

# Downing Structured Opportunities VCT 1 PLC

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Half-Yearly Report for  
the six months ended  
30 September 2014

## SHAREHOLDER INFORMATION

### Performance summary

	30 Sep 2014 pence	31 Mar 2014 pence	30 Sep 2013 pence
<b>Ordinary Share pool</b>			
Net asset value per Ordinary Share	93.5	92.2	91.3
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative dividends per Ordinary Share	40.0	37.5	35.0
Total return per Ordinary Share and 'A' Share	<u>133.6</u>	<u>129.8</u>	<u>126.4</u>
<b>'B' Share pool</b>			
Net asset value per 'B' Share	74.6	82.3	84.0
Net asset value per 'C' Share	0.1	0.1	0.1
Cumulative dividends per 'B' Share	30.0	20.0	17.5
Total return per 'B' Share and 'C' Share	<u>104.7</u>	<u>102.4</u>	<u>101.6</u>
<b>'D' Share pool</b>			
Net asset value per 'D' Share	81.2	83.0	85.3
Cumulative dividends per 'D' Share	12.5	10.0	7.5
Total return per 'D' Share	<u>93.7</u>	<u>93.0</u>	<u>92.8</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](http://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. 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 2014. The Company continues to operate three share pools each at differing stages in their life. Generally the Board has remained satisfied with progress, particularly in the Ordinary Share pool, which is now in the exit phase.

## Ordinary Share pool

At 30 September 2014, the combined net asset value ("NAV") of one Ordinary Share and one 'A' Share stood at 93.6p; an increase of 3.8p (4.1%) since 31 March 2014 (after the dividend paid during the period of 2.5p per Ordinary Share). The NAV plus cumulative dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share ("Total Return") now totals 133.6p. Ordinary Shareholders should note that a Management 'A' Share dividend may be payable as described below.

Exit processes are already underway for many of the Ordinary Share pool's 18 investments. Realisations will be achieved by a variety of means including trade sales and refinancing. As a result, the exact timing of when disposal proceeds will be received is difficult to forecast precisely. We anticipate that the Company will be in a position to declare a dividend in excess of 25.0p per Ordinary Share, early in the New Year. We believe that a further significant distribution may then be made in the second quarter of 2015, after which the majority of the remaining value will have been returned.

Ordinary Shareholders should note that, assuming exits are achieved in a timely manner and at current book value, it is likely that the hurdles for the payment of dividends on the 'A' Shares will be met. It is estimated that the value of such dividends payable to the Management 'A' Shares will be equivalent to approximately 7p per Ordinary Share i.e. Total Return to Shareholders who subscribed for one Ordinary Share and one 'A' Share at the Company's outset would be 126.6p.

## 'B' Share pool

At 30 September 2014, the combined NAV of one 'B' Share and one 'C' Share stood at 74.7p; an increase of 2.3p per share (2.8%) since 31 March 2014 (after the 10.0p dividend paid during the period). The NAV plus cumulative dividends paid to date for a combined holding of one 'B' Share and one 'C' Share now totals 104.7p.

Plans are also progressing to exit from the 'B' Share pool investments. The Manager anticipates that the first of these will occur in the first quarter in 2015. 'B' Shareholders can expect their first return of capital distribution in the second quarter of 2015.

## 'D' Share pool

At 30 September 2014, the NAV per 'D' Share stood at 81.2p per share; an increase of 0.7p per share (0.8%) since 31 March 2014 (after the 2.5p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'D' Share now totals 93.7p.

The process of building the initial 'D' Share Venture Capital portfolio is now approaching completion. This allows some time for the investments to grow and develop ahead of the scheduled commencement of the exit process in 2017.

Each of the share pools is covered in more detail in the specific Investment Manager's Reports on pages 3 to 10.

## Dividends

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

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

Each of the dividends will be paid on 30 January 2015 to Shareholders on the register at 5 January 2015.

## CHAIRMAN'S STATEMENT (continued)

### Dividends (continued)

#### Ordinary Shares

No interim dividend is being declared in respect of the Ordinary Shares at this time as the Board expects to make an announcement about a significant distribution returning funds to Ordinary Shareholders early in the New Year, as previously referred to.

#### Share buybacks

As both the Ordinary Share pool and 'B' Share pool are now in, or approaching, their exit phase, the Board does not intend to undertake any further share buybacks in respect of the shares relevant to those pools, namely the Ordinary Shares, 'A' Shares, 'B' Shares and 'C' Shares. The Board intends to preserve cash so that it can be distributed to all relevant Shareholders in due course.

In respect of the 'D' Shares, The Company operates a share buyback policy whereby, subject to any liquidity and regulatory restrictions, it will buy in 'D' Shares that become available in the market for cancellation at a price equivalent to net asset value i.e. at nil discount.

### Outlook

During the remainder of the financial year, the Board expects the Company to make a good start in returning funds to Ordinary Shareholders and for realisation plans for the 'B' Share pool to be significantly progressed.

The exit for the 'D' Share pool is not scheduled to commence until 2017. As a result, the Manager's main focus over the remainder of the year will be on close monitoring of the investments and ensuring that they are well positioned to take advantage of the improving economic conditions.

The Board is continuing to explore the possibility of a merger with one or more other VCTs, which may provide some attractive benefits to Shareholders. Naturally the Board will be in communication as and when there is any news to report.



**Lord Flight**  
Chairman

28 November 2014

## INVESTMENT MANAGER'S REPORT ORDINARY SHARE POOL

The Ordinary Share pool holds a portfolio of 18 Venture Capital investments with a value of £8.5 million. The majority of the Ordinary Share pool's investments have continued to perform at least in line with expectations and plans for the realisations are progressing well.

### **Portfolio activity** *Unquoted portfolio*

The significant valuation movements in the period are summarised as follows:

Atlantic Dogstar Limited, East Dulwich Tavern Limited and Westow House Limited are three companies that have been valued on the basis of the sales proceeds expected to be generated from the pubs they operate, adjusted for an appropriate discount.

Westow House Limited owns the Westow House, a pub in Crystal Palace, South London. Atlantic Dogstar Limited owns two pubs in London: The Dogstar in Brixton and The Clapton Hart in Clapton. East Dulwich Tavern Limited owns a London pub of the same name. Based on estimated market value, an uplift of £225,000 for the three companies over the period has been recognised.

### **Structured Product portfolio**

The Ordinary Share pool no longer holds any Structured Products.

### **Net asset value**

At 30 September 2014, the Ordinary Share NAV stood at 93.5p and the 'A' Share NAV at 0.1p, giving a combined NAV of 93.6p. Total return (NAV plus cumulative dividends to date) was 133.6p for a combined holding of one Ordinary and one 'A' Share. This represents a net increase of 3.8p over the period (after adjusting for dividends paid during the period of 2.5p per Ordinary Share), equivalent to an increase of 4.1%.

Ordinary Shareholders should note that a dividend of up to the equivalent of approximately 7p for a combined holding of one Ordinary Share and one 'A' Share may be payable on the Management 'A' Shares if the required hurdles are met.

### **Results and dividend**

The profit on ordinary activities after taxation for the period was £391,000, comprising a revenue profit of £188,000 and a capital profit of £203,000.

No interim dividend will be paid this year as any available cash will be added to the planned return of capital payment early in the New Year.

### **Outlook**

Our focus with the Ordinary Share portfolio has now turned to exits and a significant number of realisations plans are being progressed. We are optimistic that investment exits can be achieved in a timely manner and at values equal to or in excess of current carrying value.

Current plans should result in a number of exits by the end of the year such that the Company will be in a position to pay a significant distribution early in 2015.

### **Downing LLP**

28 November 2014

## SUMMARY OF INVESTMENT PORTFOLIO ORDINARY SHARE POOL

as at 30 September 2014

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
<b>Qualifying investments</b>				
Atlantic Dogstar Limited	585	1,244	229	12.8%
Redmed Limited*	914	1,159	-	11.9%
Future Biogas (SF) Limited*	1,009	1,137	-	11.7%
Domestic Solar Limited	1,000	1,120	-	11.5%
Quadrate Spa Limited*	636	636	-	6.5%
Quadrate Catering Limited	577	629	-	6.5%
East Dulwich Tavern Limited	459	597	51	6.1%
Westow House Limited	405	581	(55)	6.0%
The 3D Pub Co Limited*	627	549	-	5.6%
Ecosol Limited	500	425	-	4.4%
Mosaic Spa and Health Clubs Limited*	250	211	-	2.2%
Slopingtactic Limited	102	117	15	1.2%
Camandale Limited*	269	24	-	0.2%
Chapel Street Food and Beverage Limited	75	19	-	0.2%
Chapel Street Services Limited	75	19	-	0.2%
	<u>7,483</u>	<u>8,467</u>	<u>240</u>	<u>87.0%</u>
<b>Non-qualifying investments</b>				
Fenkle Street LLP	58	58	-	0.6%
Kilmarnock Monkey Bar Limited	22	22	-	0.2%
Chapel Street Hotel Limited	3	1	-	0.0%
	<u>83</u>	<u>81</u>	<u>-</u>	<u>0.8%</u>
<b>Total</b>	<u><u>7,566</u></u>	<u><u>8,548</u></u>	<u><u>240</u></u>	<u><u>87.8%</u></u>
<b>Cash at bank and in hand</b>		1,185		12.2%
<b>Total investments</b>		<u><u>9,733</u></u>		<u><u>100.0%</u></u>

\* partially non-qualifying

There were no additions or disposals during the period.

# INVESTMENT MANAGER'S REPORT

## 'B' SHARE POOL

The 'B' Share pool holds 21 Venture Capital investments and two Structured Product investments and is fully invested. Plans for exits from investments are developing well such that we are targeting a first significant return of capital to 'B' Shareholders in the second quarter of 2015.

### **Portfolio activity** *Unquoted portfolio*

The significant valuation movements in the period are summarised as follows:

Alpha Schools Holdings Limited, the independent primary school operator, has performed to plan and an increase of £71,000 has been made to the valuation.

The valuation of Slopingtactic Limited was increased by £43,000. The company is the owner and operator of the Lamb and Lion freehold public house in York.

Generally, the solar arrays owned by a number of investments within the portfolio are producing good yields. Progressive Energies Limited, which owns a portfolio of PV panels on residential roofs, has supported an increase in valuation of £41,000.

### **Structured Product portfolio**

The Structured Product portfolio was valued at £2.4 million as at 30 September 2014. During the period, sales and redemptions realised £268,000.

### **Net asset value**

At 30 September 2014, the NAV per 'B' Share stood at 74.6p and the NAV per 'C' Share stood at 0.1p, producing a combined total of 74.7p. This is an increase of 2.3p per share (2.8%) since 31 March 2014 (after taking into account the 10.0p dividend paid during the period). The NAV plus cumulative dividends paid to date for one 'B' Share and one 'C' Share amounts to 104.7p.

### **Results and dividend**

The profit on ordinary activities after taxation for the period was £456,000, comprising a revenue profit of £311,000 and a capital profit of £145,000.

A 2.5p dividend per 'B' Share will be paid on 30 January 2015 to Shareholders on the register at 5 January 2015.

### **Outlook**

We remain reasonably satisfied with the 'B' Share portfolio and believe that there are some prospects for further growth before we start to seek realisations commencing in 2015 in order to return funds to Shareholders. A number of investment exit plans are developing well and we are confident that the Company will be in a position to make the first capital distribution to 'B' Shareholders soon after the fifth anniversary of the close of the 'B' Share offer.

### **Downing LLP**

28 November 2014

## SUMMARY OF INVESTMENT PORTFOLIO 'B' SHARE POOL

as at 30 September 2014

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
<b>Qualifying investments</b>				
Future Biogas (Reepham Road) Limited	1,662	1,662	-	11.1%
Quadrate Spa Limited*	954	985	31	6.5%
Quadrate Catering Limited	850	926	-	6.1%
Kidspace Adventures Holdings Limited	750	896	-	5.9%
Domestic Solar Limited	800	896	-	5.9%
Antelope Pub Limited	750	885	16	5.8%
Alpha Schools Holdings Limited	733	876	71	5.8%
Liverpool Nurseries (Holdings) Limited	870	772	-	5.1%
Green Electricity Generation Limited	500	605	-	4.0%
Westcountry Solar Solutions Limited	500	500	-	3.3%
West Tower Property Limited	500	500	-	3.3%
Mosaic Spa and Health Clubs Limited*	600	493	-	3.3%
Ecosol Limited	500	425	-	2.8%
Avon Solar Energy Limited	420	420	-	2.8%
Progressive Energies Limited	340	381	41	2.5%
Slopingtactic Limited	277	320	43	2.1%
Ridgeway Pub Company Limited	137	126	-	0.8%
Camandale Limited*	732	33	(32)	0.2%
	<b>11,875</b>	<b>11,701</b>	<b>170</b>	<b>77.3%</b>
<b>Non-qualifying investments</b>				
Commercial Street Hotel Limited	185	185	-	1.2%
Fenkle Street LLP	154	154	-	1.0%
Kilmarnock Monkey Bar Limited	60	60	-	0.4%
	<b>399</b>	<b>399</b>	<b>-</b>	<b>2.6%</b>
<b>Structured Product investments</b>				
Barclays 5Y Synthetic Zero	1,003	1,382	17	9.1%
HSBC 5.67% Defensive Worst of Auto Call	953	978	16	6.5%
	<b>1,956</b>	<b>2,360</b>	<b>33</b>	<b>15.6%</b>
<b>Total</b>	<b>14,230</b>	<b>14,460</b>	<b>203</b>	<b>95.5%</b>
<b>Cash at bank and in hand</b>		<b>674</b>		<b>4.5%</b>
<b>Total investments</b>		<b>15,134</b>		<b>100.0%</b>

\* partially non-qualifying



## SUMMARY OF INVESTMENT MOVEMENTS

### 'B' SHARE POOL

as at 30 September 2014

Disposals	Cost £'000	Valuation at 31/03/2014 £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
<b>Structured Product investments</b>					
UBS 7.3% Defensive Worst of Auto Call	251	265	268	17	3
<b>Total</b>	<b>251</b>	<b>265</b>	<b>268</b>	<b>17</b>	<b>3</b>

## INVESTMENT MANAGER'S REPORT 'D' SHARE POOL

At 30 September 2014, the 'D' Share pool held 12 Venture Capital investments with a value of £3.8 million and five Structured Product investments with a value of £1.7 million.

### **Portfolio activity** *Unquoted portfolio*

During the period two new Venture Capital investments were made totalling £794,000. There were no disposals.

£294,000 has been invested in Grasshopper 2007 Limited. The company owns and operates a pub in Kent which also operates as a restaurant and wedding venue.

In July 2014, £500,000 was invested in Lambridge Solar Limited. The company is building ground mounted solar panels in Lincolnshire. The systems will qualify for Renewable Obligations Certificates (ROCs).

### **Portfolio valuation**

There were no changes to valuations of Venture Capital investments in the period.

### **Structured Product portfolio**

The Structured Product portfolio was valued at £1.7 million as at 30 September 2014. During the period sales and redemptions realised £699,000.

### **Net asset value**

At 30 September 2014, the NAV per 'D' Share stood at 81.2p per share; an increase of 0.7p per share (0.8%) since 31 March 2014 (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 93.7p.

### **Results and dividend**

The profit on ordinary activities after taxation for the period was £53,000, comprising a revenue profit of £28,000 and a capital profit of £25,000.

A 2.5p dividend per 'D' Share will be paid on 30 January 2015 to Shareholders on the register at 5 January 2015.

### **Outlook**

Over the remainder of the year, we expect to see further 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**

28 November 2014

## SUMMARY OF INVESTMENT PORTFOLIO 'D' SHARE POOL

as at 30 September 2014

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
<b>Qualifying investments</b>				
Tor Solar PV Limited	640	640	-	9.9%
Vulcan Renewables Limited	588	588	-	9.1%
Goonhilly Earth Station Limited	570	570	-	8.8%
Lambridge Solar Limited	500	500	-	7.8%
Fubar Stirling Limited	358	358	-	5.6%
Grasshopper 2007 Limited	294	294	-	4.6%
Pearce and Saunders Limited*	280	280	-	4.3%
City Falkirk Limited	562	275	-	4.3%
Fresh Green Power Limited	200	200	-	3.1%
Green Energy Production UK Limited	100	100	-	1.6%
Cheers Dumbarton Limited	64	22	-	0.3%
Lochrise Limited	17	-	-	-
	<u>4,173</u>	<u>3,827</u>	-	59.4%
<b>Structured Product investments</b>				
HSBC 5.4% Dual Index Synthetic Zero	501	537	12	8.3%
Goldman Sachs 8.5% Defensive Worst Of Auto Call	351	384	13	6.0%
Credit Suisse 7% Defensive Worst Of Auto Call	251	268	7	4.2%
HSBC 7.1% Defensive Worst Of Auto Call	251	262	3	4.1%
HSBC 5.67% Defensive Worst Of Auto Call	251	257	4	4.0%
	<u>1,605</u>	<u>1,708</u>	<u>39</u>	<u>26.6%</u>
<b>Total</b>	<u>5,778</u>	<u>5,535</u>	<u>39</u>	<u>86.0%</u>
<b>Cash at bank and in hand</b>		908		14.0%
<b>Total investments</b>		<u>6,443</u>		<u>100.0%</u>

\* partially non-qualifying

## SUMMARY OF INVESTMENT MOVEMENTS 'D' SHARE POOL

as at 30 September 2014

### Additions

	£'000
<b>Qualifying investments</b>	
Lambridge Solar Limited	500
Grasshopper 2007 Limited	294
	<u>794</u>

Disposals	Cost £'000	Valuation at 31/03/2014 £'000	Disposal proceeds £'000	Total gain against cost £'000	Realised gain in period £'000
<b>Structured Products</b>					
UBS 7.3% Defensive Worst Of Auto Call	251	265	268	17	3
Barclays 7.75% Defensive Worst Of Auto Call	401	424	431	30	7
	<u>652</u>	<u>689</u>	<u>699</u>	<u>47</u>	<u>10</u>

## UNAUDITED INCOME STATEMENT

for the six months ended 30 September 2014

	Six months ended 30 Sep 2014			Six months ended 30 Sep 2013			Year ended 31 Mar 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
<b>Company Total</b>							
Income	1,167	-	1,167	843	-	843	1,705
Gains on investments							
- realised	-	13	13	-	69	69	65
- unrealised	-	482	482	-	128	128	318
	<u>1,167</u>	<u>495</u>	<u>1,662</u>	<u>843</u>	<u>197</u>	<u>1,040</u>	<u>2,088</u>
Investment management fees	(123)	(121)	(244)	(129)	(129)	(258)	(500)
Other expenses	(349)	(1)	(350)	(201)	-	(201)	(368)
<b>Return on ordinary activities before taxation</b>	<u>695</u>	<u>373</u>	<u>1,068</u>	<u>513</u>	<u>68</u>	<u>581</u>	<u>1,220</u>
Taxation	(168)	-	(168)	(101)	-	(101)	(223)
<b>Return attributable to equity shareholders</b>	<u>527</u>	<u>373</u>	<u>900</u>	<u>412</u>	<u>68</u>	<u>480</u>	<u>997</u>
<b>Return per Ordinary Share</b>	<b>1.8p</b>	<b>2.0p</b>	<b>3.8p</b>	<b>2.0p</b>	<b>(0.5p)</b>	<b>1.5p</b>	<b>4.8p</b>
<b>Return per 'A' Share</b>	-	-	-	-	-	-	-
<b>Return per 'B' Share</b>	<b>1.6p</b>	<b>0.7p</b>	<b>2.3p</b>	<b>1.0p</b>	<b>0.6p</b>	<b>1.6p</b>	<b>2.4p</b>
<b>Return per 'C' Share</b>	-	-	-	-	-	-	-
<b>Return per 'D' Share</b>	<b>0.4p</b>	<b>0.3p</b>	<b>0.7p</b>	<b>0.0p</b>	<b>0.0p</b>	<b>0.0p</b>	<b>0.3p</b>

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 2014

	Six months ended 30 Sep 2014			Six months ended 30 Sep 2013			Year ended 31 Mar 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
<b>Ordinary Share pool</b>							
Income	389	-	389	365	-	365	644
Gains/(losses) on investments							
- realised	-	-	-	-	9	9	42
- unrealised	-	240	240	-	(19)	(19)	183
	<u>389</u>	<u>240</u>	<u>629</u>	<u>365</u>	<u>(10)</u>	<u>355</u>	<u>869</u>
Investment management fees	(36)	(36)	(72)	(41)	(41)	(82)	(152)
Other expenses	(106)	(1)	(107)	(70)	-	(70)	(128)
<b>Return on ordinary activities before taxation</b>	<u>247</u>	<u>203</u>	<u>450</u>	<u>254</u>	<u>(51)</u>	<u>203</u>	<u>589</u>
Taxation	(59)	-	(59)	(49)	-	(49)	(90)
<b>Return attributable to equity shareholders</b>	<u>188</u>	<u>203</u>	<u>391</u>	<u>205</u>	<u>(51)</u>	<u>154</u>	<u>499</u>
<b>'B' Share pool</b>							
Income	640	-	640	412	-	412	904
Gains/(losses) on investments							
- realised	-	3	3	-	45	45	(9)
- unrealised	-	203	203	-	137	137	126
	<u>640</u>	<u>206</u>	<u>846</u>	<u>412</u>	<u>182</u>	<u>594</u>	<u>1,021</u>
Investment management fees	(62)	(61)	(123)	(63)	(63)	(126)	(250)
Other expenses	(171)	-	(171)	(93)	-	(93)	(171)
<b>Return on ordinary activities before taxation</b>	<u>407</u>	<u>145</u>	<u>552</u>	<u>256</u>	<u>119</u>	<u>375</u>	<u>600</u>
Taxation	(96)	-	(96)	(52)	-	(52)	(128)
<b>Return attributable to equity shareholders</b>	<u>311</u>	<u>145</u>	<u>456</u>	<u>204</u>	<u>119</u>	<u>323</u>	<u>472</u>

## UNAUDITED INCOME STATEMENT (continued)

for the six months ended 30 September 2014

	Six months ended 30 Sep 2014			Six months ended 30 Sep 2013			Year ended 31 Mar 2014
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
'D' Share pool							
Income	138	-	138	66	-	66	157
Gains on investments							
- realised	-	10	10	-	15	15	31
- unrealised	-	39	39	-	10	10	10
	<u>138</u>	<u>49</u>	<u>187</u>	<u>66</u>	<u>25</u>	<u>91</u>	<u>198</u>
Investment management fees	(25)	(24)	(49)	(25)	(25)	(50)	(98)
Other expenses	(72)	-	(72)	(38)	-	(38)	(69)
	<u>(97)</u>	<u>(24)</u>	<u>(121)</u>	<u>(63)</u>	<u>(25)</u>	<u>(88)</u>	<u>(167)</u>
<b>Return on ordinary activities before taxation</b>	<b>41</b>	<b>25</b>	<b>66</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>31</b>
Taxation	(13)	-	(13)	-	-	-	(5)
	<u>(13)</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>
<b>Return attributable to equity shareholders</b>	<b>28</b>	<b>25</b>	<b>53</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>26</b>
	<u><u>28</u></u>	<u><u>25</u></u>	<u><u>53</u></u>	<u><u>3</u></u>	<u><u>-</u></u>	<u><u>3</u></u>	<u><u>26</u></u>

## UNAUDITED SUMMARISED BALANCE SHEET

as at 30 September 2014

	30 Sep 2014				30 Sep 2013	31 Mar 2014
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000
<b>Fixed assets</b>						
Investments	8,548	14,459	5,535	28,542	28,644	28,220
<b>Current assets</b>						
Debtors	177	180	58	415	327	598
Cash at bank and in hand	1,185	674	908	2,767	4,472	4,220
	<u>1,362</u>	<u>854</u>	<u>966</u>	<u>3,182</u>	<u>4,799</u>	<u>4,818</u>
Creditors: amounts falling due within one year	(277)	(434)	(106)	(817)	(487)	(584)
<b>Net current assets</b>	<u>1,085</u>	<u>420</u>	<u>860</u>	<u>2,365</u>	<u>4,312</u>	<u>4,234</u>
<b>Net assets</b>	<u>9,633</u>	<u>14,879</u>	<u>6,395</u>	<u>30,907</u>	<u>32,956</u>	<u>32,454</u>
<b>Capital and reserves</b>						
Called up share capital	26	50	8	84	83	84
Capital redemption reserve	5	-	-	5	5	5
Share premium	2,794	-	-	2,794	10,240	2,794
Special reserve	3,819	13,488	7,437	24,744	20,044	27,090
Revaluation reserve	983	230	(241)	972	718	543
Capital reserve – realised	1,149	561	(796)	914	1,232	851
Revenue reserve	857	550	(13)	1,394	634	1,087
<b>Equity shareholders' funds</b>	<u>9,633</u>	<u>14,879</u>	<u>6,395</u>	<u>30,907</u>	<u>32,956</u>	<u>32,454</u>
<b>Net asset value per:</b>						
Ordinary Share	93.5p	-	-		91.3p	92.2p
'A' Share	0.1p	-	-		0.1p	0.1p
'B' Share	-	74.6p	-		84.0p	82.3p
'C' Share	-	0.1p	-		0.1p	0.1p
'D' Share	-	-	81.2p		85.3p	83.0p



## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 September 2014

	30 Sep 2014				30 Sep 2013	31 Mar 2014
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	Total £'000	Total £'000
<b>Opening Shareholders' funds</b>	9,499	16,415	6,540	32,454	34,756	34,756
Purchase of own shares	-	-	-	-	(30)	(97)
Dividends	(257)	(1,992)	(198)	(2,447)	(2,250)	(3,202)
Total recognised gains for the period	391	456	53	900	480	997
<b>Closing Shareholders' funds</b>	<u>9,633</u>	<u>14,879</u>	<u>6,395</u>	<u>30,907</u>	<u>32,956</u>	<u>32,454</u>

## UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 September 2014

	30 Sep 2014				30 Sep	31 Mar	
	Ordinary Share pool £'000	'B' Share pool £'000	'D' Share pool £'000	Total £'000	2013 Total £'000	2014 Total £'000	
<b>Cash inflow from operating activities and returns on investments</b>	<b>1</b>	<b>197</b>	<b>314</b>	<b>14</b>	<b>525</b>	<b>206</b>	<b>771</b>
<b>Taxation</b>							
Corporation tax paid	-	-	-	-	-	-	(112)
<b>Capital expenditure</b>							
Purchase of investments	-	-	(794)	(794)	(2,722)	(4,624)	
Sale of investments	-	268	699	967	4,296	6,807	
Movements in deposit held for purchase of investments	-	-	294	294	-	(294)	
<b>Net cash inflow from capital expenditure</b>	<b>-</b>	<b>268</b>	<b>199</b>	<b>467</b>	<b>1,574</b>	<b>1,889</b>	
<b>Equity dividends paid</b>	<b>(257)</b>	<b>(1,991)</b>	<b>(197)</b>	<b>(2,445)</b>	<b>(2,250)</b>	<b>(3,202)</b>	
<b>Net cash outflow before financing</b>	<b>(60)</b>	<b>(1,409)</b>	<b>16</b>	<b>(1,453)</b>	<b>(470)</b>	<b>(654)</b>	
<b>Financing</b>							
Purchase of own shares	-	-	-	-	(30)	(98)	
<b>Net cash (outflow)/inflow from financing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30)</b>	<b>(98)</b>	
<b>(Decrease)/increase in cash</b>	<b>2</b>	<b>(60)</b>	<b>(1,409)</b>	<b>16</b>	<b>(1,453)</b>	<b>(500)</b>	<b>(752)</b>

### Notes to the cash flow statement:

#### 1 Cash inflow from operating activities and returns on investments

Return on ordinary activities before taxation	450	552	66	1,068	581	1,220
Gains on investments	(241)	(206)	(49)	(496)	(197)	(383)
Increase in other debtors	(41)	(57)	(14)	(112)	(91)	(69)
(Decrease)/increase in other creditors	29	25	11	65	(87)	3
<b>Net cash inflow from operating activities</b>	<b>197</b>	<b>314</b>	<b>14</b>	<b>525</b>	<b>206</b>	<b>771</b>

#### 2 Analysis of net funds

Beginning of period	1,245	2,083	892	4,220	4,972	4,972
Net cash (outflow)/inflow	(60)	(1,409)	16	(1,453)	(500)	(752)
<b>End of period</b>	<b>1,185</b>	<b>674</b>	<b>908</b>	<b>2,767</b>	<b>4,472</b>	<b>4,220</b>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1. Basis of accounting

The unaudited half-yearly results cover the six months to 30 September 2014 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 March 2014 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 10,288,157 Ordinary Shares, 15,506,488 'A' Shares, 19,911,070 'B' Shares, 29,926,070 'C' Shares, and 7,877,527 'D' Shares being the number of shares in issue at the period end.
5. Return per share for the period has been calculated on 10,288,157 Ordinary Shares, 15,506,488 'A' Shares, 19,911,070 'B' Shares, 29,926,070 'C' Shares, and 7,877,527 'D' Shares being the number of shares in issue at the period end.

### 6. Dividends

#### Six months ended 30 September 2014

Ordinary Shares	Revenue £'000	Capital £'000	Total £'000
<b>Paid in period</b>			
Interim	-	257	257
<b>'B' Shares</b>	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
<b>Paid in period</b>			
	199	1,793	1,992
<b>'D' Shares</b>	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
<b>Paid in period</b>			
	20	178	198

## 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 2014	2,794	27,090	543	851	1,087	5
Gains on investments	-	-	482	13	-	-
Expenses capitalised	-	-	-	(123)	-	-
Dividends	-	-	-	(2,226)	(221)	-
Transfer between reserves	-	(2,346)	(53)	2,399	-	-
Retained revenue	-	-	-	-	528	-
At 30 September 2014	<u>2,794</u>	<u>24,744</u>	<u>972</u>	<u>914</u>	<u>1,394</u>	<u>5</u>

The Revenue reserve, Special reserve and Capital reserve - realised are distributable reserves and are reduced by revaluation losses of £1,854,000. Distributable reserves at 30 September 2014 were £25,198,000.

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](http://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 2014):	83.5p per share	74.0p per share	75.0p per share

	'A' Shares	'C' Shares
TIDM codes	DO1A	DO1C
Latest share price (27 November 2014):	5.0p per share	0.1p per share

The share prices are also available on Downing's website at [www.downing.co.uk](http://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](http://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](http://www.capitaassetservices.com) and select "Shareholders and employees".

**Directors**

Lord Flight (Chairman)  
Robin Chamberlayne  
Mark Mathias

**Company Secretary and Registered**

**Office** Grant Whitehouse  
Ergon House  
Horseferry Road  
London SW1P 2AL

Registered No. 6789187

**Investment and Administration**

**Manager** Downing LLP  
Ergon House  
Horseferry Road  
London SW1P 2AL

Tel: 020 7416 7780  
[www.downing.co.uk](http://www.downing.co.uk)

**Registrar**

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0324

(calls cost 10p per minute plus network extras,  
lines open Monday to Friday 8:30am to  
5:30pm) [www.capitaassetservices.com](http://www.capitaassetservices.com)





Ergon House  
Horseferry Road  
London SW1P 2AL

020 7416 7780  
contact@downing.co.uk  
www.downing.co.uk



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