gain against cost £000	Realised gain in period £000
Full disposal					
Qualifying investments					
Tooting Tram and Social Limited	613	637	681	68	44
Kidspace Adventures Holdings Limited	901	923	932	31	9
Non-qualifying investments					
Structured Products					
HSBC 7.1% Defensive Worst Of Auto Call	447	458	469	22	11
Credit Suisse 7% Defensive Worst Of Auto Call	279	291	297	18	6
Credit Suisse 10% Defensive Worst Of Auto Call	290	293	302	12	9
RBS 6 Yr Dual Index Synthetic Zero 10.16%	373	380	384	11	4
	2,903	2,982	3,065	162	83

INVESTMENT MANAGER'S REPORT DP2011 LOW CARBON SHARE POOL

At 30 September 2016 the DP2011 Low Carbon Share pool was fully invested with a portfolio value of £3.0 million, comprising four fully qualifying investments.

Following the five year anniversary this year, the pool paid the first substantial return of capital dividend during the period.

Investment activity

There was no movement in the portfolio during the period as we continue to finalise the exit plans for the remaining investments.

Net asset value

At 30 September 2016, the NAV per DP2011 Low Carbon Ordinary Share stood at 34.9p, net an estimated performance incentive fee of 6.8p per share.

Total Return (NAV plus cumulative dividends) is now 108.8p, an increase of 0.1p per share (0.1%) since the year end, after taking into account the 50.0p dividend paid during the period, but before adjusting for the estimated performance incentive fees that may become payable.

The gain on ordinary activities after taxation for the period was £5,000, comprising a revenue profit of £34,000 and a capital loss of £29,000.

Dividend

Shortly after the year end the DP2011 Low Carbon pool made the first significant return of capital dividend payment of 50.0p, in line with the planned exit strategy.

Outlook

We are in the process of finalising the exit plans for the remainder of the portfolio, and hope to make the final dividend payment to Shareholders in the first half of 2017.

Downing LLP

2 December 2016

SUMMARY OF INVESTMENT PORTFOLIO DP2011 LOW CARBON SHARE POOL

as at 30 September 2016

	Original Cost £000	Cost £000	Valuation £000	Unrealised gain in period £000	% of portfolio by value
Qualifying investments					
Progressive Power Generation Limited	800	800	800	-	25.5%
UK Renewable Power Limited	780	780	780	-	24.8%
Clean Electricity Limited	780	710	710	-	22.6%
21st Century Energy Limited	600	708	708	-	22.5%
Total		<u>2,998</u>	<u>2,998</u>	<u>-</u>	<u>95.4%</u>
Cash at bank and in hand			142		4.6%
Total investments			<u>3,140</u>		<u>100.0%</u>

“Original cost” refers to the cost of the investment by the original VCT

“Cost” reflects the values at which investments were transferred at the merger in July 2015

There were no disposals or additions during the period.

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2016

	Six months ended 30 Sep 2016			Six months ended 30 Sep 2015			Year ended 31 Mar 2016
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
Company Total							
Income	978	-	978	1,406	-	1,406	3,435
Gains/(losses) on investments							
- realised	-	585	585	-	575	575	2,075
- unrealised	-	580	580	-	127	127	(1,194)
	978	1,165	2,143	1,406	702	2,108	881
Investment management fees	(183)	(184)	(367)	(160)	(162)	(322)	(778)
Other expenses	(252)	-	(252)	(283)	-	(283)	(568)
Return on ordinary activities before tax	543	981	1,524	963	540	1,503	2,970
Tax on total comprehensive income and ordinary activities	18	-	18	(129)	-	(129)	(351)
Return attributable to equity shareholders, being total comprehensive income for the year	561	981	1,542	834	540	1,374	2,619
Return per DSO B Share	0.3p	2.2p	2.5p	1.2p	1.1p	2.3p	6.5p
Return per DSO C Share	-	-	-	-	-	-	-
Return per DSO D Share	0.4p	2.0p	2.4p	0.9p	(2.4p)	(1.5p)	0.6p
Return per DP67 Share	1.2p	4.2p	5.4p	-	2.8p	2.8p	2.3p
Return per DP2011 Gen Ordinary Share	1.1p	0.1p	1.2p	0.8p	(0.1p)	0.7p	0.2p
Return per DP2011 Gen A Share	-	-	-	-	-	-	-
Return per DP2011 Struc Ordinary Share	1.3p	(0.7p)	0.6p	0.7p	(0.4p)	0.3p	(0.1p)
Return per DP2011 Struc A Share	-	-	-	-	-	-	-
Return per DP2011 Low Carbon Share	0.4p	(0.4p)	0.0p	0.8p	0.6p	1.4p	5.6p

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.

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2016

	Six months ended 30 Sep 2016			Six months ended 30 Sep 2015			Year ended 31 Mar 2016
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
B Share pool							
Income	98	-	98	402	-	402	1,047
Gains/(losses) on investments							
- realised	-	(22)	(22)	-	189	189	909
- unrealised	-	480	480	-	91	91	(253)
	98	458	556	402	280	682	1,703
Investment management fees	(19)	(19)	(38)	(50)	(50)	(100)	(194)
Other expenses	(21)	-	(21)	(84)	-	(84)	(98)
Return on ordinary activities before taxation	58	439	497	268	230	498	1,411
Taxation	(7)	-	(7)	(30)	-	(30)	(116)
Return attributable to equity shareholders	51	439	490	238	230	468	1,295
D Share pool							
Income	91	-	91	128	-	128	255
Gains/(losses) on investments							
- realised	-	148	148	-	12	12	80
- unrealised	-	29	29	-	(175)	(175)	(119)
	91	177	268	128	(163)	(35)	216
Investment management fees	(20)	(21)	(41)	(22)	(22)	(44)	(84)
Other expenses	(37)	-	(37)	(38)	-	(38)	(81)
Return/(losses) on ordinary activities before taxation	34	156	190	68	(185)	(117)	51
Taxation	(3)	-	(3)	3	-	3	(3)
Return/(losses) attributable to equity shareholders	31	156	187	71	(185)	(114)	48

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2016

	Six months ended 30 Sep 2016			Period from 21 July 2015 30 Sep 2015			Period from 21 Jul 15 to 31 Mar 16
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Total £000
DP2011 Structured Share pool							
Income	218	-	218	134	-	134	429
Gains/(losses) on investments							
- realised	-	(120)	(120)	-	5	5	(463)
- unrealised	-	83	83	-	(32)	(32)	262
	218	(37)	181	134	(27)	107	228
Investment management fees	(38)	(38)	(76)	(18)	(19)	(37)	(112)
Other expenses	(53)	-	(53)	(30)	-	(30)	(78)
Return/(losses) on ordinary activities before taxation	127	(75)	52	86	(46)	40	38
Taxation	9	-	9	(14)	-	(14)	(48)
Return/(losses) attributable to equity shareholders	136	(75)	61	72	(46)	26	(10)
DP2011 Low Carbon Share pool							
Income	77	-	77	108	-	108	353
Gains on investments							
- realised	-	-	-	-	-	-	253
- unrealised	-	-	-	-	60	60	-
	77	-	77	108	60	168	606
Investment management fees	(29)	(29)	(58)	(13)	(13)	(26)	(80)
Other expenses	(31)	-	(31)	(20)	-	(20)	(59)
Return/(losses) on ordinary activities before taxation	17	(29)	(12)	75	47	122	467
Taxation	17	-	17	(12)	-	(12)	(43)
Return/(losses) attributable to equity shareholders	34	(29)	5	63	47	110	424

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2016

	30 Sep 2016						30 Sep	31 Mar	
	DSO B Share pool £000	DSO D Share Pool £000	DP67 Share pool £000	DP2011 Gen Share pool £000	DP2011 Struc Share pool £000	DP2011 LC Share pool £000	2015*	2016	
						Total £000	Total £000	Total £000	
Fixed assets									
Investments	1,743	4,966	5,515	7,284	4,254	2,998	26,760	51,182	35,351
Current assets									
Debtors	18	185	3	479	321	108	1,114	2,151	1,077
Cash at bank and in hand	2,379	860	1,775	1,925	1,155	142	8,236	11,404	9,533
	2,397	1,045	1,778	2,404	1,476	250	9,350	13,555	10,610
Creditors: amounts falling due within one year	(126)	(75)	(112)	(190)	(139)	(89)	(731)	(1,729)	(879)
Net current assets	2,271	970	1,666	2,214	1,337	161	8,619	11,826	9,731
Net assets	4,014	5,936	7,181	9,498	5,591	3,159	35,379	63,008	45,082
Capital and reserves									
Called up share capital	50	8	11	34	24	8	135	161	161
Capital redemption reserve	31	-	-	-	-	-	31	5	5
Share premium	-	-	-	-	-	-	-	38,719	-
Special reserve	3,693	6,659	5,592	9,177	5,498	2,653	33,272	22,163	44,441
Revaluation reserve	(1,742)	(263)	993	(740)	(660)	-	(2,412)	(1,522)	(2,645)
Capital reserve – realised	1,711	(510)	355	466	346	253	2,621	1,467	1,949
Revenue reserve	271	42	230	561	383	245	1,732	2,015	1,171
Equity									
Shareholders' funds	4,014	5,936	7,181	9,498	5,591	3,159	35,379	63,008	45,082
DSO B Share	20.0p	-	-	-	-	-	72.4p	17.6p	
DSO C Share	0.1p	-	-	-	-	-	0.1p	0.1p	
DSO D Share	-	75.5p	-	-	-	-	76.0p	75.6p	
DP67 Share	-	-	63.9p	-	-	-	62.9p	60.4p	
DP2011 Gen Ord Share	-	-	-	25.0p	-	-	77.2p	75.1p	
DP2011 Gen A Share	-	-	-	30.3p	-	-	6.1p	5.9p	
DP2011 Struc Ord Share	-	-	-	-	14.9p	-	79.6p	77.1p	
DP2011 Struc A Share	-	-	-	-	31.8p	-	6.3p	6.1p	
DP2011 Low Carbon Share	-	-	-	-	-	41.7p	90.0p	91.6p	

*The comparative balance sheet as at 31 March 2016 includes only the DSO Share Pools in existence at those dates.

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2016								
At 31 March 2015	84	5	20,895	2,794	(1,544)	2,500	1,181	25,915
Total comprehensive income	-	-	-	-	(1,194)	1,686	2,127	2,619
Issue of share capital on acquisition	77	-	-	35,999	-	-	-	36,076
Share premium cancellation	-	-	38,692	(38,692)	-	-	-	-
Transfer between reserves	-	-	(15,056)	-	93	15,531	(568)	-
<i>Transactions with owners</i>								
Dividend paid	-	-	-	-	-	(17,768)	(1,569)	(19,337)
Purchase of own shares	-	-	(8)	(30)	-	-	-	(38)
Share issue costs	-	-	(82)	(71)	-	-	-	(153)
At 31 March 2016	161	5	44,441	-	(2,645)	1,949	1,171	45,082
For the six months ended 30 September 2016								
At 31 March 2016	161	5	44,441	-	(2,645)	1,949	1,171	45,082
Total comprehensive income	-	-	-	-	585	396	561	1,542
<i>Transactions with owners</i>								
Dividend paid	-	-	-	-	-	(11,196)	-	(11,196)
Transfer between reserves	(26)	26	(11,120)	-	(352)	11,472	-	-
Purchase of own shares	-	-	(49)	-	-	-	-	(49)
At 30 September 2016	135	31	33,272	-	(2,412)	2,621	1,732	35,379

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	30 Sep 2016						30 Sep 2015*	31 Mar 2016	
	DSO B	DSO D	DP67	DP2011	DP2011	DP2011			
	Share	Share	Share	Gen	Struc	LC			
	pool	Pool	pool	Share	Share	Share	Total	Total	
	£000	£000	£000	pool	pool	pool	£000	£000	
				£000	£000	£000		£000	
Cash flows from operating activities									
Return on ordinary activities before tax	491	190	632	171	52	(12)	1,524	1,503	2,970
(Gains)/losses on investments	(458)	(177)	(503)	(64)	37	-	(1,165)	(702)	(881)
Decrease/(increase) in debtors	33	(22)	196	(87)	(92)	(63)	(35)	(1,023)	136
Increase/(decrease) in creditors	(66)	19	4	24	15	7	3	204	(95)
Cash inflow/(outflow) from operating activities	-	10	329	44	12	(68)	327	(18)	2,130
Corporation tax paid	(80)	(13)	(7)	(12)	(8)	(14)	(134)	(304)	(1,007)
Net cash generated/(utilised) from operating activities	(80)	(3)	322	32	4	(82)	193	(322)	1,123
Cash flows from investing activities									
Purchase of investments	-	-	(700)	-	-	-	(700)	(34,303)	(4,404)
Proceeds from disposal of investments	1,749	900	1,515	3,226	3,065	-	10,455	9,458	29,304
Cash acquired in merger	-	-	-	-	-	-	-	33,730	2,581
Net cash inflow from investing activities	1,749	900	815	3,226	3,065	-	9,755	8,885	27,481
Net cash inflow before financing	1,669	897	1,137	3,258	3,069	(82)	9,948	8,563	28,604
Cash flows from financing									
Equity dividends paid	-	(196)	(224)	(3,519)	(3,470)	(3,787)	(11,196)	(197)	(19,337)
Share issue costs	-	-	-	-	-	-	-	-	(153)
Purchase of own shares	-	-	(49)	-	-	-	(49)	-	(38)
Net cash outflow from financing	-	(196)	(273)	(3,519)	(3,470)	(3,787)	(11,245)	(197)	(19,528)
Increase/(decrease) in cash	1,669	701	864	(261)	(401)	(3,869)	(1,297)	8,366	9,076
Cash and cash equivalents at start of year	710	159	911	2,186	1,556	4,011	9,533	3,038	457
Cash and cash equivalents at end of year	2,379	860	1,775	1,925	1,155	142	8,236	11,404	9,533
Cash and cash equivalents comprise									
Cash at bank and in hand	2,379	860	1,775	1,925	1,155	142	8,236	11,404	9,533
Total cash and cash equivalent	2,379	860	1,775	1,925	1,155	142	8,236	11,404	9,533

*Comparative cash flows include only the DSO Share Pools in existence at those dates.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General Information

Downing FOUR VCT plc ("the Company") is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Basis of accounting

The unaudited half-yearly financial results cover the six months to 30 September 2016 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 March 2016, which were prepared in accordance with the Financial Reporting Standard 102 ("FRS102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised November 2014 ("SORP").

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 are in respect of the six months ended 30 September 2015 and the year ended 31 March 2016 respectively.
5. Net asset value per share at the period end has been calculated on the number of shares in issue at the period end as follows:

DSO B Shares	19,911,070	DP2011 General Shares	15,655,066
DSO C Shares	29,926,070	DP2011 General A Shares	18,453,789
DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,239,785	DP2011 Structured A Shares	12,572,817
		DP2011 Low Carbon Shares	7,575,419

6. Return per share for the period has been calculated on the average number of shares in issue in the period as follows:

DSO B Shares	19,911,070	DP2011 General Shares	15,655,066
DSO C Shares	29,926,070	DP2011 General A Shares	18,453,789
DSO D Shares	7,867,247	DP2011 Structured Shares	10,678,725
DP67 Shares	11,297,692	DP2011 Structured A Shares	12,572,817
		DP2011 Low Carbon Shares	7,575,419

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Dividends

	Six months ended 30 September 2016		
	Revenue £000	Capital £000	Total £000
Paid in period			
DSO D Shares	-	196	196
DP67 Shares	-	224	224
DP2011 General Shares	-	3,519	3,519
DP2011 Structured Shares	-	3,470	3,470
DP2011 Low Carbon Shares	-	3,787	3,787

8. Reserves

	30 Sep 2016 £'000	30 Sep 2015 £'000	31 Mar 2016 £'000
Capital redemption reserve	31	5	5
Share premium account	-	38,719	-
Special reserve	33,272	22,163	44,441
Capital reserve – realised	(2,412)	(1,522)	(2,645)
Revaluation reserve	2,621	1,467	1,949
Revenue reserve	1,732	2,015	1,171
Total reserves	35,244	62,847	44,921

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £4.5 million. Distributable reserves at 30 September 2016 were £28.1 million.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. The fair value of investments is determined using the detailed accounting policy as shown in the audited financial statements for the year ended 31 March 2016. The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level a	Reflects financial instruments quoted in an active market (quoted companies and fixed interest bonds);
Level b	Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level c	i) Reflects financial instruments that use valuation techniques that are based on observable market data. ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level a	Level b	Level c	30 Sep	Level a	Level b	Level c	31 Mar
	£000	£000	(ii) £000	2016 £000	£000	£000	(ii) £000	2016 £000
Structured Products	593	-	-	593	2,570	-	-	2,570
Unquoted loan notes	-	-	13,245	13,245	-	-	17,512	17,512
Unquoted equity	-	-	12,922	12,922	-	-	15,269	15,269
	<u>593</u>	<u>-</u>	<u>26,167</u>	<u>26,760</u>	<u>2,570</u>	<u>-</u>	<u>32,781</u>	<u>35,351</u>

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-year results to report on the 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) compliance risk of failure to maintain approval as a VCT;
- (ii) market, liquidity and counterparty risk associated with Structured Products; and
- (iii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Manager, who reports regularly to the Board on the current position. The Company also retains Phillip Hare & Associates LLP ("Phillip Hare") to provide regular reviews and advice in this area. Phillip Hare have confirmed that all relevant tests have been complied with for the period under review. The Board considers that this approach reduces the risk of a breach of the VCT regulations.

With this approach, the Board believes that these risks are reduced.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. In addition, funds invested under the new VCT regulations in force from November 2015 provide greater restriction on, amongst other things, the age of the investments. It also has a limited period in which it must invest the majority of its funds. The 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 described in (iii) above as far as is reasonably possible.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

12. Going concern

The Directors have reviewed the Company's financial resources at the period end and conclude that the Company is well placed to manage its business risks.

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes 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.

13. 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.

14. 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.

PERFORMANCE INCENTIVE ARRANGEMENTS

Performance incentive arrangements are in place for the each share pool except the DP67 pool. The various schemes are summarised as follows:

DSO B Shares

The performance incentive in respect of the DSO B Shares is facilitated by holdings of DSO C Shares that are held by members of the management team (who subscribed for A Shares at 0.1p per share). An incentive is due to management when the hurdle is met as follows:

- (i) Shareholders receive total proceeds of at least 100p per DSO B Share/DSO C Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

After the above hurdle is met, management receive 3% of the proceeds on the first 100p of distributions and 20% thereafter. This is paid by dividends by virtue of the shareholdings of C Shares held by the management team.

The maximum performance incentive is limited to an amount equivalent to 1.25% of Net Assets attributable to DSO B Shares per annum. With a lower than usual ongoing management fee of 1.5%, the maximum management fees (including performance incentive) borne by investors is 2.75% of net assets per annum.

As at 30 September 2016, it is estimated that the performance fee that might ultimately be payable is 5.3p per DSO B Share.

DSO D Shares

The Performance Incentive in respect of the DSO D Shares is structured as a simple fee when the hurdle is met. A fee is payable when:

- (i) Shareholders receive total proceeds of at least 100p per DSO D Share (excluding income tax relief); and
- (ii) Shareholders achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

If the hurdle is met, the fee will be 3p per DSO D Share plus 20% of shareholder proceeds above 100p per D Share. The maximum performance fee is limited to 7p per D Share.

No estimate of the provision has been made as at 30 September 2016 as the share pool has not yet started to realise its investments.

PERFORMANCE INCENTIVE ARRANGEMENTS (continued)

DP2011 General Shares/ DP2011 Structured Shares

The performance incentive in respect of the DP2011 General and DP2011 Structured pools by holdings of DP2011 General A Shares and DP2011 Structured A Shares that are held by members of the management team (who subscribed for A Shares at 6.5p per share).

Once proceeds to Shareholders exceeds 70p per DP2011 General Ordinary Share/DP2011 Structured Ordinary Share a performance incentive of 15% becomes due to members of the management team. No further incentive is paid to management once Shareholder proceeds exceed 120p per DP2011 General Ordinary Share/DP2011 Structured Ordinary Share.

As at 30 September 2016, it been estimated that a performance incentive due to management in respect of the DP2011 General Share will be approximately 4.6p per DP2011 General Ordinary Share and 4.8p per DP2011 Structured A Share.

DP2011 Low Carbon Shares

As no A Shares were issued in connection with the DP2011 Low Carbon Share pool, the performance incentive takes the form of an incentive fee payable to Downing LLP.

A fee will become payable equal to 15% of shareholder proceeds in excess of 70p per share. No further fees accrue after shareholder proceeds exceed 120p per share.

As at 30 September 2016, it been estimated that a performance incentive fee due in respect of the DP2011 Low Carbon Pool will be approximately equivalent to 6.75p per DP2011 Low Carbon Shares.

SHAREHOLDER INFORMATION (continued)

Share prices

The Company's share prices can be found on various financial websites with the following TIDM codes:

	DSO B Shares	DSO D Shares	DP67 Shares
TIDM codes	DO1B	DO1D	D467
Latest share price (1 December 2016):	12.5p per share	68.0p per share	57.0p per share

	DSO C Shares
TIDM codes	DO1C
Latest share price (1 December 2016):	2.5p per share

	DP2011 General Shares	DP2011 Structured Shares	DP2011 Low Carbon Shares
TIDM codes	D400	D4SO	D4LC
Latest share price (1 December 2016):	23.5p per share	10.6p per share	12.6p per share

	DP2011 Gen A Shares	DP2011 Structured A Shares
TIDM codes	D4OA	D4SA
Latest share price (1 December 2016):	7.5p per share	7.5p per share

The share prices are also available on Downing's website at 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 DP67 Shares and DSO D Shares, in accordance with the policy set out in the Chairman's Statement. The Company will not purchase other share classes as they are either in the process of exiting or will be starting to exit shortly.

Shareholders who wish to sell should contact Downing LLP who will be able to provide up-to-date details. Downing LLP 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 Asset Services, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including Company announcements, share prices 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 FOUR VCT plc, please contact the registrar on the number shown on the back cover or visit Capita's website at **www.capitaassetservices.com** and select "Products and Services" and then "Shareholders".

Directors

Lord Flight (Chairman)
Sir Aubrey Brocklebank
Russell Catley

Company Secretary and Registered Office

Grant Whitehouse
Ergon House
Horseferry Road
London SW1P 2AL

Registered No. 6789187

Investment and Administration Manager

Downing LLP
Ergon House
Horseferry Road
London SW1P 2AL

Tel: 020 7416 7780
www.downing.co.uk

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0324
(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)
www.capitaassetservices.com



Ergon House
Horseferry Road
London SW1P 2AL

020 7416 7780
contact@downing.co.uk
www.downing.co.uk



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