Downing Structured Opportunities VCT 1 PLC

Report & Accounts
for the year ended
31 March 2011

Downing

SHAREHOLDER INFORMATION

ORDINARY SHARE POOL

Structure of shareholdings

The Company's Ordinary Share offer for subscription was open between 27 January 2009 and 2 September 2009 when the Company was under its former name, Downing Protected Opportunities VCT 1 plc. Shareholders who invested in this offer received an equal number of Ordinary Shares and 'A' Shares. The combined price of issue of one Ordinary Share and one 'A' Share was £1 in respect of allotments which took place on or before 30 April 2009. Shares allotted after this date were issued at slightly higher prices to take account of the increase in NAV that had occurred by that time.

The 'A' Shares are designed to facilitate the payment of a performance incentive to management should any such incentive become payable in the future. The 'A' Shares initially had a net asset value of 0.1p per share which is only expected to increase when, and if, a performance incentive becomes payable. Any performance incentive due will be paid by declaring dividends in respect of the 'A' Shares, of which approximately one third are held by management.

Target exit date

It is intended that the Ordinary Share pool will seek to realise its investments and start returning proceeds to investors around September 2014. Shareholders should note that the process of realising the share pool's investments may take some time to complete.

Financial Highlights

	31 March 2011 Pence	31 March 2010 Pence
Net asset value per Ordinary Share	101.2	102.8
Net asset value per 'A' Share	0.1	0.1
Cumulative distributions	10.0	5.0
Total return per Ordinary Share and 'A' Share	111.3	107.9

Dividend history

Period end	Date paid	Pence per share
2010 First Interim	25 Sept 2009	2.5
2010 Second Interim	29 Jan 2010	2.5
2010 Final	30 Sept 2010	2.5
2011 Interim	28 Jan 2011	2.5
		10.0
Proposed 2011 Final	(Payable 30 Sept 2011)	2.5

Share prices

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

	Ordinary Shares	'A' Shares
TIDM/EPIC codes	DO1O	DO1A
Latest share price (21 July 2011)	99.5p per share	5.0p per share

SHAREHOLDER INFORMATION

'B' SHARE POOL

Structure of shareholdings

The Company's 'B' Share offer for subscription was open between 15 October 2009 and 26 April 2010. For every £1 invested, Shareholders received one 'B' Share and one 'C' Share.

The 'C' Shares are designed to facilitate the payment of a performance incentive to management should any such incentive become payable in the future. The 'C' Shares initially had a net asset value of 0.1p per share which is only expected to increase when, and if, a performance incentive becomes payable. Any performance incentive due will be paid by declaring dividends in respect of the 'C' Shares, of which approximately one third are held by management.

Target exit date

It is intended that the 'B' Share pool will seek to realise its investments and start returning proceeds to investors around April 2015. Shareholders should note that the process of realising the share pool's investments may take some time to complete.

Financial Highlights

	31 March 2011 Pence	31 March 2010 Pence
Net asset value per 'B' Share	93.9	94.7
Net asset value per 'C' Share	0.1	0.1
Cumulative distributions	5.0	-
Total return per 'B' Share and 'C' Share	99.0	94.8

Dividend history

Period end	Date paid	Pence per share
2010 Final	30 Sept 2010	2.5
2011 Interim	28 Jan 2011	2.5
		5.0
Proposed 2011 Final	(Payable 30 Sept 2011)	2.5

Share prices

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

	'B' Shares	'C' Shares
TIDM/EPIC codes	DO1B	DO1C
Latest share price (21 July 2011)	92.0p per share	0.1p per share

SHAREHOLDER INFORMATION

GENERAL

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.

Financial Calendar

20 September 2011	Annual General Meeting
30 September 2011	Payment of final dividends
November 2011	Announcement of half yearly financial results

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, 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. Mandate forms can also be downloaded from Capita's website (see below).

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.

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 under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

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 Structured Opportunities VCT 1 plc, please contact the registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

downing structured
OPPORTUNITIES VCT 1 plc

CONTENTS

COMPANY INFORMATION

Registered number	6789187
Directors	Lord Flight (Chairman) Robin Chamberlayne Mark Mathias
Secretary and registered office	Grant Whitehouse 10 Lower Grosvenor Place London SW1W 0EN
Investment and Administration Manager	Downing LLP 10 Lower Grosvenor Place London SW1W 0EN Tel: 020 7416 7780 www.downing.co.uk
Structured Product Manager	Brewin Dolphin Limited 9 Colmore Row Birmingham B3 2BJ
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday) www.capitaregistrars.com
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ Royal Bank of Scotland London Victoria Branch 119/121 Victoria Street London SW1E 6RA

INVESTMENT OBJECTIVES

Downing Structured Opportunities VCT 1 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The Company's principal objectives are to:

- invest in a portfolio of Venture Capital Investments and Structured Products;
- reduce the risks normally associated with Venture Capital Investments;
- target an annual dividend of at least 5p per Ordinary and 'B' Share;
- provide a full exit for Shareholders in approximately six years at no discount to NAV; and
- maintain VCT status to enable Shareholders to retain their 30% income tax relief on investment.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 20.

DIRECTORS

Lord Flight (Chairman) has worked in the financial services industry for over 40 years and co-founded Guinness Flight Global Asset Management. In 1998, upon Guinness Flight's acquisition by Investec, he became joint chairman of Investec Asset Management Limited. He was MP for Arundel and South Downs from 1997 to 2005 and Shadow Chief Secretary to the Treasury between 2000 and 2004. He was appointed to the House of Lords in January 2011. He is chairman of the EIS Association, CIM Investment Management Limited and Arden Partners Plc; and is a director of Metro Bank plc, Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission.

Robin Chamberlayne is a chartered financial planner and has over 20 years' experience in the financial services industry. He formed Progressive Strategic Solutions in 1997, which provides financial advice and tax planning strategies. He is also a non-executive director of Downing Planned Exit VCT 2011 plc.

Mark Mathias founded and was chief executive of Quantum Asset Management, an award winning fund management company which specialised in risk management, derivatives and structured investments. He has an MBA from Cranfield School of Management and has extensive experience of closed ended investment funds, having also been marketing director of the investment trust business at Henderson Investors, and managing director of Finsbury Asset Management.

All the Directors are non-executive.

CHAIRMAN'S STATEMENT

Introduction
I am pleased to present the Company's Report and Accounts for the year ended 31 March 2011. The Company had another very active year. The Ordinary Share pool made good progress in building its VCT Qualifying portfolio as its exposure to structured products was steadily reduced. The 'B' Share pool completed its fundraising at the start of the year and got off to a good start with a solid performance from its structured product portfolio and completing a number of investments in its VCT Qualifying portfolio.

'B' Share offer
The 'B' Share offer closed on 26 April 2010 after being fully subscribed and having raised gross proceeds of £20 million, equivalent to £18.9 million after deducting fundraising costs. All Shareholders who subscribed under the offer were issued one 'B' Share and one 'C' Share at a combined price of 100.0p. A number of 'C' Shares were also issued at 0.1p per share to members of the management team.

The 'C' Shares initially had a net asset value of 0.1p per share which is only expected to increase when, and if, a performance incentive becomes payable.

Ordinary Share pool – Structured products
In line with the Company's investment strategy the level of funds invested in structured products has been progressively reduced over the year as new Venture Capital Investments have been made.

In the year to 31 March 2011, the Ordinary Share structured product portfolio generated realised gains of £145,000 (2010: £464,000) and unrealised gains of £244,000 (2010: £1.0 million).

Further details are included in the Structured Product Manager's report.

Ordinary Share pool – Venture capital investments
The task of investing the Ordinary Share pool's funds in qualifying investments progressed well during the year and is in line with the Company's strategy. The pool made eight qualifying venture capital investments in the year ended 31 March 2011 with a total cost of £2.8 million.

Additionally, the Ordinary Share pool made a number of non-qualifying investments, some of which were related to qualifying investments already made by the Ordinary Share pool and others were short-term loans, aimed at enhancing the yield on our portfolio.

Each of the investments has performed reasonably to plan to date and have been valued at amounts equal to original cost at the year end.

Full details of the portfolio activity are included in the Investment Manager's report.

'B' Share Pool – Structured products
In line with the Company's strategy, the majority of the 'B' Share pool funds were initially invested in a portfolio of structured products.

At 31 March 2011, the portfolio comprised investments with a total cost of £10.6 million and generated realised gains of £176,000 (2010: £nil) and unrealised gains of £874,000 (2010: £81,000) during the year.

Further details are included in the Structured Product Manager's report.

'B' Share pool – Venture capital investments
The task of investing the 'B' Share pool's funds into VCT-qualifying investments got underway during the year. The pool made 12 venture capital investments in the year ended 31 March 2011 with a total cost of £4.7 million.

As with the Ordinary Share pool, all of the investments have performed more or less to plan to date and have been valued at amounts equal to cost at the year end.

Full details of the portfolio activity are included in the Investment Manager's report.

Net Asset Value
Ordinary Share pool
The Net Asset Value ("NAV") per Ordinary Share at 31 March 2011 stood at 101.2p and NAV per 'A' Share at 0.1p. With dividends paid to date of 10.0p per Ordinary Share, Total Return (combined NAV plus cumulative dividends) stood at 111.3p per Ordinary and 'A' Share.

'B' Share pool
The NAV per 'B' Share at 31 March 2011 stood at 93.9p and NAV per 'C' Share at 0.1p. With dividends paid to date of 5.0p per 'B' Share, Total Return (combined NAV plus cumulative dividends) stood at 99.0p per 'B' and 'C' Share.

Results
As shown in the Income Statement on page 30, the profit on ordinary activities after taxation for the year was £1,221,000 (2010: £1,287,000) comprising a revenue loss of nil (2010: £196,000) and a capital profit of £1,221,000 (2010: £1,483,000). The capital profits were primarily achieved from the structured product portfolios.

Dividends
It is the Company's intention to pay at least 5p per annum in dividends in respect of the Ordinary Shares and the 'B' Shares and that dividends will be paid twice each year.

The Board is proposing to pay final dividends in respect of the year ended 31 March 2011 of 2.5p per Ordinary Share and 2.5p per 'B' Share on 30 September 2011 to Shareholders on the register at the close of business on 2 September 2011.

CHAIRMAN'S STATEMENT (continued)

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.

During the year, the Company bought 63,630 of its own 'B' Shares at a price of 91.0p per share and 63,630 of its own 'C' Shares at a price of 0.1p per share.

A special resolution to continue this policy is proposed for the forthcoming Annual General Meeting ("AGM").

Annual General Meeting

The Company's second AGM will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:30 a.m. on 20 September 2011.

One item of special business, seeking approval for the Company to be able to buy its own shares as described above, will be proposed. Notice of the meeting is at the end of this document.

Outlook

Both share pools have made a good start as a result of strong performance from the structured products portfolios. Exposure to structured products will continue to reduce over the coming period as more funds are invested into VCT qualifying investments.

In line with its strategy, the Company seeks to make VCT qualifying investments in businesses with substantial assets. In addition to those businesses envisaged at the outset, the Company has also been able to secure a number of renewable energy investments, which has helped to further diversify the portfolios. Although these factors help to manage risk, most of the Company's VCT qualifying investments are at an early stage in their development and will face challenges from the economic environment, which currently shows little prospect of improving.

Lord Flight
Chairman

22 July 2011

INVESTMENT MANAGER'S REPORT

Introduction

The Company has two share pools, which hold investments in both structured products and venture capital investments. The structured products in both share pools have performed well over the last year increasing in value by £244,000 for the Ordinary Share pool and £874,000 for the 'B' Share pool. Further details on the performance of the structured products can be found in the Structured Products Manager Review.

At the year end, the Ordinary Share pool held venture capital investments in 17 companies and the 'B' Share pool, which started building its investment portfolio in 2010/11, ended the year with 10 venture capital investments.

Investment activity

Ordinary Share pool

The Ordinary Share pool started the year with £2.6m invested across seven venture capital investments. During the year the Company invested £4.2m across 12 companies and disposed of three non-qualifying investments at a cost of £0.3m, bringing the total invested at year end to £6.5m.

The new investments in the Ordinary Share pool are summarised as follows:

Investee company	Amount invested £M
Future Biogas (SF) Limited *A 1.4MWh self-contained biogas plant in Norfolk.*	1.2
The 3D Pub Co Limited *Owns and operates two pubs in Surrey.*	0.5
Quadrate Catering Limited *Planning to open a Marco Pierre White restaurant in "The Cube", a mixed use building in the centre of Birmingham.*	0.5
Domestic Solar *Rooftop solar panel installer.*	0.5
Total	**2.7**

The Ordinary Share pool held 50% (based on VCT regulation valuation rules) of its funds in qualifying investments at year end and is making good progress towards the 70% VCT qualifying target.

B Share pool

The 'B' Share pool fundraising closed in April 2010, having raised £20.0m gross. During the year the Company made venture capital investments of £5.4m, £0.7m, were subsequently disposed of. At year end, the venture capital investment portfolio was valued at £4.7m.

The share pool invested £1.1m in Antelope Pub Limited, a pub based in Tooting, south London; £0.8m in Quadrate Catering Limited, which is opening a Marco Pierre White restaurant in "The Cube"; £0.8m in Camandale Limited, which owns two pubs in Kilmarnock, Scotland; and £0.7m in Quadrate Spa Limited, which will operate a spa and health club in "The Cube" in Birmingham.

The new investments in the 'B' Share pool are summarised as follows:

Investee company	Amount invested £M
Antelope Pub Limited *Owns and operates a pub based in Tooting, South London.*	1.1
Quadrate Catering Limited *Planning to open a Marco Pierre White restaurant in "The Cube", a mixed use building in the centre of Birmingham.*	0.8
Camandale Limited *Owns and operates two pubs in Kilmarnock, Scotland*	0.8
Quadrate Spa Limited *Planning to open a spa and health club within "The Cube" building in central Birmingham*	0.7
Total	**3.4**

The 'B' Share pool held 19% (based on VCT regulation valuation rules) of its funds in qualifying investments at year end.

Portfolio valuation

The valuations of both the Ordinary Share pool and the 'B' Share pool investments were undertaken at the year end. All investments continue to be valued at sums equal to original cost.

Outlook

The general economic conditions in the UK are expected to remain difficult throughout 2011 and will provide a challenging climate in which the Company's existing investments will need to develop. However, the continued lack of traditional funding is likely to mean that the Company will continue to have ample opportunities to secure new investments in good quality businesses in the coming year.

Since the year end, the Company has made further progress in investing its funds with an investment of £1.4m in Future Biogas (Reepham Road) Limited, which is developing a 1.5MWh self-contained biogas plant in Norfolk, and a further investment in Domestic Solar Limited.

Downing LLP

22 July 2011

STRUCTURED PRODUCT MANAGER'S REVIEW

Introduction

Our objective with the structured product portfolios has been to produce positive returns. We are targeting total returns which are significantly better than cash or Treasury bonds within an acceptable and agreed level of risk.

Perhaps the most important aspect of managing the structured products portfolios has been controlling duration risk. The majority of funds raised by the VCT are initially invested into structured products but, over time, the exposure to structured products is reduced as purchases of VCT qualifying investments are made. This drawdown of cash from the structured products portfolio needs to be matched with investments that have the potential to mature when the cash is needed for these qualifying investments so as to minimise the risk to values that would result from a sharp fall in equity markets.

For this reason we have tended to avoid products which involve taking an asset allocation or directional view and have instead focused on investments such as defensive auto-callables or synthetic zeros which offer clearly defined returns that, although linked to equity markets, do not require a positive performance from the underlying index to generate a positive return.

Risk controls include limiting the exposure to any one counterparty, all of which have to be at least A rated, and ensuring credit risk is spread across a number of counterparties.

Investment activity

Ordinary Share pool

There were only two new purchases during the year as the majority of proceeds from sales and redemptions were required to fund qualifying investments.

A new auto-call from Merrill Lynch, the Elders Capital Accumulation 8 Roll-Over Shares (class 29A), was purchased on 28 April 2010 at an issue price of 121p. These shares will auto-call on 29 April 2013 at 155.485p if the FTSE 100 Index is trading above 5586.61. Should the index be trading below this level on the observation date, there are two further auto-call opportunities in April 2014 at 166.98p and April 2015 at 178.475p at FTSE 100 levels of 5027.949 and 4469.288 respectively. In the event the shares do not auto-call, capital is protected at 121p unless the FTSE 100 Index closes below 2793.305.

In June 2010, we also purchased £500,000 of an auto-call issued by Morgan Stanley at its launch price of 100p. This product was sold in the secondary market in two tranches in September 2010 and November 2010 realising an average profit of 7.2%.

There have been a number of sales and redemptions, all of which have realised useful profits for the fund. In two instances profits of over 20% have been realised on products bought in the secondary market which had missed their first auto-call opportunities.

'B' Share pool

The funds raised in the 'B' Share pool were invested between February 2010 and June 2010 in a combination of auto-callable and synthetic zero products. Changes in the levels of volatility and interest rates and a recovery in the underlying equity markets meant that opportunities in the secondary market were not as widespread as in 2010 so many of the purchases, particularly amongst the auto-calls, were sourced from new issues.

The requirement for funds to invest in qualifying investments also accelerated and from August 2010 a number of sales were made in the secondary market to meet these demands.

Outlook

Since the year end, funds required to meet investments in qualifying investments in the Ordinary Share pool has resulted in us halving the holding in the Symphony (Citigroup) 3.5 Year 4.85 Call Spread, although we have repurchased this investment for the 'B' Share pool.

We have also reduced the holding of the Barclays 4 Year Synthetic Zero by selling 190,000 leaving a holding of 290,000.

At the time of writing, we are also awaiting the proceeds of several products held in the 'B' Share pool which have auto-called. The majority of these funds will be used to fund qualifying investments.

In summary, we believe that both portfolios have delivered what was expected and are well placed to continue doing so.

Brewin Dolphin Limited

22 July 2011

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 March 2011:

Ordinary Share pool	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Structured Product investments				
Symphony Structure 3.5yr FTSE 4.85 Call Spread	710	976	103	9.7%
Barclays 4Y Synthetic Zero	570	644	46	6.4%
Elders Capital Accumulator VIII (29A)	486	516	30	5.2%
Morgan Stanley Synthetic Zero	297	449	34	4.5%
Elders Capital Accumulation 2 (Delayed Settlement)	259	356	31	3.6%
	2,322	2,941	244	29.4%
Venture Capital Investments				
Bijou Wedding Venues Limited*	1,415	1,415	-	14.1%
Future Biogas (SF) Limited*~	1,190	1,190	-	11.9%
The 3D Pub Co Limited~	517	517	-	5.2%
Quadrate Catering Limited*~	508	508	-	5.1%
Domestic Solar Limited~	500	500	-	5.0%
East Dulwich Tavern Limited	459	459	-	4.6%
Quadrate Spa Limited*~	451	451	-	4.5%
Westow House Limited	405	405	-	4.1%
Camandale Limited*~	277	277	-	2.8%
Mosaic Spa and Health Clubs Limited*~	250	250	-	2.4%
Atlantic Dogstar Limited	216	216	-	2.2%
Slopingtactic Limited~	102	102	-	1.0%
Chapel Street Services Limited~	75	75	-	0.7%
Chapel Street Food & 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%
	6,533	6,533	-	65.2%
	8,855	9,474	244	94.6%
Cash at bank and in hand		544		5.4%
Total investments		10,018		100.0%

REVIEW OF INVESTMENTS (continued)

'B' Share pool	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Structured Product investments				
JP Morgan 5Y 9.75% Defensive FTSE Autocall	1,504	1,620	116	9.5%
HSBC FTSE/S&P 'Worst of' Autocall	1,003	1,103	100	6.5%
Goldman Sachs 6YR Phoenix Autocall 3	1,003	1,094	91	6.4%
Societe Generale FSTE/S&P Defensive AutoLock 4	1,003	1,091	88	6.4%
Barclays 5Y Synthetic Zero	1,003	1,063	60	6.3%
Elders Capital Accumlator VIII (29A)	970	1,032	62	6.1%
Morgan Stanley 5YR Synthetic Zero	811	883	72	5.2%
Morgan Stanley 3YR Synthetic Zero Accrual	761	825	62	4.8%
HSBC US trade Range	752	821	69	4.8%
HSBC 5 Year 9% Defensive FTSE 100 Autocall	702	758	56	4.5%
Barclays FTSE 100 Def 10.75% Autocall	451	492	41	2.9%
JP Morgan 8% Defensive FTSE Autocall	356	392	26	2.3%
Barclays 6Y 10% Def FTSE Autocall	291	320	31	1.9%
	10,610	11,494	874	67.6%
Venture Capital Investments				
Antelope Pub Limited*~	1,088	1,088	-	6.4%
Quadrate Catering Limited*~	835	835	-	4.9%
Camandale Limited*~	754	754	-	4.4%
Quadrate Spa Limited*~	740	740	-	4.4%
Domestic Solar Limited~	400	400	-	2.4%
Slopingtactic Limited~	277	277	-	1.6%
Mosaic Spa and Health Clubs Limited*~	250	250	-	1.5%
Fenkle Street LLP**~	185	185	-	1.1%
Ridgeway Pub Company Limited~	137	137	-	0.8%
Commercial Street Hotel Limited**~	35	35	-	0.2%
	4,701	4,701	-	27.7%
	15,311	16,195	874	95.3%
Cash at bank and in hand		798		4.7%
Total investments		16,993		100.0%

*partially non qualifying VCT investment
** non qualifying VCT investment
~ Investments made by other funds also managed by Downing Corporate Finance Limited (and now Downing LLP), further details are given below.

Downing Absolute Income VCT 2 plc, which is also managed by Downing Corporate Finance Limited (and now Downing LLP), has made investments in The 3D Pub Co Limited, Antelope Pub Limited, Camandale Limited, Chapel Street Food and Beverage Limited, Chapel Street Services Limited, Chapel Street Hotel Limited, Commercial Street Hotel Limited, Domestic Solar Limited, Fenkle Street LLP, Mosaic Spa and Health Clubs Limited, Quadrate Catering Limited, Quadrate Spa Limited, Ridgeway Pub Company Limited and Slopingtactic Limited.

Downing Distribution VCT 1 plc, which is also managed by Downing Corporate Finance Limited (and now Downing LLP), has made investments in Future Biogas (FS) Limited.

Downing Distribution VCT 2 plc, which is also managed by Downing Corporate Finance Limited (and now Downing LLP), has made investments in The 3D Pub Co Limited, Camandale Limited and Domestic Solar Limited.

All venture capital investments are incorporated in England and Wales.

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2011

ADDITIONS

	£'000
Ordinary Shares	
Structured Product investments	
Morgan Stanley FTSE Bonus Note (5Y)	501
Elders Capital Accumulator VIII (29A)	486
	987
Venture Capital Investments	
Future Biogas (SF) Limited*~	1,190
The 3D Pub Co Limited~	517
Quadrate Catering Limited*~	508
Domestic Solar Limited~	500
Quadrate Spa Limited*~	451
Fenkle Street LLP**~	300
Camandale Limited*~	277
Mosaic Spa and Health Clubs Limited*~	250
Slopingtactic Limited~	102
Commercial Street Hotel Limited**~	21
Quadrate Hotel Limited**	21
Fenkle Street Developments LLP**	15
	4,152
	5,139
'B' Shares	
Structured Product investments	
JP Morgan 5Y 9.75% Defensive FTSE Autocall	1,504
Nomura 9.3% FTSE Def Autocall	1,504
HSBC FTSE/S&P 'Worst of' Autocall	1,003
Goldman Sachs 6YR Phoenix Autocall 3	1,003
Societe Generale FSTE/S&P Defensive AutoLock 4	1,003
Barclays 5Y Synthetic Zero	1,003
HSBC 5 Year 9% Defensive FTSE 100 Autocall	1,003
Barclays 6Y 10% Def FTSE Autocall	1,003
Elders Capital Accumlator VIII (29A)	970
Morgan Stanley 5YR Synthetic Zero	811
Morgan Stanley 3YR Synthetic Zero Accrual	761
HSBC US trade Range	752
Barclays FTSE 100 Def 10.75% Autocall	752
	13,072
Venture Capital Investments	
Antelope Pub Limited*~	1,088
Quadrate Catering Limited*~	835
Fenkle Street LLP**~	800
Camandale Limited*~	754
Quadrate Spa Limited*~	740
Domestic Solar Limited~	400
Slopingtactic Limited~	277
Mosaic Spa and Health Clubs Limited*~	250
Ridgeway Pub Company Limited~	155
Fenkle Street Developments LLP**	40
Quadrate Hotel Limited**	35
Commercial Street Hotel Limited**~	35
	5,409
	18,481

REVIEW OF INVESTMENTS (continued)

DISPOSALS

Ordinary Shares Structured Product investments	Cost £000	Valuation at 31/3/10*** £000	Proceeds £000	Profit vs cost £000	Realised gain £000
Barclays 12.2% Autocallable	859	1,037	1,057	198	20
Elders Japan Capital Protected 3 (17B)	626	752	779	153	27
Platinum 4yr Defensive Auto-Call	656	718	718	62	-
Morgan Stanley Synthetic Zero	152	213	212	60	(1)
Societe Generale Accept 6T FSTE Auto Lock	501	520	536	35	16
Goldman Sachs Reservoire Autocall	401	437	444	43	7
Goldman Sachs Int Def Autocall	337	419	427	90	8
Platinum (Guernsey) 3yr	351	377	382	31	5
Citigroup Gilt Backed Defensive Auto-Call 1	130	156	178	48	22
Morgan Stanley FTSE Bonus Note (5Y)	501	501	542	41	41
	4,514	5,130	5,275	761	145
Venture Capital Investments					
Fenkle Street LLP**~	231	231	231	-	-
Quadrate Hotel Limited**	21	21	21	-	-
Fenkle Street Developments LLP**	15	15	15	-	-
	267	267	267	-	-
	4,781	5,397	5,542	761	145
'B' Shares					
Structured Product investments					
Nomura 9.3% FTSE Def Autocall	1,504	1,504	1,581	77	77
Goldman Sachs 6YR Phoenix Autocall 1	653	677	716	63	39
Goldman Sachs 6YR Phoenix Autocall 2	451	463	471	20	8
HSBC 5 Year 9% Defensive FTSE 100 Autocall	301	301	300	(1)	(1)
Barclays 6Y 10% Def FTSE Autocall	712	712	727	15	15
JP Morgan 8% Defensive FTSE Autocall	306	314	311	5	(3)
Morgan Stanley 11% FTSE Bonus Note	501	518	555	54	37
Morgan Stanley 3YR Synthetic Zero	215	224	221	6	(3)
Barclays FTSE 100 Def 10.75% Autocall	301	301	308	7	7
	4,944	5,014	5,190	246	176
Venture Capital Investments					
Fenkle Street LLP**~	615	615	615	-	-
Quadrate Hotel Limited**	35	35	35	-	-
Fenkle Street Developments LLP**	40	40	40	-	-
Ridgeway Pub Company Limited~	18	18	18	-	-
	708	708	708	-	-
	5,652	5,722	5,898	246	176
	10,433	11,119	11,440	1,007	321

*partially non qualifying VCT investment
** non qualifying VCT investment
*** adjusted for purchases during the year
~ Investments made by other funds also managed by Downing Corporate Finance Limited

The basis of valuation for the largest investments is set out on pages 11 to 16.

REVIEW OF INVESTMENTS (continued)

Further details of the 10 largest venture capital investments held by the Ordinary Share pool:

Bijou Wedding Venues Limited

Cost:	£1,415,000	Valuation at 31/03/11:	£1,415,000
Date of first investment:	Sept 09	Valuation at 31/03/10:	£1,415,000
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£200,000	Proportion of equity held:	15%
Loan Stock:	£1,215,000	Proportion of loan stock held:	35%
		Diluted equity:	10%
Summary financial information from statutory accounts to 31 December 2009		Turnover:	n/a
		Operating loss:	n/a
		Net assets:	£1,084,339

Bijou Wedding Venues Limited purchased Botleys Mansion, located in Chertsey, Surrey, from the administrator for £3.55m in September 2009. It is a Grade 2 listed building which was refurbished in 2010. The company operates as a dedicated wedding venue.

www.bijouweddingvenues.co.uk

Future Biogas (SF) Limited

Cost:	£1,190,000	Valuation at 31/03/11:	£1,190,000
Date of first investment:	May 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£252,000	Proportion of equity held:	15%
Loan Stock:	£938,000	Proportion of loan stock held:	32%

Summary financial information from statutory accounts: Dormant accounts filed to 31 May 2010

Future Biogas (SF) Limited is developing a 1.4MWh self-contained biogas plant in Norfolk. The company farms its own maize on nearby land which is fed into the biogas plant. Through an Anaerobic Digestion process, biogas is produced which will be used to generate electricity which is then sold on. Under the Feed-in Tariffs introduced in April 2010 by the UK Government for small scale renewable energy operations, the minimum payment for electricity produced from renewable sources is fixed for 20 years with an annual increase in line with the Retail Prices Index.

www.futurebiogas.com

The 3D Pub Co Limited

Cost:	£516,667	Valuation at 31/03/11:	£516,667
Date of first investment:	Sept 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£155,000	Proportion of equity held:	13%
Loan Stock:	£361,667	Proportion of loan stock held:	26%

Summary financial information from statutory accounts: None filed

The 3D Pub Co Limited owns two pubs based in Surrey, The Jolly Farmer in Reigate and The Fox Revived in Horley. The Company backed an experienced management team with strong front and back-of-house experience. Management has been operating The Jolly Farmer for five years and The Fox Revived since September 2009. The Pubs, which are prominent premises in an affluent part of the country, are operated as food-led destination venues.

www.thejollyfarmersreigate.co.uk

REVIEW OF INVESTMENTS (continued)

Quadrate Catering Limited

www.mpwsteakhousebirmingham.co.uk

Cost:	£508,270	Valuation at 31/03/11:	£508,270
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£77,910	Proportion of equity held:	5%
Loan Stock:	£430,360	Proportion of loan stock held:	14%
		Diluted equity:	7%

Summary financial information from statutory accounts: None filed

Quadrate Catering Limited is currently developing the top floor of a canal-side mixed-use building in Birmingham known as "The Cube" which will open as a Marco Pierre-White branded restaurant in late 2011.

Domestic Solar Limited

Cost:	£500,000	Valuation at 31/03/11:	£500,000
Date of first investment:	Mar 11	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£150,000	Proportion of equity held:	10%
Loan Stock:	£350,000	Proportion of loan stock held:	23%

Summary financial information from statutory accounts: None filed

Domestic Solar Limited installs solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

East Dulwich Tavern Limited

www.antic-ltd.com/edt

Cost:	£459,000	Valuation at 31/03/11:	£459,000
Date of first investment:	Sept 09	Valuation at 31/03/10:	£459,000
		Valuation method:	Net Asset
Investment comprises:			
Ordinary Shares:	£137,700	Proportion of equity held:	16%
B Loan Stock:	£321,300	Proportion of loan stock held:	40%

Summary financial information from statutory accounts: None filed

The East Dulwich Tavern is a public house in south London. The company purchased the freehold interest from Punch Taverns and the leasehold interest from the operator (who is the investment partner) in 2009. The pub recently upgraded their kitchen in order to provide a greater food offering.

Quadrate Spa Limited

www.theclubandspabirmingham.co.uk

Cost:	£450,730	Valuation at 31/03/11:	£450,730
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£69,090	Proportion of equity held:	5%
Loan Stock:	£381,640	Proportion of loan stock held:	14%
		Diluted equity:	7%

Summary financial information from statutory accounts: None filed

Quadrate Spa Limited is currently developing a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as "The Cube". The health club and spa is due to open for trading in early 2012.

REVIEW OF INVESTMENTS (continued)

Westow House Limited

Cost:	£405,000	Valuation at 31/03/11:	£405,000
Date of first investment:	Sept 09	Valuation at 31/03/10:	£405,000
		Valuation method:	Net Asset
Investment comprises:			
Ordinary Shares:	£121,500	Proportion of equity held:	16%
B Loan Stock:	£283,500	Proportion of loan stock held:	40%

Summary financial information from statutory accounts: None filed

Westow House Limited is a public house in south London. The Company purchased the freehold interest from Punch Taverns and the leasehold interest from the operator (who is the investment partner) in 2009. The company is in the process of moving the kitchen from the basement to the ground floor which will allow an improved food offering to be provided.

www.antic-ltd.com/westowhouse

Camandale Limited

Cost:	£277,406	Valuation at 31/03/11:	£277,406
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£53,262	Proportion of equity held:	2%
Loan Stock:	£224,144	Proportion of loan stock held:	8%

Summary financial information from statutory accounts: None filed

Camandale Limited is the holding company for 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 pubs. The investment was made in August 2010.

Mosaic Spa and Health Clubs Limited

MOSAiC SPAS & HEALTH CLUBS

Cost:	£250,000	Valuation at 31/03/11:	£250,000
Date of first investment:	Feb 11	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£60,000	Proportion of equity held:	8%
Loan Stock:	£190,000	Proportion of loan stock held:	20%

Summary financial information from statutory accounts: None filed

Mosaic Spa and Health Clubs Limited is a spa and health club management company which trades under the name of Fitness Express. The Downing funds backed the existing experienced management team who started the business over 20 years ago. The company currently has 30 management contracts to provide gyms and spas to hotels, universities and corporate clients.

www.mosaicspaandhealth.co.uk

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

Summary of loan stock interest income (Ordinary Share pool)

	£'000
Loan stock interest receivable in the year	
Bijou Wedding Venues Limited*	42
Future Biogas (SF) Limited*~	30
The 3D Pub Co Limited~	21
Quadrate Catering Limited*~	12
Domestic Solar Limited~	-
East Dulwich Tavern Limited	39
Quadrate Spa Limited*~	11
Westow House Limited	34
Camandale Limited*~	16
Mosaic Spa and Health Clubs Limited*~	2
Receivable from other investments	52
	259

REVIEW OF INVESTMENTS (continued)

Further details of the 10 largest venture capital investments held by the 'B' Share pool:

Antelope Pub Limited

Cost:	£1,087,500	Valuation at 31/03/11:	£1,087,500
Date of first investment:	Jun 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£225,000	Proportion of equity held:	15%
Loan Stock:	£862,500	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: None filed

The Antelope Pub Company Limited owns The Antelope, a pub in Tooting, south London. The pub is operated by Antic Limited which has also invested in the company.

www.theantelopepub.com

Quadrate Catering Limited

Cost:	£835,015	Valuation at 31/03/11:	£835,015
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£127,995	Proportion of equity held:	8%
Loan Stock:	£707,020	Proportion of loan stock held:	23%
		Diluted equity:	12%

Summary financial information from statutory accounts: None filed

Quadrate Catering Limited is currently developing the top floor of a canal-side mixed-use building in Birmingham known as "The Cube", which will open as a Marco Pierre-White branded restaurant in late 2011.

www.mpwsteakhousebirmingham.co.uk

Camandale Limited

Cost:	£753,843	Valuation at 31/03/11:	£753,843
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£144,738	Proportion of equity held:	7%
Loan Stock:	£609,105	Proportion of loan stock held:	21%

Summary financial information from statutory accounts: None filed

Camandale is the holding company for 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 pubs. The investment was made in August 2010.

Quadrate Spa Limited

Cost:	£740,485	Valuation at 31/03/11:	£740,485
Date of first investment:	Aug 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£113,505	Proportion of equity held:	8%
Loan Stock:	£626,980	Proportion of loan stock held:	23%
		Diluted equity:	12%

Summary financial information from statutory accounts: None filed

Quadrate Spa Limited is currently developing a spa and health club in the lower floors of a canal-side mixed-use building in Birmingham known as "The Cube". The health club and spa is due to open for trading in early 2012.

www.theclubandspabirmingham.co.uk

REVIEW OF INVESTMENTS (continued)

Domestic Solar Limited

Cost:	£400,000	Valuation at 31/03/11:	£400,000
Date of first investment:	Mar 11	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£120,000	Proportion of equity held:	8%
Loan Stock:	£280,000	Proportion of loan stock held:	18%

Summary financial information from statutory accounts: None filed

Domestic Solar Limited installs solar panels on residential rooftops throughout the south of England. The company has contracted with over 600 households who benefit from free electricity through an arrangement that allows Domestic Solar to receive the Feed-in Tariffs and payments for the surplus electricity produced and exported to the National Grid.

Slopingtactic Limited

www.lambandlionyork.com

Cost:	£277,274	Valuation at 31/03/11:	£277,274
Date of first investment:	Oct 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£84,431	Proportion of equity held:	12%
Loan Stock:	£192,843	Proportion of loan stock held:	24%

Summary financial information from statutory accounts: None filed

Slopingtactic Limited owns The Lamb and Lion, a freehold public house based in York, which was acquired out of administration in October 2010.

Mosaic Spa and Health Clubs Limited

MOSAiC SPAS & HEALTH CLUBS

www.mosaicspaandhealth.co.uk

Cost:	£250,000	Valuation at 31/03/11:	£250,000
Date of first investment:	Feb 11	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£60,000	Proportion of equity held:	8%
Loan Stock:	£190,000	Proportion of loan stock held:	20%

Summary financial information from statutory accounts: None filed

Mosaic Spa and Health Clubs Limited is a spa and health club management company which trades under the name of Fitness Express. The Downing funds backed the existing experienced management team who started the business over 20 years ago. The company currently has 30 management contracts to provide gyms and spas to hotels, universities and corporate clients.

Fenkle Street LLP

Cost:	£184,615	Valuation at 31/03/11:	£184,615
Date of first investment:	Jun 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Loan Stock:	£184,615	Proportion of loan stock held:	15%

Summary financial information from statutory accounts: None

Fenkle Street LLP was created to fund the purchase of a property in central Newcastle, which qualifies under the Business Premises Renovation Allowance (BPRA) scheme. The scheme has now been sold, and the remaining loan is secured on the car park.

REVIEW OF INVESTMENTS (continued)

Ridgeway Pub Company Limited

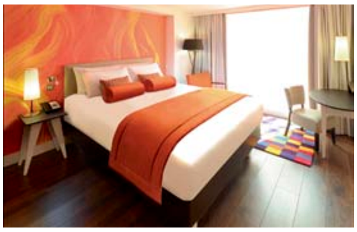
www.oaktaverns.co.uk

Cost:	£136,500	Valuation at 31/03/11:	£136,500
Date of first investment:	Jun 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£41,000	Proportion of equity held:	10%
Loan Stock:	£95,500	Proportion of loan stock held:	25%

Summary financial information from statutory accounts: None filed

Ridgeway Pub Company owns two public houses in Oxfordshire, the Cross Keys in Thame and the Swan in Farringdon. The Swan was completely refurbished following the Company's investment. Both sites are cask ale specialists with micro breweries on site.

Commercial Street Hotel Limited



www.hotelbirminghamthecube.co.uk

Cost:	£34,730	Valuation at 31/03/11:	£34,730
Date of first investment:	Dec 10	Valuation at 31/03/10:	£N/A
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary Shares:	£230	Proportion of equity held:	23%
Loan Stock:	£34,500	Proportion of loan stock held:	23%

Summary financial information from statutory accounts: None filed

Commercial Street Hotel Limited is currently developing a 52-bedroom boutique hotel within a canal-side mixed use building in Birmingham known as "The Cube". The hotel will operate under the Hotel Indigo brand and is due to open in late 2011.

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

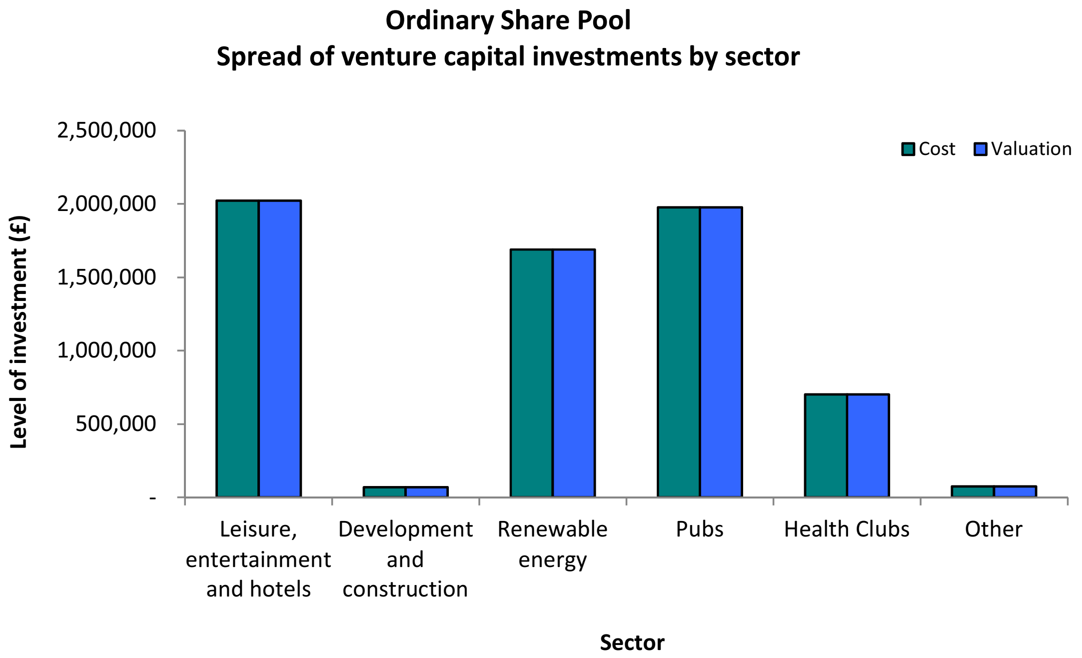
Summary of loan stock interest income ('B' Share pool)

	£'000
Loan stock interest receivable in the year	
Antelope Pub Limited*~	71
Quadrate Catering Limited*~	20
Camandale Limited*~	43
Quadrate Spa Limited*~	18
Domestic Solar Limited~	-
Slopingtactic Limited~	11
Mosaic Spa and Health Clubs Limited*~	2
Fenkle Street LLP**~	73
Ridgeway Pub Company Limited~	10
Commercial Street Hotel Limited**~	1
	249
Receivable from other investments	3
	252

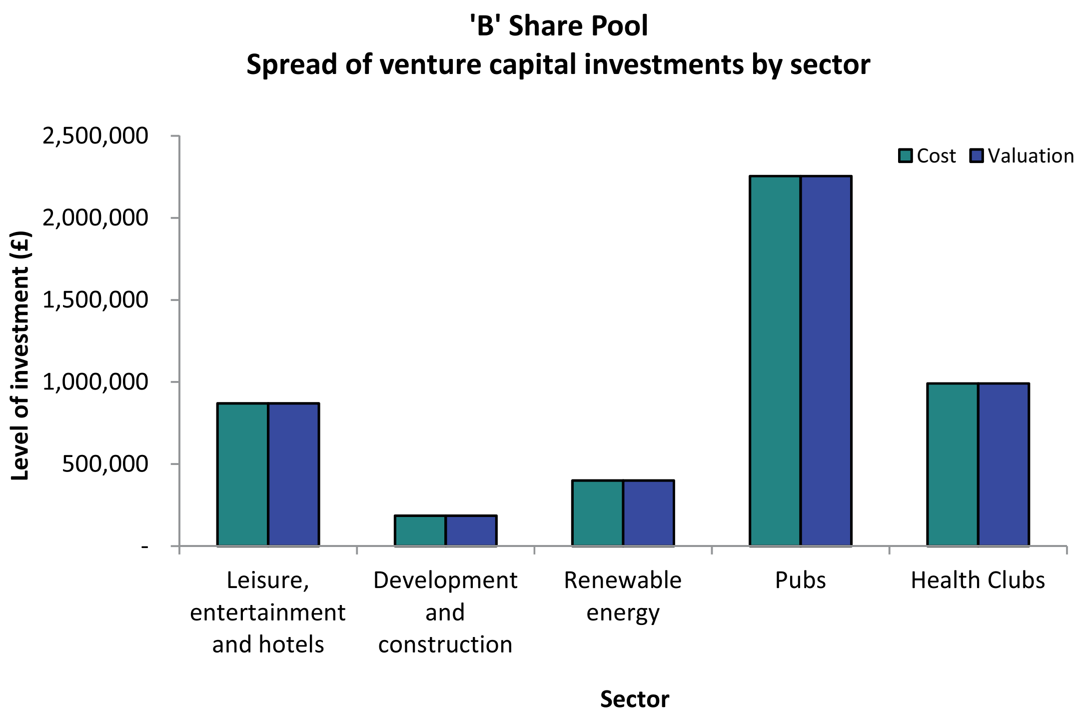
REVIEW OF INVESTMENTS (continued)

Analysis of investments by commercial sector

The split of the Ordinary Share pool venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2011) is as follows:



The split of the 'B' Share pool venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2011) is as follows:



REVIEW OF INVESTMENTS (continued)

Analysis of investments by type

The allocation of the Ordinary Share funds compared to the target split is summarised as follows:

	Actual portfolio split at 31 March 2011	Target portfolio split at 31 March 2012
VCT qualifying investments		
Loans to qualifying companies	32%	50%
Ordinary shares in qualifying companies	15%	25%
Total	47%	75%
Non-qualifying investments		
Loans to non qualifying companies	18%	-
Structured products	30%	25%
Total	48%	25%
Cash	5%	-
	100%	100%

The allocation of the 'B' Share funds compared to the target split is summarised as follows:

	Actual portfolio split at 31 March 2011	Target portfolio split at 31 March 2013
VCT qualifying investments		
Loans to qualifying companies	13%	50%
Ordinary shares in qualifying companies	5%	25%
Total	18%	75%
Non-qualifying investments		
Loans to non qualifying companies	10%	-
Structured products	67%	25%
Total	77%	25%
Cash	5%	-
	100%	100%

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2011. The Company was incorporated on 12 January 2009 and commenced activities from 21 January 2009.

Principal activity and status

The Directors initially obtained approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

The Company has no employees (other than the Directors).

Business review and developments

The Company's business review and developments during the period are reviewed in the Chairman's Statement, Investment Manager's Report, Structured Product Manager's Review and the Review of Investments.

Share capital

At the year end, the Company had in issue 10,371,227 Ordinary Shares, 15,556,838 'A' Shares, 19,936,370 'B' Shares and 29,936,370 'C' Shares. Only the holders of the Ordinary Shares and 'B' Shares have voting rights, except where there are issues in respect of the variation of rights of the 'A' Shares and 'C' Shares. There are no other share classes in issue.

Shareholders who invested in the Company's Ordinary Share offer for subscription received equal numbers of Ordinary Shares and 'A' Shares. The 'A' Shares have been structured to be part of the Company's performance incentive scheme as described below. 'A' Shares have a net asset value of 0.1p per share at the year end. This is unlikely to change significantly until it appears that various performance hurdles will be met and a performance fee might become payable in respect of the Ordinary Share pool.

Shareholders who invested in the Company's 'B' Share offer for subscription received equal numbers of 'B' Shares and 'C' Shares. As with the 'A' Shares described above, the 'C' Shares are related to the Company's performance incentive scheme. They also have a net asset value at the year end of 0.1p per share, which is unlikely to change significantly until it appears that various performance hurdles will be met and a performance fee might become payable in respect of the 'B' Share pool.

The Company operates a policy, subject to certain restrictions, of buying shares that become available in the market at a price equal to the latest published NAV (i.e. at nil discount).

During the year, the Company bought 63,630 of its own 'B' Shares at a price of 91.0p per share and 63,630 of its own 'C' Shares at a price of 0.1p per share.

Results and dividends

Profit for the year

	£'000	Pence per Share
Ordinary Share	356	3.43p
'B' Share	865	4.33p

Interim dividend paid in respect of current period

	£'000	Pence per Share
Ordinary Share	259	2.5p
'B' Share	500	2.5p

Your Board is proposing to pay a final dividend of 2.5p per Ordinary Share and 2.5p per 'B' Share, payable on 30 September 2011 to Shareholders on the register at 2 September 2011.

Performance incentive fees

The structure of 'A' Shares and 'C' Shares enables a payment, by way of a distribution of income, of the performance incentive fees to the Management Team.

No performance incentive fee will be payable until Shareholders:

i) receive proceeds, by way of dividends/ distributions/ share buybacks ("Total Proceeds"), of at least 100p per £1 invested; and
ii) achieve a tax-free compound return of at least 7% per annum (after allowing for income tax relief on investment).

Subject to these conditions being met, Total Proceeds will be distributed as follows:

Shareholders	97% of the first 100p of proceeds per £1 invested and 80% thereafter
Management	3% of the first 100p of proceeds and 20% thereafter

If the above distribution would result in Shareholders receiving less than 100p per £1 invested or lower than a 7% compound return, then the return to the Management Team will be reduced until Shareholders receive at least 100p per £1 invested and a 7% compound return. Management's share of the Total Proceeds will be subject to the Cap at 1.25% of net assets of the Company per annum and will only be payable if the hurdle is achieved.

The maximum performance incentive is limited to an amount equivalent to 1.25% of net assets per annum ("the Cap"). If, in any accounting period, the performance incentive payable is less than the Cap then the shortfall shall be aggregated to the Cap in respect of the following accounting period and so on until fully utilised.

REPORT OF THE DIRECTORS (continued)

Performance incentive fees (continued)

As the targets have not been met, no fee is due to be paid for the year ended 31 March 2011. It will be recalculated for the year ended 31 March 2012, and annually thereafter, following approval of the audited accounts by Shareholders.

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares at 31 March 2010, 31 March 2011 and the date of this report were as follows:

	31 March 2010, 31 March 2011 and date of this report No. of shares			
Directors	**Ord**	**A**	**B**	**C**
Lord Flight	41,500	41,500	62,550	62,550
Robin Chamberlayne	126,000	385,280	83,000	583,000
Mark Mathias	-	-	-	-
Russell Catley	10,200	269,480	21,000	521,000

On 29 November 2010 Russell Catley, resigned as a Director. In line with the Articles of Association, Robin Chamberlayne is to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The other Directors have reviewed Robin's performance and have concluded that he continues to make a valuable contribution to the Company and remains committed to his role. They therefore recommend that Shareholders re-elect him at the forthcoming Annual General Meeting.

Each of the Directors entered into a letter of appointment with the Company dated 27 January 2009. These agreements are for a period of three years and thereafter are terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Insurance cover

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

Investment policy

Asset allocation

After initially investing up to 90% of the Ordinary Share pool and 'B' Share pool in structured products, with the balance held in cash or cash equivalents, the funds will now be progressively reduced over the next two years as Venture Capital Investments are made. After 31 March 2012 for funds attributable to the Ordinary Shares and 31 March 2013 for funds attributable to the 'B' Shares, the Company's strategy is to hold at least 75% of its funds in VCT-qualifying investments.

Qualifying investments

Qualifying investments comprise investments in UK trading companies which own substantial assets or have contracts over which the VCT takes a charge to provide security on its investments. Qualifying investments will, where possible, be structured to include a significant element of the investment in loan stock, typically two thirds of the investment by value, and be sought in companies with predictable revenue streams from financially sound customers.

In the event of a material default by an investee company, it would be the Manager's intention to exercise the charge over the assets and seek to recover the Company's loan.

As a condition of each of its investments, it is intended that the Company will have the ability to restrict the investee company's ability to borrow. However, certain investee companies may be permitted to borrow limited sums (typically up to 25% of the value of their assets) where the Manager believes it is prudent to do so.

Non-qualifying investments

The funds not employed in qualifying investments will be invested in:

- Fixed Income Securities;
- Loans secured on property or other assets; and/or
- Structured Products.

Fixed Income Securities will consist mainly of bonds issued by the UK Government, major companies and institutions and will have credit ratings of not less than A-/A3.

Structured Products

The institutional structured product portfolios are managed by Brewin Dolphin who has investment discretion but operates within the Board's guidelines.

The Company's holdings of structured products are primarily designed to produce capital appreciation, rather than income. Therefore, the profit arising from the disposal or maturity of the structured products typically gives rise to capital gains, which are tax-free for the Company and can be distributed tax-free to Shareholders.

All structured products will have a level of downside protection. The choice of index or exchange that the Company's structured products are linked to will be dependant on market conditions at the time of investment. The maximum exposure to various indices and exchanges will be as follows: i) between 50% and 100% will be linked to the FTSE 100; ii) no more than 20% will be linked to the S&P 500; iii) no more than 20% will be linked to the Dow Jones Euro Stoxx 50; iv) no more than 20% will be linked to the Topix 1000; and v) no more than 20% in aggregate will be linked to all other indices and exchanges.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

Counterparty risk on Structured Products

Brewin Dolphin monitors the counterparty risk on an ongoing basis and follows the guidelines set out below.

- **Types of counterparties:** Combination of UK gilt backed, A rated or higher (Standard and Poor's) and cash collateralised issues.
- **Examples of currently acceptable counterparties:** UK Government (Gilts); Citigroup; Morgan Stanley; Barclays Bank; Deutsche Bank; HSBC Bank; and Nationwide Building Society.
- **Maximum exposure to any one counterparty:** 20% (no maximum for UK Gilts or cash), at the time of investment.

Risk diversification

The Directors control the overall risk of the Company. The Manager ensures the Company has exposure to a diversified range of Venture Capital Investments from different sectors. The structured product portfolio is a separate asset class to that of its Venture Capital Investments and this provides further diversification.

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) (by 31 March 2012 in respect of the Ordinary Share pool and by 31 March 2013 in respect of the 'B' Share pool);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital) (by 31 March 2012 in respect of the Ordinary Share pool and by 31 March 2013 in respect of the 'B' Share pool);
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 year 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. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

Borrowings

Under its Articles, the Company has the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon), currently equal to £4.6 million.

Although the Board does not intend to borrow, it has the flexibility to do so. In particular, because the Board intends to minimise cash balances, the Company may borrow on a short-term basis for cashflow purposes.

Investment management and administration fees

Downing Corporate Finance Limited ("DCF") provides investment management services to the Company. DCF is paid a fee equivalent to 1.5% of Ordinary Share net assets per annum and 1.5% of 'B' Share net assets per annum.

The Board is satisfied with DCF's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of DCF as Investment Manager remains in the best interests of Shareholders.

Additionally, DCF has been appointed to provide administration services to the Company for a fee of £65,000 (plus VAT, if applicable, and RPI linked) per annum.

The agreement is for a minimum term of three years, with effect from 27 January 2009, with a twelve month notice period on either side thereafter.

The annual running costs of the Company, for the period, are also subject to a cap of 3.5% of net assets of the Company. Any excess costs over this cap are met by DCF through a reduction in fees.

In June 2011, DCF transferred its business to a limited liability partnership, Downing LLP. The Company's Investment Management and Administration Agreement with DCF was novated to Downing LLP. The terms of the agreement, services provided by Downing LLP and the provision of a running costs cap are identical to those provided under the original agreement.

Trail commission

The Company has an agreement to pay trail commission annually, to DCF, in connection to the funds raised under the offer for subscription. This is calculated at 0.5% of the net assets of the Company at each period end.

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.

Environmental and social policy

As a VCT, with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

REPORT OF THE DIRECTORS (continued)

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see Shareholder Information pages).

In addition, the Board considers the Company's performance in relation to other VCTs.

VCT status

The Company has retained PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although PwC works closely with the Investment Manager, they report directly to the Board.

Compliance with the VCT regulations (as described in the Investment policy) for the period under review is summarised as follows:

	Position at Year ended 31 Mar 11	
	Ordinary Share pool	**'B' Share pool**
1. To ensure that, by and from 31 March 2012, the Company holds at least 70% of its investments in qualifying companies;	50.2%	19.0%
2. To ensure that, by and from 31 March 2012, at least 30% of the Company's qualifying investments are held in "eligible shares";	32.2%	30.0%
3. At least 10% of each investment in a qualifying company is held in eligible shares;	Complied	
4. No investment constitutes more than 15% of the Company's portfolio;	Complied	
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	91.8%	
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	Complied	
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied	

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, 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 Act, 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 monitors the compliance of these risks, and places reliance on the Manager to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

Substantial interests

As at 31 March 2011, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent of the issued share capital.

Auditors

A resolution proposing the reappointment of PKF (UK) LLP will be submitted at the AGM.

Annual General Meeting

The Company's second Annual General Meeting ("AGM") will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:00 a.m. on 20 September 2011. The Notice of the Annual General Meeting 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 those 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 and 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 requirements of 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 Manager'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 Rules 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, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and results of the Company; and

- that the management report within the Report of the Directors, Chairman's Statement, Investment Manager's Report, Review of Investments and Structured Product Manager's Review 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.

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (www.frc.org.uk) is shown on page 26.

Statement as to disclosure of information to Auditors

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditors are 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 Auditors.

By Order of the Board

G Whitehouse

Grant Whitehouse
Secretary of Downing Structured Opportunities VCT 1 plc

Company number: 6789187

Registered office:
10 Lower Grosvenor Place
London SW1W 0EN

22 July 2011

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 the Shareholders at the Annual General Meeting to be held on 20 September 2011.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on page 29.

Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

(i) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time). The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of the determination equally.

(ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. This includes any expenses incurred in attending meetings of the Board, Committees of the Board or General Meetings. If in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

Agreement for services

Each of the Directors entered into a letter of appointment with the Company dated 27 January 2009. These agreements are for a period of three years and thereafter are terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Performance incentive fees

The structure of 'A' Shares and 'C' Shares enables a payment, by way of a distribution of income, of the performance incentive fees to the Directors and Management Team. As the targets have not been met, no fee is due to be paid for the year ended 31 March 2011.

Directors' remuneration (audited)

Directors' remuneration for the Company for the year under review was as follows:

	Current annual fee £	Year ended 31/03/11 £	Period ended 31/03/10 £
Lord Flight	15,000	15,000	17,866
Russell Catley	n/a	6,644	4,829
Robin Chamberlayne	10,000	10,000	11,911
Mark Mathias	10,000	10,000	11,911
	35,000	41,644	46,517

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.

2011/2012 remuneration

The remuneration levels for the forthcoming year for the Directors of Downing Structured Opportunities VCT 1 plc are expected to be at the current annual fee levels shown in the above table.

DIRECTORS' REMUNERATION REPORT (continued)

Performance graph

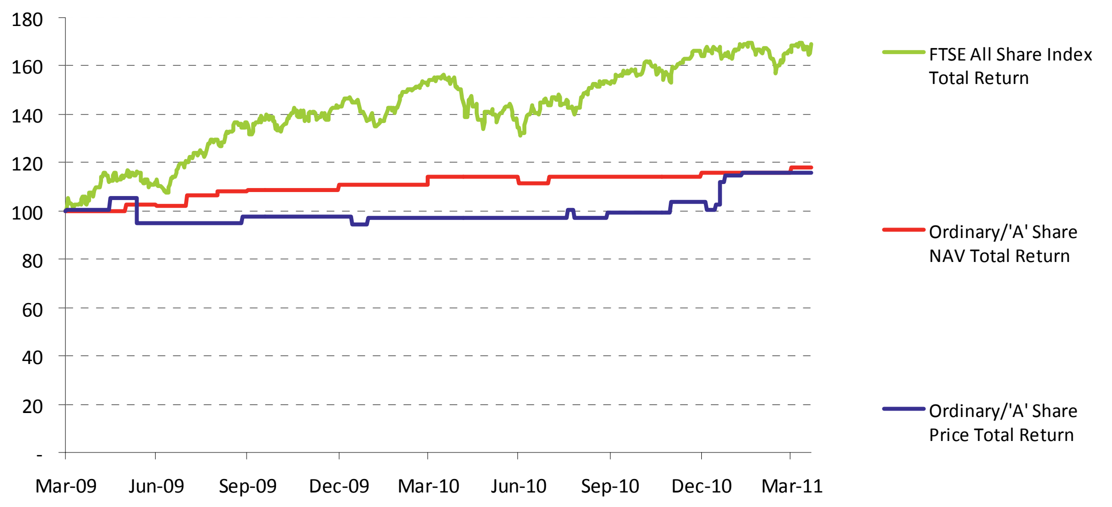
The charts below represent the Company's performance over the period since the Company's Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares were first listed on the London Stock Exchange, and compares the Company's NAV Total Return (Net Asset Value plus dividends reinvested) and Share Price Total Return (share price plus dividends reinvested) to the FTSE All Share Total Return Index. Although the FTSE All Share Total Return Index is not a benchmark for the Company, it has been chosen as a comparison as the Board considers it is the most appropriate of the major publicly available indices. All series have been rebased to 100 at the relevant launch dates.

By Order of the Board

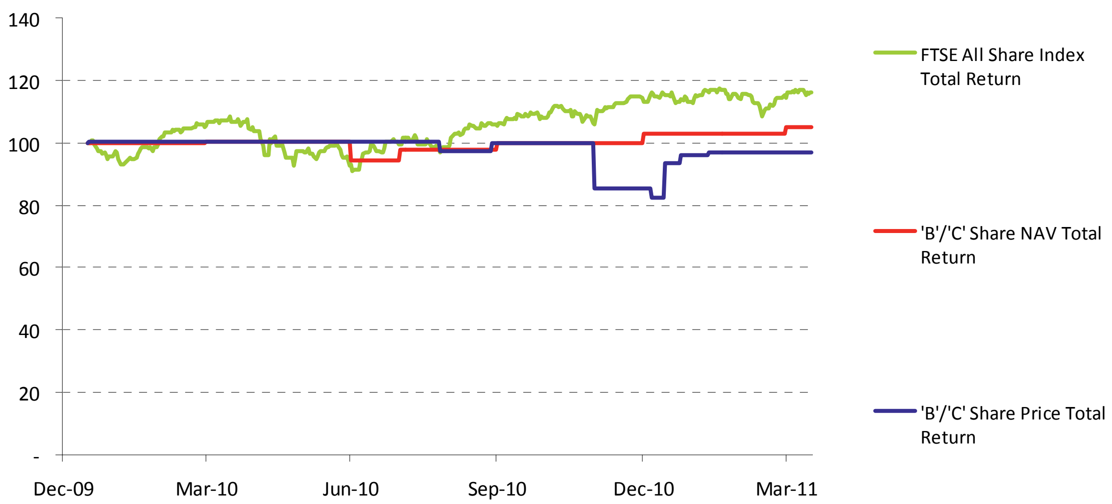
Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

22 July 2011

Ordinary/'A' Share performance chart



'B'/'C' Share performance chart



CORPORATE GOVERNANCE

The Directors support the relevant principles of the Combined Code issued in June 2008, being the principles of good governance and the code of best practice, as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman and senior Director is Lord Flight. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 2.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, Robin Chamberlayne is offering himself for re-election at the next AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues, including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and reviewing periodically the terms of engagement of all third party advisers (including Investment Managers and administrators). The Board has a formal schedule of matters specifically reserved for its decision.

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.

As the Company has a small Board of non-executive Directors, all three Directors sit on each Committee. The Chairman of each Committee is Lord Flight. The Audit Committee normally meets twice yearly, and the Remuneration and Nomination Committees meet as required. All Committees have defined terms of reference and duties.

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 annual general meeting on 22 September 2010. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 19.

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 a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate. They also considered the need for an internal audit function and concluded that due to the size of the Company this would not be an appropriate function.

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, 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 that PKF (UK) LLP be re-appointed as Auditor for the forthcoming year.

As the Company has no staff, other than the Directors, there are no procedures in place in respect of C3.4 of the Combined Code, relating to whistle blowing. The Audit Committee understands that the Investment and Administration Manager have whistle blowing procedures in place.

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	**Audit Committee meetings attended**
	(4 held)	(2 held)
Lord Flight	4	2
Russell Catley	3*	2
Robin Chamberlayne	4	2
Mark Mathias	4	2

*attended all Board meetings until his resignation

No Nomination Committee or Remuneration Committee meetings were held in the year.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 24, and this is subject to Shareholder approval.

CORPORATE GOVERNANCE (continued)

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 Board composition and balance. The Committee meets as and when appropriate.

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 major Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the Investment Manager 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. The Administrator 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 Combined 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. The notice of the second AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and the conditions of appointment of non-executive Directors are available to Shareholders on request.

Financial reporting

The Statement of Directors' responsibilities for preparing the accounts is set out in the Report of the Directors on page 22, and a statement by the Auditors about their reporting responsibilities is set out in the Independent Auditor's report on page 29.

Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the Combined 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 advisers and themselves 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.

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 and 4, the Investment Manager's Report on page 5, the Structured Product Manager's Review on page 6 and the Report of the Directors on page 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow statement on page 33 and the Report of the Directors on page 21. In addition, note 17 to the financial statements includes 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 confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Share Capital

The company has four classes of share capital: Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on pages 19 and 22 of the Report of the Directors.

CORPORATE GOVERNANCE (continued)

Compliance statement

The Listing Rules require the Board to report on compliance with the 48 Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 March 2011 with the provisions set out in Section 1 of the Combined Code.

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. (A5-1, A3-3)

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. (A6, A7-2)

c) Non-executive Directors' contracts are on a three month rolling notice following an initial three year fixed term, whereas the recommendation is for fixed term renewable contracts. In the Directors' opinion this does not make a substantive difference to the circumstances of the Company (B1-6).

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

22 July 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

We have audited the financial statements of Downing Structured Opportunities VCT 1 plc for the year ended 31 March 2011 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 31 March 2011 and of its return 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 year 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 26 to 28 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.

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 27, 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 June 2008 Combined Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

PKF (UK) LLP

Stuart Collins
Senior statutory auditor
For and on behalf of PKF (UK) LLP
Statutory auditor
London UK

22 July 2011

INCOME STATEMENT
for the year ended 31 March 2011

	Note	Year ended 31 March 2011 Revenue £'000	Capital £'000	Total £'000	15 month period ended 31 March 2010 Revenue £'000	Capital £'000	Total £'000
Income	2	556	-	556	127	-	127
Net gain on investments	9	-	1,439	1,439	-	1,536	1,536
		556	1,439	1,995	127	1,536	1,663
Investment management fees	3	(218)	(218)	(436)	(53)	(53)	(106)
Other expenses	4	(338)	-	(338)	(270)	-	(270)
Return/(loss) on ordinary activities before tax		-	1,221	1,221	(196)	1,483	1,287
Tax on ordinary activities	6	-	-	-	-	-	-
Return/(loss) attributable to equity Shareholders		-	1,221	1,221	(196)	1,483	1,287
Basic and diluted return per share:							
Ordinary Share	8	0.4p	3.0p	3.4p	(1.7p)	15.5p	13.8p
'A' Share	8	-	-	-	-	-	-
'B' Share	8	(0.2p)	4.5p	4.3p	(0.7p)	1.5p	0.7p
'C' Share	8	-	-	-	-	-	-

All Revenue and Capital items in the above statement derive from continuing operations. 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 noted above.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	15 month period ended 31 March 2010 £'000
Opening Shareholders' funds		28,636	-
Proceeds from share issue		9,503	21,017
Share issue costs		(523)	(1,148)
Purchase of own shares		(58)	-
Unalloted shares		(7,998)	7,998
Dividends paid	7	(1,519)	(518)
Total gains for the year/period		1,221	1,287
Closing Shareholders' funds		29,262	28,636

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENT
for the year ended 31 March 2011

Split as:
Ordinary Share pool

	Year ended 31 March 2011			15 month period ended 31 March 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	272	-	272	122	-	122
Net gain on investments	-	389	389	-	1,455	1,455
	272	389	661	122	1,455	1,577
Investment management fees	(79)	(79)	(158)	(45)	(45)	(90)
Other expenses	(147)	-	(147)	(236)	-	(236)
Return/(loss) on ordinary activities before tax	46	310	356	(159)	1,410	1,251
Tax on ordinary activities	-	-	-	-	-	-
Return/(loss) attributable to equity Shareholders	46	310	356	(159)	1,410	1,251

'B' Share pool

	Year ended 31 March 2011			15 month period ended 31 March 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	284	-	284	5	-	5
Net gain on investments	-	1,050	1,050	-	81	81
	284	1,050	1,334	5	81	86
Investment management fees	(139)	(139)	(278)	(8)	(8)	(16)
Other expenses	(191)	-	(191)	(34)	-	(34)
(Loss)/return on ordinary activities before tax	(46)	911	865	(37)	73	36
Tax on ordinary activities	-	-	-	-	-	-
(Loss)/return attributable to equity Shareholders	(46)	911	865	(37)	73	36

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 March 2011

	Notes	2011 Ordinary Share pool £'000	2011 'B' Share pool £'000	2011 Total £'000	2010 Ordinary Share pool £'000	2010 'B' Share pool £'000	2010 Total £'000
Fixed assets							
Investments	9	9,474	16,195	25,669	9,488	2,562	12,050
Current assets							
Debtors	10	606	1,961	2,567	161	3	164
Cash at bank and in hand	16	544	798	1,342	1,177	15,448	16,625
		1,150	2,759	3,909	1,338	15,451	16,789
Creditors: amounts falling due within one year	11	(115)	(201)	(316)	(154)	(49)	(203)
Net current assets		1,035	2,558	3,593	1,184	15,402	16,586
Net assets		10,509	18,753	29,262	10,672	17,964	28,636
Capital and reserves							
Called up Ordinary/'B' Share capital	12	10	20	30	10	10	20
Called up 'A'/'C' Share capital	12	16	30	46	16	21	37
Capital redemption reserve	13	5	-	5	5	-	5
Special reserve	13	6,077	17,802	23,879	6,596	-	6,596
Share premium account	13	2,794	-	2,794	2,794	9,899	12,693
Share capital to be issued	13	-	-	-	-	7,998	7,998
Revaluation reserve	13	619	884	1,503	946	73	1,019
Capital reserve – realised	13	1,101	100	1,201	464	-	464
Revenue reserve	13	(113)	(83)	(196)	(159)	(37)	(196)
Total equity shareholders' funds		10,509	18,753	29,262	10,672	17,964	28,636
Basic and diluted net asset value per:							
Ordinary/'B' share	14	101.2p	93.9p		102.8p	94.7p	
'A' share/'C' share	14	0.1p	0.1p		0.1p	0.1p	

The financial statements on pages 30 to 45 were approved and authorised for issue by the Board of Directors on 22 July 2011 and were signed on its behalf by

Lord Flight
Chairman
Company number: 6789187

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 March 2011

	Notes	Year ended 31 March 2011			15 month period ended 31 March 2010		
		Ordinary Share pool £'000	'B' Share pool £'000	Total £'000	Ordinary Share pool £'000	'B' Share pool £'000	Total £'000
Net cash (outflow)/inflow from operating activities	**15**	(517)	(1,991)	(2,508)	(211)	1	(210)
Capital expenditure							
Purchase of investments	**9**	(5,139)	(18,481)	(23,620)	(12,022)	(2,481)	(14,503)
Proceeds from disposal of investments	**9**	5,542	5,898	11,440	3,989	-	3,989
Net cash inflow/(outflow) from capital expenditure		403	(12,583)	(12,180)	(8,033)	(2,481)	(10,514)
Equity dividends paid	**7**	(519)	(1,000)	(1,519)	(518)	-	(518)
Net cash outflow before financing		(633)	(15,574)	(16,207)	(8,762)	(2,480)	(11,242)
Financing							
Proceeds from Ordinary Share issue		-	-	-	10,489	-	10,489
Proceeds from 'A' Share issue		-	-	-	21	-	21
Proceeds from 'B' Share issue		-	9,503	9,503	-	10,487	10,487
Proceeds from 'C' Share issue		-	-	-	-	20	20
Proceeds from Preference Share issue		-	-	-	50	-	50
Redemption of Preference Shares		-	-	-	(50)	-	(50)
Share issue costs		-	(523)	(523)	(571)	(577)	(1,148)
Unalloted		-	(7,998)	(7,998)	-	7,998	7,998
Purchase of own shares		-	(58)	(58)	-	-	-
Net cash inflow from financing		-	924	924	9,939	17,928	27,867
(Decrease)/increase in cash	**16**	(633)	(14,650)	(15,283)	1,177	15,448	16,625

The accompanying notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2011

1. Accounting policies

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

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value. The comparatives cover a 15 month period.

The Company implements new Financial Reporting Standards ("FRS") issued by the Accounting Standards Board when required.

Presentation of Income Statement
In order to better reflect the activities of a Venture Capital Trust, and in accordance with the SORP, 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
All 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.

Structured product investments are measured using bid prices in accordance with the IPEV.

For unquoted investments, fair value is established by using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiple;
- Net assets;
- Discounted cash flows or earnings (of 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.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed.

It is not the Company's policy to exercise significant influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement 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.

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

Interest income is accrued on a time apportionment basis, by reference to the principal sum outstanding and at the effective rate applicable and only where there is reasonable certainty of collection.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

1. Accounting policies (continued)

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 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. The Company has adopted a policy of charging 50% of the investment management fees to the revenue account and 50% to the capital account to reflect the Board's estimated split of investment returns which will be achieved by the company over the long term.

Expenses and liabilities not specific to a share class are generally allocated pro rata to the net assets.

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 which arises.

Deferred taxation, which is not discounted, 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 they crystallise based on current tax rates and law. 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.

Other debtors, other creditors and loan notes

Other debtors (including accrued income), other creditors and loan notes are included within the accounts at amortised cost, equivalent to the fair value of the expected balance receivable/payable by the Company.

Issue costs

Issue costs in relation to the shares issued for each share class have been deducted from the share premium account for the relevant share class.

2. Income

	2011 £'000	2010 £'000
Income from investments		
Loan stock interest	511	112
Other income		
Bank interest	34	15
Arrangement fee	11	-
	556	127

3. Investment management fees

The management fee, which is charged to the Company, is based on an annual amount of 1.50% of net assets. The Manager also provides administration services for a fee of £65,000 (plus RPI) per annum. Fees in relation to these services are shown within note 4.

	2011 £'000	2010 £'000
Investment management fees	436	106

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

4. Other expenses

	2011 £'000	2010 £'000
Administration services	65	65
Trail commission	125	74
Directors' remuneration	42	43
Social security costs	3	5
Auditors' remuneration for audit	15	29
Auditors' remuneration for non-audit services (taxation)	1	3
Other	87	51
	338	270

The annual running costs of the Company are subject to a cap of 3.5% of net assets of the Company.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on pages 24 and 25.

The Company had no employees (other than Directors) during the year. Costs in respect of these are referred to in note 4 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.

6. Tax on ordinary activities

		2011 £'000	2010 £'000
(a)	**Tax charge for the year**		
	UK corporation tax at 21.0% (2010: 28.0%)	-	-
	Charge for the year	-	-
(b)	**Factors affecting tax charge for the year**		
	Return on ordinary activities before taxation	1,221	1,287
	Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 21.0% (2010: 28.0%)	256	360
	Effects of:		
	Expenses disallowed for tax purposes	28	23
	Profit on investments	(302)	(430)
	Losses available to carry forward	18	47
	Current tax charge	-	-

Excess management expenses, which are available to be carried forward and set off against future taxable income, amounted to £253,000 (2010: £167,000).

7. Dividends

Ordinary Shares	Year ended 31 March 2011			Period ended 31 March 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid						
2011 Interim – 2.5p	-	259	259	-	-	-
2010 Final – 2.5p	-	260	260	-	-	-
2010 First Interim – 2.5p	-	-	-	259	-	259
2010 Second Interim – 2.5p	-	-	-	259	-	259
Total	-	519	519	518	-	518
Proposed						
2011 Final – 2.5p	-	259	259	-	-	-
2010 Final – 2.5p	-	-	-	-	259	259

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

7. Dividends (continued)

'B' Shares	Year ended 31 March 2011			Period ended 31 March 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid						
2011 Interim – 2.5p	-	500	500	-	-	-
2010 Final – 2.5p	-	500	500	-	-	-
Total	-	1,000	1,000	-	-	-
Proposed						
2011 Final – 2.5p	-	500	500	-	-	-
2010 Final – 2.5p	-	-	-	-	500	500

8. Basic and diluted return per share

Return per share is calculated on the following:		Weighted average number of shares in issue	Revenue return/(loss) £'000	Capital gain £'000
Year ended 31 March 2011	Ordinary Shares	10,371,225	46	310
	'A' Shares	15,556,838	-	-
	'B' Shares	19,931,087	(46)	910
	'C' Shares	29,931,087	-	1
Period ended 31 March 2010	Ordinary Shares	9,032,880	(159)	1,407
	'A' Shares	18,495,795	-	3
	'B' Shares	4,819,344	(37)	73
	'C' Shares	12,231,108	-	-

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

9. Fixed Assets - Investments

	Structured Products £'000	Unquoted Investments £'000	Total £'000
Opening cost at 1 April 2010	8,330	2,648	10,978
Gains at 1 April 2010	1,072	-	1,072
Opening fair value at 1 April 2010	9,402	2,648	12,050
Movement in the year:			
Purchased at cost	14,059	9,561	23,620
Disposals - proceeds	(10,465)	(975)	(11,440)
- realised gains on disposals	321	-	321
Unrealised gains in the Income Statement	1,118	-	1,118
Closing value at 31 March 2011	14,435	11,234	25,669
Closing cost at 31 March 2011	12,932	11,234	24,166
Gains at 31 March 2011	1,503	-	1,503
	14,435	11,234	25,669

An analysis of venture capital investments between equity and non-equity elements is set out in note 17 and an analysis between share classes is set out in the Review of Investments on pages 7 and 8.

No costs incidental to the acquisitions of investments were incurred during the year.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

9. Fixed Assets - Investments (continued)

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

Level 1 Reflects financial instruments quoted in an active market;
Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3 Reflects financial instruments that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000
Structured Products	14,435	-	-	14,435	9,402	-	-	9,402
Loan notes	-	-	8,791	8,791	-	-	1,971	1,971
Unquoted	-	-	2,443	2,443	-	-	677	677
	14,435	-	11,234	25,669	9,402	-	2,648	12,050

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

	£'000
Balance at 31 March 2010	2,648
Movements in the income statement:	
Unrealised gains in the income statement	-
Realised gains in the income statement	-
	2,648
Purchases at cost	9,561
Sales proceeds	(975)
Balance at 31 March 2011	11,234

FRS 29 requires disclosure to be made if changing one or more of the inputs to reasonably possible alternative assumptions 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 different assumptions could have been made and that these assumptions could have resulted in different valuations for some investments. As the majority of the investments were acquired during the year and subject to third party valuations as part of the investment appraisal process, the Directors and Investment Manager do not believe that changes to reasonable and possible alternative assumptions for the valuations would lead to a significant change in the fair value of the portfolio, and therefore no sensitivity analysis is prepared.

10. Debtors

	2011 £'000	2010 £'000
Prepayments and accrued income	178	164
Other debtors	2,389	-
	2,567	164

Other debtors at 31 March 2011 includes £2,376,000 (2010 – nil) held on a solicitor's account in respect of two new investments which completed shortly after the year end.

11. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Accruals and deferred income	316	203
	316	203

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

12. Called up share capital

	2011 £'000	2010 £'000
Authorised:		
80,000,000 (2010: 80,000,000) ordinary shares of 0.1p each ("Ordinary Shares")	80	80
55,185,613 (2010: 80,000,000) 'A' shares of 0.1p each ("'A' Shares")	55	55
80,000,000 (2010: 80,000,000) 'B' shares of 0.1p each ("'B' Shares")	80	80
60,000,000(2010: 60,000,000) 'C' shares of 0.1p each ("'C' Shares")	60	60
4,814,307 (2010: 4,814,307) deferred shares of 0.1p each ("Deferred Shares")	5	5
	280	280
Allotted, called up and fully-paid:		
10,371,227 (2010: 10,371,227) Ordinary Shares	10	10
15,556,838 (2010: 15,556,838) 'A' Shares	16	16
19,936,370 (2010: 10,497,241) 'B' Shares	20	10
29,936,370 (2010: 20,497,241) 'C' Shares	30	21
	76	57

The Company's capital is managed in accordance with its investment policy as shown in the Directors' report, in pursuit of its principal investment objectives as stated on page 2. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

The Company has the authority to buy back shares as described in the Directors' Report.

Between 1 April 2010 and 24 April 2010, 9,502,759 'B' Shares were issued at 99.9p per share and 9,502,759 'C' Shares were issued at 0.1p per share pursuant to the offers for subscription by way of a prospectus. The aggregate consideration for the shares was £8,980,000 which excludes issue costs of £523,000. The holders of 'C' Shares are not entitled to vote at any meeting, save where the resolution put to the meeting of Shareholders is to amend any provision of the Articles relating to the rights of the 'C' Shares or where a takeover offer has been made and remains open to acceptance. During the year the Company repurchased 63,630 'B' Shares of 0.1p each for an aggregate consideration of £57,904, being the average price of 91.0p per share and which represented 0.32% of the Company's issued 'B' Share capital. These shares were subsequently cancelled.

During the year the Company repurchased 63,630 'C' Shares of 0.1p each for an aggregate consideration of £64, being the average price of 0.1p per share and which represented 0.21% of the Company's issued 'C' Share capital. These shares were subsequently cancelled.

Provided that the performance hurdle is met (i.e. Shareholders receive proceeds of at least £1 per Share and a 7% compound return) distributions or returns of capital shall be made on the following basis between the holders of Ordinary Shares and 'A' Shares:

- 91% to Ordinary Shares and 9% to 'A' Shares until an amount equivalent to 100p per one Ordinary Share and one 'A' Share has been distributed; thereafter
- pro rata to the respective holdings of Ordinary Shares and 'A' Shares

Provided that the performance hurdle is met (i.e. Shareholders receive proceeds of at least £1 per Share and a 7% compound return) distributions or returns of capital shall be made on the following basis between the holders of 'B' Shares and 'C' Shares:

- 91% to 'B' Shares and 9% to 'C' Shares until an amount equivalent to 100p per one 'B' Share and one 'C' Share has been distributed; thereafter
- pro rata to the respective holdings of 'B' Shares and 'C' Shares

If the distributions set out above would result in Shareholders receiving less than 100p per Share or lower than a 7% compound return, then the return to members of the management team will be reduced until Shareholders receive at least 100p per share and a 7% compound return. The Management Team's share of the total proceeds will be subject to a cap of 1.25% of net assets per annum and will only be payable if the hurdle is achieved. If, in any accounting period of the Company, the performance incentive payable is less than the cap then the shortfall will be aggregated to the cap in respect of the following accounting period and so on until fully utilised.

The Company does not have any externally imposed capital requirements.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

13. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Share capital to be issued £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 31 March 2010	5	6,596	12,693	7,998	1,019	464	(196)
Issue of new shares	-	-	9,484	(7,998)	-	-	-
Share issue costs	-	-	(523)	-	-	-	-
Purchase of own shares	-	(58)	-	-	-	-	-
Dividend paid	-	(1,519)	-	-	-	-	-
Gains on investments	-	-	-	-	1,118	321	-
Expenses capitalised	-	-	-	-	-	(218)	-
Transfer between reserves	-	18,860	(18,860)	-	(634)	634	-
Retained net revenue	-	-	-	-	-	-	-
At 31 March 2011	5	23,879	2,794	-	1,503	1,201	(196)

Split as: Ordinary Share pool	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Share capital to be issued £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 31 March 2010	5	6,596	2,794	-	946	464	(159)
Issue of new shares	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Dividend paid	-	(519)	-	-	-	-	-
Gains on investments	-	-	-	-	244	145	-
Expenses capitalised	-	-	-	-	-	(79)	-
Transfer between reserves	-	-	-	-	(571)	571	-
Retained net revenue	-	-	-	-	-	-	46
At 31 March 2011	5	6,077	2,794	-	619	1,101	(113)

'B' Share pool	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Share capital to be issued £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 31 March 2010	-	-	9,899	7,998	73	-	(37)
Issue of new shares	-	-	9,484	(7,998)	-	-	-
Share issue costs	-	-	(523)	-	-	-	-
Purchase of own shares	-	(58)	-	-	-	-	-
Dividend paid	-	(1,000)	-	-	-	-	-
Gains on investments	-	-	-	-	874	176	-
Expenses capitalised	-	-	-	-	-	(139)	-
Transfer between reserves	-	18,860	(18,860)	-	(63)	63	-
Retained net revenue	-	-	-	-	-	-	(46)
At 31 March 2011	-	17,802	-	-	884	100	(83)

The special reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions. On 30 July 2010, the 'B' Share premium was cancelled following receipt of court approval. The amount standing to the share premium account on 30 April 2010 for the 'B' Share premium has therefore been transferred to the special reserve.

Distributable reserves comprise the special reserve, capital reserve – realised and revenue reserve.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

14. Basic and diluted net asset value per share

	Shares in issue 2011	Shares in issue 2010	2011 Pence per share	2011 Net Asset Value £'000	2010 Pence per share	2010 Net Asset Value £'000
Ordinary Shares	10,371,225	10,371,225	101.2	10,494	102.8	10,656
'A' Shares	15,556,838	15,556,838	0.1	15	0.1	16
'B' Shares	19,936,370	10,497,241	93.9	18,723	94.7	9,946
'C' Shares	29,936,370	20,497,241	0.1	30	0.1	20
Share capital to be issued	-	-		-		7,998
Net assets per Balance Sheet				29,262		28,636

The Directors allocate the assets and liabilities of the Company between the Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights as described in note 12.

As the Company has not issued any convertible shares or share options, there is no dilutive net asset value per Ordinary Share, per 'A' Share, per 'B' Share or per 'C' Share. The Net Asset Value per share disclosed therefore represents both the basic and diluted net asset value per Ordinary Share, per 'A' Share, per 'B' Share and per 'C' Share.

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

	2011 £'000	2010 £'000
Return on ordinary activities before taxation	1,221	1,287
Gains on investments	(1,439)	(1,536)
Increase in debtors	(2,403)	(164)
Increase in creditors	113	203
Net cash outflow from operating activities and returns on investments	(2,508)	(210)

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

	2011 £'000	2010 £'000
Beginning of year	16,625	-
Net cash (outflow)/inflow	(15,283)	16,625
End of year	1,342	16,625

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through the profit and loss account, being equity and loan stock investments in unquoted companies, structured products, 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 and revenue and capital appreciation 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.

Loans and receivables and other financial liabilities, as set out in the balance sheet, are stated at amortised cost which the Directors consider is equivalent to fair value.

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:

- Market risks,
- Credit risk and
- Liquidity risk

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

17. Financial instruments (continued)

The Board regularly reviews these risks and the polices 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 have 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 below:

Market risks

As a VCT, the Company is exposed to market 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 market risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Market risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key market risks to which the Company is exposed are:

- Market price risk and
- Interest rate risk

Market price risk

Market 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 market price movements in respect of structured products and also changes in the fair value of unquoted investments that it holds.

At 31 March 2011, the structured product portfolio was valued at £14,435,000.

The fair values of structured products are influenced primarily by changes in the FTSE 100 Index. The Company's sensitivity to fluctuations in the FTSE 100 Index is summarised below.

As at 31 March 2011

	Risk exposure at 31 March 2011 £'000
Structured products	14,435
FTSE 100 at 31 March 2011	5,909

Movement in FTSE 100 Index	**Estimated Impact on NAV £'000**	**Estimated Impact on NAV per share Pence**
Ordinary Shares		
20% increase to 7,091	349	3.4p
20% decrease to 4,727	(349)	(3.4p)
'B' Shares		
20% increase to 7,091	1,075	5.4p
20% decrease to 4,727	(1,075)	(5.4p)

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

17. Financial instruments (continued)

As at 31 March 2010

	Risk exposure at 31 March 2010 £'000
Structured products	9,402
FTSE 100 at 31 March 2010	5,680

Movement in FTSE 100 Index	Estimated Impact on NAV £'000	Estimated Impact on NAV per share Pence
Ordinary Shares		
20% increase to 6,816	460	4.4p
20% decrease to 4,544	(460)	(4.4p)
'B' Shares		
20% increase to 6,816	177	1.7p
20% decrease to 4,544	(177)	(1.7p)

At 31 March 2011, the unquoted portfolio was valued at £11,234,000.

As many of the Company's unquoted investments are classified as 'asset backed', a fall in share prices generally would have a lesser impact on the valuation of the unlisted portfolio. A 10% movement in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

10% movement in unquoted investment valuations

Unquoted investments		2011		2010
Share pool	**Impact on Net Assets £'000**	**Impact on NAV per share Pence**	**Impact on Net Assets £'000**	**Impact on NAV per share Pence**
Ordinary Shares	653	6.3p	265	2.6p
'B' Shares	470	2.4p	-	

The sensitivity analysis for unquoted valuations above assumes that each of the sub categories of financial instruments (ordinary shares and loan stocks) held by the Company produces an overall movement of 10%. Shareholders should note that equal correlation between these sub categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

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 attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

There are three categories in respect of interest which are attributable to the financial instruments held by the Company as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments and preference shares.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank and liquidity fund investments and certain loan note investments.
- "No interest rate" assets do not attract interest and comprise equity investments, certain loan note investments, loans and receivables (excluding cash at bank) and other financial liabilities.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

17. Financial instruments (continued)

	Average interest rate	Average period until maturity	2011 £'000	2010 £'000
Fixed rate	9.6%	1,012 days	8,791	1,971
Floating rate	0.5%		1,342	16,625
No interest rate			19,129	10,040
			29,262	28,636

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

It is estimated that an increase of 1% in interest rates would have increased total return before taxation for the year by £22,000. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

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 liquidity funds, cash deposits and debtors.

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

	2011 £'000	2010 £'000
Investments in loan stocks	8,791	1,971
Investments in structured products	14,435	9,402
Cash and cash equivalents	1,342	16,625
Interest and other receivables	175	112
	24,743	28,110

The Manager manages credit risk in respect of loan stock with a similar approach as described under Market risks above. Investments in structured products are managed so as to limit exposure to any one counterparty and taking into account the credit rating of the counterparty. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc, both of which are A-rated financial institutions and both also ultimately part-owned by the UK Government. Consequently, the Directors consider that the credit risk 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.

As the Company has a relatively low level of creditors, being £316,000 (2010: £203,000), and has no borrowings, the Board believes that the Company's exposure to liquidity risk is low. Also, some quoted investments held by the Company are considered to be readily realisable. The Company always 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 investment manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it were required to do so.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2011

17. Financial instruments (continued)

The carrying value of loan stock investments held and at fair value through the profit and loss account at 31 March 2011, as analysed by expected maturity date, is as follows:

As at 31 March 2011	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	1,751	106	106	5,276	-	7,239
Past due loan stock	1,087	-	-	465	-	1,552
	2,838	106	106	5,741	-	8,791

As at 31 March 2010	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	-	-	-	756	-	756
Past due loan stock	750	-	-	465	-	1,215
	750	-	-	1,221	-	1,971

Of the loan stock classified as "past due" above, £465,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due falls within the banding of one to two years past due. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

Of the loan stock classified as "past due" above, £1,087,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principle is past its maturity date giving rise to the classification of the loan notes as past due falls within the banding of nil to six months past due. Notwithstanding that the principal has past its maturity date, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

18. Contingencies, guarantees and financial commitments

At 31 March 2011, the Company was committed to one further investment of £900,000 in Domestic Solar Limited. The investment completed on 1 April 2011. Other than as described above at 31 March 2011, the Company had no contingencies, guarantees or financial commitments.

19. Controlling party and related party transactions

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

NOTICE OF THE SECOND ANNUAL GENERAL MEETING OF DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Downing Structured Opportunities VCT 1 plc will be held at 10 Lower Grosvenor Place, London SW1W 0EN at 11:00 a.m. on 20 September 2011 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 31 March 2011 together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of final dividends of 2.5p per Ordinary Share and 2.5p per 'B' Share.
4. To re-appoint PKF (UK) LLP as Auditors 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, Robin Chamberlayne, who retires and, being eligible, offers himself for re-election.

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

Special Resolution

6. 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 Ordinary Shares of 0.1p each ("Ordinary Shares"), 'A' Shares of 0.1p each ("'A' Shares"), 'B' Shares of 0.1p each ("'B' Shares") and 'C' Shares of 0.1p each ("'C' Shares") in the capital of the Company provided that:

   (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,545,313 representing approximately 14.9% of the issued Ordinary Share capital, 2,317,969 representing approximately 14.9% of the issued 'A' Share capital, 2,970,519 representing approximately 14.9% of the issued 'B' Share capital and 4,460,519 representing approximately 14.9% of the issued 'C' Share capital of the Company from time to time;

   (ii) the minimum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share or 'C' Share is 0.1p, exclusive of all expenses;

   (iii) the maximum price which may be paid for an Ordinary Share, 'A' Share, 'B' Share or 'C' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share 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 share is contracted to be purchased; and

   (iv) the Company may validly make a contract to purchase its own Ordinary Shares, 'A' Shares, 'B' Shares or 'C' 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, 'A' Shares, 'B' Shares or 'C' 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 on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

By Order of the Board

G Whitehouse

Grant Whitehouse
Company Secretary

Registered Office
10 Lower Grosvenor Place
London SW1W 0EN

22 July 2011

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 appointor. 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 Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) 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 16 September 2011 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 16 September 2011 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.

(g) As at 9:00 a.m. on 22 July 2011, the Company's issued share capital comprised 10,371,227 Ordinary Shares, 15,556,838 'A' Shares, 19,936,370 'B' Shares and 29,936,370 'C' Shares and the total number of voting rights in the Company were 30,307,597. 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; and
- 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.

FORM OF PROXY

DOWNING STRUCTURED OPPORTUNITIES VCT 1 PLC

For use at the Annual General Meeting of the above-named Company to be held on 20 September 2011, 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 0.1p each/'B' Shares of 0.1p each* in the capital of 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 20 September 2011 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 final dividends of 2.5p per Ordinary Share and 2.5p per 'B' Share.			
4. To re-appoint the Auditors and authorise the Directors to determine their remuneration.			
5. To re-elect Robin Chamberlayne as a Director.			
SPECIAL BUSINESS			
6. To authorise the Directors to make market purchases of the Company's shares.			

Signature(s) ………………………………………………………………………………… Date:…………………………………………………………

If you are unable to attend the AGM and wish to put any comments to the Board, please use the box below.

* Delete as appropriate

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 appointor. 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, this 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 not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this 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, and 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.

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Business Reply
Licence Number
RRJU-YLYH-CTJK

Downing Structured Opportunities VCT 1 plc
c/o Downing LLP
10 Lower Grosvenor Place
London
SW1W 0EN

Second Fold

First Fold