

Downing Structured Opportunities VCT 1 PLC

Half-Yearly Report for
the six months ended
30 September 2013

SHAREHOLDER INFORMATION

Performance summary

	30 Sept 2013 pence	31 Mar 2013 pence	30 Sept 2012 pence
Ordinary Share pool			
Net asset value per Ordinary Share	91.3	104.8	101.7
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative dividends per Ordinary Share	35.0	20.0	17.5
Total return per Ordinary Share and 'A' Share	<u>126.4</u>	<u>124.9</u>	<u>119.3</u>
'B' Share pool			
Net asset value per 'B' Share	84.0	84.9	83.4
Net asset value per 'C' Share	0.1	0.1	0.1
Cumulative dividends per 'B' Share	17.5	15.0	12.5
Total return per 'B' Share and 'C' Share	<u>101.6</u>	<u>100.0</u>	<u>96.0</u>
'D' Share pool			
Net asset value per 'D' Share	85.3	87.7	92.9
Cumulative dividends per 'D' Share	7.5	5.0	2.5
Total return per 'D' Share	<u>92.8</u>	<u>92.7</u>	<u>95.4</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 Asset Services, 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.capitaassetservices.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 2013. Each of the Company's share pools has continued to perform satisfactorily over the period, with positive news outweighing negative developments within the portfolios.

Ordinary Share pool

At 30 September 2013, the combined net asset value ("NAV") of one Ordinary Share and one 'A' Share stood at 91.4p; an increase of 1.5p (1.4%) since 31 March 2013 (after adjusting for dividends paid during the period of 15.0p per Ordinary Share). The NAV plus cumulative dividends paid to date for one Ordinary Share and one 'A' Share now totals 126.4p.

There were several minor adjustments to the investment valuations over the period which resulted in a small net fall in value of £19,000. This was more than offset by income from the portfolio such that profit on ordinary activities after taxation for the period was £154,000 (equivalent to 1.5p per Ordinary Share), comprising a revenue profit of £205,000 and a capital loss of £51,000.

'B' Share pool

At 30 September 2013, the combined NAV of one 'B' Share and one 'C' Share stood at 84.1p; an increase of 1.6p per share (1.9%) since 31 March 2013 (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 101.6p.

Adjustments to the investment valuations over the period resulted in a net unrealised gain of £137,000, which was supplemented by investment income of £412,000. Profit on ordinary activities after taxation for the period was £323,000 (equivalent to 1.6p per 'B' Share), comprising a revenue profit of £204,000 and a capital profit of £119,000.

'D' Share pool

At 30 September 2013, the NAV per 'D' Share stood at 85.3p per share; an increase of 0.1p per share (0.1%) since 31 March 2013 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'D' Share now totals 92.8p.

There were no changes to the valuations of the venture capital investments during the period. The structured product portfolio showed a small unrealised gain of £10,000 and realised gain of £15,000. The profit on ordinary activities after taxation for the period was £3,000 (equivalent to 0.04p per 'D' Share), comprising entirely of revenue profit.

Each of the share pools is covered in more detail in the specific Investment Manager's Reports on pages 3 to 13.

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 24 January 2014 to Shareholders on the register at 3 January 2014.

Share buybacks

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

CHAIRMAN'S STATEMENT

Share buybacks (continued)

In the first five years following the issue of shares, 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 Company will continue to purchase 'B' Shares, 'C' Shares and 'D' Shares over the remainder of the year, subject to restrictions noted above, at a price equal to NAV.

In respect of Ordinary Shares and 'A' Shares the Company will buy shares at a price equal to NAV until 28 February 2014. After this date, in view of the plans for the share pool to start returning funds to Shareholders, the Company is unlikely to make any further purchases of these shares. It is envisaged that funds will be returned to Shareholders by way of dividends and/or a tender offer.

Shares purchased in the period to 30 September 2013 are summarised as follows:

Share class	Number	Average price
Ordinary Shares	33,920	9.0p
'A' Shares	20,400	0.001p

All of these shares were subsequently cancelled.

Outlook

The Board remains generally satisfied with progress made by the share pools. Over the remainder of the current year, the Manager's focus in respect of the Ordinary Share pool will turn towards the realisation plans which will start in 2014. With 19 investments, the task of achieving a complete exit at full value is likely to take some time.

The expected commencement of the realisation programme for the 'B' Share pool is not until 2015 and so the Manager's work will be concentrated on supporting and monitoring of the portfolio to optimise opportunities for growth over the remainder of the planned life of the share pool.

The 'D' Share pool, which has an exit date scheduled to commence in 2017, is still in the process of building its venture capital portfolio. We expect to see further qualifying investments completed over the next six months, which will be funded from existing cash and, if necessary, funds from redemptions or disposals of Structured Products.



Lord Flight
Chairman

29 November 2013

INVESTMENT MANAGER'S REPORT ORDINARY SHARE POOL

The Ordinary Share pool held 19 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, but there have been small provisions made against a number of investments where performance has deteriorated or the business has faced other issues.

Portfolio activity *Unquoted portfolio*

The pool has made no follow on investments in the period.

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

Quadrat Spa Limited is the spa and health club located in the Commercial Street Hotel. The hotel as a whole is performing well and an uplift in value of £55,000 has been recognised in the period.

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 £22,000 has been recognised.

A strong performance in the period from Quadrat Catering Limited, the Marco Pierre White restaurant on the top floor of the Commercial Street Hotel, resulted in an uplift of £17,000.

Westow House Limited owns the Westow House, a pub in Crystal Palace, South London. A £12,000 increase in the valuation was recognised at the period end to reflect that the pub is performing beyond the original business plan.

A £61,000 decrease in the valuation of Future Biogas (SF) Limited was recognised to reflect significant operational issues at the anaerobic digestion plant which have resulted in unplanned down time and performance notably below plan.

The Chapel Street Group consists of three separate investments which together make up the Hotel Indigo in Liverpool: Chapel Street Food and Beverage Limited; Chapel Street Hotel Limited; and Chapel Street Services Limited. In light of an independent valuation, the value of the Group was reduced by £39,000.

Mosaic Spa and Health Clubs Limited, owns and manages two health clubs: The Shrewsbury Club, in Shrewsbury; and Holmer Park, in Hereford. It also provides gym and spa management services to hotels, universities and corporate clients. Both Holmer Park and The Shrewsbury club have underperformed throughout the period against budget and the value has been reduced by £15,000.

Redmed Limited owns and operates two bars in Lincoln city centre: Home; and Craft. As part of a new investment by other Downing VCT funds, Craft was purchased in May 2013. The slight fall in value of £10,000 is due to transaction costs incurred on the deal.

Structured product portfolio

The pool redeemed its last remaining structured product investment during the period, the Elders Capital Accumulator VIII (29A), resulting in a gain in the period of £9,000 and an overall gain against cost of £137,000.

INVESTMENT MANAGER'S REPORT ORDINARY SHARE POOL (continued)

Net asset value

At 30 September 2013, the Ordinary Share NAV stood at 91.3p and the 'A' Share NAV at 0.1p, giving a combined NAV of 91.4p. Total return (NAV plus cumulative dividends to date) was 126.4p for a combined holding of one Ordinary and one 'A' Share. This represents a net increase of 1.5p over the period (after adjusting for dividends paid during the period of 15.0p per Ordinary Share), equivalent to an increase of 1.4%.

Results and dividend

The profit on ordinary activities after taxation for the period was £154,000, comprising a revenue profit of £205,000 and a capital loss of £51,000.

A 2.5p dividend per Ordinary Share will be paid on 24 January 2014 to Shareholders on the register at 3 January 2014.

Outlook

The Ordinary Share pool remains fully invested with a reasonably well diversified qualifying portfolio that is continuing to deliver satisfactory performance. We will continue to closely monitor all investments as we work towards seeking to commence realisations and the return of funds to Shareholders in 2014.

Downing LLP

29 November 2013

SUMMARY OF INVESTMENT PORTFOLIO ORDINARY SHARE POOL

as at 30 September 2013

	Cost £'000	Valuation £'000	Unrealised (loss)/gain in period £'000	% of portfolio by value
Qualifying investments				
Redmed Limited*	999	1,244	(10)	13.1%
Domestic Solar Limited	1,000	1,120	-	11.8%
Atlantic Dogstar Limited	585	971	-	10.2%
Future Biogas (SF) Limited	909	957	(61)	10.1%
Bijou Wedding Venues Limited	815	901	-	9.5%
Quadrate Spa Limited*	635	690	55	7.3%
Quadrate Catering Limited	577	620	17	6.5%
Westow House Limited	405	569	12	6.0%
East Dulwich Tavern Limited	459	536	22	5.6%
The 3D Pub Company Limited*	627	472	-	5.0%
Ecosol Limited	500	425	-	4.5%
Mosaic Spa & Health Clubs Limited*	250	235	(15)	2.5%
Slopingtactic Limited	102	102	-	1.1%
Camandale Limited*	269	30	-	0.3%
Chapel Street Services Limited	75	19	(19)	0.2%
Chapel Street Food and Beverage Limited	75	19	(19)	0.2%
	<u>8,282</u>	<u>8,910</u>	<u>(18)</u>	<u>93.9%</u>
Non-qualifying investments				
Fenkle Street LLP	58	58	-	0.6%
Kilmarnock Monkey Bar Limited	22	22	-	0.2%
Chapel Street Hotel Limited	3	1	(1)	0.0%
	<u>83</u>	<u>81</u>	<u>(1)</u>	<u>0.8%</u>
Total	<u>8,365</u>	<u>8,991</u>	<u>(19)</u>	<u>94.7%</u>
Cash at bank and in hand		502		5.3%
Total investments		<u>9,493</u>		<u>100.0%</u>

* partially non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS**ORDINARY SHARE POOL**

as at 30 September 2013

Disposals	Cost £'000	Valuation at 31/03/2013 £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Elders Capital Accumulator VIII (29A)	485	613	622	137	9
	<u>485</u>	<u>613</u>	<u>622</u>	<u>137</u>	<u>9</u>

INVESTMENT MANAGER'S REPORT

'B' SHARE POOL

The 'B' Share pool holds 21 venture capital investments and three Structured Product investments and is fully invested.

The pool began the period with £11.8 million of venture capital investments and ended the period with £12.0 million. Structured Product investments were £4.7 million at the start of the period and ended at £2.6 million. There were three part disposals of 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 £186,000 to Future Biogas Reepham Road. Small proportions of total cost were returned on three investments during the period: Avon Solar underspent on initial expectations of solar installations and as a result returned £80,000 as loan capital repayment; co-investment from Downing's investment partner at Liverpool Nurseries (Holdings) Limited, resulted in £64,000 of cost being returned to the VCT; and Ridgeway Pub has repaid loan capital amounting to £6,000.

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

Quadrat Spa Limited is the spa and health club located in the Commercial Street Hotel. The hotel as a whole is performing well and an uplift in value of £82,000 has been recognised in the period.

Green Electricity Generation Limited has installed 198 domestic rooftop solar installations since 2011. Strong performance in the period resulted in an increase in value of £38,000 being recognised.

Kidspace Adventure Holdings Limited is the holding company of Kidspace Adventures Limited which owns two indoor children's play centres in Croydon and Romford as well as an adventure park called Hobbledown, located in Surrey. An increase in value of £34,000 is reflective of good performance at the Croydon centre.

Continued on plan performance at Alpha Schools (Holdings) Limited, the independent primary school operator, resulted in an uplift of £28,000 in the period.

A strong performance in the period from Quadrat Catering Limited, the Marco Pierre White restaurant on the top floor of the Commercial Street Hotel, resulted in an uplift of £25,000.

Avon Solar Energy Limited, the domestic solar installer based in Bristol, has increased in value by £15,000 based upon Feed-in Tariff receipts for the last twelve months.

Antelope Pub Limited owns The Antelope public house in Tooting, south London. An uplift of £11,000 has been recognised in the period reflecting the pubs performance.

Liverpool Nurseries (Holdings) Limited operates three Children's Day Nurseries based in Liverpool. The value was reduced in the period by £70,000 due to uncertainty over the achievability of the current financial year's budget.

Mosaic Spa and Health Clubs Limited, owns and manages two health clubs: The Shrewsbury Club, in Shrewsbury; and Holmer Park, in Hereford. It also provides gym and spa management services to hotels, universities and corporate clients. Both Holmer Park and The Shrewsbury club have underperformed throughout the period against budget and the value has been reduced by £41,000.

INVESTMENT MANAGER'S REPORT

'B' SHARE POOL (continued)

Structured product portfolio

The Structured Product portfolio was valued at £2.6 million as at 30 September 2013. During the period, sales and redemptions realised £2.4 million.

Net asset value

At 30 September 2013, the NAV per 'B' Share stood at 84.0p and the NAV per 'C' Share stood at 0.1p, producing a combined total of 84.1p. This is an increase of 1.6p per share (1.9%) since 31 March 2013 (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 101.6p.

Results and dividend

The profit on ordinary activities after taxation for the period was £323,000, comprising a revenue profit of £204,000 and a capital profit of £119,000.

A 2.5p dividend per 'B' Share will be paid on 24 January 2014 to Shareholders on the register at 3 January 2014.

Outlook

The 'B' Share pool is effectively fully invested and is continuing to make progress despite some minor setbacks in the venture capital portfolio. We believe that the portfolio can deliver further growth before we start to seek realisations commencing in 2015 in order to return funds to Shareholders. Although the general economic outlook has become a little more positive in recent months, continued close monitoring and support of the investments remains essential.

Downing LLP

29 November 2013

SUMMARY OF INVESTMENT PORTFOLIO 'B' SHARE POOL

as at 30 September 2013

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Future Biogas (Reepham Road) Limited	1,662	1,662	-	9.9%
Quadrate Spa Limited*	954	1,036	82	6.1%
Quadrate Catering Limited	850	913	25	5.4%
Domestic Solar Limited	800	896	-	5.3%
Antelope Pub Limited	750	840	11	5.0%
Kidspace Adventures Holdings Limited	750	818	34	4.9%
Alpha Schools (Holdings) Limited	733	805	28	4.8%
Liverpool Nurseries (Holdings) Limited	870	800	(70)	4.7%
Green Electricity Generation Limited	500	575	38	3.4%
Mosaic Spa & Health Clubs Limited*	600	559	(41)	3.3%
Westcountry Solar Solutions Limited	500	500	-	3.0%
West Tower Property Limited	500	500	-	3.0%
Avon Solar Energy Limited	420	435	15	2.6%
Ecosol Limited	500	425	-	2.5%
Progressive Energies Limited	340	340	-	2.0%
Slopingtactic Limited	277	277	-	1.6%
Ridgeway Pub Company Limited	131	120	-	0.7%
Camandale Limited	732	81	-	0.5%
	<u>11,869</u>	<u>11,582</u>	<u>122</u>	<u>68.7%</u>
Non-qualifying investments				
Commercial Street Hotel Limited	185	185	-	1.1%
Fenkle Street LLP	154	154	-	0.9%
Kilmarnock Monkey Bar Limited	60	60	-	0.4%
	<u>399</u>	<u>399</u>	<u>-</u>	<u>2.4%</u>
Structured product investments				
Barclays 5Y Synthetic Zero	1,003	1,347	19	8.0%
HSBC US Trade Range	752	1,003	(8)	6.0%
UBS 7.3% Defensive-Worst-Of-Auto-Call	251	255	4	1.5%
	<u>2,006</u>	<u>2,605</u>	<u>15</u>	<u>15.5%</u>
Total	<u><u>14,274</u></u>	<u><u>14,586</u></u>	<u><u>137</u></u>	<u><u>86.6%</u></u>
Cash at bank and in hand		2,266		13.4%
Total investments		<u><u>16,852</u></u>		<u><u>100.0%</u></u>

* partially non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS 'B' SHARE POOL

as at 30 September 2013

Additions

	£'000
Qualifying investments	
Future Biogas (Reepham Road) Limited	186
	<u>186</u>
Structured Products investments	
UBS 7.3% Defensive Worst-Of-Auto-Call	250
	<u>250</u>
Total	<u>436</u>

Disposals	Cost £'000	Valuation at 31/03/2013 £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Qualifying investments					
Avon Solar Energy Limited	80	80	80	-	-
Ridgeway Pub Company Limited	6	6	6	-	-
	<u>86</u>	<u>86</u>	<u>86</u>	<u>-</u>	<u>-</u>
Non-qualifying investments					
Liverpool Nurseries (Holdings) Limited	64	64	64	-	-
	<u>64</u>	<u>64</u>	<u>64</u>	<u>-</u>	<u>-</u>
Structured Product investments					
Elders Capital Accumulator VIII (29A)	971	1,226	1,244	273	18
Goldman Sachs 6YR Phoenix Autocall 3	1,003	1,108	1,135	132	27
	<u>1,974</u>	<u>2,334</u>	<u>2,379</u>	<u>405</u>	<u>45</u>
Total	<u>2,124</u>	<u>2,484</u>	<u>2,529</u>	<u>405</u>	<u>45</u>

INVESTMENT MANAGER'S REPORT

'D' SHARE POOL

The 'D' Share pool completed fundraising in August 2012, raising net proceeds of approximately £1.5 million during the period and total net proceeds of £7.5 million. To date, the pool has invested £2.8 million in nine venture capital investments and £2.5 million in seven Structured Product investments.

The pool began the period with £2.2 million of venture capital investments and ended the period with £2.5 million. Structured Product investments were £1.7 million at the start of the period and ended at £2.5 million. Two Structured Product investments matured in the period. There were no disposals of venture capital investments.

Portfolio activity

During the period, one new investment of £280,000 was made in Pearce and Saunders. The company was set up to purchase the freehold of three south London pubs: Jam Circus in Brockley; Old Post Office in Eltham; and John Jakson in Wallington. Six Structured Product investments of £2.0 million were also made.

Portfolio valuation

All venture capital investments have continued to perform broadly within expected levels and have consequently been held at their previous valuations, which, in most cases, is equal to original cost.

During the period, the Structured Product portfolio made unrealised gains of £10,000 and realised gains of £15,000 from two investments that matured.

Net asset value

At 30 September 2013, the NAV per 'D' Share stood at 85.3p per share; an increase of 0.1p per share (0.1%) since 31 March 2013 (after taking into account the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'D' Share now totals 92.8p.

Results and dividend

The profit on ordinary activities after taxation for the period was £3,000, comprising a revenue profit of £3,000 and a capital profit of nil.

A 2.5p dividend per 'D' Share will be paid on 24 January 2014 to Shareholders on the register at 3 January 2014.

Outlook

The venture capital and Structured Product portfolio within the 'D' Share pool are currently of a similar size. Over the remainder of the year, we expect to see further of the uninvested cash employed in venture capital investments and, if suitable opportunities arise, consideration will be also given to further Structured Product investments. In the medium term, the Structured Product portfolio will reduce in size as funds are switched to develop the venture capital portfolio in order that the pool is at least 70% invested in VCT qualifying investments and is well placed for its target exit date commencing in 2017.

Downing LLP

29 November 2013

SUMMARY OF INVESTMENT PORTFOLIO 'D' SHARE POOL

as at 30 September 2013

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Qualifying investments				
Tor Solar PV Limited	640	640	-	9.5%
Vulcan Renewables Limited	560	560	-	8.3%
Fubar Stirling Limited	357	357	-	5.3%
City Falkirk Limited	562	326	-	4.8%
Pearce and Saunders Limited*	280	280	-	4.1%
Fresh Green Power Limited	200	200	-	3.0%
Green Energy Productions UK Limited	100	100	-	1.4%
Cheers Dumbarton Limited	64	64	-	0.9%
Lochrise Limited	17	-	-	0.0%
	<u>2,780</u>	<u>2,527</u>	<u>-</u>	<u>37.3%</u>
Structured product investments				
Royal Bank of Canada 8% worst of AC	501	532	8	7.9%
HSBC 5.4% Dual Index Synthetic Zero	501	505	4	7.5%
Barclays 7.75% Defensive Worst-Of-Auto-Call	401	400	(1)	5.9%
Goldman Sachs 8.5% Defensive Worst-Of-Auto-Call	351	350	(1)	5.2%
UBS 7.3% Defensive Worst-Of-Auto-Call	251	255	4	3.8%
HSBC 7.1% Defensive Worst-Of-Auto-Call	251	251	-	3.7%
Credit Suisse 7% Defensive Worst-Of-Auto-Call	251	247	(4)	3.6%
	<u>2,507</u>	<u>2,540</u>	<u>10</u>	<u>37.6%</u>
Total	<u>5,287</u>	<u>5,067</u>	<u>10</u>	<u>74.9%</u>
Cash at bank and in hand		1,704		25.1%
Total investments		<u>6,771</u>		<u>100.0%</u>

* partially non-qualifying

SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

as at 30 September 2013

Additions

	£'000
Qualifying investments	
Pearce and Saunders Limited*	280
	<u>280</u>
Structured products	
HSBC 5.4% Dual Index Synthetic Zero	501
Barclays 7.75% Defensive Worst-Of-Auto-Call	401
Goldman Sachs 8.5% Defensive Worst-Of-Auto-Call	351
Credit Suisse 7% Defensive Worst-Of-Auto-Call	251
UBS 7.3% Defensive Worst-Of-Auto-Call	251
HSBC 7.1% Defensive Worst-Of-Auto-Call	251
	<u>2,006</u>
	<u><u>2,286</u></u>

Disposals	Cost £'000	Valuation at 31/03/2013 £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
Structured products					
Credit Suisse 7.25% FTSE Autocall	523	565	575	52	10
JP Morgan 7% Defensive FTSE AC	517	565	570	53	5
	<u>1,040</u>	<u>1,130</u>	<u>1,145</u>	<u>105</u>	<u>15</u>

* partially non-qualifying

UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2013

Company Total	Six months ended 30 Sept 2013			Six months ended 30 Sept 2012			Year ended 31 Mar 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	843	-	843	595	-	595	1,704
Gains on investments							
- realised	-	69	69	-	70	70	180
- unrealised	-	128	128	-	626	626	1,138
	843	197	1,040	595	696	1,291	3,022
Investment management fees	(129)	(129)	(258)	(129)	(128)	(257)	(516)
Other expenses	(201)	-	(201)	(190)	-	(190)	(375)
Return on ordinary activities before taxation	513	68	581	276	568	844	2,131
Taxation	(101)	-	(101)	-	-	-	(112)
Return attributable to equity shareholders	412	68	480	276	568	844	2,019
Return per Ordinary Share	2.0p	(0.5p)	1.5p	2.3p	3.3p	5.6p	11.2p
Return per 'A' Share	-	-	-	-	-	-	-
Return per 'B' Share	1.0p	0.6p	1.6p	0.4p	0.6p	1.0p	5.1p
Return per 'C' Share	-	-	-	-	-	-	-
Return per 'D' Share	0.0p	0.0p	0.0p	(0.5p)	1.3p	0.8p	(1.9p)

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 2013

	Six months ended 30 Sept 2013			Six months ended 30 Sept 2012			Year ended 31 Mar 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ordinary Share pool							
Income	365	-	365	333	-	333	827
Gains/(losses) on investments							
- realised	-	9	9	-	22	22	38
- unrealised	-	(19)	(19)	-	359	359	651
	<u>365</u>	<u>(10)</u>	<u>355</u>	<u>333</u>	<u>381</u>	<u>714</u>	<u>1,516</u>
Investment management fees	(41)	(41)	(82)	(38)	(38)	(76)	(156)
Other expenses	(70)	-	(70)	(59)	-	(59)	(116)
	<u>(111)</u>	<u>(41)</u>	<u>(152)</u>	<u>(97)</u>	<u>(38)</u>	<u>(135)</u>	<u>(272)</u>
Return on ordinary activities before taxation	254	(51)	203	236	343	579	1,244
Taxation	(49)	-	(49)	-	-	-	(86)
	<u>(49)</u>	<u>-</u>	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86)</u>
Return attributable to equity shareholders	205	(51)	154	236	343	579	1,158

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2013

	Six months ended 30 Sept 2013			Six months ended 30 Sept 2012			Year ended 31 Mar 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
'B' Share pool							
Income	412	-	412	232	-	232	808
Gains on investments							
- realised	-	45	45	-	31	31	36
- unrealised	-	137	137	-	157	157	622
	<u>412</u>	<u>182</u>	<u>594</u>	<u>232</u>	<u>188</u>	<u>420</u>	<u>1,466</u>
Investment management fees	(63)	(63)	(126)	(64)	(64)	(128)	(252)
Other expenses	(93)	-	(93)	(94)	-	(94)	(184)
	<u>(156)</u>	<u>(63)</u>	<u>(219)</u>	<u>(158)</u>	<u>(64)</u>	<u>(222)</u>	<u>(436)</u>
Return on ordinary activities before taxation	256	119	375	74	124	198	1,030
Taxation	(52)	-	(52)	-	-	-	(26)
	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>
Return attributable to equity shareholders	204	119	323	74	124	198	1,004

UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2013

	Six months ended 30 Sept 2013			Six months ended 30 Sept 2012			Year ended 31 Mar 2013
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
'D' Share pool							
Income	66	-	66	30	-	30	69
Gains on investments							
- realised	-	15	15	-	17	17	106
- unrealised	-	10	10	-	110	110	(135)
	<u>66</u>	<u>25</u>	<u>91</u>	<u>30</u>	<u>127</u>	<u>157</u>	<u>40</u>
Investment management fees	(25)	(25)	(50)	(27)	(26)	(53)	(108)
Other expenses	(38)	-	(38)	(37)	-	(37)	(75)
	<u>(63)</u>	<u>(25)</u>	<u>(88)</u>	<u>(64)</u>	<u>(26)</u>	<u>(90)</u>	<u>(183)</u>
Return on ordinary activities before taxation	3	-	3	(34)	101	67	(143)
Taxation	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return attributable to equity shareholders	<u>3</u>	<u>-</u>	<u>3</u>	<u>(34)</u>	<u>101</u>	<u>67</u>	<u>(143)</u>

UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2013

	30 Sept 2013				30 Sept 2012	31 Mar 2013
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000
Fixed assets						
Investments	8,991	14,586	5,067	28,644	30,750	30,020
Current assets						
Debtors	170	145	12	327	155	235
Cash at bank and in hand	502	2,266	1,704	4,472	3,909	4,972
	<u>672</u>	<u>2,411</u>	<u>1,716</u>	<u>4,799</u>	<u>4,064</u>	<u>5,207</u>
Creditors: amounts falling due within one year	(217)	(211)	(59)	(487)	(268)	(471)
Net current assets	455	2,200	1,657	4,312	3,796	4,736
Net assets	<u>9,446</u>	<u>16,786</u>	<u>6,724</u>	<u>32,956</u>	<u>34,546</u>	<u>34,756</u>
Capital and reserves						
Called up share capital	25	50	8	83	84	84
Capital redemption reserve	5	-	-	5	5	5
Share premium	2,794	-	7,446	10,240	10,239	10,240
Special reserve	4,323	15,721	-	20,044	21,746	21,736
Revaluation reserve	626	312	(220)	718	897	1,167
Capital reserve – realised	1,149	542	(459)	1,232	1,479	1,153
Revenue reserve	524	161	(51)	634	96	371
Equity shareholders' funds	<u>9,446</u>	<u>16,786</u>	<u>6,724</u>	<u>32,956</u>	<u>34,546</u>	<u>34,756</u>
Net asset value per:						
Ordinary Share	91.3				101.7p	104.8p
'A' Share	0.1				0.1p	0.1p
'B' Share		84.0			83.4p	84.9p
'C' Share		0.1			0.1p	0.1p
'D' Share			85.3		92.9p	87.7p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2013

	30 Sept 2013				30 Sept 2012	31 Mar 2013
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000
Opening Shareholders' funds	10,877	16,962	6,917	34,756	33,287	33,287
Issue of shares	-	-	-	-	3,028	3,025
Share issue costs	-	-	-	-	(167)	(166)
Purchase of own shares	(30)	-	-	(30)	-	(10)
Unallotted 'D' Shares	-	-	-	-	(1,491)	(1,491)
Dividends	(1,555)	(499)	(196)	(2,250)	(955)	(1,908)
Total recognised gains for the period	154	323	3	480	844	2,019
Closing Shareholders' funds	<u>9,446</u>	<u>16,786</u>	<u>6,724</u>	<u>32,956</u>	<u>34,546</u>	<u>34,756</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2013

	30 Sept 2013				30 Sept 2012	31 Mar 2013	
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000	
Cash inflow/(outflow) from operating activities and returns on investments	1	149	108	(51)	206	31	710
Capital expenditure							
Purchase of investments		-	(436)	(2,286)	(2,722)	(3,142)	(5,415)
Sale of investments		622	2,529	1,145	4,296	3,074	6,056
Movements in deposit held for purchase of investments		-	-	-	-	-	640
Net cash inflow/(outflow) from capital expenditure		622	2,093	(1,141)	1,574	(68)	1,281
Equity dividends paid		(1,555)	(499)	(196)	(2,250)	(955)	(1,908)
Net cash (outflow)/inflow before financing		(784)	1,702	(1,388)	(470)	(992)	83
Financing							
Proceeds from 'D' Share issue		-	-	-	-	3,028	1,534
Share issue costs		-	-	-	-	(167)	(166)
Unallotted 'D' Shares		-	-	-	-	(1,491)	-
Purchase of own shares		(30)	-	-	(30)	-	(10)
Net cash (outflow)/inflow from financing		(30)	-	-	(30)	1,370	1,358
(Decrease)/increase in cash	2	(814)	1,702	(1,388)	(500)	378	1,441

Notes to the cash flow statement:

1 Cash inflow/(outflow) from operating activities and returns on investments

Return on ordinary activities before taxation	203	375	3	581	844	2,131
(Gains)/losses on investments	10	(182)	(25)	(197)	(696)	(1,316)
(Increase) in other debtors	(36)	(45)	(10)	(91)	(80)	(159)
(Decrease)/increase in other creditors	(28)	(40)	(19)	(87)	(37)	54
Net cash inflow/(outflow) from operating activities	149	108	(51)	206	31	710

2 Analysis of net funds

Beginning of period	1,316	564	3,092	4,972	3,531	3,531
Net cash (outflow)/inflow	(814)	1,702	(1,388)	(500)	378	1,441
End of period	502	2,266	1,704	4,472	3,909	4,972

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Basis of accounting

The unaudited half-yearly results cover the six months to 30 September 2013 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 March 2013 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 10,327,107 Ordinary Shares, 15,526,688 'A' Shares, 19,936,370 'B' Shares, 29,926,070 '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 10,354,540 Ordinary Shares, 15,543,186 'A' Shares, 19,936,370 'B' Shares, 29,926,070 '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 15 July 2013	259	1,296	1,555
'B' Shares	Revenue	Capital	Total
	£'000	£'000	£'000
Paid in period			
Final – paid 9 September 2013	149	350	499
'D' Shares	Revenue	Capital	Total
	£'000	£'000	£'000
Paid in period			
Final – paid 9 September 2013	-	196	196

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 2013	10,240	21,736	1,167	1,153	371	5
Purchase of own shares	-	(30)	-	-	-	-
Gains on investments	-	-	128	69	-	-
Expenses capitalised	-	-	-	(128)	-	-
Dividends	-	-	-	(2,101)	(149)	-
Transfer between reserves	-	(1,662)	(577)	2,239	-	-
Retained revenue	-	-	-	-	412	-
At 30 September 2013	<u>10,240</u>	<u>20,044</u>	<u>718</u>	<u>1,232</u>	<u>634</u>	<u>5</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £1,705,000. Distributable reserves at 30 September 2013 were £20,205,000.

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 ("PwC") to provide regular reviews and advice in this area. PwC have confirmed that all relevant tests have been complied with for the period under review. 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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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.

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 (27 November 2013):	81.0p per share	79.5p per share	85.5p per share

	'A' Shares	'C' Shares
TIDM codes	DO1A	DO1C
Latest share price (27 November 2013):	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 Asset Services, 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.capitaassetservices.com and select "Shareholders and employees".

Directors

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Robin Chamberlayne
Mark Mathias

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(calls cost 10p per minute plus network extras,
lines open Monday to Friday 8:30am to 5:30pm)
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