

Downing Structured Opportunities VCT 1 PLC

Half-Yearly Report for
the six months ended
30 September 2011

SHAREHOLDER INFORMATION

Performance summary

	30 Sept 2011 pence	31 Mar 2011 pence	30 Sept 2010 pence
Ordinary Share pool			
Net asset value per Ordinary Share	99.2	101.2	100.0
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative dividends per Ordinary Share	12.5	10.0	7.5
Total return per Ordinary Share and 'A' Share	<u>111.8</u>	<u>111.3</u>	<u>107.6</u>

'B' Share pool

Net asset value per 'B' Share	87.3	93.9	91.8
Net asset value per 'C' Share	0.1	0.1	0.1
Cumulative dividends per 'B' Share	7.5	5.0	2.5
Total return per 'B' Share and 'C' Share	<u>94.9</u>	<u>99.0</u>	<u>94.4</u>

Dividend history

Ordinary Shares

Year end	Date paid	Pence per share
2010 Interim	25 September 2009	2.5
2010 Second Interim	29 January 2010	2.5
2010 Final	30 September 2010	2.5
2011 Interim	28 January 2011	2.5
2011 Final	30 September 2011	<u>2.5</u>
		<u>12.5</u>
2012 Interim	Payable 27 January 2012	2.5

'B' Shares

Year end	Date paid	Pence per share
2010 Final	30 September 2010	2.5
2011 Interim	28 January 2011	2.5
2011 Final	30 September 2011	<u>2.5</u>
		<u>7.5</u>
2012 Interim	Payable 27 January 2012	2.5

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from www.capitaregistrars.com by selecting 'Shareholders' and then 'Leaflets and forms'.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I present the Company's half-yearly report for the six month period ended 30 September 2011.

The Company has continued to make good progress in completing a number of VCT-qualifying investments for both the Ordinary Share pool and 'B' Share pool.

Ordinary Share pool **Structured products**

In accordance with the plan set out in the Company's original prospectus, the Ordinary Share pool is continuing to reduce the level of funds in the institutional structured product portfolio as a greater proportion of funds are invested in VCT-qualifying investments.

Against the background of sharp falls in stock market indices over the period, it is unsurprising that the Ordinary Share pool's structured product portfolio also fell in value. Net unrealised losses for the period were £152,000 and there were also realised gains of £13,000. Despite this net fall, we expect the portfolio to deliver its expected returns as the remaining products move towards maturity.

Venture capital investments

During the period, a further £2.4 million was invested in six venture capital investments, five of which were VCT-qualifying. There were also two redemptions at par of non-qualifying loan stock investments.

The Board reviewed the investment valuations at the period end. The majority of Ordinary Share pool investments have not shown any significant departures from plan and continue to be valued at original cost. The Board did, however, make adjustments to the carrying values of a small number of investments.

The largest single movement was in respect of Atlantic Dogstar Limited, which owns and operates The Dogstar pub in Brixton. The company has been trading well, justifying an uplift of valuation of £205,000 in the Ordinary Share pool's investment.

On a negative note, it has recently become clear that one of the pubs owned and operated by Camandale Limited in Kilmarnock has been trading very poorly. The management has now been replaced and steps are being taken to stabilise the business. The company has recently been put into administration and a strategy is now being drawn as to the best way to recover value. In view of the poor trading, the Board has agreed to make a provision of £135,000 against the Ordinary Share pool's investment at this time.

There were other smaller adjustments such that there was an overall net unrealised gain of £125,000 on the Ordinary Share pool's venture capital portfolio over the period.

Further details of the portfolio, including the additions and disposals in the period, are shown on pages 9 and 10.

'B' Share pool **Structured products**

In line with the Company's investment strategy, the level of funds invested in structured products has been reduced over the period as new venture capital investments have been made.

As with the Ordinary Share pool, the 'B' Share pool's structured product portfolio also experienced falls in value over the period as a result of falling and volatile stock markets. For the six months, the pool's structured product portfolio showed total net unrealised losses of £549,000 and also a realised gain of £61,000. Again, we expect the portfolio to deliver the anticipated returns as the products move towards maturity.

CHAIRMAN'S STATEMENT (continued)

Venture capital investments

During the period, the 'B' Share pool invested a further £6.4 million in ten venture capital investments, nine of which were qualifying or part-qualifying. The new investments were across several sectors including schools, nurseries and a significant number in the renewable energy sector, where there have been some very attractive opportunities, although there is a short period in which to secure them, due to Government changes to the Feed-in-Tariff regime.

As with the Ordinary Share pool, the Board has reviewed the investment valuations at the period end. Two investment valuations were adjusted.

As discussed above, Camandale Limited has faced significant difficulties. The 'B' Share pool's investment was reduced in value by £368,000.

The other valuation movement was an uplift of £40,000 to Antelope Pub Limited, where the company's pub in Tooting has been trading well. No other investments showed any significant deviation from plan and have been held at valuation equal to original cost.

Further details of the portfolio, including the additions and disposals in the period, are shown on pages 11 and 12.

Net asset value and results

Ordinary Share pool

At 30 September 2011, the net asset value ("NAV") per Ordinary Share stood at 99.2p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 99.3p. This is an increase of 0.5p per share (0.5%) since 31 March 2011 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one Ordinary Share and one 'A' Share amounted to 111.8p.

The profit on ordinary activities after taxation for the period was £56,000, comprising a revenue profit of £110,000 and a capital loss of £54,000.

'B' Share pool

At 30 September 2011, the NAV per 'B' Share stood at 87.3p and the NAV per 'C' Share stood at 0.1p, producing a combined total of 87.4p. This is a decrease of 4.1p per share (4.4%) since 31 March 2011 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'B' Share and one 'C' Share amounted to 94.9p.

The loss on ordinary activities after taxation for the period was £823,000, comprising a revenue profit of £63,000 and a capital loss of £886,000.

Dividends

The Board is proposing to pay an interim dividend of 2.5p per Ordinary Share and 2.5p per 'B' Share on 27 January 2012 to Shareholders on the register at 6 January 2012.

Share buybacks

The Company operates a share buyback policy whereby, subject to any liquidity and regulatory restrictions, it intends to buy in any of its own shares that become available in the market for cancellation.

The Company has adopted a policy of undertaking any buybacks at a price equal to the latest published NAV (i.e. at nil discount). The Board expects to continue with this policy until 31 December 2012 in respect of Ordinary Shares and 'A' Shares and 31 December 2013 in respect of 'B' Shares and 'C' Shares. After these dates, the Board will review the buyback policy for the respective share classes.

No such shares were purchased in the period.

CHAIRMAN'S STATEMENT (continued)

New share offer

On 31 August 2011, the Company launched a new offer for subscription. A new share class, 'D' Shares, will be created as a result of the offer and funds will be maintained and managed separately from the existing share pools. The new offer will bring some benefits to all Shareholders in allowing the Company's fixed running costs to be spread over a larger asset base.

Existing Shareholders in the Company (or investors with holdings in any Downing-managed VCT) will receive a bonus 1% in extra shares on an investment in the new offer on any application received by 17 February 2012.

Outlook

Stock markets have continued to exhibit high levels of volatility since the period end. Although this has some impact on the current valuation of the structured product portfolios, the fact that the Company focuses on defensive structured products and generally plans to hold them to maturity gives the Board confidence that they will deliver the anticipated returns, even if there is poor stock market performance.

The general outlook for the economy remains bleak. There is some time until the Company seeks to start realising investments and returning funds to Shareholders (summer 2014 for Ordinary Shareholders and summer 2015 for 'B' Shareholders) so the venture capital portfolio companies will, no doubt, face significant challenges during that time. The Manager will continue to work on building the qualifying 'B' Share portfolio over the remainder of the year but with an increasing proportion of resources being dedicated to close monitoring and support of the portfolio companies to ensure that the Company has the best chance of delivering the targeted returns to Shareholders.



Lord Flight
Chairman

30 November 2011

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2011

Company Total

	Six months ended 30 Sept 2011			Six months ended 30 Sept 2010			Year ended 31 March 2011
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	474	-	474	52	-	52	556
Gains/(losses) on investments							
- realised	-	74	74	-	72	72	321
- unrealised	-	(904)	(904)	-	189	189	1,118
	474	(830)	(356)	52	261	313	1,995
Investment management fees	(110)	(110)	(220)	(206)	(15)	(221)	(436)
Other expenses	(157)	-	(157)	(166)	-	(166)	(338)
Return on ordinary activities before taxation	207	(940)	(733)	(320)	246	(74)	1,221
Taxation	(34)	-	(34)	-	-	-	-
Return attributable to equity shareholders	173	(940)	(767)	(320)	246	(74)	1,221
Return per Ordinary Share	1.0p	(0.5p)	0.5p	(1.7p)	1.4p	(0.3p)	3.4p
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'B' Share	0.3p	(4.4p)	(4.1p)	(0.9p)	0.6p	(0.3p)	4.3p
Return per 'C' Share	-	-	-	-	-	-	-

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

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2011

	Six months ended 30 Sept 2011			Six months ended 30 Sept 2010			Year ended 31 March 2011
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ordinary Share pool							
Income	236	-	236	1	-	1	272
Gains/(losses) on investments							
- realised	-	13	13	-	70	70	145
- unrealised	-	(27)	(27)	-	61	61	244
	236	(14)	222	1	131	132	661
Investment management fees	(39)	(40)	(79)	(95)	(3)	(98)	(158)
Other expenses	(62)	-	(62)	(58)	-	(58)	(147)
Return on ordinary activities before taxation	135	(54)	81	(152)	128	(24)	356
Taxation	(25)	-	(25)	-	-	-	-
Return attributable to equity shareholders	110	(54)	56	(152)	128	(24)	356
'B' Share pool							
Income	238	-	238	51	-	51	284
Gains/(losses) on investments							
- realised	-	61	61	-	2	2	176
- unrealised	-	(877)	(877)	-	128	128	874
	238	(816)	(578)	51	130	181	1,334
Investment management fees	(71)	(70)	(141)	(111)	(12)	(123)	(278)
Other expenses	(95)	-	(95)	(108)	-	(108)	(191)
Return on ordinary activities before taxation	72	(886)	(814)	(168)	118	(50)	865
Taxation	(9)	-	(9)	-	-	-	-
Return attributable to equity shareholders	63	(886)	(823)	(168)	118	(50)	865

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2011

	30 Sept 2011			31 Mar 2011	30 Sept 2010
	Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000
Fixed assets					
Investments	9,673	16,828	26,501	25,669	25,455
Current assets					
Debtors	166	172	338	2,567	82
Cash at bank and in hand	574	587	1,161	1,342	3,507
	<u>740</u>	<u>759</u>	<u>1,499</u>	<u>3,909</u>	<u>3,589</u>
Creditors: amounts falling due within one year	(107)	(156)	(263)	(316)	(259)
Net current assets	633	603	1,236	3,593	3,330
Net assets	<u>10,306</u>	<u>17,431</u>	<u>27,737</u>	<u>29,262</u>	<u>28,785</u>
Capital and reserves					
Called up share capital	26	50	76	76	76
Capital redemption reserve	5	-	5	5	5
Share premium	2,794	-	2,794	2,794	2,794
Special reserve	6,077	17,302	23,379	23,879	24,697
Revaluation reserve	333	(394)	(61)	1,503	1,208
Capital reserve – realised	1,075	492	1,567	1,201	521
Revenue reserve	(4)	(19)	(23)	(196)	(516)
Equity shareholders' funds	<u>10,306</u>	<u>17,431</u>	<u>27,737</u>	<u>29,262</u>	<u>28,785</u>
Net asset value per Ordinary Share	99.2p	-		101.2p	100.0p
Net asset value per 'A' Share	0.1p	-		0.1p	0.1p
Net asset value per 'B' Share	-	87.3p		93.9p	91.8p
Net asset value per 'C' Share	-	0.1p		0.1p	0.1p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2011

	30 Sept 2011			31 Mar 2011	30 Sept 2010
	Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000
Opening Shareholders' funds	10,509	18,753	29,262	28,636	28,636
Issue of shares	-	-	-	9,503	1,505
Share issue costs	-	-	-	(523)	(523)
Purchase of own shares	-	-	-	(58)	-
Unallotted shares	-	-	-	(7,998)	-
Dividends	(259)	(499)	(758)	(1,519)	(759)
Total recognised gains/(losses) for the period	56	(823)	(767)	1,221	(74)
Closing Shareholders' funds	<u>10,306</u>	<u>17,431</u>	<u>27,737</u>	<u>29,262</u>	<u>28,785</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2011

	Notes		30 Sept 2011		31 Mar 2011	30 Sept 2010
	Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000	Total £'000
Cash inflow/(outflow) from operating activities and returns on investments	1	2	(139)	(137)	(2,508)	(197)
Capital expenditure						
Purchase of investments	(1,925)	(5,035)	(6,960)	(23,620)	(19,324)	
Sale of investments	2,212	5,462	7,674	11,440	6,180	
Net cash inflow/(outflow) from capital expenditure	287	427	714	(12,180)	(13,144)	
Equity dividends paid	(259)	(499)	(758)	(1,519)	(759)	
Net cash inflow/(outflow) before financing	30	(211)	(181)	(16,207)	(14,100)	
Financing						
Proceeds from 'B' Share issue	-	-	-	9,503	1,495	
Proceeds from 'C' Share issue	-	-	-	-	10	
Share issue costs	-	-	-	(523)	(523)	
Unallotted shares	-	-	-	(7,998)	-	
Purchase of own shares	-	-	-	(58)	-	
Net cash inflow from financing	-	-	-	924	982	
Increase/(decrease) in cash	2	30	(211)	(15,283)	(13,118)	
Notes to the cash flow statement:						
1 Cash inflow/(outflow) from operating activities and returns on investments						
Return on ordinary activities before taxation	56	(823)	(767)	1,221	(74)	
Losses/(gains) on investments	14	816	830	(1,439)	(261)	
(Increase)/decrease in other debtors	(60)	(87)	(147)	(2,403)	82	
(Decrease)/increase in other creditors	(8)	(45)	(53)	113	56	
Net cash inflow/(outflow) from operating activities	2	(139)	(137)	(2,508)	(197)	
2 Analysis of net funds						
Beginning of period	544	798	1,342	16,625	16,625	
Net cash inflow/(outflow)	30	(211)	(181)	(15,283)	(13,118)	
End of period	574	587	1,161	1,342	3,507	

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2011

Ordinary Shares

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Venture capital investments				
Domestic Solar Limited*	1,000	1,000	-	9.8%
Future Biogas (SF) Limited	909	909	-	8.9%
Bijou Wedding Venues Limited	815	884	69	8.6%
Redmed Limited	850	850	-	8.3%
Atlantic Dogstar Limited	572	777	205	7.6%
The 3D Pub Company Limited	517	517	-	5.0%
Quadrate Catering Limited*	508	508	-	5.0%
Ecosol Limited	500	500	-	4.9%
Quadrate Spa Limited*	451	451	-	4.4%
Westow House Limited	405	440	35	4.3%
East Dulwich Tavern Limited	459	410	(49)	4.0%
Mosaic Spa & Health Club Limited*	250	250	-	2.4%
Camandale Limited*	277	142	(135)	1.4%
Slopingtactic Limited	102	102	-	1.0%
Chapel Street Services Limited	75	75	-	0.7%
Chapel Street Food and Beverage Limited	75	75	-	0.7%
Fenkle Street LLP**	69	69	-	0.7%
Commercial Street Hotel Limited**	21	21	-	0.2%
Chapel Street Hotel Limited**	3	3	-	0.0%
	<u>7,858</u>	<u>7,983</u>	<u>125</u>	<u>77.9%</u>
Structured product investments				
Symphony Structure 3.5yr FTSE 4.85 Call Spread	355	458	(29)	4.5%
Morgan Stanley Synthetic Zero	297	435	(14)	4.2%
Elders Capital Accumulator VIII (29A)	486	412	(104)	4.0%
Barclays 4Y Synthetic Zero	344	385	(5)	3.8%
	<u>1,482</u>	<u>1,690</u>	<u>(152)</u>	<u>16.5%</u>
Total	<u>9,340</u>	<u>9,673</u>	<u>(27)</u>	<u>94.4%</u>
Cash at bank and in hand		574		5.6%
Total investments		<u>10,247</u>		<u>100.0%</u>

* partly non-qualifying

** non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2011

Ordinary Shares

Additions

	£'000
Venture capital investments	
Redmed Limited	850
Ecosol Limited	500
Domestic Solar Limited*	500
Atlantic Dogstar Limited	356
Bijou Wedding Venues Limited	150
Future Biogas (SF) Limited	69
	<u>2,425</u>

Disposals	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised (loss)/gain in period £'000
Venture capital investments				
Bijou Wedding Venues Limited	750	750	-	-
Future Biogas (SF) Limited	350	350	-	-
	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>-</u>
Structured products				
Barclays 4Y Synthetic Zero	226	254	28	(1)
Elders Capital Accumulation 2 (Delayed Settlement)	259	362	103	6
Symphony Structure 3.5yr FTSE 4.85 Call Spread	355	496	141	8
	<u>840</u>	<u>1,112</u>	<u>272</u>	<u>13</u>
	<u>1,940</u>	<u>2,212</u>	<u>272</u>	<u>13</u>

* partly non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2011

'B' Shares

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Venture capital investments				
Future Biogas (Reepham Road) Limited*	1,476	1,476	-	8.5%
Gingerbread Pre-School (UK) Limited*	1,101	1,101	-	6.3%
Quadrate Catering Limited*	835	835	-	4.8%
Domestic Solar Limited*	800	800	-	4.6%
Antelope Pub Limited	750	790	40	4.5%
Quadrate Spa Limited*	740	740	-	4.2%
Alpha Schools Holdings Limited	733	733	-	4.2%
Westcountry Solar Solutions Limited*	594	594	-	3.4%
Ecosol Limited	500	500	-	2.9%
Green Electricity Generation Limited	500	500	-	2.9%
Avon Solar Energy Limited	500	500	-	2.9%
Camandale Limited*	754	386	(368)	2.2%
Progressive Energies Limited	340	340	-	1.9%
Slopingtactic Limited	277	277	-	1.6%
Kidspace Adventures Limited**	270	270	-	1.6%
Mosaic Spa and Health Clubs Limited*	250	250	-	1.4%
Fenkle Street LLP**	185	185	-	1.1%
Ridgeway Pub Company Limited	137	137	-	0.8%
Commercial Street Hotel Limited**	35	35	-	0.2%
	<u>10,777</u>	<u>10,449</u>	<u>(328)</u>	<u>60.0%</u>
Structured product investments				
Barclays 5Y Synthetic Zero	1,003	988	(75)	5.7%
Goldman Sachs 6YR Phoenix Autocall 3	1,003	915	(179)	5.3%
Morgan Stanley 5Y Synthetic Zero	811	858	(26)	4.9%
Elders Capital Accumulator VIII	970	824	(208)	4.7%
Morgan Stanley 3Y Synthetic Zero Accrual	762	821	(4)	4.7%
HSBC US Trade Range	752	819	(2)	4.7%
Symphony Structure 3.5yr FTSE 4.85 Call Spread	497	458	(39)	2.6%
JP Morgan 8% Defensive FTSE Autocall	356	380	(12)	2.2%
Barclays 6Y 10% Defensive FTSE Autocall	291	316	(4)	1.8%
	<u>6,445</u>	<u>6,379</u>	<u>(549)</u>	<u>36.6%</u>
Total	<u>17,222</u>	<u>16,828</u>	<u>(877)</u>	<u>96.6%</u>
Cash at bank and in hand		587		3.4%
Total investments		<u>17,415</u>		<u>100.0%</u>

* partly non-qualifying

** non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2011

'B' Shares

Additions

	£'000
Venture capital investments	
Future Biogas (Reepham Road) Limited*	1,476
Gingerbread Pre-School (UK) Limited*	1,101
Alpha Schools Holdings Limited	733
Westcountry Solar Solutions Limited*	594
Avon Solar Energy Limited	500
Ecosol Limited	500
Green Electricity Generation Limited	500
Domestic Solar Limited*	400
Progressive Energies Limited	340
Kidspace Adventures Limited**	270
	<u>6,414</u>
Structured product investments	
Symphony Structure 3.5yr FTSE 4.85 Call Spread	497
	<u>6,911</u>

Disposals

	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Venture capital investments				
Antelope Pub Limited	<u>338</u>	<u>338</u>	-	-
Structured products				
Barclays FTSE 100 Defensive 10.75% Autocall	451	498	47	6
HSBC 5Y 9% Defensive FTSE 100 Autocall	702	763	61	5
HSBC FTSE/S&P 'Worst of' Autocall	1,003	1,109	106	6
JP Morgan 5Y 9.75% Defensive FTSE Autocall	1,504	1,646	142	27
Societe Generale FTSE/S&P Defensive Auto Lock 4	1,003	1,108	105	17
	<u>4,663</u>	<u>5,124</u>	<u>461</u>	<u>61</u>
	<u>5,001</u>	<u>5,462</u>	<u>461</u>	<u>61</u>

* partly non-qualifying

** non-qualifying

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of accounting

The unaudited half-yearly results cover the six months to 30 September 2011 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 March 2011 which were prepared under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised January 2009 (“SORP”).

2. All revenue and capital items in the Income Statement derive from continuing operations.
3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. Net asset value per share at the period end has been calculated on 10,371,225 Ordinary Shares; 15,556,838 ‘A’ Shares; 19,936,370 ‘B’ Shares; and 29,936,370 ‘C’ Shares being the number of shares in issue at the period end.
5. Return per share for the period has been calculated on 10,371,225 Ordinary Shares; 15,556,838 ‘A’ Shares; 19,936,730 ‘B’ Shares; and 29,936,370 ‘C’ Shares being the weighted average number of shares in issue during the period.

6. Dividends

Ordinary Share	Revenue £’000	Capital £’000	Total £’000
Paid in period			
Final – paid 30 Sept 2011	-	259	259
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
‘B’ Share	Revenue £’000	Capital £’000	Total £’000
Paid in period			
Final – paid 30 Sept 2011	-	499	499
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

	Share premium account £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000	Capital redemption reserve £'000
At 1 April 2011	2,794	23,879	1,503	1,201	(196)	5
(Losses)/gains on investments	-	-	(904)	74	-	-
Expenses capitalised	-	-	-	(110)	-	-
Dividends	-	-	-	(758)	-	-
Transfer between reserves	-	(500)	(660)	1,160	-	-
Retained revenue	-	-	-	-	173	-
At 30 September 2011	<u>2,794</u>	<u>23,379</u>	<u>(61)</u>	<u>1,567</u>	<u>(23)</u>	<u>5</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £410,000. Distributable reserves at 30 September 2011 were £24,513,000.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Risk and uncertainties

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

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) compliance risk of failure to maintain approval as a VCT;
- (ii) market, liquidity and counterparty risk associated with structured products; and
- (iii) investment risk associated with investing in small and immature businesses.

The Company's compliance with the VCT regulations is continually monitored by the Manager, who reports regularly to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations.

In investing in structured products, the Company is exposed to market risk, liquidity risk and counterparty risk. The Company manages these risks as follows:

- holding a portfolio of structured products;
- limiting exposure to any one counterparty; and
- monitoring credit ratings and other indicators relevant to counterparties.

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

In order to make VCT-qualifying investments, the Company has to invest in small businesses which are often immature. It also has a limited period in which it must invest the majority of its funds. The Manager follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business. The Board is satisfied that this approach reduces the investment risk described in (iii) above as far as is reasonably possible.

10. Going concern

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

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

12. Copies of the Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company’s registered office or can be downloaded from www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Share scam warning

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT houses have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a “Boiler Room Scam”. **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing’s website under “Existing Investments”. If you have any concerns, please contact Downing on 020 7416 7780.

Share prices

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

	Ordinary Shares	‘B’ Shares
TIDM codes	DO10	DO1B
Latest share price 29 November 2011 :	97.5p per share	90.0p per share

	‘A’ Shares	‘C’ Shares
TIDM codes	DO1A	DO1C
Latest share price 29 November 2011 :	5.025p per share	0.1p per share

The share prices are also available on Downing’s website at www.downing.co.uk.

Selling shares

The Company’s shares can be bought and sold in the same way as any other company listed on the London Stock Exchange using a stockbroker. Disposing of shares may have tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision.

The Company has stated that it will from time to time consider making market purchases of its own shares, in accordance with the policy set out in the Chairman’s Statement. Shareholders who wish to sell should contact Downing LLP, who will be able to provide up-to-date details. Downing LLP can be contacted on 020 7416 7780.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company’s registrar, Capita Registrars, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including Company announcements, share prices and dividend history) may be obtained from Downing’s website at

www.downing.co.uk

If you have any queries regarding your shareholding in Downing Structured Opportunities VCT 1 plc, please contact the Registrar on the above number or visit Capita’s website at www.capitaregistrars.com and select “Shareholders”.

Directors

Lord Flight (Chairman)
Robin Chamberlayne
Mark Mathias

Company Secretary and Registered Office

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