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DOWNING INCOME VCT 4 PLC

(Formerly Framlington AIM VCT plc)

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COMPANIES HOUSE

Report & Accounts for the year ended 30 September 2012

SHAREHOLDER INFORMATION

Change of Company name and share certificates
The Company changed its name from Framlington AIM VCT plc to Downing Income VCT 4 plc on 2 March 2012 Share certificates in the original company name remain valid

Share prices
The Company's share price can be found on various financial websites The share price is also available on Downing's website (www downing co uk)

TIDM/EPIC code	"DI4O"
Latest share price (18 December 2012)	22 75p per share

Financial calendar

7 February 2013	Annual General Meeting ("AGM")
15 February 2013	Final dividend
May 2013	Announcement of half year results

Dividends
A full dividend history is available at www downing co uk

Dividends are 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 (forms can be downloaded from www capitaregistrars com) Queries relating to dividends, shareholdings, 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 8 30am to 5 30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Selling shares
If you wish to sell your shares, either you or your adviser should contact Downing LLP on **020 7416 7780**

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004 or purchased shares within the last five years

Share scam warning
We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers 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

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 financial statements, 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 Income VCT 4 plc, please contact the registrar on the above number or visit Capita's website at www capitaregistrars com and click on "Shareholders and employees"

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COMPANY INFORMATION

Directors
Tim How (Chairman)
Chris Kay
Helen Sinclair
all of
10 Lower Grosvenor Place
London SW1W 0EN

Company number
5223838

Company Secretary and registered office
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London SW1W 0EN
Tel No 020 7416 7780

Investment and Administration Manager
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Tel No 020 7416 7780
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Auditor
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Farringdon Place
20 Farringdon Road
London EC1M 3AP

VCT status advisers
PricewaterhouseCoopers LLP ("PwC")
1 Embankment Place
London WC2N 6RH

Registrar
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No 0871 664 0324
(calls cost 10p per minute plus network extras
lines open Mon-Fri from 8 30am to 5 30pm)
www capitaregistrars com

Bankers
Royal Bank of Scotland plc
119-121 Victoria Street
London SW1E 6RA

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ

INVESTMENT OBJECTIVES

The Company's principal investment objectives are

- to achieve long term capital growth through investment in a diversified portfolio of qualifying companies It is expected that realised capital gains, along with income, will be returned to Shareholders at the discretion of the Directors, through the payment of dividends The Investment Manager may invest the assets of the Company in companies that are either quoted on AIM, traded on the ISDX trading facility (formerly PLUS) or in unquoted stocks

- to maintain VCT status so that the Company and its shareholders may benefit from the tax reliefs and exemptions available under the VCT legislation

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on pages 16 to 17

FINANCIAL SUMMARY

	2012 Pence	2011 Pence
Net asset value per share ("NAV")	34 8	41 8
Cumulative dividends paid since launch	31 0	28 5
Total return (net asset value plus cumulative distributions paid)	65 8	70 3
Dividends in respect of financial year		
Proposed final dividend per share	2 5	2 5

DIRECTORS

Tim How (Chairman) was, until August 2008, chief executive of Majestic Wine plc, where he led the management buy-out of the business and subsequent AIM flotation Prior to this he was managing director of Bejam Group plc He is chairman of Enotria Wine Group Ltd, Rayner and Keeler Limited and Woburn Enterprises Limited, a director of the Wine and Spirit Education Trust, a non-executive director of Dixons Retail plc, Henderson Group plc and Peabody Capital plc and a governor of the Peabody Trust He was formerly a director of Downing Income VCT plc (formerly Framlington AIM VCT 2 plc)

Chris Kay has over 25 years' experience in the venture capital industry He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team He is a non-executive director of Downing Income VCT plc and Downing Absolute Income VCT 1 plc and chief executive of Chrysalis VCT Management Limited He is a Cambridge University graduate and gained an MBA at Manchester Business School

Helen Sinclair started her career in investment banking and spent nearly eight years at 3i Group plc focusing on MBO and growth capital investments She later co-founded Matrix Private Equity raising a successful technology fund, Matrix Venture Fund VCT plc She then became managing director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2005 She is currently chairman of British Smaller Companies VCT plc, a non-executive director of The Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc and a director of Spark Ventures plc She has an MA from Cambridge and an MBA from INSEAD Business School

All the Directors are non-executive and, with the exception of Chris Kay, all are considered to be independent of the Investment Manager

CHAIRMAN'S STATEMENT

There have been significant changes to your Company during the last year On 1 March 2012 Downing LLP was appointed as the new investment manager, the Company changed its name from Framlington AIM VCT plc to Downing Income VCT 4 plc, and the new manager started to implement a revised investment strategy

Change of Manager

As Shareholders will be aware, in light of the generally disappointing performance of the AIM market in recent years, the Board undertook a strategic review to determine possible future options for the Company One of the conclusions of this process was that a reduced exposure to the AIM Market was desirable The Board held discussions with a number of potential managers and ultimately appointed Downing which was able to offer significant experience in AIM-quoted and unquoted VCT investing

In the negotiations with Downing, the Board was able to secure a lower management fee than the Company had paid to its previous manager and Downing also agreed to bear the costs of the change of manager and some other costs

Immediately following the appointment, the Board agreed a new strategy with Downing, with the objective of balancing the portfolio between AIM-quoted and unquoted investments and, in respect of the AIM-quoted investments, seeking to focus on those where Downing has a significant holding and can exert some influence over the business Further details of Downing's approach and the progress made to date are set out in the Investment Manager's Report

Net asset value, results and dividend

Despite the change in strategy, the Company remained heavily exposed to the AIM market throughout the year under review Exiting from some investments which the new manager does not consider to be long term holds is expected to take some time

The AIM market index showed significant volatility during the year, although finished at a similar level to that at which it started Unfortunately, many of the portfolio companies experienced falls in their share prices over the year and consequently the Company's net asset value ("NAV") has also fallen

The most significant falls were Music Festivals (£136,000) which has now gone into administration, Craneware (£174,000), Angle (£157,000) and Rivington Street (£100,000) On a positive note, Anpario gained £94,000 and Vertu Motors gained £88,000 There were a significant number of disposals during the year, most since the change of manager, including a realised gain of £160,000 achieved on the sale of Getech Group Overall the portfolio experienced unrealised losses of £964,000 and realised gains of £86,000 for the year

As at 30 September 2012, the Company's NAV stood at 34 8p, a decrease of 4 5p (10 7%) compared to the position at 30 September 2011 (after taking into account the dividend paid during the year)

The loss on ordinary activities after taxation for the year recorded in the Income Statement was £1 0 million, comprising a revenue loss of £82,000 and a capital loss of £922,000

The Board is proposing a final dividend of 2 5p per share to be paid, subject to Shareholder approval at the forthcoming AGM, on 15 February 2013 to Shareholders on the register at 18 January 2013

Investment activity

The portfolio was managed by AXA Framlington ("AXA") for the first five months of the year under review Under AXA's management, the Company invested in six AIM placings at a total cost of £253,000 Proceeds of £733,000 were also raised through a number of disposals

Since 1 March 2012, Downing has raised £2 7 million from full or partial disposal of 17 investments, producing a small gain of £85,000 £1 4 million of the proceeds were subsequently invested in five new investments, three of which are unquoted

Further details of the Company's investment activities since Downing's appointment, including the performance of the portfolio, are set out within the Investment Manager's Report and Review of Investments on pages 5 to 15

CHAIRMAN'S STATEMENT (continued)

Share Realisation and Reinvestment Programme ("SRRP")
Shareholders will be aware that the Company recently launched an SRRP which allows Shareholders to obtain a further 30% income tax relief on the current value of their investment on the basis that they continue to hold their shares for a further five years

The scheme is expected to close on 21 February 2013 with the substitute shares to be issued shortly after that

Share buybacks
From time to time, the Company has purchased its own shares that become available in the market During the year, the Company repurchased 461,034 shares for an average consideration of 25 0p per share and representing 2 2% of the issued share capital These shares were subsequently cancelled

In due course, and following the closure of the SRRP, the Board intends to introduce a more formal share buyback policy to ensure that there is liquidity in the market for the Company's shares for those Shareholders that need it

Annual General Meeting
The next AGM of the Company will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11 00 a m on 7 February 2012 Notice of the meeting is at the end of this document

Three items of special business are proposed one ordinary and one special resolution in relation to the allotment of shares, and a special resolution to renew the authority to allow the Company to make market purchases of the Company's shares

Outlook
The Board believes that the appointment of the new Manager, the commencement of the implementation of the new strategy and the SRRP are positive steps that will ultimately help improve performance for investors As the Company is effectively fully invested and liquidity in many AIM stock is weak, the task of fully rebalancing the portfolio is likely to take some time so we may not see all the rewards in the short term

The Board recognises that, with net assets of approximately £7 3 million, the Company is relatively small for a VCT and a further reduction in size may start to raise the burden of fixed running costs to an unreasonable level The possibilities of fundraising and/or seeking a merger with one or more other VCTs are being reviewed with the Manager I will write to Shareholders in due course if there are any developments before the half yearly report to 31 March 2013

Tim How
Chairman

19 December 2012

INVESTMENT MANAGER'S REPORT

Downing assumed the Investment Management mandate of the Company on 1 March 2012

The purpose of the following report is

- To further explain our investment style and process,
- To disclose our performance over the period, and
- To discuss our rationale behind any significant new investments/divestments

Investment style and process
The AIM market can be fairly inefficient for smaller companies and there can be overreaction to disappointing news This is compounded further for the types of companies in which the Company invests by three factors,

1) *The poor quality and volume of research available for potential investors*

The availability of research for companies within the larger capitalisations of the UK stock market is very good There are sometimes 5-10 analysts covering each company, creating an independent network of researchers Conversely, research on smaller companies is often scarce, non-independent and not sufficiently detailed

Research is often written by the house broker who is potentially conflicted as they are paid agents of the company Therefore little, if any, independent analysis is available to investors in small companies

2) *The lack of institutional money allocated to this segment of the market*

The market for smaller companies has suffered from continuous capital outflows over the last five years In the current environment, the charge that an investment manager can ascribe per annum in order to run the Company (the annual management charge) is under pressure and so the Company only increases profitability by increasing 'funds under management' ("FUM") In general, the greater the FUM, the larger the investee company must be in order to make a meaningful investment If you run a fund with £500 million under management, it would not be economic or efficient to consider investing in a company with a £10 million market capitalisation, no matter how undervalued it might be

3) *Venture Capital Trusts facing restrictions on the companies in which they invest*

Adding this constraint to the inefficiencies of the market highlighted above, the universe of companies in which your Company can invest therefore becomes smaller

How does Downing cope with the restrictions and inefficiencies of investment in small companies from VCT funds?

Downing views the inefficiencies in the small company markets as an opportunity The ability of the Company to invest in both quoted and unquoted companies helps address the issue of the lack of availability of good qualifying AIM investments Our immediate challenges are to improve the performance and focus of the existing portfolio and seek liquidity to allow the Company to invest in qualifying unquoted assets, and selectively add to the quoted investments where appropriate

We ignore the markets as an arbiter of value and rely upon our own proprietary research to determine value We will never speculatively "punt" in the hope that a stock provides a short term gain, we will only invest once we have conviction in the quality of the business, the management team and the price we are paying

Our first job is to seek out companies that can consistently generate a high return on invested capital ("ROIC") over the long term In order to do this we require a process for screening We ensure that the company is qualifying for VCT purposes then start our filter to remove candidates that possess too many of the following negative attributes

- Companies within a sector/area that we do not understand or cannot predict,
- Low historic ROIC,
- Commodity type products with little to no pricing power,
- Dependency on a small group of customers,
- Low barriers to market entry,
- High gearing relative to assets and earnings,
- High fixed cost base relative to secure revenue

We then analyse the operations, the sector that the company operates in and the business' ecosystem This knowledge can be assimilated through various ways including, annual reports, regulatory reports (such as from the OFT), Mintel reports, competitors' annual reports and discussion with competitors, past employees, suppliers and customers

Having established the above, we then look to understand the board and the executive team, their integrity and ability to allocate capital together with any incentive packages issued Generally, CEOs feel that they are paid by reference to market capitalisation and judged against EPS growth We want them to focus on the returns generated by invested capital and we consequently look for management teams with significant (by their standards) 'skin in the game'

Once a company has progressed fully through our identification process, we create a valuation range We look to buy or hold equity at a price that returns our initial investment in a worst case scenario and offers at least 15% returns within our other valuation ranges We are very patient in waiting for the stock market to offer us the opportunity to buy equity within these companies at a price that gives us these risk/reward odds and are long term investors

It is challenging to drive performance from a large number of small holdings, as is typical of the portfolio of the Fund We have been implementing the investment process detailed above on the Company and seek to arrive at a smaller focused pool of AIM investments that we will have fully reviewed and that meet our criteria We will carefully dispose of those that do not meet our strict criteria but will not do so hastily, as we aim to achieve the best possible prices and valuations for these companies Meanwhile, we are adding unquoted yielding assets to the portfolio which should aid the Company's ability to pay (tax free) dividends

Downing is making some progress in this strategy and has partly/fully divested in seventeen companies since 1 March 2012, raising proceeds of £2 7 million and invested £1 4 million in two quoted holdings and three unquoted holdings which are discussed later in this report A full schedule of additions and disposals can be found on pages 10 to 11

Performance for the year

In the year to 30 September 2012, the NAV fell from 41 8p to 34 8p, a fall of 10 7% after taking the dividend paid in the year into account

Major movements in the period include Craneware, which saw a fall in value of £174,000 as it announced delays in its sale of software into the US healthcare market This negative share price movement has been partially negated by subsequent announcements that trading has improved Craneware has long term contracts with major health trusts in the USA and is a key part of the insurance claim process We continue to believe Craneware is a good company and will monitor its valuation in relation to contract news

Other contributors to negative performance were Angle (down £157,000), and a loss on the investment, made in June 2011 by the previous manager, in Music Festivals (£136,000) Music Festivals suffered as its summer festivals competed with the Olympics impacting on its onerous debt facilities The company was placed into administration during September and any equity value is lost Meanwhile the carrying value of the loan stock investment in Rivington Street Holdings was written down to zero as higher ranking loan stock was issued to help restructure the company

There were a few bright spots to talk about in the portfolio, Anpario, a manufacturer of supplements for the animal food industry saw its valuation increase by £94,000, while Cohort, the supplier of support for the defence industry saw its share price partially recover and this had a positive impact of £71,000 to the Company, while the valuation of Vertu Motors increased by £88,000 over the year

The general underperformance of the portfolio can clearly be attributed to a few larger holdings, however, across the board the portfolio performance was very disappointing and is reflective of challenging trading within the underlying companies against a difficult macro-economic backdrop

However, progress to achieve the focused approach that Downing aims to deploy with this Fund is making good headway The vast majority of investee companies have been met and evaluated and are in our diligence process Those that do not fit our criteria are being sold into liquidity, however, we are never forced sellers of stock and will be patient A small handful of illiquid legacy stocks could continue to dampen performance, however, we are confident that over the longer term liquidity will be achieved and the stronger attributes of the core holdings will outweigh any downside from poor legacy holdings

Portfolio activity

Quoted portfolio

Aside from the disposal program already discussed, two new quoted holdings were added to the portfolio

The Company made a £254,000 investment into Ludorum Plc, into both equity and yielding 7 5% Loan Stock in the company Ludorum owns the Intellectual Property of "Chuggington", which is a popular under-fives TV programme set in the fictional village of Chuggington and is focussed on its trains

Portfolio activity (continued)
It is shown in over 170 territories and has consistently been rated as a top title for its demographic TOMY, the Japanese manufacturer and distributor of children's toys, holds the "Master Toy" licence for Chuggington, which allows TOMY to manufacture and distribute the toys worldwide Over $150m of merchandising has been sold since launch of the toy only 2 years ago

Ludorum is a company that is familiar to Downing Downing-managed funds and associated parties hold nearly 14% of the equity in Ludorum and half of the loan stock, alongside DC Thomson This loan stock confers some investor rights including limiting the ability of the company to raise additional debt and the right to a board position This allows Downing to exert some influence over the cost base and future strategy for the company, ultimately working with management to drive shareholder returns This is typical of our investment focus and style where we seek to take larger more influential holding, once we have completed our diligence

The coming twelve months are very important for Ludorum as TOMY launch two new product lines, Plarail and Stacktrack We believe that the traction that the company has already got with its young audience, combined with the strength and power of TOMY, gives this IP inherent value which protects the downside at our entry price while providing upside on the basis of new product launches Although the share price has fallen a little since the Company made its investment, we do not believe that this is indicative of any issues with the underlying business

In addition, the Company took a small equity holding (£65,000) in Universe Group Plc which is one of Europe's largest providers of loyalty, payment and forecourt technology They have on-going maintenance and support agreements with all of the UK's major forecourt retailers, including Asda and Morrisons The Company has also made a post year-end investment of £40,000 in Universe loan stock which confers some investor rights

Unquoted Portfolio
The Company invested £400,000 into Vulcan Renewables Limited, which is a new company developing an anaerobic digestion plant near Doncaster The plant is managed by Future Biogas Limited who have developed and operate two other anaerobic digestion plants in which Downing VCTs are invested The anaerobic digestion process converts energy crops, such as maize, into bio-methane gas by a process of fermentation In this case, the gas will be treated and then fed into the national gas grid

The plant is expected to qualify under the Renewable Heat Incentive scheme which the UK Government has set up to encourage the uptake of renewable heat technologies among householders, communities and businesses As a result, Vulcan should receive a tariff based on the amount of gas injected into the grid, which will be paid for 20 years and increase annually with RPI In order to secure the maize being used as feedstock, Vulcan is renting approximately 2,000 acres of land from local farmers under cropping licences, and will engage contract farmers to grow maize on the land The plant is currently under construction, and is expected to be operational by the end of next summer

The Company's investment in Vulcan is a combination of equity, qualifying loan notes and non-qualifying loan notes, which is intended to provide a yield and a share in the upside We are seeking further qualifying investments of this nature

The Company also made non-qualifying loans of £400,000 and £300,000 to Baron House Developments LLP ("Baron House") and Southampton Hotel Developments Limited ("Southampton Hotel") respectively The loan to Baron House was part of a larger loan to enable Baron House to acquire a building in central Newcastle, which has the potential to be converted into a hotel The loan is secured by a first charge on the land and buildings, and the Company is entitled to interest and a share in any development profit from the scheme Similarly the loan to Southampton Hotel was part of a £3 million loan to build a 175 room hotel, under the Hilton brand, at the Ageas Bowl, home of the Hampshire Cricket Club

Summary
The re-focusing of the portfolio into a blend of unquoted and quoted holdings has made some early progress There has been an immediate focus on retaining those existing portfolio companies that should drive performance, with efforts to seek liquidity on those that are now not core holdings The pipeline of yielding unquoted assets is strong and we expect to report that this momentum to focus and add yielding assets has continued by the time of the release of the Half Yearly accounts to 31 March 2013

Downing LLP

19 December 2012

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 30 September 2012

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Investments by other funds[1]
Top ten venture capital investments					
Baron House Developments LLP *	400	400	-	6 1%	DDV,DI,DI3,DA1,DA2
Vulcan Renewables Limited *	400	400	-	6 1%	DDV,DI,DI3,DSO
Craneware plc	125	399	(174)	6 1%	DDV,DI
Anpario plc	251	392	94	6 0%	DI
Southampton Hotel Developments Limited*	300	300	-	4 5%	DDV,DI,DI3,DA1
Vertu Motors plc	500	292	88	4 4%	DI
Brooks Macdonald Group plc	35	291	(13)	4 4%	OEIC
Cohort plc	242	238	71	3 6%	DI
Ludorum plc	254	232	(23)	3 5%	DDV,DI,DI3,OEIC,DIHT
Angle plc	330	218	(157)	3 3%	DI
	2,837	3,162	(114)	48 0%	
Other venture capital investments					
Sanderson Group plc	250	185	50	2 8%	
Tristel plc	239	171	(30)	2 6%	DDV,DI,DI3
Energetix Group plc	216	162	3	2 5%	DI
Brady plc	88	144	40	2 2%	DI
EG Solutions plc	200	144	(2)	2 2%	
Manroy plc	195	143	(92)	2 2%	DI
Interquest Group plc	218	136	(64)	2 1%	
Vianet Group plc	162	126	4	1 9%	DDV,DI
Avacta Group plc	150	120	(12)	1 8%	DI
Photonstar LED Group plc	136	117	(68)	1 8%	DI
Instem plc	168	115	(96)	1 7%	DI
Corero Network Security plc	364	112	(14)	1 7%	DI
Dillistone Group plc	88	105	(14)	1 6%	DI
Tangent Communications plc	150	104	46	1 6%	DI
Accumuli plc	675	100	29	1 5%	DDV,DI,DI3,DA2,DIHT
Surface Transforms plc	150	88	9	1 3%	DI
Universe Group plc	65	85	20	1 3%	DDV,DI,DI3,DA1,OEIC
Active Risk Group plc	116	79	(41)	1 2%	DI
Belgravium Technologies plc	175	69	(19)	1 0%	DDV
Maxima Holdings plc	507	65	(8)	1 0%	
AFC Energy plc	25	63	(20)	1 0%	DI
Pressure Technologies plc	54	56	7	0 8%	DI
PHSC plc	121	48	9	0 7%	DI
Tawa plc	143	48	(15)	0 7%	DI
Cyan Holdings plc	195	41	(10)	0 6%	DI
Porta Communications plc	215	37	(31)	0 6%	DI
Theo Fennell plc	141	37	(35)	0 6%	DI
Hightex Group plc	113	34	4	0 5%	DI
Datong plc	150	33	1	0 5%	
Plastics Capital plc	50	33	(3)	0 5%	DDV,DI,DI3
VSA Capital Group plc	100	33	(28)	0 5%	DI
Ant plc	183	29	(3)	0 4%	
Subtotal carried forward	*5,802*	*2,862*	*(383)*	*43 4%*	

REVIEW OF INVESTMENTS (continued)

Portfolio of investments (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value	Investments by other funds[1]
Subtotal brought forward	*5,802*	*2,862*	*(383)*	*43 4%*	
Wheelsure Holdings plc **	75	26	(32)	0 4%	DI
Corac Group plc	94	24	2	0 4%	DI
Plethora Solutions Holdings plc	675	24	12	0 4%	DI
Bglobal plc	107	19	(1)	0 3%	DI
Imagelinx plc	200	14	4	0 2%	DI
Savile Group plc	101	14	(2)	0 2%	DI
Concha plc	149	13	(22)	0 2%	DI
Suretrack Monitoring plc	120	11	(78)	0 2%	DI
Travelzest plc	100	4	(2)	0 1%	DDV,DI,OEIC
3D Diagnostic Imaging plc	150	3	(76)	-	DI
Consolidated General Minerals plc *	111	-	(23)	-	DI
Invocas Group plc *	152	-	(13)	-	DI
Music Festivals plc	150	-	(136)	-	DI
Rivington Street Holdings plc *	136	-	(100)	-	DI
Welby Holdings plc *	100	-	-	-	DI
	8,222	3,014	(850)	45 8%	
	11,059	6,176	(964)	93 8%	
Cash at bank and in hand		406		6 2%	
Total investments		6,582		100 0%	

All venture capital investments are listed on AIM unless otherwise stated

* Unquoted   ** Quoted on the ISDX trading facility ("ISDX") (formerly PLUS market)

[1] Investments made by other funds, as at 30 September 2012, where Downing LLP is also appointed as investment manager

DDV	Downing Distribution VCT 1 plc	DI	Downing Income VCT plc
DI3	Downing Income VCT 3 plc	DSO	Downing Structured Opportunities plc
DA1	Downing Absolute Income VCT 1 plc	DA2	Downing Absolute Income VCT 2 plc
OEIC	Downing PFS Active Management Fund	DIHT	Downing AIM Inheritance Tax Portfolio Service

REVIEW OF INVESTMENTS (continued)

Additions in the year to 30 September 2012

	£'000
Period from 1 October 2011 to 29 February 2012	
Market purchases	
Byotrol plc	50
Cyan Holdings plc	25
Hightex Group plc	13
Photonstar LED Group plc	75
Porta Communications plc	65
Wheelsure Holdings plc	25
	253
Period from 1 March 2012 to 30 September 2012	
Market purchases	
Ludorum plc	254
Universe Group plc	65
Other sundry investments	5
Unquoted investments	
Baron House Developments LLP	400
Southampton Hotel Developments Limited	300
Vulcan Renewables Limited	400
	1,424
	1,677

REVIEW OF INVESTMENTS (continued)

Disposals in the year to 30 September 2012

	Cost £'000	MV at 01/10/11* £'000	Proceeds £'000	Realised gain/(loss) in year £'000	Profit/ (loss) vs cost £'000
Period from 1 October 2011 to 29 February 2012					
Alterian plc	22	7	10	3	(12)
Angle plc	100	85	97	12	(3)
Brooks Macdonald Group plc	42	371	337	(34)	295
Craneware plc	6	29	30	1	24
Green Compliance plc	93	2	1	(1)	(92)
Noble Investments (UK) plc	15	45	46	1	31
Orosur Mining plc	141	25	30	5	(111)
Plastics Capital plc	100	70	68	(2)	(32)
Sanderson Group plc	100	54	75	21	(25)
T Clarke plc	248	41	39	(2)	(209)
Administrations/liquidations and dissolutions					
AT Communications Group plc	522	-	-	-	(522)
Bioganix plc	253	-	-	-	(253)
Fishworks plc	248	-	-	-	(248)
Hat Pin plc	169	-	-	-	(169)
Hexagon Human Capital plc	298	-	-	-	(298)
Legion FM plc	350	-	-	-	(350)
MediaSquare plc	250	3	-	(3)	(250)
Relax Group plc	100	-	-	-	(100)
Rok plc	33	-	-	-	(33)
Sovereign Oilfield Group plc	201	-	-	-	(201)
Sport Media Group plc	250	-	-	-	(250)
	3,541	732	733	1	(2,808)
Period from 1 March 2012 to 30 September 2012					
@UK plc	250	53	48	(5)	(202)
AFC Energy plc	62	203	152	(51)	90
Brooks Macdonald Group plc	30	253	264	11	234
Byotrol plc	333	91	76	(15)	(257)
Craneware plc	61	283	199	(84)	138
Digital Barriers plc	200	266	308	42	108
EKF Diagnostics plc	150	250	279	29	129
Energetix Group plc	24	18	17	(1)	(7)
Getech Group plc	361	167	327	160	(34)
Instem plc	83	105	75	(30)	(8)
Lidco plc	95	59	80	21	(15)
Managed Support Services plc	254	6	-	(6)	(254)
Nanoco plc	575	197	271	74	(304)
Noble Investments (UK) plc	102	312	312	-	210
Photonstar LED plc	261	140	65	(75)	(196)
Pure Wafer plc	175	8	8	-	(167)
Sinclair IS Pharma plc	260	245	260	15	-
	3,276	2,656	2,741	85	(535)
Total	**6,817**	**3,388**	**3,474**	**86**	**(3,343)**

* Adjusted for purchases in the year

REVIEW OF INVESTMENTS (continued)

Further details of the top ten investments at 30 September 2012 are as follows

Baron House Developments LLP

Cost at 30/09/12	£400,000	Valuation at 30/09/12	£400,000
Cost at 30/09/11	Not held	Valuation at 30/09/11	Not held
Investment comprises			
Loan Note	£400,000	Valuation method	Cost as reviewed for impairment

Audited accounts	None yet published		
Turnover	N/A	Loan note income	£Nil
Profit before tax	N/A	Proportion of capital held	Nil%
Net assets	N/A	Diluted equity	Nil%

Baron House Developments LLP has purchased a building in Newcastle with a view to converting most of the building into a hotel The investment, which was part of a £4 5 million funding round, is by way of non-qualifying loan secured by the first charge over the building, and includes the right to share in the expected upside from the development

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Vulcan Renewables Limited

Cost at 30/09/12	£400,000	Valuation at 30/09/12	£400,000
Cost at 30/09/11	Not held	Valuation at 30/09/11	Not held
Investment comprises			
Equity shares	£280,000	Valuation method	Cost as reviewed for impairment
Loan note	£120,000		

Audited accounts	None yet published	Dividend income	£Nil
Turnover	N/A	Loan note interest	£Nil
Profit before tax	N/A	Proportion of capital held	5 0%
Net assets	N/A	Diluted equity	5 0%

Vulcan Renewables Limited is developing a 2MW maize fed biogas plant near Doncaster that will generate both gas and electricity The investment, which was part of a £4 0 million funding round, will benefit from the receipt of FITs from the production of electricity and RHIs (Renewable Heat Incentive scheme) from gas production

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Craneware plc
www craneware com

Cost at 30/09/12	£125,000	Valuation at 30/09/12	£399,000
Cost at 30/09/11	£192,000	Valuation at 30/09/11	£885,000
Investment comprises			
Equity shares	£125,000	Valuation method	Bid price

Audited accounts	30/06/12	30/06/11	Dividend income	£14,000
Turnover	\$41 1m	\$38 1m		
Profit before tax	\$11 2m	\$8 7m	Proportion of capital held	0 4%
Net assets	\$37 4m	\$32 4m	Diluted equity	0 4%

Craneware plc is the leader in automated revenue integrity solutions that improve financial performance for healthcare organisations

REVIEW OF INVESTMENTS (continued)

Anpario plc
www anpario com

Cost at 30/09/12		£251,000	Valuation at 30/09/12	£392,000
Cost at 30/09/11		£250,000	Valuation at 30/09/11	£297,000
Investment comprises				
Equity shares		£251,000	Valuation method	Bid price
Audited accounts	31/12/11	31/12/10	Dividend income	£9,000
Turnover	£19 2m	£21 6m		
Profit before tax	£1 8m	£1 5m	Proportion of capital held	1 9%
Net assets	£16 0m	£14 8m	Diluted equity	1 9%

Anpario plc (formerly Kiotech International plc) is an international supplier of natural high performance feed additives to enhance growth, health and sustainability in agriculture and aquaculture

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Southampton Hotel Developments Limited

Cost at 30/09/12	£300,000	Valuation at 30/09/12	£300,000
Cost at 30/09/11	Not held	Valuation at 30/09/11	Not held
Investment comprises			
Equity shares	£-	Valuation method	Cost as reviewed
Loan note	£300,000		for impairment
Audited accounts	None yet published	Dividend income	£Nil
Turnover	N/A	Loan note interest	£Nil
Profit before tax	N/A	Proportion of capital held	10 0%
Net assets	N/A	Diluted equity	10 0%

Southampton Hotel Developments Limited is building of a new 175 room Hilton hotel at the Ageas Bowl, home of the Hampshire Cricket Club The hotel will feature an 18 hole golf course and a spa The investment formed part of a £3 million funding round

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Vertu Motors plc
www vertumotors com

Cost at 30/09/12		£500,000	Valuation at 30/09/12	£292,000
Cost at 30/09/11		£500,000	Valuation at 30/09/11	£204,000
Investment comprises				
Equity shares		£500,000	Valuation method	Bid price
Audited accounts	29/02/12	28/02/11	Dividend income	£5,000
Turnover	£1,088m	£999m		
Profit before tax	£5 5m	£5 3m	Proportion of capital held	0 4%
Net assets	£100m	£97 5m	Diluted equity	0 4%

Vertu Motors plc is a UK automotive retailer with a network of 86 sales and after sales outlets across the UK Its dealerships operate predominantly under the Bristol Street Motors, Vertu Honda and Macklin Motors brand names The group also operates the Bristol Street Versa Mobility wheelchair accessible vehicle conversion business

Brooks Macdonald Group plc
www brooksmacdonald com

Cost at 30/09/12		£35,000	Valuation at 30/09/12	£291,000
Cost at 30/09/11		£105,000	Valuation at 30/09/11	£927,000
Investment comprises				
Equity shares		£35,000	Valuation method	Bid price
Audited accounts	30/06/12	30/06/11	Dividend income	£5,000
Turnover	£53 3m	£52 2m		
Profit before tax	£8 5m	£7 3m	Proportion of capital held	0 2%
Net assets	£23 7m	£19 0m	Diluted equity	0 2%

Brooks Macdonald Group plc is an integrated wealth management group which includes a discretionary asset management business, a financial advisory and employee benefits consultancy, and a fund management business

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Cohort plc
www cohortplc com

Cost at 30/09/12		£242,000	Valuation at 30/09/12	£238,000
Cost at 30/09/11		£242,000	Valuation at 30/09/11	£168,000
Investment comprises				
Equity shares		£242,000	Valuation method	Bid price
Audited accounts	30/04/12	30/04/11	Dividend income	£5,000
Turnover	£75 4m	£65 1m		
Profit before tax	£4 2m	£2 7m	Proportion of capital held	0 5%
Net assets	£52 1m	£48 2m	Diluted equity	0 5%

Cohort plc is the parent company for three well established operating businesses working primarily for defence (air, land and sea), wider government and industry clients

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Ludorum plc
www ludorumplc com

Cost at 30/09/12		£254,000	Valuation at 30/09/12	£232,000
Cost at 30/09/11		Not held	Valuation at 30/09/11	Not held
Investment comprises				
Equity shares		£88,000	Valuation method	Bid price
Loan note		£166,000		
Audited accounts	31/12/11	31/12/10	Dividend income	£Nil
Turnover	£7 3m	£3 9m	Loan note interest	£Nil
Profit/(loss)			Proportion of capital held	0 4%
before tax	£0 2m	(£1 4m)		
Net liabilities	(£0 1m)	(£2 4m)	Diluted equity	0 4%

Ludorum plc is dedicated to developing, acquiring and marketing intellectual entertainment properties which are appropriate for both the new interactive distribution channels as well as classic linear TV The company owns Chuggington the award winning under 5's train animation character

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Angle plc
www angleplc com

Cost at 30/09/12		£330,000	Valuation at 30/09/12	£218,000
Cost at 30/09/11		£430,000	Valuation at 30/09/11	£459,000
Investment comprises				
Equity shares		£330,000	Valuation method	Bid price
Audited accounts	30/04/12	30/04/11	Dividend income	£Nil
Turnover	£1 4m	£2 4m		
Loss before tax	(£2 7m)	(£0 3m)	Proportion of capital held	1 4%
Net assets	£4 4m	£4 5m	Diluted equity	1 4%

Angle plc is a specialist medical diagnostic company with pioneering products in cancer diagnostics and foetal health

REVIEW OF INVESTMENTS (continued)

Note:
The proportion of equity held in each investment also represents the level of voting rights held by the Company in respect of the investment

Analysis of investments by commercial sector
The split of the venture capital investment portfolio by commercial sector (by cost and by value at 30 September 2012) is as follows

Analysis of investments
The following charts summarise the Company's investment portfolio analysed by type of instrument and by market type (by value at 30 September 2012)

Portfolio balance
At 30 September 2012, the Company assets employed were broadly in line with the targets within the investment policy These are summarised as follows

Type of Investment (by HMRC valuation rules)	**Actual**	**Target**
VCT qualifying investments	93 9%	>70 0%
Non-qualifying investments (including cash at bank)	6 1%	<30 0%
Total	100 0%	100 0%

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 30 September 2012 The Company's name was changed from Framlington AIM VCT plc to Downing Income VCT 4 plc on 2 March 2012

Principal activity and status

The Directors initially obtained approval for the Company to act as a venture capital trust from HM Revenue and Customs ("HMRC") at the date of launch, and since that date it has continued to meet the standards set out by HMRC

The Company revoked its status as an investment company in 2005, however, the Directors consider that the Company has continued to conduct its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007 (the Venture Capital Trust Regulations)

The Company has no employees (other than the Directors)

Business review and developments

On 1 March 2012, Downing LLP ("Downing") was appointed as Investment and Administration Manager to the Company, replacing AXA Investment Managers UK Limited ("AXA")

Over the year to 30 September 2012 investments retained at the year-end had fallen in value by £964,000 Gains arising on investment realisations totalled £86,000

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £126,000

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments on pages 3 to 15

Share capital

During the year, the Company repurchased 461,034 Ordinary Shares of 10p each for an aggregate consideration of 25p per share and representing 2 2% of the issued Ordinary Share capital held at 1 October 2011 These shares were subsequently cancelled

At the year end, the total number of Ordinary Shares of 10p each in issue was 20,944,744 There were no other share classes in issue at the year end

Results and dividends

	£'000	Pence per share
Loss on ordinary activities after tax for the year ended 30 September 2012	(1,004)	(4 7p)
Dividends paid in the year		
20 March 2012	535	2 5p

The Board is proposing a final dividend of 2 5p per share to be paid, subject to Shareholder approval at the AGM, on 15 February 2013 to Shareholders on the register at 18 January 2013

Investment policy

Quantitative analyses of how the Company has operated in accordance with its investment policy are shown in the Review of Investments on pages 8 to 15 and in the VCT compliance section of this report on page 19

Asset allocation

The Company will seek to have a minimum of 70% of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments

VCT qualifying investments

The Company seeks to hold a diversified portfolio of qualifying companies invested in the AIM market, the ISDX trading facility (formerly PLUS market) and in unquoted stocks

Non-qualifying investments

The funds not employed in VCT qualifying investments (up to 30%) may be invested in a variety of instruments which may include secured loans, fixed income securities (including cash deposits) and non-qualifying quoted investments

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

Risk diversification

The Investment Manager seeks to ensure the Company has exposure to a diversified range of VCT qualifying investments from different sectors and generally no more than 15% of the Company's funds in any one company or any one issue of fixed income securities (except UK Government gilts or deposit accounts with UK clearing banks)

Borrowing policy

It is not the Company's intention to have any borrowings The Company does, however, have the ability to borrow a sum equal to 10% of the aggregate amount paid up on the issued share capital, and the amounts standing to the credit of the reserves of the Company as shown on the latest audited Balance Sheet, adjusted where appropriate to take account of appropriate movements since that date

At 30 September 2012, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £729,000 There are no plans to utilise this ability at the current time

Further investment restrictions

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007 How the main regulations apply to the Company is summarised as follows

1 The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007),
2 In respect of funds raised before 5 April 2011, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital) For funds raised after 5 April 2011 this is increased to 70%,
3 At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment),
4 No investment constitutes more than 15% of the Company's portfolio (by value at time of investment),
5 The Company's income for each financial period is derived wholly or mainly from shares and securities,
6 The Company distributes sufficient Revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained, and
7 Prior to 6 April 2012, the maximum size of a VCT qualifying investment was £1 million (per tax year)

Listing Rules

In accordance with the Listing Rules

1 the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds,
2 the Company must not conduct any trading activity which is significant in the context of its company as a whole, and
3 the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy set out in this document This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 Income Tax Act 2007

Environmental and social policy

The Company seeks to conduct its affairs responsibly Where appropriate, the Board and Investment Manager take environmental and social factors into consideration when making investment decisions

Investment Manager

AXA acted as Investment Manager to the Company until 29 February 2012 for an annual fee of 2% of the NAV of the Company, accrued weekly but payable monthly They also provided accounting, secretarial, office and administrative services to the Company for a fee of 0 25% of the NAV payable on the same basis as the investment management fee AXA agreed to waive fees due under the notice period from 1 March 2012 to 31 October 2012

Following a service provider review, the Board appointed Downing as Investment Manager on 1 March 2012 for a term of three years Thereafter the agreement may be terminated by either side giving not less than 12 months' notice in writing Downing is entitled to receive an annual management fee of 1 8% of the Company's NAV calculated by reference to the NAV at the end of the previous half year (i e 31 March and 30 September)

Investment Manager (continued)
As part of the appointment Downing also provides administration services to the Company for an initial fee of £50,000 per annum This is subject to an RPI annual increase (if positive)

Downing has agreed to forego investment management and administration fees for this accounting period and for a further period, to be agreed, following the change of Manager As such the investment management and administration fees recognised in these accounts only relate to those paid to AXA prior to the termination of their agreement

Downing is not entitled to receive any performance fees Prior to Downing's appointment on 1 March 2012, there was a performance incentive arrangement in place with AXA Framlington, the former manager, however, as the relevant hurdles were not met, no such fees were paid

Annual running costs cap
Until 29 February 2012, the annual running costs of the Company were capped at 3 5%, with any excess running costs in the related period being met by AXA

Under the new agreement with Downing, the annual running costs of the Company have been capped at 3 25% of its NAV (calculated on a semi-annual basis) for a period until 1 April 2013 Thereafter, such costs will be capped at 3 0% (including irrecoverable VAT), of its NAV Any excess running costs above the cap in the related period will be paid by Downing

Annual running costs are costs incurred by the Company in the ordinary course of its business and include, *inter alia,* Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders, annual trail commission and all the annual fees payable to the Company's investment manager and administrators Costs incurred on abortive investment proposals are the responsibility of the Investment Manager It is intended that fees payable by the Company to the Investment Manager will be allocated at least 25% to revenue and up to 75% to capital This allocation may be reviewed in the future as the focus of the portfolio changes

Directors
The Directors of the Company during the year and their beneficial interests in the Ordinary Shares of the Company at 1 October 2011, 30 September 2012 and the date of this report were as follows

	30 September 2012 and the date of this report	**1 October 2011**
Tim How	42,004	42,004
Chris Kay	50,600	50,600
Helen Sinclair	14,382	14,382

In view of trends in corporate governance practice, the Board has decided that all Directors will retire at each Annual General Meeting Accordingly at the forthcoming AGM all Directors, being eligible, offer themselves for re-election As each Director has considerable experience in the VCT sector the Board recommends that Shareholders vote in favour of the resolutions to re-appoint each of the Directors at the AGM

Each of the Directors has entered into an agreement for services whereby he or she is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his or her role as a non-executive Director, and is subject to a three month termination notice on either side Appointments of new Directors to the Board are considered by the Nomination Committee as, and when, required

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable The indemnity, which is a qualifying third party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors

VCT compliance
The Company has retained PwC to advise it on compliance with VCT requirements, reporting directly to the Board PwC work closely with the Manager, undertaking reviews of the VCT compliance status of new investment opportunities, providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise

VCT compliance (continued)

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 17 Compliance with the main VCT regulations at 30 September 2012, and the year then ended is summarised as follows

1	70% of its investments in qualifying companies	93 9%
2	At least 30% of the Company's qualifying investments in "eligible shares"	99 1%
3	At least 10% of each investment in a qualifying company held in "eligible shares"	Complied
4	No investment constitutes more than 15% of the Company's portfolio	Complied
5	Income for the year is derived wholly or mainly from shares and securities	98 6%
6	For the year ended 30 September 2012, no more that 15% of the income from shares and securities is retained	Loss for the year, therefore complied
7	A maximum unit size of £1 million in a VCT qualifying investment per tax year made prior to 6 April 2012	Complied

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed The Company did not have any trade creditors at the year end (2011 None)

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its objectives (as shown on page 2) The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (page 2)

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 17 to the financial statements

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax Serious breaches of other regulations, such as the Listing Rules of the Financial Services Authority and the Companies Acts, could lead to suspension from the Stock Exchange and damage to the Company's reputation

The Board reviews and agrees policies for managing each of these risks They receive quarterly reports from the Manager, which monitor the compliance of these risks, and place reliance on the Manager to give updates in the intervening periods These policies have remained unchanged since the beginning of the financial period

Substantial interests

As at 30 September 2012, and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% per cent of the issued share capital

Auditor

A resolution to re-appoint PKF (UK) LLP as the Company's auditor will be proposed at the forthcoming AGM

Annual General Meeting

The AGM will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11 00 a m on 7 February 2013 The Notice of the AGM and Form of Proxy are at the end of this document

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)
Company law requires the Directors to prepare financial statements for each financial year Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on page 2, confirms that, to the best of each person's knowledge

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the management report within the Chairman's Statement, Investment Manager's Report, the Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces

Electronic publication
The financial statements are published on www downing co uk, a website maintained by the Manager Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

Corporate governance
The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code, June 2010 (www frc org uk), is shown on pages 23 to 26

Statement as to disclosure of information to Auditor
The Directors in office at the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor

By order of the Board

Grant Whitehouse
Company Secretary
Company Number 5223838
Registered Office
10 Lower Grosvenor Place
London SW1W 0EN

19 December 2012

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Section 420 to 422 of the Companies Act 2006 A resolution to approve this report will be put to Shareholders at the AGM to be held on 7 February 2013

Directors' remuneration policy
Directors' remuneration is set in accordance with the Company's Articles of Association as follows

(i) Each of the Directors shall be paid a fee for his or her services at such a rate as the Board shall from time to time determine, provided that the aggregate of all such fees (excluding amounts payable for executive, extra or special services) shall not exceed £45,000 per annum
(ii) The Directors shall be entitled to be paid all expenses properly incurred by them in attending meetings of the Board, general meetings, or otherwise in connection with the discharge of their duties
(iii) Any Director performing extra or special services, including services on any Committee, shall be entitled to receive such sum as the Board may think fit for remuneration, including related expenses

Directors' remuneration, as set out in the following paragraphs, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive Directors and should be broadly comparable with those paid by similar companies

Directors' agreements
Each of the Directors on the current Board has entered into an agreement for services whereby he or she is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his or her role as a non-executive Director At the present time there is no notice period in place

Directors' remuneration (audited)
Directors' remuneration for the year under review was as follows

	2012	2011
	£	£
Tim How	17,000	17,000
Chris Kay	12,000	12,000
Helen Sinclair	12,000	12,000
	41,000	41,000

Helen Sinclair also received an advisory fee of £15,000 during the year (2011 £Nil) in respect of special services performed in respect of work undertaken in relation to the change of Manager This fee was approved by the Board in advance of the work being undertaken

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director The Company does not have any share options in place

2012/2013 remuneration
The remuneration levels for the forthcoming year are expected to be unchanged and at the following levels

	Annual fee
	£
Tim How	17,000
Chris Kay	12,000
Helen Sinclair	12,000
	41,000

DIRECTORS' REMUNERATION REPORT

Performance graph
The Board believes that NAV Total Return (dividends re-invested) provides Shareholders with a fair indication of the Company's performance

The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's share price ("Share Price Total Return") over the past five years each of which has been rebased to 100 at 30 September 2007

The Company has not presented a broad equity market index within the graph as a comparison because the Company has been unable to agree an acceptable price with an index publisher for the use of this data The Board therefore considers it to be in the best interests of Shareholders that this information is omitted

By order of the Board

Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

19 December 2012

CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code, being the principles of good governance and the code of best practice, as set out in Section 1 of the UK Corporate Governance Code maintained by the Financial Reporting Council

The Board
At the date of this report, the Company has a Board comprising of three non-executive Directors The Chairman is Tim How The Company does not have a Senior Independent Director Biographical details of all current Board members (including the significant commitments of the Chairman) are shown on page 2

In accordance with the Articles of Association, Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter The Board has decided that it would be best practise for the whole Board of Directors to retire at each AGM, with those wishing to do so putting themselves forward for re-election Accordingly at the forthcoming AGM all Directors will retire and, all of them being eligible are offering themselves for re-election

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to considering recommendations from the Investment Manager, making decisions concerning the acquisition or disposal of investments outside of the scope of the discretionary management agreement, and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Manager) All the members of the Board attended each full Board meeting held during the year

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense

All Directors have access to the advice and services of the Company Secretary The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman in advance of each Board meeting

Share capital
The Board has authority to make market purchases of the Company's own shares This authority for up to 14 9% of the Company's issued share capital was granted at the last AGM A resolution will be put to Shareholders to renew this authority at the forthcoming AGM

The Board will also seek authority at the forthcoming AGM to issue new shares of up to 10% of the current issued share capital

The capital structure of the Company is disclosed on page 16

Committees to the Board
As the Company has a small Board comprising wholly of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee (duties having been transferred from the Management Committee) Helen Sinclair and Tim How sit on the Audit Committee, previously this committee comprised Helen Sinclair and Chris Kay (who is deemed not to be independent) The Chairman of each Committee is Helen Sinclair As Committee meetings are held in conjunction with the Board meetings, non-committee members may attend All committees have defined terms of reference and duties, which are available from www downing co uk (effective 28 November 2012)

Board and Committee meetings
The following table sets out the Directors' attendance at the Board and Committee meetings held during the year

	Board meetings attended (4 held)	**Audit Committee meetings attended (2 held)**
Tim How	4	2
Chris Kay	4	2
Helen Sinclair	4	2

Neither of the Nomination or Remuneration Committees met during the year

Audit Committee
The Audit Committee is responsible for reviewing the half-yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditor, together with their remuneration, as well as undertaking a full annual review of the effectiveness of the Company's internal control and risk management systems

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)
Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that Auditor objectivity and independence is safeguarded In addition, the Auditor confirms their independent status on an annual basis

During the year the Committee discharged its responsibilities by obtaining assurance from their own evaluation of the annual and half-yearly reports, the audit feedback documentation, and from correspondence and discussions with the engagement partner of PKF (UK) LLP Based on the assurance obtained, the Committee has recommended, to Shareholders and the Board, that PKF (UK) LLP are re-appointed as Auditor at the forthcoming AGM

In addition, the Committee considered the need for an internal audit function and concluded that at the present time this function is not considered necessary for a Company of this size

PKF (UK) LLP was appointed after the year end to provide corporation tax compliance services on behalf of the Company The Committee considers that PKF (UK) LLP is well placed to provide this service given the knowledge gained from the work undertaken during the audit of the Company

As the Company has had no staff, other than Directors, there are no procedures in place in respect of C3 4 of the UK Corporate Governance Code, relating to whistleblowing The Audit Committee understands that the Investment Manager has whistleblowing procedures in place

Remuneration Committee
The Remuneration Committee meets as required, to discuss the existing levels of remuneration for the non-executive Directors, and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards Where deemed necessary, they will recommend adjustments to the remuneration levels

Nomination Committee
The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance The Committee did not meet during the year

Diversity policy
When considering a new appointment to the Board, the committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests The Company therefore does not have a specific diversity policy in place

Anti-bribery policy
The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010 This policy can be found on the website maintained by the Manager at www downing co uk

Relations with Shareholders
Shareholders have the opportunity to meet the Board at the AGM The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the year end or at the date of this report

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have

Separate resolutions are proposed at the AGM on each substantially separate issue Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM

In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM The notice of the next AGM and proxy form can be found at the end of these financial statements

The conditions of appointment of non-executive Directors are available to Shareholders upon request

Financial reporting
The Directors' Statement of Responsibilities for preparing the accounts is set out in the Report of the Directors on pages 19 to 20, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 27

CORPORATE GOVERNANCE STATEMENT (continued)

Internal control

Since the year end, the Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the UK Corporate Governance Code The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate

The Board is responsible for ensuring that the procedures to be followed by the Company's advisers and Directors are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the financial reporting process) to Downing LLP

The Board reviewed a Risk Register on an annual basis prior to the change in Investment Manager The main aspects of internal control in relation to financial reporting by the Board were as follows

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals
- Quarterly reviews by the Board of the Company's investments, liquid assets and liabilities, and revenue and expenditure,
- Quarterly reviews by the Board of compliance with the venture capital trust regulations to retain status, supported by half yearly reports from PwC,
- A separate review of the Annual Report and Half Yearly report by the Audit Committee prior to Board approval, and
- A review by the Board of all financial information prior to publication

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on pages 3 to 4, the Investment Manager's Report on pages 5 to 7 and the Report of the Directors on page 16 The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 31 and the Report of the Directors on page 17 In addition, notes 12 and 17 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

The Company has considerable financial resources at the year end, and holds a diversified portfolio of investments As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The Directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting period The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 30 September 2012 with the provisions set out in the UK Corporate Governance Code issued in June 2010

a) New Directors do not receive a full, formal and tailored induction on joining the Board Such matters are addressed on an individual basis as they arise Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM (B 4 1, B 4 2, E 1 1)

b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken Specific performance issues are dealt with as they arise Similarly, a senior independent director has not been appointed (A 4 1, A 4 2, B 6 1, B 6 3, B 7 2)

c) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts (B 2 3) The Directors do have agreements for services in place In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company

By order of the Board

Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

19 December 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING INCOME VCT 4 PLC

We have audited the financial statements of Downing Income VCT 4 plc for the year ended 30 September 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the corporate governance statement set out on pages 23 to 26 in compliance with rules 7 2 5 and 7 2 6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING INCOME VCT 4 PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the company

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 25, in relation to going concern, and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to the Shareholders by the board on Directors' remuneration

Rosemary Clarke (Senior statutory auditor)
For and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

19 December 2012

INCOME STATEMENT
for the year ended 30 September 2012

	Note	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Income	2	108	-	108	132	-	132
Net (losses)/gains on investments	9	-	(878)	(878)	-	323	323
		108	(878)	(770)	132	323	455
Investment management fees	3	(14)	(43)	(57)	(51)	(152)	(203)
Other expenses	4	(176)	(1)	(177)	(151)	-	(151)
(Loss)/return on ordinary activities before taxation		(82)	(922)	(1,004)	(70)	171	101
Taxation	6	-	-	-	-	-	-
(Loss)/return attributable to equity shareholders	8	(82)	(922)	(1,004)	(70)	171	101
(Loss)/return per share	8	**(0.4p)**	**(4.3p)**	**(4.7p)**	**(0.3p)**	**0. 8p**	**0.5p**

The 'Total' column within the Income Statement represents the profit and loss account of the Company No operations were acquired or discontinued during the year

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement shown above

Other than revaluation movements arising on investments held at fair value through the profit and loss, there were no differences between the return/deficit as stated above and on a historical cost basis

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Opening Shareholders' funds		8,952	10,015
Purchase of own shares	12	(117)	(385)
Total recognised (losses)/gains for the year		(1,004)	101
Dividends paid	7	(535)	(779)
Closing Shareholders' funds		7,296	8,952

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 30 September 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	9	6,176	8,851
Current assets			
Debtors	10	769	68
Cash at bank and in hand		406	157
		1,175	225
Creditors amounts falling due within one year	11	(55)	(124)
Net current assets		1,120	101
Net assets		7,296	8,952
Capital and reserves			
Called up share capital	12	2,095	2,141
Capital redemption reserve	13	416	370
Share premium account	13	117	117
Special reserve	13	4,899	13,568
Capital reserve – realised	13	862	138
Capital reserve - unrealised	13	(977)	(7,348)
Revenue reserve	13	(116)	(34)
Total equity shareholders' funds	14	7,296	8,952
Basic and diluted net asset value per share	14	**34.8p**	**41.8p**

The financial statements on pages 29 to 44 were approved and authorised for issue by the Board of Directors on 19 December 2012 and were signed on its behalf by

Tim How
Chairman

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Net cash outflow from operating activities and returns on investments	15	(146)	(184)
Capital expenditure			
Payments to acquire investments		(1,728)	(1,386)
Receipts from sale of investments		3,417	2,605
Net cash inflow from capital expenditure		1,689	1,219
Equity dividends paid		(535)	(779)
Net cash inflow before financing		1,008	256
Financing			
Purchase of own shares		(116)	(385)
Funds held on Company's behalf	19	(643)	-
Net cash outflow from financing		(759)	(385)
Increase/(decrease) in cash	16	249	(129)

The accompanying notes form an integral part of these financial statements

NOTES TO THE ACCOUNTS
for the year ended 30 September 2012

1. Accounting policies

Basis of accounting
The Company has prepared its financial statements under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" January 2009 ("SORP")

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments

The Company implements new Financial Reporting Standards issued by the Financial Reporting Council when required

Presentation of income statement
In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007

Investments
Venture capital investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy The fair value of an investment upon acquisition is deemed to be cost Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS 26

Listed fixed income investments and investments quoted on recognised stock markets are measured using bid prices

The valuation methodologies for unlisted instruments used by the IPEV to ascertain the fair value of an investment are as follows

- Price of recent investment,
- Multiples,
- Net assets,
- Discounted cash flows or earnings (of the underlying business),
- Discounted cash flows (from the investment), and
- Industry valuation benchmarks

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value

Where an investee company has gone into receivership, liquidation, or administration where there is little likelihood of a recovery, the loss on the investment, although not physically disposed of, is treated as a disposal Permanent impairments in the value of investments are deemed to be realised losses and held within the Capital Reserve – Realised

Gains and losses arising from changes in fair value during the year are included in the income statement as a capital item

It is not the Company's policy to exercise controlling influence over investee companies Therefore, the results of these companies are not incorporated into the revenue account except to the extent of any income accrued This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

1. Accounting policies (continued)

Investments (continued)
In respect of disclosures required by the SORP for the 10 largest investments held by the Company, the most recent publicly available accounts information, either as filed at Companies House, or announced to the London Stock Exchange, is disclosed In the case of unlisted investments, this may be abbreviated information only

Income
Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection in the foreseeable future

Expenses
All expenses are accounted for on an accruals basis In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows

- Expenses which are incidental to the acquisition of an investment are deducted from the Capital Account
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the investment management fee and finance costs have been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company

Taxation
The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments

Deferred taxation is not discounted and is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the obligations or rights crystallise based on tax rates and law enacted or substantively enacted at the balance sheet date Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts Deferred tax assets are only recognised if it is expected that future taxable profits will be available to utilise such assets and are recognised on a non-discounted basis

Other debtors and other creditors
Other debtors (including accrued income) and other creditors are included within the accounts at cost

Segmental reporting
The Company only has one class of business and one market

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

2. Income

	2012 £'000	2011 £'000
Income from investments		
Loan stock interest	9	22
Dividend income	98	110
	107	132
Other income		
Deposit interest	1	-
	108	132

3. Investment management fees

	2012 £'000	2011 £'000
Investment management fees – due to AXA	57	203

Downing has agreed to forego investment management and administration fees for a period, to be agreed, following the change of Manager, as such no investment management fees have been recognised in the period from 1 March 2012 to 30 September 2012 The annual running costs of the Company for the period to 29 February 2012 were subject to a cap of 3 5% of the Company's net assets Since that date the running costs cap is 3 25% The investment management fees are therefore capped where appropriate

4. Other expenses

	2012 £'000	2011 £'000
Administration services – due to AXA	9	25
Directors' remuneration	56	41
Social security costs	5	3
Auditor's remuneration for statutory audit	19	18
Auditor's remuneration for non-audit services (corporation tax services)	3	-
Legal and professional fees	13	-
Other expenses	72	64
	177	151

Downing has agreed to forego investment management and administration fees for a period, to be agreed, following the change of Manager, as such no administration fees have been recognised in the period from 1 March 2012 to 30 September 2012

5. Directors' remuneration

Details of remuneration (excluding VAT and employer's NIC) are given in the Directors' Remuneration Report on page 21

The Company had no employees (other than Directors) during the year (2011 none)

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

6. Tax on ordinary activities

	2012 £'000	2011 £'000
a) Tax charge for year		
Current year		
UK Corporation tax (charged to the Revenue Account)	-	-
Tax credited to Capital Account	-	-
	-	-
b) Factors affecting tax charge for the year		
(Loss)/return on ordinary activities before taxation	(1,004)	101
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20% (2011 27%)	(201)	27
Effects of		
Losses/(gains) on investments	176	(87)
UK dividend income	(19)	(30)
Excess management fees carried forward	44	90
	-	-

c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £2 1 million (2011 £1 9 million) The associated deferred tax asset at a rate of 23%, amounting to £480,000, has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future

Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments

7 Dividends

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid in the year						
2011 Final 20/03/2012 2 5p	-	535	535	-	-	-
2010 Final 12/08/2011 3 5p	-	-	-	-	779	779
	-	535	535	-	779	779
Proposed						
2012 Final – 2 5p	-	524	524	-	-	-
2011 Final – 2 5p	-	-	-	-	535	535
	-	524	524	-	535	535

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

8. Return per share

	2012	2011
Return per share based on.		
Net revenue loss for the financial year (£'000)	(82)	(70)
Capital return per share based on:		
Net capital (loss)/gain for the financial year (£'000)	(922)	171
Weighted average number of shares in issue	21,291,149	22,026,742

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share The return per share disclosed therefore represents both basic and diluted return per share

9 Investments

	Unquoted Investments £'000	Quoted on ISDX £'000	Quoted on AIM £'000	Main Market £'000	Total £'000
Cost at 1 October 2011	2,437	186	13,305	271	16,199
Losses at 1 October 2011	(2,400)	(54)	(4,670)	(224)	(7,348)
Opening fair value at 1 October 2011	37	132	8,635	47	8,851
Movement in the year:					
Change in status	100	(100)	-	-	-
Purchased at cost	1,266	26	385	-	1,677
Disposal proceeds	-	-	(3,425)	(49)	(3,474)
Realised gains/(losses) on sales in the income statement	-	-	84	2	86
Unrealised losses in the income statement	(137)	(32)	(795)	-	(964)
Closing fair value at 30 September 2012	1,266	26	4,884	-	6,176
Retained investments at 30 September 2012					
Closing cost	1,765	75	9,219	-	11,059
Unrealised gains/(losses)	-	(34)	(943)	-	(977)
Realised losses arising on impairment	(499)	(15)	(3,392)	-	(3,906)
Closing fair value	1,266	26	4,884	-	6,176

Costs incidental to the acquisitions of investments incurred during the year were £1,000 (2011 negligible) and costs were incurred on the disposal of investments totalling £3,000 (2011 £3,000) A schedule disclosing the additions and disposals during the year can be found within the Review of Investments on pages 10 to 11

The Company has categorised its financial instruments using the fair value hierarchy as follows

Level 1	Reflects financial instruments quoted in an active market (quoted companies and listed fixed interest bonds),
Level 2	Reflects financial instruments that have prices that are observable either directly or indirectly,
Level 3	Reflects financial instruments that are not based on observable market data (investments in unquoted shares and loan note investments)

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

9 Investments (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2011 £'000
Quoted on Main Market	-	-	-	-	47	-	-	47
Quoted on AIM	4,884	-	-	4,884	8,635	-	-	8,635
Quoted on ISDX	26	-	-	26	32	-	100	132
Loan notes	-	-	986	986	-	-	-	-
Unquoted shares	-	-	280	280	-	-	37	37
	4,910	-	1,266	6,176	8,714	-	137	8,851

Reconciliation of fair value for Level 3 financial instruments held at the year end

	Unquoted shares £'000	Loan notes £'000	Quoted on ISDX	Total £'000
Balance at 30 September 2011	37	-	100	137
Change in status	-	100	(100)	-
Movements in the income statement				
Unrealised losses in the income statement	(37)	(100)	-	(137)
Realised gains in the income statement	-	-	-	-
	(37)	(100)	-	(137)
Purchases at cost	280	986	-	1,266
Sales proceeds	-	-	-	-
Balance at 30 September 2012	280	986	-	1,266

The change in status adjustment, noted above, is in relation to the repositioning of investments previously stated as an ISDX investment

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonably possible alternative assumptions where this would result in a significant change in the fair value of the Level 3 investments There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments The Directors and Investment Manager believe that the valuations as at 30 September 2012 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17

10. Debtors

	2012 £'000	2011 £'000
Trades awaiting settlement	102	44
Other debtors	643	-
Prepayments and accrued income	24	24
	769	68

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Taxation and social security	2	1
Other creditors	-	50
Accruals and deferred income	53	73
	55	124

12. Called up share capital

	2012 £'000	2011 £'000
Issued, allotted, called up and fully paid		
20,944,744 (2011 21,405,778) Ordinary Shares of 10p each	2,095	2,141

During the year, the Company repurchased 461,034 Ordinary Shares of 10p each for an aggregate consideration of 25p per share and representing 2 2% of the issued Ordinary Share capital held at 1 October 2011 These shares were subsequently cancelled

Management of capital

The Company's capital is managed in accordance with its investment and share buyback policies, as shown in the Directors' Report on pages 16 to 17, in pursuit of its principal investment objectives as stated on page 2 The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 23

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders There has been no change in this approach from the previous year

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

13. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve -realised £'000	Capital reserve -unrealised £'000	Revenue reserve £'000
At 1 October 2011	370	117	13,568	138	(7,348)	(34)
Expenses capitalised	-	-	-	(44)	-	-
Shares repurchased	46	-	(117)	-	-	-
Gains/(losses) on investments	-	-	-	86	(964)	-
Realisation of revaluations from previous years	-	-	-	(3,429)	3,429	-
Realisation of impaired revaluations from previous years	-	-	-	(3,906)	3,906	-
Dividends paid	-	-	-	(535)	-	-
Transfer between reserves	-	-	(8,552)	8,552	-	-
Retained net revenue	-	-	-	-	-	(82)
At 30 September 2012	416	117	4,899	862	(977)	(116)

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 dividends/capital distributions, and also allows the Company to write back realised capital losses arising on disposals and impairments

Distributable reserves are calculated as follows

	2012 £'000	2011 £'000
Special reserve	4,899	13,568
Capital reserve – realised	862	138
Revenue reserve	(116)	(34)
Unrealised losses (excluding unrealised unquoted gains)	(977)	(7,348)
Total distributable reserves	4,668	6,324

14 Net asset value per share

	Shares in issue		2012 Net asset value		2011 Net asset value	
	2012	2011	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	20,944,744	21,405,778	34 8p	7,296	41 8p	8,952

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset value per class of share in issue The net asset value per share disclosed therefore represents both basic and diluted net asset value per class of share in issue

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

15. Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities

	2012 £'000	2011 £'000
(Loss)/return on ordinary activities before taxation	(1,004)	101
Losses/(gains) on investments	878	(323)
Decrease in debtors	-	47
Decrease in creditors	(20)	(9)
Net cash outflow from operating activities	(146)	(184)

16. Analysis of changes in cash at bank in the year

	2012 £'000	2011 £'000
Beginning of year	157	286
Net cash inflow/(outflow)	249	(129)
End of year	406	157

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies, loans and receivables, being cash deposits and short term debtors, and financial liabilities, being creditors arising from its operations The main purpose of these financial instruments is to generate cashflow, revenue and capital return for the Company's operations The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives

The fair value of investments is determined using the detailed accounting policy as shown in note 1 The composition of the investments is set out in note 9 The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests The principal financial risks arising from the Company's operations are

- Investment risks,
- Credit risk, and
- Liquidity risk

The Board regularly reviews these risks and the policies in place for managing them There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year-end are provided on the following pages

17. Financial instruments (continued)

Investment risks

As a Venture Capital Trust, the Company is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy The management of these investment risks is a fundamental part of the investment activities undertaken by the Manager and overseen by the Board The Manager monitors investments through regular contact with management of investee companies and regularly reviewing management accounts and other available financial information and, in respect of unquoted investments, attendance at investee company board meetings This enables the Manager to manage the investment risk in respect of individual investments and with respect to the quoted investments, make appropriate decisions as to whether to hold, buy or sell Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes

The key investment risks to which the Company is exposed are

- Investment price risk, and
- Interest rate risk

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives It represents the potential loss that the Company might suffer through investment price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments, excluding is summarised below A 10% movement in the share price in each of the quoted stocks held by the Company would have an effect as follows

Sensitivity			**2012** 10% mvmt			**2011** 10% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Quoted shares	4,910	491	2 3	8,714	871	4 1

17. Financial instruments (continued)

Investment risk (continued)

Unquoted investments

As the Company's unquoted investments are currently valued using revenue or earnings multiples of comparable companies or sectors (or will be in the future), a change in the relevant market sectors could impact on the valuation of the equity shares held in the unquoted portfolio by up to 10% Loan notes held in the Company would not immediately be impacted and would therefore retain their value The impact on the unquoted shares held by the Company of a 10% movement in share price would therefore be as follows

Sensitivity			2012 10% mvmt			2011 10% mvmt
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Unquoted shares	280	28	0 1	37	4	-

In each case, the impact of such changes on the return for the year would be the same as that on net assets and NAV per share

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates The Company receives interest on its cash deposits at a rate agreed with its bankers Investments in loan stock and fixed interest investments attract interest predominately at fixed rates A summary of the interest rate profile of the Company's investments is shown below

Interest rate profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank
- "No interest rate" assets do not attract interest and comprise equity investments, non-interest bearing convertible loan notes, loans and receivables (excluding cash at bank) and other financial liabilities

Interest rate risk profile of financial assets and financial liabilities

	Weighted average interest rate	Weighted average period until maturity	2012 £'000	2011 £'000
Fixed rate	2 4%	1,259 days	986	100
Floating rate	0 8%		406	157
No interest rate			5,904	8,695
			7,296	8,952

The Company monitors the level of income received from fixed, floating and non interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations

The Bank of England base rate stood at 0 5% per annum throughout the year Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and total return of the Company

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument The Company is exposed to credit risk through its holdings of loan stock in investee companies, investments in listed fixed interest investments, cash deposits and debtors

The Company's financial assets that are exposed to credit risk are summarised as follows

	2012 £'000	2011 £'000
Fair value through profit or loss assets		
Investments in loan stocks	986	100
Loans and receivables		
Cash and cash equivalents	406	157
Trades awaiting settlement	102	44
Interest, dividends and other receivables	667	13
	2,161	314

The Manager manages credit risk in respect of loan stock with a similar approach as described under Investment risks above In addition the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies The strength of this security in each case is dependent on the nature of the investee companies business and its identifiable assets The level of security is a key means of managing credit risk Similarly the management of credit risk associated trades awaiting settlement, interest, dividends and other receivables is covered within the investment management procedures

Cash is mainly held at Royal Bank of Scotland plc which is an A-rated financial institution and also ultimately part-owned by the UK Government Consequently, the Directors consider that the risk profile associated with cash deposits is low

There have been no changes in fair value during the year that are directly attributable to changes in credit risk

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required The Company usually has a relatively low level of creditors (2012 £55,000, 2011 £124,000) and has no borrowings The Company holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal

The Company's liquidity risk is managed by the Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals

The carrying value of loan stock investments held at fair value through the profit and loss account at 30 September 2012, as analysed by expected maturity date, is as follows

As at 30 September 2012	**Not later than 1 month £'000**	**Between 1 and 3 months £'000**	**Between 3 months and 1 year £'000**	**Between 1 and 5 years £'000**	**Past maturity date £'000**	**Total £'000**
Fully performing loan stock	-	-	286	700	-	986
Impaired loan stock	-	-	-	-	-	-
Past due loan stock	-	-	-	-	-	-
	-	-	286	700	-	986

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

17. Financial instruments (continued)

The Company holds a further loan note investment which, although has not passed its maturity date, has been fully impaired in the year and is therefore not reflected in the above table

As at 30 September 2011	**Not later than 1 month £'000**	**Between 1 and 3 months £'000**	**Between 3 months and 1 year £'000**	**Between 1 and 5 years £'000**	**Past maturity date £'000**	**Total £'000**
Fully performing loan stock	-	-	-	-	-	-
Impaired loan stock	-	-	-	100	-	100
Past due loan stock	-	-	-	-	-	-
	-	-	-	100	-	100

Financial liabilities
The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2011 none)

Currency exposure
As at 30 September 2012, the Company had no foreign investments (2011 none)

Borrowing facilities
The Company had no committed borrowing facilities as at 30 September 2012 (2011 none)

18. Contingencies, guarantees and financial commitments
There were no contingencies, guarantees or financial commitments of the Company at the year-end (2011 none)

19. Related party transactions
At the year-end £643,000 was held by Downing Income VCT plc, a company in which Chris Kay is a Director, on behalf of the Company The amount was transferred into the Company's bank account immediately after the year-end

20. Controlling party
In the opinion of the Directors, there is no immediate or ultimate controlling party

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING INCOME VCT 4 PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Downing Income VCT 4 plc will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11 00 a m on 7 February 2013 for the transaction of the following business

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions

1 To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 30 September 2012 together with the Report of the Auditor thereon

2 To approve the Directors' Remuneration Report

3 To approve a final dividend of 2 5p per Ordinary Share

4 To re-appoint PKF (UK) LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration

5 To re-elect as Director, Tim How, who retires and being eligible, offers himself for re-election

6 To re-elect as Director, Chris Kay, who retires and being eligible, offers himself for re-election

7 To re-elect as Director, Helen Sinclair, who retires and being eligible, offers herself for re-election

As **Special Business**, to consider and, if thought fit, pass the following resolutions

Ordinary Resolution

8 That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £200,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect

Special Resolutions

9 That, conditional upon the passing of resolution 8, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 8 above, as if Section 561 of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired

NOTICE OF ANNUAL GENERAL MEETING OF DOWNING INCOME VCT 4 PLC (continued)

10 That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own Ordinary Shares of 10p each ("Ordinary Shares") in the capital of the Company provided that

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 14 9% of the present issued Ordinary Share capital of the Company,

(ii) the minimum price which may be paid for an Ordinary Share is 10p exclusive of all expenses,

(iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased,

(iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract,

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution

By order of the Board

Grant Whitehouse
Company Secretary
Registered Office
10 Lower Grosvenor Place
London SW1W 0EN

19 December 2012

Note
Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www downing co uk

Notes

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A proxy may demand, or join in demanding, a poll A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes Please read Note (h) below Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information,
- the answer has already been given on a website in the form of an answer to a question, or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing co uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice
- by sending an e-mail to proxy@downing co uk

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated

(e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11 00 a m on 5 February 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time Changes to entries on the Register of Members after 11 00 a m on 5 February 2013 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting

NOTICE OF THE ANNUAL GENERAL MEETING OF DOWNING INCOME VCT 4 PLC (continued)

(g) As at 9 00 a m on 19 December 2012, the Company's issued share capital comprised 20,944,744 Ordinary Shares and the total number of voting rights in the Company was 20,944,744 The website referred to above will include information on the number of shares and voting rights

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person")

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting,
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights,
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters) The only exception to this is where the Company expressly requests a response from you

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated

DOWNING INCOME VCT 4 PLC
FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 7 February 2013 at 10 Lower Grosvenor Place, London SW1W 0EN at 11 00 a m

I/We* (in BLOCK CAPITALS please)

of

being the holder(s)* of Ordinary Shares of 10p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or

of

as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 10 Lower Grosvenor Place, London SW1W 0EN on 7 February 2013 or at any adjournment thereof

I/We* desire to vote on the resolutions as indicated in the appropriate column below Please indicate with an "X" how you wish your vote to be cast

Details of the resolutions are set out in the Notice of the Annual General Meeting

ORDINARY BUSINESS	**FOR**	**AGAINST**	**WITHHELD**
1 To receive and adopt the Directors' Report and Accounts	☐	☐	☐
2 To approve the Directors' Remuneration Report	☐	☐	☐
3 To approve the payment of a final dividend of 2 5p per share	☐	☐	☐
4 To re-appoint the Auditor and authorise the Directors to determine their remuneration	☐	☐	☐
5 To re-elect Tim How as a Director	☐	☐	☐
6 To re-elect Chris Kay as a Director	☐	☐	☐
7 To re-elect Helen Sinclair as a Director	☐	☐	☐
SPECIAL BUSINESS			
8 To authorise the Company to allot shares	☐	☐	☐
9 To authorise the Company to disapply pre-emption rights	☐	☐	☐
10 To authorise the Directors to make market purchases of its shares	☐	☐	☐

Signature(s)* Date 2013

* Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED

NOTES AND INSTRUCTIONS:

1 Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A proxy may demand, or join in demanding, a poll A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person

2 Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes

3 Any alterations to the Form of Proxy should be initialled

4 To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing co uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made

5 In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf

6 In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders Seniority depends on the order in which the names stand in the register of members

7 The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated

8 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting