

Downing Structured Opportunities VCT 1 PLC

Half-Yearly Report for
the six months ended
30 September 2012

SHAREHOLDER INFORMATION

Performance summary

	30 Sept 2012 pence	31 Mar 2012 pence	30 Sept 2011 pence
Ordinary Share pool			
Net asset value per Ordinary Share	101.7	98.7	99.2
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative dividends per Ordinary Share	17.5	15.0	12.5
Total return per Ordinary Share and 'A' Share	<u>119.3</u>	<u>113.8</u>	<u>111.8</u>
'B' Share pool			
Net asset value per 'B' Share	83.4	84.9	87.3
Net asset value per 'C' Share	0.1	0.1	0.1
Cumulative dividends per 'B' Share	12.5	10.0	7.5
Total return per 'B' Share and 'C' Share	<u>96.0</u>	<u>95.0</u>	<u>94.9</u>
'D' Share pool			
Net asset value per 'D' Share	92.9	94.5	n/a
Cumulative dividends per 'D' Share	2.5	-	n/a
Total return per 'D' Share	<u>95.4</u>	<u>94.5</u>	<u>n/a</u>

Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose.

Queries relating to dividends and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from www.capitaregistrars.com by selecting 'Shareholders and employees' and then 'Leaflets and forms'.

Terminology

Throughout this document the term "Ordinary Share(s)" has been used to refer to the pool of assets allocated to the Ordinary Shares and 'A' Shares combined. Similarly, the term "'B' Shares" has been used to refer to the pool of assets allocated to the 'B' shares and 'C' Shares combined.

Share scam warning

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

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

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's half-yearly report for the six months ended 30 September 2012. During the period, the Company completed its 'D' Share fundraising. The Company now has three share pools, each at different stages in their development.

Ordinary Share pool

The Ordinary Share pool is fully invested and, accordingly, investment activity was at a low level throughout the period. The valuations of several venture capital investments were uplifted and the structured product portfolio also showed net gains.

Shareholders will recall that, under the original fundraising, for every Ordinary Share subscribed for, investors also subscribed for one 'A' Share. Consequently, performance is reported based on a holding of one Ordinary Share and one 'A' Share. At 30 September 2012, the combined net asset value ("NAV") of one Ordinary Share and one 'A' Share stood at 101.8p; an increase of 5.5p per share (5.6%) since 31 March 2012. The NAV plus cumulative dividends paid to date for one Ordinary Share and one 'A' Share now totals 119.3p.

The profit on ordinary activities after taxation for the period was £579,000, comprising a revenue profit of £236,000 and a capital profit of £343,000.

The Ordinary Share pool will seek to start returning funds to Ordinary Shareholders around September 2014.

'B' Share pool

The 'B' Share pool is also effectively fully invested and had a low level of investment activity throughout the period. The venture capital portfolio showed a small net loss for the six months, however, the structured product portfolio performed well.

Shareholders will recall that, under the original fundraising, for every 'B' Share subscribed for, investors also subscribed for one 'C' Share. Consequently, performance is reported based on a holding of one 'B' Share and one 'C' Share. At 30 September 2012, the combined net asset value ("NAV") of one 'B' Share and one 'C' Share stood at 83.5p; an increase of 1.0p per share (1.2%) since 31 March 2012 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'B' Share and one 'C' Share now totals 96.0p.

The profit on ordinary activities after taxation for the period was £198,000, comprising a revenue profit of £74,000 and a capital profit of £124,000.

The 'B' Share pool is targeting to start returning funds to 'B' Shareholders around September 2015.

'D' Share pool

The 'D' Share pool was an active investor during the period as it commenced building both its venture capital and structured product portfolios. The structured products showed reasonable gains in value while all venture capital investments continue to be held at cost.

At 30 September 2012, the NAV per 'D' Share stood at 92.9p per share. The NAV plus cumulative dividends paid to date now totals 95.4p, compared to the initial NAV net of fundraising costs of 94.5p per share.

CHAIRMAN'S STATEMENT (continued)

'D' Share pool (continued)

The profit on ordinary activities after taxation for the period was £67,000, comprising a revenue loss of £34,000 and a capital profit of £101,000.

Each of the share pools is covered in more detail in the specific Investment Manager's Reports on pages 3 to 14.

Dividends

In line with the Company's stated policies, interim dividends will be paid as follows:

Ordinary Shares	2.5p per share
'B' Shares	2.5p per share
'D' Shares	2.5p per share

Each of the dividends will be paid on 25 January 2013 to Shareholders on the register at 4 January 2013.

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 a nil discount). The Board expects to continue with this policy until 31 December 2012 in respect of Ordinary Shares and 'A' Shares, 31 December 2013 in respect of 'B' Shares and 'C' Shares, and 30 November 2015 in respect of the 'D' Shares. After these dates, the Board will review the buyback policy for the respective share classes.

No such shares were purchased in the period.

Outlook

We expect to see very low levels of investment activity within the Ordinary and 'B' Share pools over the remainder of the financial year, which may be limited to reinvesting funds that arise from any structured products that redeem. The Manager's focus in respect of these pools is now on close monitoring of the existing venture capital investments and starting to do some preliminary planning as to how realisations might be achieved in due course.

In contrast, the 'D' Share pool is expected to be an active investor over the next six months as it continues to build its initial portfolios. Conditions for small businesses remain difficult, however, the Manager reports that it is seeing a steady flow of good quality investment opportunities from which further additions to the venture capital portfolio may arise. There are also likely to be some additions to the structured product portfolio, after which the portfolio is likely to start to reduce in size as funds are released for new venture capital investments.

I look forward to reporting progress to Shareholders in the next Annual Report.



Lord Flight
Chairman

30 November 2012

INVESTMENT MANAGER'S REPORT ORDINARY SHARE POOL

The Ordinary Share pool held two structured product investments and 20 venture capital investments at the period end and continues to be fully invested. The majority of the Ordinary Share pool's investments are performing to plan. Four venture capital investments have been uplifted in value as a result of strong trading performance and one has faced some difficulties resulting in a reduction in its valuation at the period end.

Portfolio activity *Unquoted portfolio*

The pool made two follow-on investments during the period at a total cost of £132,000. A further £110,000 was invested in 3D Pub Co. Limited and £22,000 in Quadrate Spa Limited.

At the period end, the Board reviewed the unquoted investment valuations and made a number of adjustments as follows:

Atlantic Dogstar Limited owns and operates two pubs in London; The Dogstar in Brixton, South London and The Clapton Hart in Hackney, North East London. The Dogstar has been successfully trading for several years and is performing exceptionally well against the original business plan. The Clapton Hart opened in May 2012 after a significant refurbishment programme. The pub has been well received in the local area and performance is again outstripping original projections. In light of the strong performance at both pubs, an uplift of £152,000 was recognised at the period end.

Westow House Limited owns the Westow House pub in Crystal Palace, South London. An £85,000 increase in the valuation was recognised at the period end to reflect that the pub is performing beyond the original business plan.

The East Dulwich Tavern Limited owns a pub of the same name in East Dulwich, South London. The business is performing in line with the original business plan and a small uplift in value of £55,000 has been recognised.

A £42,000 increase in the valuation of Future Biogas (SF) Limited was recognised to reflect that the biogas plant is now complete and operating at target levels.

One investment continues to experience a significant negative deviation from plan and, accordingly, a provision has been made against its valuation. Camandale Limited owns two pubs, The Riverbank and The Monkey Bar, located in Kilmarnock, Scotland. The pubs performed very poorly and, at the end of 2011, the investment partner was removed and the management contracts were terminated. A new management team was put in place to manage The Riverbank and the decision was made to close The Monkey Bar and market it for sale. No purchaser has yet been found for The Monkey Bar. Trade at The Riverbank is improving slowly, however, owing to an extremely competitive market, results are significantly behind budget. As trade has not improved in line with expectations, a further reduction of £24,000 was recognised in the period.

INVESTMENT MANAGER'S REPORT ORDINARY SHARE POOL (continued)

Portfolio activity (continued)

Structured product portfolio

The pool now holds a small structured product portfolio comprising two investments. During the period, uplifts in valuations in both of these resulted in an unrealised gain of £49,000.

One structured product investment redeemed during the period, the Symphony Structure 3.5yr FTSE 4.85 Call Spread, resulting in a gain in the period of £22,000 and an overall gain against cost of £206,000. No purchases were made in the period.

Net asset value

At 30 September 2012, the net asset value ("NAV") per Ordinary Share stood at 101.7p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 101.8p. This is an increase of 5.5p per share (5.6%) since 31 March 2012. The NAV plus cumulative dividends paid to date for one Ordinary Share and one 'A' Share amounts to 119.3p.

Results and dividend

The profit on ordinary activities after taxation for the period was £579,000, comprising a revenue profit of £236,000 and a capital profit of £343,000.

A 2.5p dividend per Ordinary Share will be paid on 25 January 2013 to Shareholders on the register at 4 January 2013.

Outlook

The Ordinary Share pool is now fully invested with a reasonably well diversified qualifying portfolio that is performing well despite the challenging economic environment. There is potential for further growth in the portfolio before we start to seek realisations and commence returning funds to Shareholders in 2014. Trading conditions do, however, remain testing for most businesses and therefore close monitoring of all portfolio companies will remain a priority.

Downing LLP

30 November 2012

SUMMARY OF INVESTMENT PORTFOLIO ORDINARY SHARE POOL

as at 30 September 2012

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Redmed Limited*	1,062	1,062	-	10.1%
Future Biogas (SF) Limited	909	1,059	42	10.0%
Domestic Solar Limited*	1,000	1,000	-	9.5%
Atlantic Dogstar Limited	572	958	152	9.1%
Bijou Wedding Venues Limited	815	884	-	8.4%
Quadrate Catering Limited	577	577	-	5.5%
Quadrate Spa Limited*	565	566	-	5.4%
Westow House Limited	405	526	85	5.0%
East Dulwich Tavern Limited	459	514	55	4.9%
Ecossol Limited	500	500	-	4.7%
The 3D Pub Co Limited*	627	472	-	4.4%
Mosaic Spa & Health Clubs Limited*	250	250	-	2.4%
Slopingtactic Limited	102	102	-	1.0%
Chapel Street Food and Beverage Limited	75	75	-	0.7%
Chapel Street Services Limited	75	75	-	0.7%
Camandale Limited*	293	59	(24)	0.6%
Non-qualifying investments				
Fenkle Street LLP**	69	69	-	0.7%
Chapel Street Hotel Limited**	3	3	-	0.0%
Commercial Street Hotel Limited**	-	-	-	0.0%
	<u>8,358</u>	<u>8,751</u>	<u>310</u>	<u>83.1%</u>
Structured product investments				
Elders Capital Accumulator VIII (29A)	485	565	41	5.4%
Morgan Stanley Synthetic Zero	297	481	8	4.6%
	<u>782</u>	<u>1,046</u>	<u>49</u>	<u>10.0%</u>
Total	<u>9,140</u>	<u>9,797</u>	<u>359</u>	<u>93.1%</u>
Cash at bank and in hand		726		6.9%
Total investments		<u>10,523</u>		<u>100.0%</u>

* partly non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS ORDINARY SHARE POOL

as at 30 September 2012

Additions

£'000

Qualifying investments

Quadrate Spa Limited*

22

3D Pub Co Limited*

110

132

Disposals	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Structured products				
Symphony Structure 3.5yr FTSE 4.85 Call Spread	355	561	206	22
	<u>355</u>	<u>561</u>	<u>206</u>	<u>22</u>

* partly non-qualifying

INVESTMENT MANAGER'S REPORT

'B' SHARE POOL

The 'B' Share pool holds 21 venture capital investments and five structured product investments and will become fully invested over the course of the next six months.

The pool began the year with £11.8 million of venture capital investments and ended the period with £11.7 million. Structured product investments were £4.9 million at the start of the year and ended at £4.1 million.

Five venture capital investments and two structured products were disposed of during the period.

Portfolio activity

Unquoted portfolio

During the period, the pool made one follow-on investment of £33,000 to Quadrate Spa Limited.

Venture capital investments previously made in Liverpool Nurseries (House) Limited £405,000, Liverpool Nurseries (Greenbank) Limited £276,000, and Liverpool Nurseries (Cottage) Limited £135,000 were exited during the period and the funds were reinvested in Liverpool Nurseries (Holdings) Limited where a £931,000 investment was made.

The pool also benefitted from the redemption of £270,000 of loan stock from Kidspace Adventures Limited.

Whilst most of the 'B' Share pool's investments are performing more or less to plan, a further write down to the value of Camandale Limited was recognised during the period. This has been offset to some extent by an increase in the valuation of Alpha Schools (Holdings) Limited.

Camandale Limited owns two pubs, The Riverbank and The Monkey Bar, located in Kilmarnock, Scotland. The pubs performed very poorly and, at the end of 2011, the investment partner was removed and the management contracts were terminated. A new management team was put in place to manage The Riverbank and the decision was made to close The Monkey Bar and market it for sale. No purchaser has yet been found for The Monkey Bar. Trade at The Riverbank is improving slowly, however, owing to an extremely competitive market, results are significantly behind budget. As trade has not improved in line with expectations a further reduction of £64,000 was recognised in the period.

Alpha Schools Holdings Limited is an independent primary school operator. An uplift in value of £27,000 was recognised during the period to reflect that the business is performing well and in line with expectations.

Structured product portfolio

The pool holds a structured product portfolio which now comprises five investments. During the period, the structured product portfolio experienced a net uplift in valuation of £194,000 and also booked realised gains of £31,000 on products that redeemed.

INVESTMENT MANAGER'S REPORT 'B' SHARE POOL (continued)

Net asset value

At 30 September 2012, the NAV per 'B' Share stood at 83.4p and the NAV per 'C' Share stood at 0.1p, producing a combined total of 83.5p. This is an increase of 1.0p per share (1.2%) since 31 March 2012 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'B' Share and one 'C' Share amounts to 96.0p.

Results and dividend

The profit on ordinary activities after taxation for the period was £198,000, comprising a revenue profit of £74,000 and a capital profit of £124,000.

A 2.5p dividend per 'B' Share will be paid on 25 January 2013 to Shareholders on the register at 4 January 2013.

Outlook

The 'B' Share pool has performed well due to the strong performance of the structured products. With the exception of Camandale Limited, the venture capital portfolio is performing in line with expectations and, as long as this continues, we expect to see the stronger businesses make progress despite the depressed economic environment. A number of qualifying investments have been identified and will be made over the course of the next six months to ensure that the 'B' Share pool will be fully qualified at the year end.

Downing LLP

30 November 2012

SUMMARY OF INVESTMENT PORTFOLIO 'B' SHARE POOL

as at 30 September 2012

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Future Biogas (Reepham Road) Limited*	1,476	1,476	-	8.8%
Quadrate Catering Limited	849	849	-	5.1%
Quadrate Spa Limited*	839	839	-	5.0%
Antelope Pub Limited	750	806	-	4.8%
Domestic Solar Limited*	800	800	-	4.8%
Alpha Schools (Holdings) Limited	733	761	27	4.5%
Avon Solar Energy Limited	500	500	-	3.0%
Ecosol Limited	500	500	-	3.0%
Green Electricity Generation Limited	500	500	-	3.0%
Westcountry Solar Solutions Limited	500	500	-	3.0%
Mosaic Spa and Health Club (Shrewsbury) Limited	350	350	-	2.1%
Progressive Energies Limited	340	340	-	2.0%
Slopingtactic Ltd	277	277	-	1.7%
Mosaic Spa & Health Clubs Limited*	250	250	-	1.5%
Camandale Limited*	796	160	(64)	0.9%
Ridgeway Pub Company Limited	136	136	-	0.8%
Non-qualifying investments				
Liverpool Nurseries (Holdings) Limited	934	934	-	5.6%
Kidspace Adventures Holdings Limited	750	750	-	4.5%
Commercial Street Hotel Limited	185	185	-	1.1%
Fenkle Street LLP	185	185	-	1.1%
	<u>11,650</u>	<u>11,098</u>	<u>(37)</u>	<u>66.3%</u>
Structured product investments				
Barclays 5Y Synthetic Zero	1,003	1,220	80	7.3%
Elders Capital Accumulator VIII (29A)	970	1,130	82	6.7%
Goldman Sachs 6YR Phoenix Autocall 3	1,003	1,026	(28)	6.1%
HSBC US trade Range	752	960	44	5.7%
JP Morgan 8% Defensive FTSE Autocall	356	429	16	2.6%
	<u>4,084</u>	<u>4,765</u>	<u>194</u>	<u>28.4%</u>
Total	<u>15,734</u>	<u>15,863</u>	<u>157</u>	<u>94.7%</u>
Cash at bank and in hand		895		5.3%
Total investments		<u>16,758</u>		<u>100.0%</u>

* partly non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS 'B' SHARE POOL

as at 30 September 2012

Additions

	£'000
Qualifying investments	
Quadrate Spa Limited*	33
Non-qualifying investments	
Liverpool Nurseries (Holdings) Ltd	931
	<u>964</u>

Disposals	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Non-qualifying investments				
Liverpool Nurseries (House) Limited	405	405	-	-
Liverpool Nurseries (Greenbank) Limited	276	276	-	-
Kidspace Adventures Holdings Limited	270	270	-	-
Liverpool Nurseries (Cottage) Limited	135	135	-	-
	<u>1,086</u>	<u>1,086</u>	<u>-</u>	<u>-</u>
Structured products				
Symphony Structure 3.5yr FTSE 4.85 Call Spread	497	561	64	22
Barclays 6Y 10% Def FTSE Autocall	291	348	57	9
	<u>788</u>	<u>909</u>	<u>121</u>	<u>31</u>
Total	<u>1,874</u>	<u>1,995</u>	<u>121</u>	<u>31</u>

* partly non-qualifying

INVESTMENT MANAGER'S REPORT 'D' SHARE POOL

The 'D' Share pool fundraising closed in August 2012 having raised net proceeds of £7.5 million and the pool has since made a good start in building both its structured product and venture capital portfolios.

Structured product portfolio

At the period end, the pool's structured product portfolio comprised five investments with a value of £2.5 million. During the period, the number of attractive structured product opportunities has been limited and so we have decided to hold uninvested funds as cash for the time being. We continue to monitor the structured product market and will consider making further investments when better value opportunities arise.

Over the six month period, the portfolio produced unrealised gains of £110,000 and realised gains of £17,000.

Venture capital portfolio

During the period, four new venture capital investments were made at a total cost of £1.6 million which is summarised as follows:

An investment of £768,000 was made in Tor Solar PV Limited which owns a portfolio of Solar PV panels located on farms in the South West of the UK.

£560,000 was invested in Vulcan Renewables Limited. Vulcan Renewables is developing a 2MW maize fed biogas plant near Doncaster which will generate both gas and electricity.

A £200,000 investment was made in Fresh Green Power Limited. It installs and owns Solar PV systems on the roofs of domestic properties in the UK.

£100,000 was invested in Green Energy Production UK Limited. The company installs and owns Solar PV systems on the roofs of domestic properties in the UK.

All the investments made during the period will benefit from the receipt of Feed-in-Tariffs from the production of electricity. Vulcan Renewables Limited will also receive payments under the Renewable Heat Incentive scheme from gas injection into the gas main.

At the end of the period, the Board reviewed the unquoted investment valuations and concluded that all should continue to be held at cost.

Net asset value

At 30 September 2012, the NAV per 'D' Share stood at 92.9p per share. This is an increase of 0.9p per share (1.0%) since 31 March 2012 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividend paid to date amounts to 95.4p.

Results and dividend

The profit on ordinary activities after taxation for the period was £67,000, equivalent to 0.8p per share and comprising a revenue loss of £34,000 and a capital profit of £101,000.

A 2.5p dividend per 'D' Share will be paid on 25 January 2013 to Shareholders on the register at 4 January 2013.

INVESTMENT MANAGER'S REPORT 'D' SHARE POOL (continued)

Outlook

The 'D' Share pool's funds are currently spread between a portfolio of structured products, a portfolio of venture capital investments, and cash. We plan to take a flexible approach as to where the uninvested cash is employed going forward.

We continue to see a steady flow of potential venture capital investment opportunities, some of which we expect to become investments over the remainder of the year. Should the market for structured products become more favourable we also expect to add to the existing structured product portfolio. Both portfolios will be built with the target exit date of 2017 in mind.

Downing LLP

30 November 2012

SUMMARY OF INVESTMENT PORTFOLIO 'D' SHARE POOL

as at 30 September 2012

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
Qualifying investments				
Tor Solar PV Limited*	768	768	-	10.4%
City Falkirk Limited*	562	562	-	7.6%
Vulcan Renewables Limited	560	560	-	7.6%
Fresh Green Power Limited	200	200	-	2.7%
Green Energy Production UK Limited	100	100	-	1.4%
Non-qualifying investments				
Fubar Stirling Limited	357	357	-	4.8%
Cheers Dumbarton Limited	64	64	-	0.9%
Lochrise Limited	17	17	-	0.2%
	<u>2,628</u>	<u>2,628</u>	-	<u>35.6%</u>
Structured product investments				
Goldman Sachs 9.6% Reservoir Autocall	558	582	24	7.9%
Credit Suisse 7.25% FTSE Autocall	523	545	25	7.4%
JPMorgan 7% Defensive FTSE AC	517	538	22	7.3%
Barclays 8% FTSE/S&P Worst -Of Def AC (Feb 12)	501	533	23	7.2%
Barclays 8% FTSE/S&P Worst -Of Def AC (Mar 12)	251	264	16	3.6%
	<u>2,350</u>	<u>2,462</u>	<u>110</u>	<u>33.4%</u>
Total	<u>4,978</u>	5,090	<u>110</u>	69.0%
Cash at bank and in hand		2,288		31.0%
Total investments		<u>7,378</u>		<u>100.0%</u>

* partly non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

as at 30 September 2012

Additions

	£'000
Qualifying investments	
Tor Solar PV Limited*	768
Vulcan Renewables Limited	560
Fresh Green Power Limited	200
Green Energy Production UK Limited	100
	<u>1,628</u>
Structured products	
Goldman Sachs 9.6% Reservoir Autocall	558
UBS 8.15% Defensive FTSE Autocall	501
	<u>1,059</u>
	<u><u>2,687</u></u>

	Cost £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Disposals				
Structured products				
UBS 8.15% Defensive FB+ Autocall	<u>501</u>	<u>518</u>	<u>17</u>	<u>17</u>

* partly non-qualifying

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2012

	Six months ended 30 Sept 2012			Six months ended 30 Sept 2011			Year ended 31 Mar 2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Company Total							
Income	595	-	595	474	-	474	620
Gains/(losses) on investments							
- realised	-	70	70	-	74	74	(222)
- unrealised	-	626	626	-	(904)	(904)	(118)
	<u>595</u>	<u>696</u>	<u>1,291</u>	<u>474</u>	<u>(830)</u>	<u>(356)</u>	<u>280</u>
Investment management fees	(129)	(128)	(257)	(110)	(110)	(220)	(438)
Other expenses	(190)	-	(190)	(157)	-	(157)	(385)
	<u>276</u>	<u>568</u>	<u>844</u>	<u>207</u>	<u>(940)</u>	<u>(733)</u>	<u>(543)</u>
Return on ordinary activities before taxation	276	568	844	207	(940)	(733)	(543)
Taxation	-	-	-	(34)	-	(34)	-
	<u>276</u>	<u>568</u>	<u>844</u>	<u>173</u>	<u>(940)</u>	<u>(767)</u>	<u>(543)</u>
Return attributable to equity shareholders	276	568	844	173	(940)	(767)	(543)
Return per Ordinary Share	2.3p	3.3p	5.6p	1.0p	(0.5p)	0.5p	2.5p
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'B' Share	0.4p	0.6p	1.0p	0.3p	(4.4p)	(4.1p)	(4.0p)
Return per 'C' Share	-	-	-	-	-	-	-
Return per 'D' Share	(0.5p)	1.3p	0.8p	-	-	-	0.1p

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

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2012

	Six months ended 30 Sept 2012			Six months ended 30 Sept 2011			Year ended 31 Mar 2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ordinary Share pool							
Income	333	-	333	236	-	236	367
Gains/(losses) on investments							
- realised	-	22	22	-	13	13	24
- unrealised	-	359	359	-	(27)	(27)	167
	<u>333</u>	<u>381</u>	<u>714</u>	<u>236</u>	<u>(14)</u>	<u>222</u>	<u>558</u>
Investment management fees	(38)	(38)	(76)	(39)	(40)	(79)	(158)
Other expenses	(59)	-	(59)	(62)	-	(62)	(144)
Return on ordinary activities before taxation	<u>236</u>	<u>343</u>	<u>579</u>	<u>135</u>	<u>(54)</u>	<u>81</u>	<u>256</u>
Taxation	-	-	-	(25)	-	(25)	-
Return attributable to equity shareholders	<u>236</u>	<u>343</u>	<u>579</u>	<u>110</u>	<u>(54)</u>	<u>56</u>	<u>256</u>
'B' Share pool							
Income	232	-	232	238	-	238	240
Gains/(losses) on investments							
- realised	-	31	31	-	61	61	(247)
- unrealised	-	157	157	-	(877)	(877)	(286)
	<u>232</u>	<u>188</u>	<u>420</u>	<u>238</u>	<u>(816)</u>	<u>(578)</u>	<u>(293)</u>
Investment management fees	(64)	(64)	(128)	(71)	(70)	(141)	(270)
Other expenses	(94)	-	(94)	(95)	-	(95)	(238)
Return on ordinary activities before taxation	<u>74</u>	<u>124</u>	<u>198</u>	<u>72</u>	<u>(886)</u>	<u>(814)</u>	<u>(801)</u>
Taxation	-	-	-	(9)	-	(9)	-
Return attributable to equity shareholders	<u>74</u>	<u>124</u>	<u>198</u>	<u>63</u>	<u>(886)</u>	<u>(823)</u>	<u>(801)</u>

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2012

'D' Share pool	Six months ended 30 Sept 2012			Six months ended 30 Sept 2011			Year ended 31 Mar 2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	30	-	30	-	-	-	13
Gains on investments							
- realised	-	17	17	-	-	-	-
- unrealised	-	110	110	-	-	-	2
	<u>30</u>	<u>127</u>	<u>157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
Investment management fees	(27)	(26)	(53)	-	-	-	(10)
Other expenses	(37)	-	(37)	-	-	-	(3)
	<u>(34)</u>	<u>101</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Return on ordinary activities before taxation							
	(34)	101	67	-	-	-	2
Taxation	-	-	-	-	-	-	-
	<u>(34)</u>	<u>101</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Return attributable to equity shareholders							
	(34)	101	67	-	-	-	2

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2012

	30 Sept 2012				30 Sept 2011	31 Mar 2012
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000
Fixed assets						
Investments	9,797	15,863	5,090	30,750	26,501	29,345
Current assets						
Debtors	123	27	5	155	338	718
Cash at bank and in hand	726	895	2,288	3,909	1,161	3,531
	849	922	2,293	4,064	1,499	4,249
Creditors: amounts falling due within one year	(79)	(131)	(58)	(268)	(263)	(307)
Net current assets	770	791	2,235	3,796	1,236	3,942
Net assets	10,567	16,654	7,325	34,546	27,737	33,287
Capital and reserves						
Called up share capital	26	50	8	84	76	81
Capital redemption reserve	5	-	-	5	5	5
Share premium	2,793	-	7,446	10,239	2,794	7,381
Share capital to be issued	-	-	-	-	-	1,491
Special reserve	5,670	16,076	-	21,746	23,379	22,259
Revaluation reserve	657	128	112	897	(61)	546
Capital reserve – realised	1,149	542	(212)	1,479	1,567	1,704
Revenue reserve	267	(142)	(29)	96	(23)	(180)
Equity shareholders' funds	10,567	16,654	7,325	34,546	27,737	33,287
Net asset value per:						
Ordinary Share	101.7p				99.2p	98.7p
'A' Share	0.1p				0.1p	0.1p
'B' Share		83.4p			87.3p	84.9p
'C' Share		0.1p			0.1p	0.1p
'D' Share			92.9p		n/a	94.5p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2012

	30 Sept 2012				30 Sept	31 Mar
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	2011 Total £'000	2012 Total £'000
Opening Shareholders' funds	10,247	16,955	6,085	33,287	29,262	29,262
Issue of shares	-	-	3,028	3,028	-	4,859
Share issue costs	-	-	(167)	(167)	-	(267)
Purchase of own shares	-	-	-	-	-	-
Unallotted 'D' Shares	-	-	(1,491)	(1,491)	-	1,491
Dividends	(259)	(499)	(197)	(955)	(758)	(1,515)
Total recognised gains for the period	579	198	67	844	(767)	(543)
Closing Shareholders' funds	<u>10,567</u>	<u>16,654</u>	<u>7,325</u>	<u>34,546</u>	<u>27,737</u>	<u>33,287</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2012

	30 Sept 2012				30 Sept	31 Mar	
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	2011 Total £'000	2012 Total £'000	
Cash inflow/(outflow) from operating activities and returns on investments	1	111	(58)	(22)	31	(137)	(99)
Capital expenditure							
Purchase of investments		(132)	(964)	(2,046)	(3,142)	(6,960)	(14,687)
Sale of investments		561	1,995	518	3,074	7,674	12,407
Net cash inflow/(outflow) from capital expenditure		429	1,031	(1,528)	(68)	714	(2,280)
Equity dividends paid		(259)	(499)	(197)	(955)	(758)	(1,515)
Net cash inflow/(outflow) before financing		281	474	(1,747)	(992)	(181)	(3,894)
Financing							
Proceeds from 'D' Share issue		-	-	3,028	3,028	-	4,859
Share issue costs		-	-	(167)	(167)	-	(267)
Unallotted 'D' Shares		-	-	(1,491)	(1,491)	-	1,491
Purchase of own shares		-	-	-	-	-	-
Net cash inflow from financing		-	-	1,370	1,370	-	6,083
Increase/(decrease) in cash	2	281	474	(377)	378	(181)	2,189
Notes to the cash flow statement:							
1 Cash inflow/(outflow) from operating activities and returns on investments							
Return on ordinary activities							
before taxation		579	198	67	844	(767)	(543)
(Gains)/losses on investments		(381)	(188)	(127)	(696)	830	340
(Increase)/decrease in other debtors		(59)	(17)	(4)	(80)	(147)	113
(Decrease)/increase in other creditors		(28)	(51)	42	(37)	(53)	(9)
Net cash inflow/(outflow) from operating activities		111	(58)	(22)	31	(137)	(99)
2 Analysis of net funds							
Beginning of period		445	421	2,665	3,531	1,342	1,342
Net cash inflow/(outflow)		281	474	(377)	378	(181)	2,189
End of period		726	895	2,288	3,909	1,161	3,531

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of accounting

The unaudited half-yearly results cover the six months to 30 September 2012 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 March 2012 which were prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised January 2009 ("SORP").

2. All revenue and capital items in the Income Statement derive from continuing operations.
3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. Net asset value per share at the period end has been calculated on 10,371,227 Ordinary Shares; 15,556,838 'A' Shares; 19,936,370 'B' Shares; 29,936,370 'C' Shares; and 7,887,527 'D' Shares being the number of shares in issue at the period end.
5. Return per share for the period has been calculated on 10,371,227 Ordinary Shares; 15,556,838 'A' Shares; 19,936,730 'B' Shares; 29,936,370 'C' Shares; and 7,887,527 'D' Shares being the weighted average number of shares in issue during the period.

6. Dividends

Ordinary Shares	Revenue	Capital	Total
	£'000	£'000	£'000
Paid in period			
Final – paid 28 September 2012	-	259	259
'B' Shares	Revenue	Capital	Total
	£'000	£'000	£'000
Paid in period			
Final – paid 28 September 2012	-	499	499
'D' Shares	Revenue	Capital	Total
	£'000	£'000	£'000
Paid in period			
Final – paid 28 September 2012	-	197	197

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

	Share premium account £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000	Capital redemption reserve £'000
As at 31 March 2012	7,381	22,259	546	1,704	(180)	5
Issue of new shares	3,025	-	-	-	-	-
Share issue costs	(167)	-	-	-	-	-
Gains on investments	-	-	626	70	-	-
Expenses capitalised	-	-	-	(128)	-	-
Dividends	-	-	-	(955)	-	-
Transfer between reserves	-	(513)	(275)	788	-	-
Retained revenue	-	-	-	-	276	-
At 30 September 2012	<u>10,239</u>	<u>21,746</u>	<u>897</u>	<u>1,479</u>	<u>96</u>	<u>5</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £1,025,000. Distributable reserves at 30 September 2012 were £22,296,000.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Risk and uncertainties

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

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

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

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

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

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

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

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

10. Going concern

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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

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

SHAREHOLDER INFORMATION (continued)

Share prices

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

	Ordinary Shares	'B' Shares	'D' Shares
TIDM codes	DO1O	DO1B	DO1D
Latest share price (29 November 2012):	95.0p per share	78.0p per share	97.0p per share
	'A' Shares	'C' Shares	
TIDM codes	DO1A	DO1C	
Latest share price (29 November 2012):	5.025p per share	0.1p per share	

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

Selling shares

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

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

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Downing Structured Opportunities VCT 1 plc, please contact the registrar on the number shown on the back cover or visit Capita's website at www.capitaregistrars.com and select "Shareholders and employees".

Directors

Lord Flight (Chairman)
Robin Chamberlayne
Mark Mathias

Company Secretary and Registered Office

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