

Downing Structured Opportunities VCT 1 PLC

Half-Yearly Report for
the six months ended
30 September 2010

SHAREHOLDER INFORMATION

Performance summary

Ordinary Share pool	30 Sept 2010	31 March 2010	30 Sept 2009
	pence	pence	pence
Net asset value per Ordinary Share	100.0	102.8	100.3
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative distributions per Ordinary Share	<u>7.5</u>	<u>5.0</u>	<u>2.5</u>
Total return per Ordinary Share and 'A' Share	<u>107.6</u>	<u>107.9</u>	<u>102.9</u>

'B' Share pool

	30 Sept 2010	31 March 2010
	pence	pence
Net asset value per 'B' Share	91.8	94.7
Net asset value per 'C' Share	0.1	0.1
Cumulative distributions per 'B' Share	<u>2.5</u>	<u>-</u>
Total return per 'B' Share and 'C' Share	<u>94.4</u>	<u>94.8</u>

Dividend history

Ordinary Shares

Year end	Date paid	Pence per Share
2010 First Interim	25 September 2009	2.5
2010 Second Interim	29 January 2010	2.5
2010 Final	30 September 2010	<u>2.5</u>
		<u>7.5</u>
Proposed 2011 Interim	Payable 28 January 2011	2.5

'B' Shares

Year end	Date paid	Pence per Share
2010 Final	30 September 2010	<u>2.5</u>
		<u>2.5</u>
Proposed 2011 Interim	Payable 28 January 2011	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 0300 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0GA. Mandate forms can also be downloaded from www.capitaregistrars.com/shareholders/information.

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 2010.

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, while also continuing to be an active investor in institutional structured products.

'B' Share offer for subscription

As I mentioned in my statement with the Annual Report, the Company completed another successful fundraising in the period, raising gross proceeds of £20 million in the new 'B' Share pool. In line with the Company's strategy the majority of these funds have initially been invested in a portfolio of institutional structured products and a portfolio of VCT-qualifying investments will be developed over the next two to three years.

Ordinary Share pool – Institutional Structured products

The Ordinary Share pool is now in the phase where it is starting to reduce the level of funds in the institutional structured product portfolio as a greater proportion of funds are invested in VCT-qualifying investments.

The pool did, however, achieve a relatively high number of autocalls where structured product investments met their exit conditions, producing proceeds of £4.1 million in the period, realising gains of £641,000 against cost and gains of £70,000 against valuation at the start of the period. A small number of new structured product investments were also made by the pool to reinvest surplus funds.

Over the period, the pool's institutional structured products portfolio produced total net unrealised gains of £61,000.

Ordinary Share pool – Venture capital investments

A total of £2.4 million was invested in seven investments during the period, five of which were VCT-qualifying or part qualifying.

None of the investments have shown a significant departure from plan which might impact on their valuation and have been valued at sums equal to cost at the period end.

Further details are included in the Investment Managers' Report on page 4.

'B' Share pool – Institutional Structured products

During the six months to 30 September 2010 13 investments were made by the 'B' Share pool in structured products at a total cost of £13.1 million. Despite some falls in value during the early part of the period, market conditions supported a strong recovery such that the portfolio showed unrealised gains of £128,000 and a small realised gain of £2,000.

'B' Share pool - Venture capital investments

A total of £2.9 million was invested in seven venture capital investments during the period, five of which were qualifying or part qualifying. As with the investments made by the Ordinary Share pool, none of the investments has experienced any significant departures from plan and each of these investments has been valued at cost at the period end.

Further details are given in the Investment Manager's Report on page 4.

CHAIRMAN'S STATEMENT (continued)

Net Asset Value and Results

Ordinary Share pool

At 30 September 2010, the Net Asset Value ("NAV") per Ordinary Share stood at 100.0p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 100.1p. This is a decrease of 0.3p per share (0.3%) since 31 March 2010 (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 107.6p.

The loss on ordinary activities after taxation for the period was £24,000, comprising a revenue loss of £152,000 and a capital profit of £128,000.

'B' Share pool

At 30 September 2010, the NAV per 'B' Share stood at 91.8p and the NAV per 'C' Share stood at 0.1p, producing a combined total of 91.9p. This is a decrease of 0.4p per share (0.4%) since 31 March 2010 (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 94.4p.

The loss on ordinary activities after taxation for the period was £50,000, comprising a revenue loss of £168,000 and a capital profit of £118,000.

As further venture capital investments are made, investment income is expected to increase such that, in future, the revenue column will show a lower loss or a profit.

Dividends

The Board is proposing to pay an interim dividend of 2.5p per Ordinary Share and 2.5p per 'B' Share on 28 January 2011 to Shareholders on the register at 7 January 2011.

Share buybacks

The Company operates a share buyback policy whereby, subject to certain restrictions, it intends to buy in any of its own shares that become available in the market for cancellation at a 10% discount to the prevailing NAV.

No such shares were purchased in the period.

Cancellation of Share premium account

On 30 July 2010, the share premium account arising on the issue of the 'B' Shares was cancelled and an additional distributable Special Reserve created. The new Special Reserve gives the Company extra flexibility to undertake share buybacks (if required) and in paying dividends.

Board change

Russell Catley has been invited to sit on the Board of another VCT which is being launched shortly. In order to comply with rules on Directors' independence, Russell has agreed to step down as a director of the Company.

My fellow directors and I would like to thank Russell for his excellent contribution over the last year, particularly in connection with the Company's structured product investments, and wish him every success in his new role. Having reviewed the position, the Directors have concluded that a Board comprising three non-executive directors is adequate at the current time and do not intend to seek a replacement for Russell.

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.

CHAIRMAN'S STATEMENT (continued)

Risk and uncertainties (continued)

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

- (i) 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 Administration Manager, who reports regularly to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT.

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 Investment Manager follows a rigorous process in vetting and careful structuring of new investments, including taking a charge over the assets of the business wherever possible and, after an investment is made, closely monitoring the business. The Board is satisfied that this approach reduces the investment risk described in (iii) above as far as is reasonably possible.

Outlook

The performance of both share pools continues to be significantly influenced by that of the structured products investments, particularly in the case of the 'B' Share pool. The Company continues to focus on defensive structured products; a strategy which has provided satisfactory returns to date.

During October the Company has seen uplifts in the NAVs of both pools such that at 31 October the unaudited NAV and Total Return values were as follows:

	NAV at 31 Oct 2010	Total Return at 31 Oct 2010
Ordinary/'A' Share	101.0p	108.5p
'B'/'C' Share	93.4p	95.9p

Over the remainder of the year, we expect the Company to be an active investor in both pools in terms of venture capital investments. We expect activity to be at lower levels in the structured product portfolios although are optimistic that further value can be extracted from these investments as they move towards maturity.



Howard Flight
Chairman

29 November 2010

INVESTMENT MANAGER'S REPORT

We are pleased to report that the Company's structured product portfolio has performed well and that we have made a total of 13 VCT-qualifying investments across the Ordinary and 'B' Share pools.

VCT-qualifying investments

The Company's Ordinary Share pool holds 11 VCT-qualifying investments and the 'B' Share pool currently holds 5 VCT-qualifying investments as shown on page 13 to 16.

Brief details of some of the Company's new investments are outlined below.

In May 2010, the Company's Ordinary Share pool invested into **Future Biogas (SF) Limited**, a company that is developing a 1.4MWh self-contained biogas plant in Norfolk. Maize will be fed into the biogas plant and through an Anaerobic Digestion process will produce biogas which will be used to generate electricity.

The Company's 'B' Share pool invested in **Antelope Pub Company Limited** in June 2010 alongside an existing and experienced operator, Anthony Thomas, to purchase the freehold of the Antelope pub in Tooting, South London. Anthony had been operating the unit under a lease from Punch Taverns prior to the purchase.

Camandale Limited is an investment by both the Company's share pools in two pub/restaurants in Kilmarnock, Scotland - The Riverbank and The Monkey Bar. The Riverbank was bought out of administration in August 2010 and the Monkey Bar was an existing asset within the operator's portfolio of five trading Glasgow pubs. The experienced operator has a track record of operating profitable pubs in the West of Scotland.

In September 2010, the Company's Ordinary Share pool invested in **The 3D Pub Co Limited** which owns two pubs based in Surrey, The Jolly Farmer in Reigate and The Fox Revived in Horley. The Company backed an experienced management team who were operating both pubs under a franchise with Mitchells & Butler prior to the purchase. The pubs are operated as food-led destination venues.

In August 2010, the Company made investments in three companies which are planning to undertake ventures in 'The Cube', a canal-side mixed-use building in Birmingham. **Quadrate Spa Limited**, **Quadrate Catering Limited** and **Quadrate Hotel Limited** will develop spa & health club, restaurant and hotel facilities in the building. We expect further investments to be made into the companies in December 2010 and the facilities to open in April 2011.

Of the Company's existing investments all are performing satisfactorily.

Bijou Wedding Venues Limited, which owns the freehold of Botleys Mansion in Chertsey, Surrey, recently completed the refurbishment of the property which is now fully operational as a premium wedding venue.

The three pubs owned by companies in which the VCT has invested in partnership with Antic Limited are progressing to plan. The Dogstar pub in Brixton and the East Dulwich Tavern have been trading satisfactorily and, after management changes, the Westow House pub in Crystal Palace is also now showing improved trading. Various plans for developing each of the pubs are being considered.

INVESTMENT MANAGER'S REPORT (continued)

We are conscious of the fact that both the Ordinary and 'B' Share portfolios currently have reasonably large exposures to the pub and restaurant sector. As the portfolios continue to develop, we expect them to become more diversified.

Outlook

Dealflow of potential VCT-qualifying investments has continued to strengthen in recent months as confidence in the economy slowly starts to improve. Bank funding to small and medium sized enterprises remains restricted which is leading to a variety of opportunities for the Company.

We expect to see further high levels of investment activity over the remainder of the year as we work towards completing the task of building well-balanced investment portfolios.

Downing Corporate Finance Limited

29 November 2010

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2010

Company Total

	Six months ended 30 Sept 2010		
	Revenue £'000	Capital £'000	Total £'000
Income	52	-	52
Gains on investments	-	72	72
- realised	-	189	189
- unrealised	-		
	<u>52</u>	<u>261</u>	<u>313</u>
Investment management fees	(206)	(15)	(221)
Other expenses	(166)	-	(166)
	<u>(320)</u>	<u>246</u>	<u>(74)</u>
Return on ordinary activities before taxation			
Taxation	-	-	-
	<u>(320)</u>	<u>246</u>	<u>(74)</u>
Return attributable to equity shareholders			
Return per Ordinary Share	(1.7p)	1.4p	(0.3p)
Return per 'A' Share	-	-	-
Return per 'B' Share	(0.9p)	0.6p	(0.3p)
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.

	Period ended 30 Sept 2009			Period ended 31 March 2010	
Revenue £'000	Capital £'000	Total £'000		Total £'000	
14	-	14		127	
-	126	126		1,536	
-	794	794		-	
<u>14</u>	<u>920</u>	<u>934</u>		<u>1,663</u>	
(61)	-	(61)		(106)	
(125)	(5)	(130)		(270)	
<u>(172)</u>	<u>915</u>	<u>743</u>		<u>1,287</u>	
-	-	-		-	
<u>(172)</u>	<u>915</u>	<u>743</u>		<u>1,287</u>	
(2.2p)	11.6p	9.4p		13.8p	
-	-	-		0.0p	
n/a	n/a	n/a		0.8p	
n/a	n/a	n/a		-	

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2010

	Six months ended 30 Sept 2010		
	Revenue £'000	Capital £'000	Total £'000
Ordinary Share pool			
Income	1	-	1
Gains on investments	-	70	70
- realised	-	61	61
- unrealised	-	-	-
	<u>1</u>	<u>131</u>	<u>132</u>
Investment management fees	(95)	(3)	(98)
Other expenses	(58)	-	(58)
	<u>(152)</u>	<u>128</u>	<u>(24)</u>
Return on ordinary activities before taxation			
Taxation	-	-	-
	<u>(152)</u>	<u>128</u>	<u>(24)</u>
Return attributable to equity shareholders			
'B' Share pool			
Income	51	-	51
Gains on investments	-	2	2
- realised	-	128	128
- unrealised	-	-	-
	<u>51</u>	<u>130</u>	<u>181</u>
Investment management fees	(111)	(12)	(123)
Other expenses	(108)	-	(108)
	<u>(168)</u>	<u>118</u>	<u>(50)</u>
Return on ordinary activities before taxation			
Taxation	-	-	-
	<u>(168)</u>	<u>118</u>	<u>(50)</u>
Return attributable to equity shareholders			

	Period ended 30 Sept 2009			Period ended 31 March 2010	
Revenue £'000	Capital £'000	Total £'000	Total £'000		
14	-	14	122		
-	126	126	1,455		
-	794	794	-		
<u>14</u>	<u>920</u>	<u>934</u>	<u>1,577</u>		
(61)	-	(61)	(90)		
(125)	(5)	(130)	(236)		
<u>(172)</u>	<u>915</u>	<u>743</u>	<u>1,251</u>		
-	-	-	-		
<u>(172)</u>	<u>915</u>	<u>743</u>	<u>1,251</u>		
14	-	14	5		
-	126	126	81		
-	794	794	-		
<u>14</u>	<u>920</u>	<u>934</u>	<u>86</u>		
(61)	-	(61)	(16)		
(125)	(5)	(130)	(34)		
<u>(172)</u>	<u>915</u>	<u>743</u>	<u>36</u>		
-	-	-	-		
<u>(172)</u>	<u>915</u>	<u>743</u>	<u>36</u>		

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2010

	30 Sept 2010			31 March 2010	30 Sept 2009
	Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000
Fixed assets					
Investments	8,836	16,619	25,455	12,050	9,664
Current assets					
Debtors	40	42	82	164	12
Cash at bank and in hand	1,600	1,907	3,507	16,625	886
	<u>1,640</u>	<u>1,949</u>	<u>3,589</u>	<u>16,789</u>	<u>898</u>
Creditors: amounts falling due within one year	<u>(87)</u>	<u>(172)</u>	<u>(259)</u>	<u>(203)</u>	<u>(139)</u>
Net current assets	1,553	1,777	3,330	16,586	759
Net assets	<u>10,389</u>	<u>18,396</u>	<u>28,785</u>	<u>28,636</u>	<u>10,423</u>
Capital and reserves					
Called up share capital	26	50	76	57	31
Capital redemption reserve	5	-	5	5	-
Share premium	2,794	-	2,794	12,693	2,794
Special reserve	6,337	18,360	24,697	6,596	6,855
Share capital to be issued	-	-	-	7,998	-
Investment holding gains	1,007	201	1,208	1,019	794
Capital reserve – realised	531	(10)	521	464	121
Revenue reserve	(311)	(205)	(516)	(196)	(172)
Equity shareholders' funds	<u>10,389</u>	<u>18,396</u>	<u>28,785</u>	<u>28,636</u>	<u>10,423</u>
Net asset value per Ordinary Share	100.0p	-	-	102.8p	100.3p
Net asset value per 'A' Share	0.1p	-	-	0.1p	0.1p
Net asset value per 'B' Share	-	91.8p	-	94.7p	n/a
Net asset value per 'C' Share	-	0.1p	-	0.1p	n/a

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2010

	30 Sept 2010			31 March 2010	30 Sept 2009
	Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000
Opening shareholders' funds	10,672	17,964	28,636	-	-
Issue of shares	-	1,505	1,505	21,017	10,510
Share issue costs	-	(523)	(523)	(1,148)	(571)
Unallotted shares	-	-	-	7,998	-
Distributions	(259)	(500)	(759)	(518)	(259)
Total recognised gains for the period	(24)	(50)	(74)	1,287	743
Closing shareholders' funds	<u>10,389</u>	<u>18,396</u>	<u>28,785</u>	<u>28,636</u>	<u>10,423</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2010

	Notes	30 Sept 2010			31 March 2010	30 Sept 2009
		Ord Shares £'000	'B' Shares £'000	Total £'000	Total £'000	Total £'000
Cash outflow from operating activities and returns on investments	1	(100)	(97)	(197)	(210)	(81)
Capital expenditure						
Purchase of investments		(3,341)	(15,983)	(19,324)	(14,503)	(10,797)
Sale of investments		4,123	2,057	6,180	3,989	2,052
Net cash outflow from capital expenditure		<u>782</u>	<u>(13,926)</u>	<u>(13,144)</u>	<u>(10,514)</u>	<u>(8,745)</u>
Equity dividends paid		<u>(259)</u>	<u>(500)</u>	<u>(759)</u>	<u>(518)</u>	<u>(259)</u>
Net cash inflow/(outflow) before financing		423	(14,523)	(14,100)	(11,242)	(9,085)
Financing						
Proceeds from Ordinary Share issue		-	-	-	10,489	10,500
Proceeds from 'A' Share issue		-	-	-	21	5
Proceeds from 'B' Share issue		-	1,495	1,495	10,487	-
Proceeds from 'C' Share issue		-	10	10	20	-
Proceeds from Deferred Share issue		-	-	-	-	5
Proceeds from Preference Share issue		-	-	-	50	50
Redemption of Preference Shares		-	-	-	(50)	(50)
Share issue costs		-	(523)	(523)	(1,148)	(539)
Unallotted shares		-	-	-	7,998	-
Net cash inflow from financing		<u>-</u>	<u>982</u>	<u>982</u>	<u>27,867</u>	<u>9,971</u>
Increase/(decrease) in cash	2	<u>423</u>	<u>(13,541)</u>	<u>(13,118)</u>	<u>16,625</u>	<u>886</u>
Notes to the cash flow statement:						
1 Cash inflow from operating activities and returns on investments						
Return on ordinary activities before taxation		(24)	(50)	(74)	1,287	743
Gains on investments		(131)	(130)	(261)	(1,536)	(920)
Increase in other debtors		121	(39)	82	(164)	(12)
Increase in other creditors		(66)	122	56	203	108
Net cash outflow from operating activities		<u>(100)</u>	<u>(97)</u>	<u>(197)</u>	<u>(210)</u>	<u>(81)</u>
2 Analysis of net funds						
Beginning of period		1,177	15,448	16,625	-	-
Net cash inflow/(outflow)		423	(13,541)	(13,118)	16,625	886
End of period		<u>1,600</u>	<u>1,907</u>	<u>3,507</u>	<u>16,625</u>	<u>886</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 September 2010

Ordinary Shares

	Cost £'000	Valuation £'000	Unrealised gain/(loss) £'000	% of portfolio by value
Venture capital investments				
Bijou Wedding Venues Limited *	1,415	1,415	-	13.6%
Future Biogas (SF) Limited*	1,190	1,190	-	11.4%
The 3D Pub Company Limited	516	516	-	4.9%
East Dulwich Tavern Limited	459	459	-	4.4%
Westow House Limited	405	405	-	3.9%
Fenkle Street LLP**	300	300	-	2.9%
Camandale Limited*	277	277	-	2.6%
Atlantic Dogstar Limited	216	216	-	2.1%
Chapel Street Food and Beverage Limited	75	75	-	0.7%
Chapel Street Services Limited	75	75	-	0.7%
Quadrate Catering Limited	32	32	-	0.3%
Quadrate Spa Limited	18	18	-	0.2%
Quadrate Hotel Limited**	21	21	-	0.2%
Chapel Street Hotel Limited**	3	3	-	0.0%
	<u>5,002</u>	<u>5,002</u>	<u>-</u>	<u>47.9%</u>
Structured product investments				
Symphony Structure 3.5yr FTSE 4.85 Call Spread	711	884	11	8.5%
Barclays 4Y Synthetic Zero	570	608	10	5.8%
Societe Generale Accept 6T FTSE Auto Lock	501	522	2	5.0%
Elders Capital Accumulator VIII	485	476	(9)	4.6%
Morgan Stanley FTSE Bonus Note (5Y)	401	424	22	4.1%
Morgan Stanley Synthetic Zero	297	420	6	4.0%
Elders Capital Accumulation 2 (Delayed Settlement)	259	341	15	3.3%
Citigroup Gilt Backed Defensive Auto-Call 1	130	160	4	1.5%
	<u>3,354</u>	<u>3,835</u>	<u>61</u>	<u>36.8%</u>
Total	<u>8,356</u>	<u>8,837</u>	<u>61</u>	<u>84.7%</u>
Cash at bank and in hand		1,600		15.3%
Total investments		<u>10,437</u>		<u>100.0%</u>

* partly non VCT-qualifying

** non VCT-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2010

Ordinary Shares

Additions	£'000
Venture capital investments	
Future Biogas (SF) Limited *	1,190
The 3D Pub Co Limited	516
Fenkle Street LLP**	300
Camandale Limited*	277
Quadrate Catering Limited	32
Quadrate Spa Limited	18
Quadrate Hotel Limited**	21
	2,354
Structured product investments	
Elders Capital Accumulator VIII	485
Morgan Stanley FTSE Bonus Note (5Y)	501
	986
	3,340

Disposals	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain/(loss) in period £'000
Structured products				
Barclays 12.2% FTSE Autocall	859	1,057	198	21
Elders Japan Capital Protected 3	626	779	153	26
Platinum Defensive FTSE Autocall	656	718	62	-
Goldman Sachs Reservoir Autocall	401	444	43	7
Goldman Sachs Defensive Autocall	336	427	91	9
Platinum 3 Year Callable	351	382	31	5
Morgan Stanley FTSE Synthetic Zero	153	212	59	(2)
Morgan Stanley FTSE Bonus Note (5Y)	100	104	4	4
	3,482	4,123	641	70

* partly non VCT-qualifying

** non VCT-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2010

‘B’ Shares

	Cost £'000	Valuation £'000	Unrealised gain/(loss) £'000	% of portfolio by value
Venture capital investments				
Antelope Pub Limited*	1,087	1,087	-	5.9%
Fenkle Street LLP**	800	800	-	4.3%
Camandale Limited*	754	754	-	4.1%
Ridgeway Pub Company Limited*	154	154	-	0.8%
Quadrate Catering Limited	53	53	-	0.3%
Quadrate Hotel Limited**	35	35	-	0.2%
Quadrate Spa Limited	28	28	-	0.1%
	2,911	2,911	-	15.7%
Structured product investments				
Nomura 9.3% FTSE Defensive Autocall	1,504	1,552	48	8.4%
JP Morgan 5Y 9.75% Defensive FTSE Autocall	1,504	1,530	26	8.3%
Societe Generale FTSE/S&P Defensive Auto Lock 4	1,003	1,025	22	5.5%
HSBC FTSE/S&P ‘Worst of’ Autocall	1,003	1,020	17	5.5%
Goldman Sachs 6YR Phoenix Autocall 3	1,003	993	(10)	5.4%
Barclays 5Y Synthetic Zero	1,003	973	(30)	5.3%
Elders Capital Accumulator VIII	970	952	(18)	5.1%
Morgan Stanley 5Y Synthetic Zero	811	828	17	4.5%
Morgan Stanley 3Y Synthetic Zero Accrual	762	778	16	4.2%
HSBC US Trade Range	752	746	(6)	4.0%
HSBC 5Y 9% Defensive FTSE 100 Autocall	702	714	12	3.9%
Barclays 6Y 10% Defensive FTSE Autocall	501	522	21	2.8%
Morgan Stanley 11% FTSE Bonus Note	501	505	(14)	2.7%
Goldman Sachs 6YR Phoenix Autocall 1	452	471	2	2.5%
Barclays FTSE 100 Defensive 10.75% Autocall	451	469	18	2.5%
JP Morgan 8% Defensive FTSE Autocall	356	369	3	2.0%
Goldman Sachs 6YR Phoenix Autocall 2	251	261	4	1.4%
	13,529	13,708	128	74.0%
Total	16,440	16,619	128	89.7%
Cash at bank and in hand		1,907		10.3%
Total investments		18,526		100.0%

* partly non VCT-qualifying

** non VCT-qualifying

SUMMARY OF INVESTMENT MOVEMENTS

as at 30 September 2010

‘B’ Shares

Additions	£'000
Venture capital investments	
Antelope Pub Limited*	1,087
Fenkle Street LLP**	800
Camandale Limited*	754
Ridgeway Pub Company Limited*	154
Quadrate Catering Limited	53
Quadrate Hotel Limited**	35
Quadrate Spa Limited	28
	2,911

Structured product investments	
Nomura 9.3% FTSE Defensive Autocall	1,504
JP Morgan 5Y 9.75% Defensive FTSE Autocall	1,504
Societe Generale FTSE/S&P Defensive Auto Lock 4	1,003
HSBC FTSE/S&P ‘Worst of’ Autocall	1,003
HSBC 5Y 9% Defensive FTSE 100 Autocall	1,003
Goldman Sachs 6YR Phoenix Autocall 3	1,003
Barclays 5Y Synthetic Zero	1,003
Barclays 6Y 10% Defensive FTSE Autocall	1,002
Elders Capital Accumulator VIII	970
Morgan Stanley 5Y Synthetic Zero	811
Morgan Stanley 3Y Synthetic Zero Accrual	762
HSBC US Trade Range	752
Barclays FTSE 100 Defensive 10.75% Autocall	752
	13,072
	15,893

Disposals	Cost	Disposal	Total	Realised
	£'000	proceeds	(loss)/gain	gain/(loss)
		£'000	against cost	in period
			£'000	£'000
Structured products				
Barclays 6Y 10% Defensive FTSE Autocall	501	505	4	4
JP Morgan 8% Defensive FTSE Autocall	305	310	5	(3)
Barclays FTSE 100 Defensive 10.75% Autocall	301	308	7	7
HSBC 5Y 9% Defensive FTSE 100 Autocall	301	300	(1)	(1)
Morgan Stanley 3Y Synthetic Zero	215	221	6	(3)
Goldman Sachs 6YR Phoenix Autocall 1	201	208	7	(1)
Goldman Sachs 6YR Phoenix Autocall 2	200	205	5	(1)
	2,024	2,057	33	2

* partly non VCT-qualifying ** non VCT-qualifying

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of accounting

The unaudited half-yearly results cover the six months to 30 September 2010 and have been prepared in accordance with the accounting policies set out in the annual accounts for the period ended 31 March 2010 which were prepared under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” 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, 20,000,000 ‘B’ Shares and 30,000,000 ‘C’ Shares being the number of shares in issue at the period end.
5. Return per share for the period has been calculated on 9,032,880 Ordinary Shares, 18,495,795 ‘A’ Shares, 19,161,562 ‘B’ Shares and 29,161,562 ‘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 2010	-	259	259
	<hr/>	<hr/>	<hr/>
‘B’ Share	Revenue £’000	Capital £’000	Total £’000
Paid in period			
Final – paid 30 Sept 2010	-	500	500
	<hr/>	<hr/>	<hr/>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

	Share premium account £'000	Special reserve £'000	Investment holding gains £'000	Capital reserve- realised £'000	Revenue reserve £'000	Capital redemption reserve £'000	Share capital to be issued £'000
At 31 March 2010	12,693	6,596	1,019	464	(196)	5	7,998
Issue of shares	1,486	-	-	-	-	-	-
Share issue costs	(523)	-	-	-	-	-	-
Gains on investments	-	-	189	72	-	-	-
Expenses capitalised	-	-	-	(15)	-	-	-
Transfer between reserves	(10,862)	18,860	-	-	-	-	(7,998)
Distributions	-	(759)	-	-	-	-	-
Retained revenue	-	-	-	-	(320)	-	-
At 30 September 2010	<u>2,794</u>	<u>24,697</u>	<u>1,208</u>	<u>521</u>	<u>(516)</u>	<u>5</u>	<u>-</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves. Investment holding gains are also considered to be distributable as at 30 September 2010. Distributable reserves at 30 September 2010 were £25,910.

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. 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.
10. 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.

Please note the Company's new address is:

10 Lower Grosvenor Place, London SW1W 0EN

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	DO1O	DO1B
Latest share price 29 November 2010 :	87.00p per share	97.00p per share
	'A' Shares	'C' Shares
TIDM codes	DO1A	DO1C
Latest share price 29 November 2010 :	5.03p per share	0.10p per share

The share prices are also available on Downing's website (www.downing.co.uk).

Trading 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 your independent financial adviser before making a decision.

The Company has stated that it will, from time to time, consider making market purchases of its own shares, however, any such purchases are likely to be undertaken at a substantial discount to NAV. Shareholders who wish to sell should contact Downing, who will be able to provide up-to-date details. Downing can be contacted on 020 7416 7780.

Notification of change of address

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

Other information for Shareholders

Up-to-date Company information (including company announcements, share 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

Howard Flight (Chairman)
Robin Chamberlayne
Mark Mathias

Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN

Registered No. 6789187

Investment and Administration Manager

Downing Corporate Finance Limited
10 Lower Grosvenor Place
London SW1W 0EN

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

Registrar

Capita Registrars
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Woodsome Park
Fenay Bridge
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West Yorkshire HD8 0LA

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)
www.capitaregistrars.com