



**HAZEL RENEWABLE ENERGY VCT1 PLC  
&  
HAZEL RENEWABLE ENERGY VCT2 PLC**

**Linked Top-Up Offer Document**

Linked Offers for Subscription for the  
Tax Years 2017/2018 and 2018/2019



This document, which constitutes a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000 (“FSMA”), has been approved, for the purposes of that section only, by Gresham House Asset Management Limited (“Gresham”), which is authorised and regulated by the Financial Conduct Authority. Gresham does not offer investment or tax advice or make recommendations regarding investments. Gresham is acting for Hazel Renewable Energy VCT1 Plc and Hazel Renewable Energy VCT2 Plc (together “the Companies”) and no one else, and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of Gresham. Gresham has given, and not withdrawn, its consent to the inclusion of its name in the form and context in which it is included.

## **HAZEL RENEWABLE ENERGY VCT1 PLC AND HAZEL RENEWABLE ENERGY VCT2 PLC**

(Incorporated in England and Wales under the Companies Act 2006  
with registered numbers 7378392 and 7378395)

### **Linked Top-up Offer for Subscription for the tax years 2017/2018 and 2018/2019 of up to 3,600,000 Ordinary Shares and up to 3,600,000 A Shares**

The subscription list for the Offers will open on 14 March 2018 and may close at any time thereafter but, in any event, not later than 12 noon on 26 April 2018. The terms and conditions of application are set out on page 21 of this document and are followed by an Application Form for use in connection with the Offers. The minimum subscription under the Offers is £10,000 per Investor. The Offers are not underwritten. The Boards reserve the right to accept Application Forms and issue New Shares at any time whilst the Offers remain open. The Offers are conditional upon resolutions 6 and 7 as set out in the notice of annual general meeting of VCT1 dated 9 January 2018, and upon resolutions 7 and 8 as set out in the notice of annual general meeting of VCT2 dated 9 January 2018, being passed at those annual general meetings to be held on 21 March 2018.

#### **Important Notice**

There is no guarantee that the Companies’ investment objectives will be attained. If you are in any doubt as to what action to take, you should contact an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares or other securities. The levels and bases of reliefs from taxation described in this document are those currently available. These may change and their value depends on an Investor’s individual circumstances.

**Your attention is drawn to the Risk Factors set out on pages 3 to 6 of this document. An investment in the Companies is only suitable for Investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise.**

Copies of this document may be downloaded at [www.downing.co.uk/h1](http://www.downing.co.uk/h1)

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## EXPECTED TIMETABLE

The Offers will open on 14 March 2018 and may close at any time thereafter but in any event not later than 27 April 2018.

Dealings in respect of the New Shares are expected to commence within 10 business days of the issue of such New Shares. CREST accounts will first be credited on the same day on which dealings in the New Shares first commence.

Share certificates (where applicable), and certificates to enable a claim for tax reliefs to be made in respect of the New Shares, will be posted to Shareholders within 30 days of the date of each allotment. No temporary documents of title will be issued.

New Shares will be allotted and issued on or before 5 April 2018 in respect of valid applications received under the Offers in respect of the tax year 2017/2018 and on or before 27 April 2018 in respect of valid applications received under the Offers in respect of the tax year 2018/2019. The deadline for receipt of Application Forms in respect of the 2017/2018 tax year is 12 noon on 3 April 2018 and the deadline for receipt of Application Forms in respect of the 2018/2019 tax year is 12 noon on 26 April 2018.

The Boards reserve the right to accept Application Forms and issue New Shares at any time whilst the Offers remain open.

## OFFER STATISTICS

Minimum subscription per Investor	£10,000
Offer Price Per VCT1/VCT2 Share	In accordance with the Pricing Formula set out on page 12. (5% premium to latest published NAV, adjusted for Promoter's Fee and any Adviser Fee)

### Initial issue costs

The initial issue costs to Investors are made up of the Promoter's Fee plus Adviser Charges (where applicable).

Gresham will charge a Promoter's Fee of 4% of the gross monies subscribed, where it is required to pay commission to an intermediary, see below, and 2% where no commission is payable. Out of its Promoter's Fee, Gresham will be responsible for paying all of the upfront costs of the Offer.

Adviser Charges are the fees agreed between intermediaries and Investors for advice and related services. Further information is set out within Part II on page 11.

Commission may be payable where there is an execution-only transaction and no advice has been provided by the intermediary to the Investor, or where the intermediary has demonstrated to Gresham that the Investor is a professional client of the intermediary. Commission is payable by Gresham out of its Promoter's Fee. Those intermediaries who are permitted to receive commission will usually receive an initial commission of 3% of the amount invested by their clients under the Offers and no trail commission. Initial commission will be payable by Gresham out of its fees.

## FINANCIAL CALENDAR

Financial year end	30 September
Final results announcement	January
Annual General Meeting	March
Dividends paid annually in	December
Half yearly results announced in	May/June

## **Risk Factors**

There are a number of risk factors of which Investors should be aware. The Companies and the Directors consider the following risks to be material for potential Investors, although the risks listed below do not necessarily comprise all those associated with an investment in the Companies and are not set out in any order of priority. Additional risks and uncertainties currently unknown to the Companies and the Directors (such as changes in legal, regulatory or tax requirements), or which the Companies and the Directors currently believe to be immaterial, may also have a materially adverse effect on the financial condition or prospects of the Companies, or on the trading price of the Shares.

### **Risk Factors Relating to the New Shares**

- The value of an investment in the Companies and the level of income derived from them may go down as well as up. Shareholders may get back less than the amount originally invested in the Companies.
- The value of the New Shares depends on the performance of its underlying assets. The market price of the New Shares may not fully reflect their underlying NAV and will be determined, among other things, by the interaction of supply and demand for such shares in the market, as well as the NAV per New Share. Generally, trading in VCT shares is not active and, therefore, the New Shares are likely to be valued at a discount to their net asset value and may be difficult to realise.
- The majority of the Companies' investments are, and will generally be, in companies whose securities are not publicly traded or freely marketed and may, therefore, be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments, in order to maintain the VCT tax status of the Companies. It can take a period of years for the underlying value or quality of the business of smaller companies, such as those in which the Companies invest, to be fully reflected in their market values, and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.
- Investment in the New Shares should be viewed as a long-term investment.
- Shareholders should be aware that the disposal of New Shares within five years of their allotment will require the repayment of some or all of any income tax relief which they may have obtained upon investment. Accordingly, an investment in the Companies is not suitable as a short or medium term investment. Further, the disposal of Existing Shares in a Company within six months either side of the acquisition of New Shares in that same Company will result in the amount of the investment in those New Shares to which VCT tax reliefs are available being reduced by an amount equal to the proceeds received on the disposal.
- Although the Existing Shares are already listed, and it is intended that the New Shares will be listed, on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is likely that there will not be a liquid market in the New Shares and Shareholders may have difficulty in selling their New Shares as a result. Accordingly, Admission to the Official List and to trading on the main market for listed securities of the London Stock Exchange should not be taken as implying that there will be a liquid market for the New Shares. Shareholders may not be able to realise their investment at the NAV or at all.
- Investments by VCTs are Risk Finance State Aid. Where the European Commission believes that Risk Finance State Aid has been provided which is not in accordance with The Risk Finance Guidelines, it may require that the UK Government recover that Risk Finance State Aid. There is currently no mechanism in place for this, but recovery may be from the investee companies, the Companies or the Companies' investors.
- Although it is intended that the Companies will be managed so as to qualify as VCTs, and retain such status, there is no guarantee that such status will be achieved or maintained for the necessary periods, to enable Shareholders to retain their tax reliefs. If the Companies fail to meet the qualifying requirements of VCTs, this could result in Shareholders being required to repay the initial 30% income tax rebate received on subscription for New Shares, the loss of income tax relief on dividends paid on New Shares, the loss of tax relief previously obtained in relation to corporation tax and capital gains made by the Companies, a liability to tax on capital gains on any disposal of any New Shares and the loss of the listings of the Companies.

## Risks Relating to the Companies and their Investment Policy

- There can be no guarantee that the investment objectives of the Companies will be achieved or that suitable investment opportunities will be available. The success of the Companies will depend on the Investment Adviser's ability to identify, acquire and realise investments in accordance with the Companies' investment policy and there can be no assurance that the Investment Adviser will be able to do so. Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the main market for listed securities of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent on small management teams. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining their value or the risks to which they are exposed may also not be available. The Companies' investments may be difficult to realise.
- Changes in legislation concerning VCTs may limit the number of Qualifying Investment opportunities, reduce the level of returns which would otherwise have been achievable or result in the Companies not being able to meet their investment objective.
- The Boards have broad discretion to monitor the performance of Gresham and the power to appoint a successor, however Gresham's performance or that of any successor cannot be guaranteed.
- The past performance of the Companies or other funds managed or advised by Gresham is not a guide to the future performance of the Companies. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.
- There can be no guarantee that any member of Gresham's team referred to in Part II of this document, or otherwise with a significant role in advising on the Companies' investments, will remain with Gresham or that Gresham will be able to attract and retain other suitable staff. The departure of a key member of Gresham's staff may have an adverse effect on the performance of the Companies.
- The Companies will be subject to risks associated with renewable energy projects, which include lower than expected wind speeds, lower than projected irradiation levels, lower than expected energy output, downtime of any energy generation equipment, changes in government legislation, volatility in annual revenues, increasing operational costs and unavailability of Power Purchase Agreements ("PPAs"). The Companies intend to mitigate the associated risks through a diversified portfolio in proven technology, long-term guaranteed contracts and trusted historical data.
- Annual energy output may fluctuate and as such annual revenues may experience volatility. This may influence the availability of dividends that may be paid out to Investors. The risk can be mitigated through a diversified portfolio, without reliance on one single project or technology.
- The renewable energy projects owned by the Companies receive revenues from Feed-in-Tariffs ("FiTs") and Renewable Obligation Certificates. The delays on these being paid over to the Companies by OFGEM and PPA counterparties could affect cashflows and, therefore, the timing of dividend payments by the Companies.
- The most valuable assets owned by the Companies carry leverage and are subject to debt covenants. Consistent operational and financial underperformance may result in lenders enforcing security over the assets in order to recover their loans, which could reduce the value of the Companies' investments in those companies.
- A change of Government or a change in Government policy could alter the policies that influence the electricity prices and thus the revenues of the Companies. Gresham, however, believes that the risk is significantly mitigated by long-term guaranteed contracts that are index price linked, such as FiTs or PPAs. Furthermore, the UK government is renowned for grandfathering the regulatory support for any previously consented or operational projects. Increases in interest rates or changes in the terms offered by senior lenders in financing renewable energy projects could reduce the returns available from investment in renewable energy projects. Should debt be used to finance investee projects, this risk should be reduced as lending will typically be at a fixed rate of interest over the term of the debt.
- There is no guarantee that the Companies will source sufficient deal flow of operational or fully consented projects to meet the required criteria of Qualifying Investments. Should such a situation arise, Qualifying Investments will be sought in AIM listed companies in order to fulfil the Companies' primary aim of securing and maintaining their VCT status. This could, however, reduce the potential returns from the investments.
- There can be no certainty that the equipment used to generate renewable energy will not be subject to downtime, which could reduce the margins of the investee plants. The Companies will mitigate this risk by utilising proven technology with multi-year warranties and maintenance contracts.

- On 24 June 2016 it was announced that UK electorate had voted to leave the European Union ("EU"). At the date of this Document, negotiations are ongoing over the manner and form of the UK's withdrawal from the EU. As the Companies are impacted by European-led legislation, the future regulatory environment is therefore subject to significant uncertainty. However, at least in the short term and until the UK's withdrawal from the European Union has been agreed, the Companies will continue to be subject to European-led legislation, as enacted into UK legislation.
- Following publication in August 2017 by HM Treasury of "Financing Growth in Innovative Firms", the results of its "Patient Capital Review" which considered the effectiveness of schemes such as VCTs in relation to patient capital, the Chancellor of the Exchequer, in his Autumn Budget on 22 November 2017, announced certain changes to the rules relating to VCTs. The proposed legislation was set out in the Finance Bill (No. 2) 2017-19, published on 1 December 2017 and Guidance Notes were issued by HMRC and HM Treasury on 4 December 2017. One of the changes is that the question of whether a company's investments can be considered as Qualifying Investments for VCT purposes will be considered by HMRC using a "principles based approach" known as the "risk-to-capital condition". Applications to HMRC for advance assurance in this regard ("Advance Assurance Applications") will, from 4 December 2017, be considered in the light of this new principles based approach. Changes are also proposed in respect of the annual limits for investments into Knowledge Intensive Companies, the percentage of a VCT's total investments that must be in Qualifying Investments, the percentage of Qualifying Investments that must be in eligible shares, the trades into which older VCT funds can be invested and the time period in which Qualifying Investments must be made. The legislative changes referred to above could impact the level of demand and competition for investment in the target markets of the Companies.
- A resolution will be put to Shareholders at the annual general meetings of the Companies due to take place in 2021 (and, thereafter, at five yearly intervals) on whether they wish to wind up the Companies or whether the Companies should continue as VCTs. Should the Shareholders wish to wind up the Companies, then the Boards will draw up proposals for the liquidation reconstruction or reorganisation of the Companies.

#### **Risks Relating to Taxation and Regulation**

- The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. The tax rules or their interpretation in relation to an investment of the Companies and/or rates of tax may change during the life of the Companies and such changes may be retrospective. The value of tax reliefs depends on the personal circumstances of holders of Shares in the Companies, who should consult their own tax advisers before making any investment.
- The Companies intends to manage their affairs in respect of each accounting period so as to obtain, and thereafter maintain, approval as VCTs. However, there can be no guarantee that the Companies will be able to maintain VCT status. In the event that the Companies fail to maintain approval as VCTs, before Investors have held their Shares for five years, the income tax relief obtained on the amount subscribed in the Companies will have to be repaid by such Investors. Dividends paid in an accounting period where VCT status is lost will become taxable and an Investor will generally be liable to income tax on the aggregate amount of the dividend, subject to the Investor's previous utilisation of the £5,000 dividend allowance.
- Where approval as a VCT is not maintained the Companies will also lose their exemption from corporation tax on capital gains.





14 March 2018

Dear Investor,

**Opportunity to subscribe for New Shares in Hazel Renewable Energy VCT1 Plc and Hazel Renewable Energy VCT2 Plc**

We are pleased to invite Investors to participate in a linked offer for subscription for New Shares in Hazel Renewable Energy VCT1 Plc and Hazel Renewable Energy VCT2 Plc. Investment will be for the tax years 2017/2018 and 2018/2019. We have taken the decision to re-open the Companies for a “top-up offer” and are seeking to raise, in aggregate, approximately £4.25 million (net of costs).

The key features of the opportunity for Investors can be summarised as follows:

- 1. Income tax relief** – Subscriptions to VCTs currently attract income tax relief at the rate of 30%. This means that, for every £1 invested, the net cost to Investors should be 70p.
- 2. Dividend policy** – The Companies general dividend policy is to distribute surplus funds generated by the underlying investments, subject to maintaining an appropriate cash reserve within the Companies to meet anticipated future requirements. The Companies have an objective of paying annual dividends of at least 5p per Share per annum, equivalent to approximately 4.3% of current NAV. Potential Investors should note that the level of dividend payments may vary and is not guaranteed. Since inception each of the Companies has paid, in total, dividends of 39.5p for a combined holding of one Ordinary and one A Share.
- 3. Portfolio generating index-linked revenue streams** – FIT and ROC based project investments benefit from revenues that are Index-linked to RPI for 20 years (and for 25 years for FIT Solar schemes commissioned prior to March 2012 to which the Companies have significant exposure). Typically, there is an additional 5 years of revenue of unsubsidised electricity revenue given planning permissions are usually for 25 years (i.e. 5 years longer than the ROC or FIT subsidised period).
- 4. Mature Portfolio** – The Companies hold an existing portfolio of 16 investments in UK renewable energy projects all of which qualify for the Government-backed, FIT or ROC regimes. Investment activity has focused upon three areas: ground mounted solar (8 projects), rooftop solar (4 projects), and small wind generation (4 projects).

The proceeds for the Offers will provide liquidity within the Companies to meet their ongoing commitments without having to consider realising assets from the existing portfolios and give the Companies the opportunity to consider participating in a small number of suitable new investment opportunities that may arise.

Further details are provided within this document.

If Investors have any questions regarding this investment they should contact their financial adviser. For questions relating to an application, please contact Bozkurt Aydinoglu at Gresham on 0203 434 1010 or Grant Whitehouse at Downing LLP on 020 7416 7780. Investors should note that no investment advice can be given by either Gresham or Downing LLP and their attention is drawn to the Risk Factors set out on pages 3 to 5 of this document.

Yours sincerely

Handwritten signature of Stephen Hay in black ink.

**Stephen Hay**  
Chairman  
Hazel Renewable Energy VCT1 plc

Handwritten signature of Christian Yates in black ink.

**Christian Yates**  
Chairman  
Hazel Renewable Energy VCT2 plc

## Part II – The Offers

### Introduction

The Companies were launched as part of a linked VCT offering in October 2010. £41.6 million was raised for this linked VCT offer which was closed to new investment in August 2011. Linked VCT top up offers were subsequently launched in March 2012 and March 2014, under which additional proceeds of £4.15 million and £4.1 million were raised respectively.

Since inception the Companies have sought to take advantage of favourable conditions for investment in renewable energy projects as a result of either the UK Government's FiT regulatory regime or the ROC scheme. Investments have been made in small wind, rooftop and ground-mounted solar projects, either once they have been commissioned or at the project construction stage. Today, all the Companies' projects are operational and most are accredited to receive FiTs or ROCs for the life of the projects (20 years for the FiT wind and ROC solar projects and 25 years for the FiT solar projects).

Gresham's investment committee will recommend the most attractive investments to the Boards once the Offers have closed.

### Benefits for Existing Shareholders

The Directors believe that the proposed fundraising will benefit existing Shareholders in the following ways:

- Issuing New Shares increases the capital available to the Companies to invest in new businesses. The following benefits are also associated with this capital:
  - Existing Shareholders who wish to increase their shareholding may subscribe to this issue of New Shares; and
  - The fixed running costs of the Companies will be spread over an increased number of Shares, reducing the level of the running costs attributable to each Share and, therefore, providing the potential for enhanced returns to Shareholders.

### Benefits for new Shareholders

The Directors believe that the proposed fundraising will benefit holders of New Shares in the following ways:

- An investment portfolio with index-linked income streams; and
- 30% income tax relief on their investment.

The issue of the New Shares, rather than a new class of shares, provides immediate exposure to the Companies' existing portfolio of UK-wide renewable energy projects, with the benefit of reduced risk given the projects are known, approved and accruing revenues from electricity generation.

Further details on the available tax benefits are set out below and in Part III.

### Investment Objectives

The Companies' principal objectives are to:

- Invest in a portfolio of clean technology investments, primarily in the UK and the EU, that specialise in long-term renewable energy projects and energy project developers;
- Maximise tax free capital gains and income to Shareholders from dividends and capital distributions; and
- Maintain VCT status to enable Shareholders to retain the 30% income tax relief on their investment.

### Taxation Benefits to Investors (see Part III for further details)

The principal UK tax reliefs, which are available to qualifying Investors on a maximum investment of £200,000 per individual in the 2017/18 or 2018/19 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed, provided the VCT shares are held for at least five years. Relief is restricted to the amount which reduces the investor's income tax liability to nil.
- **Tax-free dividends and capital distributions** from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

## Investment Portfolio

The following investments were held by each of the Companies as at the date of this document (the audited valuations being as at 30 September 2017):

	Cost £'000	Valuation £'000	% of portfolio
<b>Qualifying and part-qualifying investments</b>			
Lunar 2 Limited	2,976	15,322	48.8%
Ayshford Solar (Holding) Limited	1,928	3,154	10.1%
Lunar 1 Limited	125	2,121	6.8%
New Energy Era Limited	884	1,390	4.4%
Hewas Solar Limited	1,000	1,355	4.3%
Vicarage Solar Limited	871	1,215	3.9%
Tumblewind Limited	1,401	1,144	3.7%
Gloucester Wind Limited	1,000	953	3.0%
Minsmere Power Limited	975	729	2.3%
HRE Willow Limited	875	726	2.3%
Penhale Solar Limited	825	725	2.3%
St Columb Solar Limited	650	673	2.1%
Chargepoint Services Limited	500	500	1.6%
Small Wind Generation Limited	975	483	1.5%
Sunhazel UK Limited	1	-	0.0%
	<b>14,986</b>	<b>30,490</b>	<b>97.1%</b>
<b>Non-qualifying investments</b>			
AEE Renewables UK 3 Limited	900	900	2.9%
	<b>900</b>	<b>900</b>	<b>2.9%</b>
<b>Total investments</b>	<b>15,886</b>	<b>31,390</b>	<b>100%</b>

All venture capital investments are incorporated in England and Wales.

### Investment Strategy

The Companies seek to invest in investee companies they believe are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. The criteria that investee companies will need to meet will include:

- products or services which are cash generative;
- a well-defined business plan and ability to demonstrate strong demand for its products and services;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;

### Share Buyback Policy

Subject to sufficient liquidity being available, and compliance with the rules of the London Stock Exchange and the UK Listing Authority, as well as applicable VCT legislation, it is intended that each of the Companies will, from time to time, make market purchases of its own Shares that become available in the market at a price equivalent to a 2% discount to the most recently published NAV.

Shareholders should note, however, that the Companies cannot buy Shares directly from Shareholders and that the implementation of a buyback policy through a market maker may result in the price paid by the Companies not being the same price at which Shareholders are able to sell shares. This may result, in some cases, for instance during a closed period, in a price being offered which is materially below that of the Companies' most recently published NAV less a discount of 2%.

### Life of the Companies

A resolution will be put to Shareholders at the annual general meetings due to take place in 2021 (and, thereafter, at five yearly intervals) on whether they wish to wind up the Companies or whether the Companies should continue as VCTs. Should the Shareholders wish to wind up the Companies, then the Boards will draw up proposals for the liquidation, reconstruction or reorganisation of the Companies. Any such proposals would be mindful of the five-year holding period for Shareholders investing in the Offers.

### **Investment Adviser**

The investment adviser is Gresham House Asset Management Limited, an FCA authorised and regulated investment fund manager. Gresham House Asset Management ([www.greshamhouse.com](http://www.greshamhouse.com)) is a specialist alternative asset manager with over £532m under management. Gresham House's expertise spans private equity, infrastructure, strategic public equity and real assets. Gresham House Asset Management acquired the business of Hazel Capital LLP on 31 October 2017 and, as a result, took over as Investment Adviser to the Companies, creating a new division, Gresham House New Energy, to provide the advisory services.

Together, the Advisory Team has more than 60 years' experience in the fund management industry.

### **Ben Guest – Head of Gresham House New Energy**

Ben founded Hazel Capital (now Gresham House New Energy) in April 2007 and was the managing partner and chief investment officer. He is the head of the Gresham House New Energy division and fund manager of the British Investment Strategic Fund (BSIF).

With 22 years of investment experience, Ben's expertise spans the investment spectrum, from infrastructure, to public equities and venture capital. He is responsible for the origination and execution of the investment opportunities, alongside ongoing portfolio management.

Prior to founding Hazel Capital, Ben was a co-founder of Cantillon Capital, where he managed a \$1 billion equity hedge fund focused on technology globally from 2003 to 2007. He started his fund management career in 1994 at Lazard Asset Management, having graduated from Imperial College, London with a BEng in Mechanical Engineering.

Ben currently serves as a Director of a number of companies and is the Non-Executive Chairman of Oxis Energy (a UK-advanced battery power company). He holds a keen interest in energy storage technology and their use in renewables and electric vehicles.

### **Bozkurt Aydinoglu – Investment Director**

Bozkurt Aydinoglu joined Gresham House New Energy (formerly Hazel Capital) in 2008 as a Partner and Portfolio Manager. He co-manages the Hazel Renewable Energy VCTs and sources and executes new opportunities covering transaction negotiation, due diligence and contract negotiation. Bozkurt has 24 years of principal investment, advisory and business-building experience in the clean energy, telecommunications and technology industries. He dedicated the early part of his career, whilst in roles at Nomura, Salomon Brothers, Bowman Capital and Deloitte & Touche, to funding and advising companies in the telecommunications and technology industries. In 2002, he co-founded New Energy Finance ("NEF") which became the leader provider of data, research and analysis to leading investors in the global cleantech industry (NEF was acquired by Bloomberg in December 2009). He received his MSc in Electrical Engineering from Imperial College, London in 1993.

### **Gareth Owen - Investment Director**

Gareth Owen joined Gresham House New Energy (formerly Hazel Capital) in 2011. He has 18 years of investment experience executing structured transactions across a variety of different sectors. At Hazel, he is responsible for analysing, originating and executing investments, and has experience of implementing limited recourse debt financing of pre and post construction solar assets. Before joining Hazel Capital, Gareth worked at Barclays Capital between 2001 and 2009, where latterly he was a Vice President in Barclays Natural Resource Investments, a captive private equity fund of \$1.5bn investing equity in the natural resources and renewable energy sectors. Previous to this, he was an Associate Director where he led the execution of structured transactions, including the acquisition and disposal of various asset-backed companies. Prior to moving to Barclays Capital, he worked in the Structured Transaction Group at Deutsche Bank, where he worked predominantly on the acquisition of asset-finance companies. Gareth started his career in infrastructure project finance at Greenwich Natwest. Gareth gained his MBA from Imperial College Business School (Distinction) and holds an MSc of Engineering Project Management and a BEng of Civil Engineering from the University of Manchester. He is FCA registered and sits on the board of numerous portfolio companies. Gareth was also a non-executive director of Hazel Renewable Energy VCT2 Plc until 2014.

### **John O' Toole - Technical Director**

John O'Toole joined Gresham House New Energy (formerly Hazel Capital) in 2016. He is responsible for optimisation of Hazel Capital's existing solar and wind assets, for technical development and optimisation of new energy storage opportunities. John previously worked in the UK solar sector from 2014 to 2016, initiating O&M and asset management for a number of ground-mounted solar PV asset portfolios. Prior to this, at RWE/nPower Renewables, he managed the operational control, trading and grid-interface of a large UK wind portfolio. Before moving to London in 2011, John worked with the Irish utility ESB. John started his Career in Dublin with Fingleton White consulting engineers. John is a Chartered Engineer, having gained a B.E. in Mechanical Engineering in 1999 at University College Dublin, and a MSc. in Management of Operations in 2005 at Dublin City University.

### **James Bailey-House - Renewable Energy Asset Manager**

James Bailey-House joined Gresham House New Energy (formerly Hazel Capital) in September 2010 as Operations Manager and is responsible for overseeing all asset management duties for the Renewable Energy Projects. James has over 20 years' of experience within banking and hedge fund operations, with product coverage including equity, fixed income, interest rate derivatives and distressed debt. James has previously held roles at JPMorgan, HSBC, Northern Trust and Aviva Investors.

### **The Boards**

VCT1 and VCT2 have a highly experienced Board of two and three Directors respectively, all of whom are non-executive and all of whom are independent of the Investment Adviser.

### **Hazel Renewable Energy VCT1 plc**

#### *Stephen Hay (Chairman)*

Stephen is a self-employed business consultant. He is a former Managing Director of Goldman Sachs where he spent twenty years in a variety of roles, including as director of equity research in London and Tokyo. He is a non-executive director of NHS Tayside. He has an MBA from the London Business School and an MSc in Global Environmental Change from Edinburgh University.

#### *Stuart Knight*

Stuart has worked in the financial sector for over twenty years, securing the position of Principle Partner within the TSE100 company, St. James's Place Wealth Management. He is also one of the founding Partners of Haibun Partners LLP, a financial intermediary offering a diverse range of investment strategies addressing the specific requirements of sophisticated investors.

### **Hazel Renewable Energy VCT2 plc**

#### *Christian Yates (Chairman)*

Christian was closely involved in establishing both Companies in 2010 whilst a Partner at Hazel Capital LLP from 2009 to 2012. Having started his career in financial services in 1988 he has worked for a number of investment houses holding senior positions at Bear Stearns Asset Management, Julius Baer, Chase Asset Management and Lazard Asset Management. Whilst his focus has been on building and managing businesses he has gained broad investment experience across many asset classes including private equity, hedge funds, infrastructure and real estate. He remains active, both as an investor and developer, in the field of renewable energy. He is now a private equity investor and director of and adviser to SMEs and funds covering a number of sectors including real estate, energy, natural resources and emerging technology. He is also a Director of a Bristol based FCA Regulated chartered financial planner and wealth manager.

#### *Giles Clark*

Giles has worked on solar projects across Europe since 2006, focusing on UK projects since 2010. In 2006, he cofounded SunRay Renewable Energy, where he was CFO, developing large utility scale solar projects across Southern Europe. SunRay had built a pipeline of 1.4GWp of projects by the time it was acquired by SunPower Corporation for \$277 million in 2010. From 2013 to 2016 Giles was a founding shareholder and Chairman of Solstice Renewables which developed and sold 100 MWp of ground mounted solar farms in the UK. From 2013 to 2017 Giles was the founder and CEO of Primrose Solar which acquired and built 253 MW of ground mounted solar farms in the UK. The completed projects were sold in 2016 to Bluefield, Greencoat and Equitix. Giles has a BA in PPE from Oxford and an MBA from the London Business School.

#### *Matthew Evans*

Matthew was a founding partner of LGT Vestra in 2007, where he ran the ventures team, focusing on renewables, unlisted commercial property and private equity investments. Prior to that, Matthew ran the financial planning department at PwC in London. More recently, Matthew founded CH1 Investment Partners, which provides bespoke investment solutions to high net worth, professional and sophisticated investors. Matthew is also a director of several other businesses, including Longhedge Renewables, Lake District Biogas Limited and Osprey Solar.

### **Structure of the A Shares**

To give effect to the Performance Incentive described below, each Investor will receive one A Share for every Ordinary Share subscribed for under the Offers.

Assuming the Offers are fully subscribed, members of the Advisory Team will own approximately one-third of the issued A Shares in the share capitals of the Companies. The holders of A Shares will be entitled to distributions equivalent to three times the Performance Incentive. Since the A Shares are VCT qualifying, income tax relief is available at 30% of the amount subscribed (provided the A Shares are held for at least five years) and all gains and distributions can be made free of tax.

## Advisory Arrangements and Costs

### Annual Fees

The Annual Running Costs of each of the Companies are capped at 3.0% of its Net Assets; any excess will either be paid by the Investment Adviser or refunded by way of a reduction to the Investment Adviser's fee.

Annual Running Costs include, inter alia, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders and all the annual fees payable to the Investment Adviser, any annual trail commission payable for execution-only subscriptions (but will exclude any exceptional and extraordinary costs).

Under the terms of an investment advisory agreement entered into between each of the Companies and the Investment Adviser, the Investment Adviser is paid by each of the Companies an annual investment adviser fee of 1.4%, payable quarterly in advance based on the Net Assets of each of the Companies until 7 November 2018 and, thereafter, 1.15% payable quarterly in advance based on the Net Assets of each of the Companies.

Under the terms of an administration agreement entered into between each of the Companies and Downing, Downing is paid by each of the Companies an administration fee of £40,000 per annum for administering each of the Companies.

All arrangement, syndication, monitoring or directors' fees payable in respect of an investment are retained by the Investment Adviser for its own benefit. It is intended that the investment advisory fees payable by each of the Companies to the Investment Adviser will be allocated at least 25% to revenue and up to 75% to capital, in line with the Boards' expectations of the long term returns to Shareholders.

### Performance Incentive

As is customary in the venture capital industry, the Advisory Team will be entitled to receive a performance-related incentive based upon returns to Shareholders. The amount of the Performance Incentive payable is based wholly on the NAV of the Shares and on the payment of dividends per Ordinary Share per annum.

Up to the "dividend hurdle" of 5.0p per Ordinary Share per annum, the Advisory Team will receive approximately 0.033% of any dividends payable. Once the "dividend hurdle" is exceeded, the Advisory Team will be entitled to receive approximately 20% of any excess, and if annual dividends exceed 10.0p per Ordinary Share, the Advisory Team will be entitled to receive approximately 30% of any excess above 5.0p. The aggregate NAV of one Ordinary Share and one A Share must be at least 100p for the Performance Incentive to be paid. The entitlements in respect of dividend payments are illustrated in the table below:

Annual Dividend	Ordinary Share Entitlement	A Share Entitlement	Advisory Team A Shares Entitlement (Estimated*)
4p	3.996p	0.004p	0.0013p
8p	6.195p	1.805p	0.6017p
12p	7.195p	4.805p	1.6017p

*\* Assuming that the Advisory Team A Shares represent one third of the total A Shares in issue. It is estimated that if the Offers are fully subscribed the Advisory Team A Shares will represent approximately one third of the total A Shares in issue. This could vary if the Offers are not fully subscribed or if a significant level of share buybacks are undertaken.*

### Launch Costs and Commission

The Investment Adviser will be paid a Promoter's Fee of 4.0% of the gross proceeds of the Offers, where it is required to pay commission to an intermediary, and 2.0% of the gross proceeds of the Offers where no commission is payable. The Investment Adviser will be responsible for paying all costs associated with the Offers, including any commissions relating to execution-only transactions (excluding trail commission), and listing expenses.

### Adviser Charges

Adviser Charges are the fees agreed between intermediaries and Investors for advice and related services. Commission is not permitted to be paid to intermediaries who provide a personal recommendation to UK retail clients on investments in VCTs. Instead of commission being paid by either Company, a fee will usually be agreed between the intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the intermediary, or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Companies. Ongoing fees to intermediaries will not be facilitated by the Companies. If the payment of the Adviser Charge is to be facilitated by the Companies, then the Investor is required to specify the amount of the charge on the Application Form (see Box 4). The Investor will be issued fewer New Shares (to the equivalent value of the Adviser Charge) through the pricing formula set out below. The Adviser Charge is inclusive of VAT, where applicable.

## Commission

Commission may be payable where there is an execution-only transaction and no advice has been provided by the intermediary to the Investor, or where the intermediary has demonstrated to Gresham that the Investor is a professional client of the intermediary. Those intermediaries who are permitted to receive commission will usually receive an initial commission of 3.0% of the amount invested by their clients under the Offers and no trail commission. Initial commission will be payable by Gresham out of its fees. Annual trail commission will be borne by the relevant Company.

An intermediary who is entitled to commission may agree to waive all or part of the initial commission in respect of an application for New Shares under the Offers. If this is the case, additional New Shares will be allotted to the Investor at the Offer Price and the waived commission will be used to satisfy the subscription price of such additional New Shares.

## Pricing Formula

The number of New Shares to be issued to each Applicant will be calculated based on the Pricing Formula set out below. A premium of 5% will be added to the latest published NAV and this value grossed up for Promoter Fees and Adviser Charges. The number of New Shares to be issued shall be rounded down to the nearest whole New Share.

$$\text{Number of Ordinary Shares} = \frac{\text{Amount subscribed, less:} \div \text{latest published NAV}}{\text{(i) Promoter's Fee}^1 \text{ and (ii) Adviser Charge (if any)} \times 1.05}$$

$$\text{Number of A Shares} = 1 \text{ A Share for each Ordinary Share}$$

<sup>1</sup>less any commission waived by intermediaries (where applicable).

**Pricing Examples** (based on a subscription under the Offers in each of the Companies of £10,000, latest published NAVs (audited as at 30 September 2017) of 116.1p per VCT1 Share and 115.0p per VCT2 Share, and Promoter's Fee of 4.0% and 2%. (In February 2018, the Companies purchased 1.8 million VCT1 Ordinary and A Shares and 2.2 million VCT2 Ordinary and A Shares at a discount of approximately 2% to the latest published NAVs. The Boards do not consider that these transactions have had a material impact on the respective NAVs.)

### VCT1 New Shares

- (i) Promoter's Fee (commission payable) of 4.0% = £400  
Number of VCT1 Ordinary Shares =  $(10,000 - 400 - 0) \div (116.1 \times 1.05) = 7,875$   
Number of VCT1 A Shares = 7,875
- (ii) Promoter's Fee (advised) of 2.0% = £200  
Example Adviser Charge = £225  
Number of VCT1 Ordinary Shares =  $(10,000 - 200 - 225) \div (116.1 \times 1.05) = 7,854$   
Number of VCT1 A Shares = 7,854
- (iii) Promoter's Fee (advised) of 2.0% = £200  
Example Adviser Charge = £400  
Number of VCT1 Ordinary Shares =  $(10,000 - 200 - 400) \div (116.1 \times 1.05) = 7,711$   
Number of VCT1 A Shares = 7,711

### VCT2 New Shares

- (i) Promoter's Fee (commission payable) of 4.0% = £400  
Number of VCT2 Ordinary Shares =  $(10,000 - 400 - 0) \div (115.0 \times 1.05) = 7,950$   
Number of VCT2 A Shares = 7,950
- (ii) Promoter's Fee (advised) of 2.0% = £200  
Example Adviser Charge = £225  
Number of VCT2 Ordinary Shares =  $(10,000 - 200 - 225) \div (115.0 \times 1.05) = 7,929$   
Number of VCT2 A Shares = 7,929
- (iii) Promoter's Fee (advised) of 2.0% = £200  
Example Adviser Charge = £400  
Number of VCT2 Ordinary Shares =  $(10,000 - 200 - 400) \div (115.0 \times 1.05) = 7,784$   
Number of VCT2 A Shares = 7,784

It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offers and should not be considered as a recommendation as to the appropriate levels of Adviser Charges.

Income tax relief should be available on the total amount subscribed, subject to VCT Regulations and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

The number of New Shares issued under the Offers will be affected by a “blended” issue cost, because Applicants will have a different issue cost attributable to their application for New Shares depending upon whether their Application is received directly, through an execution only broker or through an intermediary providing advice.

**Minimum and Maximum Subscription**

The minimum investment per Applicant under the Offers is £10,000. Applications in excess of £10,000 may be made for any higher amount, in multiples of £1,000, subject to availability. The maximum investment per Applicant is £200,000 per tax year, since tax reliefs are only available on a maximum investment of £200,000 per individual in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year. An Applicant's subscription will be split between each Company at the discretion of the Boards.

**Conditionality**

The Offers are conditional upon resolutions 6 and 7 as set out in the notice of annual general meeting of VCT1 dated 9 January 2018, and upon resolutions 7 and 8 as set out in the notice of annual general meeting of VCT2 dated 9 January 2018, being passed at those annual general meetings to be held on 21 March 2018.



## PART III - Taxation

### Tax Position of Investors

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential Investors who are in any doubt about the taxation consequences of investing in the Companies are recommended to consult an appropriate professional adviser.

#### Tax Reliefs

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for New Shares under the Offers. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

#### (a) Income tax relief

##### (i) Relief from income tax on investment

Income tax relief at the rate of 30% will be available on subscriptions for up to a maximum of £200,000 in any tax year. This relief is limited to the amount which reduces the Investor's income tax liability to £nil.

The effect of this relief for an Investor subscribing £10,000 for New Shares is shown below:

	No VCT tax relief	30% income tax relief
<b>Initial investment</b>	£10,000	£10,000
<b>30% income tax relief</b>	-	(£3,000)
<b>Effective investment cost</b>	£10,000	£7,000

Tax relief on subscriptions for shares in a VCT is restricted where, within six months (before or after) of that subscription, the investor had disposed of shares in the same VCT. In some circumstances relief can be restricted if the subscription and disposal are of shares in two different VCTs which merge. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

##### (ii) Dividend relief

An investor who acquires VCT shares in a given tax year with a value of up to £200,000 will not be liable to income tax on dividends paid by the VCT in respect of those shares.

##### (iii) Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph (a) (ii) above), however income tax relief at 30% of the cost of the investment (as described in paragraph (a) (i) above) may not be claimed.

##### (iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period.

#### (b) Capital gains tax relief

##### (i) Relief from capital gains tax on the disposal of shares

A disposal by an Investor of their New Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) Purchasers in the market

An individual purchaser of New Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph (b)(i) above).

**Obtaining Tax Reliefs**

The Companies will provide to each Investor a certificate which the Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to their tax coding under the PAYE system or by waiting until the end of the tax year and using their tax return to claim relief.

**Investors not Resident in the UK**

Investors not resident in the UK should seek professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

**Withholding Taxation**

No taxation will be withheld at source on any income arising from the New Shares and the Companies assume no responsibility for such withholding.

**Withdrawal of Approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been granted. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending after the loss of VCT status, and whilst any gains on the VCT shares up to the date of the loss of VCT status will be exempt, gains thereafter will be taxable.

VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors.

## 2. Conditions to be met by Venture Capital Trusts

### Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- a. not be a close company;
- b. have each class of its ordinary share capital quoted on a regulated market in the EU or European Economic Area;
- c. derive its income wholly or mainly from shares or securities;
- d. have at least 70% (80% from 1 April 2020 for the VCT) by value of its investments in shares or securities in Qualifying Investments;
- e. for investments made before 6 April 2018 from funds raised before 6 April 2011, have at least 30% by value of Qualifying Investments in “eligible shares” carrying no preferential rights to dividends or assets on a winding up, or any rights to redemption;
- f. for funds raised after 5 April 2011 and for investments made after 5 April 2018, have at least 70% by value of Qualifying Investments in “eligible shares” carrying no preferential rights to assets on a winding up, or any rights to redemption, but which may have certain preferential rights to dividends;
- g. not have more than 15% by value of its investments in a single company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- h. not retain more than 15% of its income derived from shares and securities in any accounting period;
- i. not make an investment in a company which causes that company to receive more than £5 million (from 6 April 2018 the limit will be £10 million for a Knowledge Intensive Company) of Risk Finance State Aid (including from VCTs) in the twelve months ending on the date of the investment, or a total of more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid (including from VCTs) over the company’s lifetime. A subsequent acquisition by the company, of another company that has previously received Risk Finance State Aid, can cause the lifetime limit to be exceeded;
- j. not make an investment in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous Risk Finance State Aid was received by the company within 7 years (10 years for a Knowledge Intensive Company) or where the company is entering a new market and a turnover test is satisfied;
- k. not use the funds invested into a company for acquiring shares or another existing business or trade;
- l. not make a prohibited non-Qualifying Investment; and
- m. in relation to shares issued by a VCT on or after 6 April 2014, not return to shareholders any of the capital received by the VCT in relation to those shares issued before the third anniversary of the end of the accounting period during which the subscription for those shares occurs.

### Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a Qualifying Trade within certain time periods and not be controlled by another company. In any twelve month period the company can receive no more than £5 million (from 6 April 2018 the limit will be £10 million for a Knowledge Intensive Company) of Risk Finance State Aid including from VCTs and the Enterprise Investment Scheme. The company must have fewer than 250 full time (or equivalent) employees at the time of making the investment (500 in the case of a Knowledge Intensive Company). The company cannot receive more than £12 million (£20 million if the company is deemed to be a Knowledge Intensive Company) of Risk Finance State Aid (including from VCTs) over the company’s lifetime. The company’s first commercial sale must be no more than 7 years before the VCT’s investment (10 years for a Knowledge Intensive Company), except where previous Risk Finance State Aid was received by the company within 7 years or where the company is entering a new market and a turnover test is satisfied. Funds received from an investment by a VCT cannot be used to acquire shares or another existing business or trade.

An investment will only be a Qualifying Investment where at least 10% of the total investment in any single company or group is in “eligible shares” as defined in (e) and (f) above.

## **Qualifying Companies**

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on the NEX Exchange and the Alternative Investment Market) and must carry on a Qualifying Trade. For this purpose, certain activities are excluded (such as dealing in land or shares or providing financial services). The Qualifying Trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Relevant Qualifying Subsidiary (see below) at the time of the issue of shares or securities to the VCT (and at all times thereafter). Qualifying Companies need not be UK resident but must have a permanent establishment in the UK. A company intending to carry on a Qualifying Trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than Qualifying Subsidiaries which must be more than 50% owned.

A Relevant Qualifying Subsidiary can be a 90% directly held subsidiary of the company invested in, its wholly owned subsidiary, or a 90% held subsidiary of a wholly owned subsidiary.

## **Approval as a VCT**

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, to facilitate the launch of a VCT, HMRC may approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the tests described at (d), (e) and (f) under the heading "Qualification as a VCT" above, approval may be given if HMRC is satisfied that these will be met throughout an accounting period of the VCT beginning no more than three years after the date on which approval takes effect.

The Directors intend to conduct the affairs of the Companies so that they satisfy the conditions for approval as a VCT and that such approval will be maintained. HMRC has granted each of the Companies approval as a VCT under section 274 ITA. The Companies intend to comply with section 274 ITA and have retained Philip Hare and Associates LLP to advise them on VCT taxation matters.

## **Withdrawal of Approval**

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

**The above is only a summary of the conditions to be satisfied in order for a company to be treated as a VCT.**

PART IV

ADVISERS TO THE COMPANIES

<b>Investment Adviser</b>	Gresham House Asset Management Limited 5 Cheapside London EC2V 6AA
<b>Company Secretary and Registered Office of the Companies</b>	Grant Whitehouse 6 <sup>th</sup> Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD
<b>Administrator</b>	Downing LLP 6 <sup>th</sup> Floor, St Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Solicitors</b>	Howard Kennedy LLP No. 1 London Bridge London SE1 9BG
<b>Receiving Agent</b>	Downing LLP 6 <sup>th</sup> Floor, St Magnus House, 3 Lower Thames Street London EC3R 6HD
<b>Registrars</b>	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>VCT status adviser</b>	Philip Hare & Associates LLP 5-6 Staples Inn London WC1V 7QH
<b>Bankers</b>	Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA
<b>Corporate Broker</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF

## PART V

### Definitions and Glossary

Where used in this document the following words and expressions will, unless the context otherwise requires, have the following meanings:

**"Advisory Team"** individuals engaged or otherwise involved in advising on the Companies' investments, and other persons that the Investment Adviser may in its sole discretion determine from time to time

**"Adviser Charges"** the fees agreed between intermediaries and Investors for advice and related services, further details of which are set out in Part II on page 11

**"A Shares"** A shares of 0.1p each in the capital of VCT1 (ISIN: GB00B4L13999) and/or A shares of 0.1p each in the capital of VCT2 (ISIN: GB00B4KWC525), as the context permits

**"A Shareholder"** a holder of A Shares

**"Admission"** the dates on which the New Shares are listed on the premium segment of the Official List and admitted

**"AIM"** Alternative Investment Market, a market operated by the London Stock Exchange

**"Annual Running Costs"** annual costs and expenses incurred by the Companies in their business (including irrecoverable VAT but excluding exceptional and extraordinary costs)

**"Applicant"** an Investor who subscribes for New Shares under the Offers

**"Application Form"** the form of application for New Shares under the Offers, set out at the end of this document

**"Articles"** the articles of association of each of the Companies

**"cleantech sector"** represents a diverse range of products, services, and processes, intended to provide performance at lower costs, while reducing or eliminating negative ecological impact, at the same time as improving the productive and responsible use of natural resources

**"Companies"** VCT1 and/or VCT2, as the context permits (and each a "Company")

**"CREST"** the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland

**"Directors" or "Boards"** the directors or boards of directors of the Companies

**"Downing"** Downing LLP

**"Existing Shares"** the Shares in issue at the date of this document

**"FiTs"** as Feed in Tariffs

**"HMRC"** HM Revenue & Customs

**"Investment Adviser" or "Gresham"** Gresham House Asset Management Limited or its successor

**"Investor"** an individual investor under the Offers, who is a UK resident aged 18 or over, investing no more than £200,000 in VCTs in any one tax year

**"ITA"** Income Tax Act 2007 (as amended)

**"Knowledge Intensive Company"** a company satisfying the conditions in Section 331(A) of Part 6 ITA

**"Listing Rules"** Listing Rules of the UK Listing Authority made in accordance with Part 6 of the Financial Services and Markets Act 2000

**"London Stock Exchange"** London Stock Exchange plc

**"ML Regulations"** Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

**"NAV" or "Net Asset Value"** net asset value per Share

**"Net Assets"** the net asset value of each of the Companies' entire assets and undertaking as determined by reference to its latest annual audited accounts, its unaudited interim accounts or its latest published NAV, as applicable

**"New Shares"** Shares being offered by each of the Companies pursuant to its respective Offer (and each a "New Share")

**"Offers"** the offer for subscription by the Companies contained in this document (and each an "Offer")

**"Offer Price"** the price per New Share determined in accordance with the formula set out on page 12

**"Official List"** Official List of the UK Listing Authority

**"Ordinary Shareholder"** a holder of Ordinary Shares

**"Ordinary Shares"** ordinary shares of 0.1p each in the capital of VCT1 (ISIN: GB00B4M2G812) and/or ordinary shares of 0.1p each in the capital of VCT2 (ISIN: GB00B43GVJ82), as the context permits

**“Performance Incentive”** the performance-related incentive payable to members of the Advisory Team as described on page 11 of this document

**“PPAs”** Power Purchase Agreements which are contracts between renewable energy generators and utilities that can be fixed and RPI linked for up to 25 years

**“Promoter’s Fee”** the fee payable to the Investment Adviser, as set out on page 11

**“Pricing Formula”** the pricing formula by which the number of New Shares issued under the Offers is determined for each Investor

**“Qualifying Company”** a company satisfying the conditions of Chapter 4 of Part 6 ITA

**“Qualifying Investment”** investment in an unquoted trading company, which comprises a qualifying holding for a VCT, which satisfies the requirements of Chapter 4 of Part 6 ITA

**“Qualifying Trade”** a trade complying with the requirements of Chapter 4 of Part 6 ITA

**“Risk Finance State Aid”** State Aid received by a company as defined in Section 280B (4) of ITA

**“ROCs”** Renewable Obligation Certificates

**“RPI”** Retail Prices Index

**“Share”** an Ordinary Share and/or an A Share

**“Shareholders”** holders of Shares

**“UK Listing Authority”** Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

**“VCT”** a company approved as a venture capital trust under Section 274 ITA by the Commissioners of HM Revenue & Customs

**“VCT1”** Hazel Renewable Energy VCT1 Plc

**“VCT2”** Hazel Renewable Energy VCT2 Plc

**“VCT Regulations”** The Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations 2004

## PART VI

### Terms and Conditions of Application

1. In these Terms and Conditions of Application, the expression "Application Form" means the application form for use in accordance with these Terms and Conditions of Application. Save where the content requires otherwise, the terms used in the Application Form bear the same meaning as in this document.
2. The right is reserved to reject any application or to accept any application in part only. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer New Shares than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the Applicant. In the meantime, application monies will be held in trust for, and will remain the property of, the Applicant, and will be retained in a separate account.
3. By completing and delivering an Application Form, you:
  - a) offer to subscribe for the number of New Shares specified on your Application Form or any smaller number for which such application is accepted at the Offer Price subject to this document, these Terms and Conditions of Application, and the Articles of each of the Companies;
  - b) authorise your financial adviser or whoever he or she may direct, Link Asset Services or each of the Companies to send a document of title for the number of New Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
  - c) in consideration of each of the Companies agreeing that it will not, prior to the Offers closing, offer any New Shares for subscription under the Offers to any persons other than as set out in this document, agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and each of the Companies which will become binding upon despatch by post or delivery of your duly completed Application Form to each of the Companies or to your financial adviser;
  - d) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Shares applied for or to enjoy or receive any rights or distributions in respect of such New Shares unless and until you make payment in cleared funds for such New Shares and such payment is accepted by each of the Companies (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by each of the Companies of such late payment in respect of such New Shares, each of the Companies may (without prejudice to its other rights) treat the agreement to allot such New Shares as void and may allot such New Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Shares (other than return of such late payment at your risk and without interest);
  - e) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the ML Regulations and that such monies will not bear interest;
  - f) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of each of the Companies) to ensure compliance with the ML Regulations;
  - g) agree that, in respect of those New Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by each of the Companies instructing Link Asset Services to enter your name on the share register;
  - h) agree that all documents in connection with the Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
  - i) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations including the risk factors and investment considerations contained therein;
  - j) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;



- k) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of each of the Companies to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- l) irrevocably authorise each of the Companies, Downing and Link Asset Services or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name and authorise any representatives of each of the Companies, Downing or Capita Registrars Limited to execute any documents required therefor and to enter your name on the register of members of each of the Companies;
- m) agree to provide each of the Companies with any information which it may request in connection with your application or to comply with the VCT legislation or other relevant legislation (as the same may be amended from time to time) including, without limitation, satisfactory evidence of identity to ensure compliance with the ML Regulations;
- n) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in each of the Companies, Gresham or Downing acting in breach of the regulatory or legal requirements of any territory in connection with the Offers or your application;
- o) warrant that you are not under the age of 18 years;
- p) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws and none of the Companies, or Downing or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
- q) agree that your Application Form is addressed to each of the Companies;
- r) agree that Gresham is acting for each of the Companies in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of New Shares or concerning the suitability of New Shares for you or be responsible to you for the protections afforded to its customers;
- s) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- t) warrant that you are not subscribing for the New Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Shares;
- u) warrant that the New Shares are being acquired to you for bona fide investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the VCT legislation contained in ITA is not of itself tax avoidance;
- v) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any New Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US Person or resident of Canada;
- w) warrant that the information contained in the Application Form is accurate; and

agree that if you request that New Shares are issued to you on a date and such New Shares are not issued on such date each of the Companies and its agents and Directors will have no liability to you arising from the issue of such New Shares on a different date.