



HAZEL RENEWABLE ENERGY VCT1 PLC

HALF-YEARLY REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2017

SHAREHOLDER INFORMATION

Performance summary

	31 Mar 2017	30 Sep 2016	31 Mar 2016
	Pence	Pence	Pence
Net asset value per Ordinary Share	116.4	118.1	116.9
Net asset value per 'A' Share	0.1	0.1	0.1
Cumulative dividends per Ordinary Share and 'A' Share	<u>34.5</u>	<u>34.5</u>	<u>29.5</u>
Total return per Ordinary Share and 'A' Share	<u>151.0</u>	<u>152.7</u>	<u>146.5</u>

Share prices

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

	Ordinary Shares	'A' Shares
TIDM codes	HR10	HR1A
Latest share price 27 June 2017:	103.0p	5.05p

Dividends

Year end	Date payable/paid	Pence per share
Forthcoming dividend		
2017 Interim	15 September 2017	5.0

Historic dividends

Ordinary Shares

2016 interim	16 September 2016	5.0
2015 Interim	18 September 2015	5.0
2013 Final	28 March 2014	5.0
2013 Special	28 February 2014	7.3
2012 Final	28 March 2013	5.0
2011 Final	30 March 2012	3.5

'A' Shares

2013 Special	28 February 2014	<u>3.7</u>
		<u>34.5</u>

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account and did not complete these details on their original application form can complete a mandate form for this purpose. Forms can be obtained from Capita Asset Services, whose contact details are shown on the back cover.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I present the Company's half-yearly report for the six months ended 31 March 2017.

As Shareholders will be aware, a General Meeting took place in January for Shareholders to vote on whether the Company should continue as a Venture Capital Trust for a further five years. Shareholders voted in favour of this resolution, however shareholders of Hazel Renewable Energy VCT2 plc ("Hazel 2") voted against the same resolution. This has had some significant implications for your Company which are discussed further below.

Investments

At the period end, the Company held a portfolio of 16 investments with a value of £30.9 million which were spread across the ground mounted solar, roof mounted solar and small wind sectors. There have been no additions to or disposals from the portfolio during the period.

The portfolio companies have continued to perform in line with expectations over the period under review, in some cases benefitting from improved rates on Operations and Maintenance contracts that the Investment Advisor has been able to negotiate. The Board has reviewed the valuations at the period end and agreed that no adjustments to the investment valuations were required.

Further detail on the investments is provided in the Investment Advisor's report on pages 3 to 5.

Net asset value and results

At 31 March 2017, the net asset value ("NAV") per Ordinary Share stood at 116.4p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 116.5p. This represents a small fall of 1.7p since the 30 September 2016 year end as the VCT's running costs have exceeded income from the assets over the winter period when solar irradiation is at its lowest.

Total Return (total NAV plus cumulative dividends paid to date) stands at 151.0p for a holding of one Ordinary Share and one 'A' Share, compared to the cost for subscribers in the original share offer, net of income tax relief, of 70.0p. The Directors consider this to be an excellent result for Shareholders to date.

The loss on ordinary activities after taxation for the period as shown in the Income Statement was £418,000, equivalent to 1.7p per Ordinary Share. This loss arises as the investee companies have not paid any dividends to the VCT during the period as a result of the seasonality of the income for most of the assets. VCT running costs for this period have therefore exceeded income.

Dividends

In line with the Company's policy a dividend of 5.0p per Ordinary Share will be paid on 15 September 2017 to Shareholders on the register at 18 August 2017.

Directorate

As I mentioned in my statement in the Annual Report, Stuart Knight joined the Board as a non-executive director on 31 January 2017. Stuart is proving to be a valuable addition to the Board, which now comprises three non-executive directors. The Directors believe this is an appropriate size for the Company.

Future Strategy

As mentioned above, shareholders of Hazel 2 have voted against the company continuing as a Venture Capital Trust for a further five years. Your Company has a close relationship with Hazel 2 and has co-invested alongside Hazel 2 in all its investments. A wind-up of Hazel 2 could have a significant impact on your Company in that a new investment partner for the investments would need to be found.

CHAIRMAN'S STATEMENT (continued)

With this in mind, your Board has been working closely with the Board of Hazel 2, to identify a solution that is in the best interests of all Shareholders. To this end, the Companies have appointed a consultant to run this process and have engaged with several parties, including Hazel Capital, the Investment Advisor, with the objective of preparing formal proposals seeking to provide all shareholders with an outcome which meets their requirements. The final proposals are expected to provide some Shareholders with an option to exit from their investment while maintaining viable vehicles for those Shareholders that wish to continue holding their investment.

We anticipate that these proposals will be ready to present to Shareholders in the late summer.

Share buybacks

In view of the ongoing review of future strategy, the Board has suspended share buybacks for the time being. These may be re-introduced when the plans for the future of the Company have become clearer.

No shares were purchased in the period.

Outlook

There are a number of differing views amongst the shareholder base of the Company, and Hazel 2, as to what investors wish to see from the companies and their investments in the future. The Board has been presented with a significant challenge to structure a plan that can meet the requirements of all Shareholders, but is working towards proposals which it believes can be flexible enough to satisfy most Shareholders.

This process is made a little easier by the fact that the Company continues to hold a robust portfolio of renewable energy assets which is producing satisfactory returns and is expected to continue to do so well into the future.

I look forward to presenting proposals to Shareholders in the coming months.



Michael Cunningham
Chairman
28 June 2017

INVESTMENT MANAGER'S REPORT

We are pleased with the overall performance of the portfolio in the half year ending 31 March 2017.

The portfolio consists of assets of a high build quality that are standing the test of time well. Most of them have been inspected at different points in time and have passed with flying colours, especially the solar assets. The strong O&M contracts we have as well as the right monitoring and risk management strategy we are implementing suggest that performance will remain strong in the future.

The major assets of the portfolio have performed well during this period. Where we have had issues these have been primarily limited to segments of the portfolio that make a very small contribution to total NAV. We have also been able to achieve significant cost savings primarily through the renegotiation of Operations and Maintenance ("O&M") contracts for these assets.

There are three sets of key factors we look at to determine the overall performance of the portfolio; macro factors (such as inflation, power prices, ROC recycle values and climactic conditions), technical performance and operating costs.

As investment managers, we have control over the latter two factors but macro factors are outside of our control.

Macro factors were marginally unfavourable overall in the latest period. Inflation was higher with UK RPI increasing from 2% to 3.1%, although the benefits of this will not be felt until next year. In terms of weather conditions for our solar and wind assets, solar irradiation was in line with expectations while average wind speeds were not at all favourable.

In more detail, the ground mounted solar installations, accounting for over 75% of the NAV, performed substantially better than the roof-mounted solar installations which are primarily located in northern parts of the UK and are hence more susceptible to shadowing

effects in the dark months of the year. Power prices fluctuated significantly during the period but ended the half year at levels similar to where they started. A spike in power prices during the period had little positive impact on the portfolio, as over 80% of the NAV is concentrated on projects remunerated under the Feed-in-Tariff (FIT) regime where over 90% of revenues are fixed. Finally, the ROC recycle price (which affects two of our solar projects) remained at zero due to a surge in the renewable energy generation capacity that has been deployed. This is despite the commitment enshrined in the ROC regime that they should reach 10% of the ROC buyout price.

The portfolios benefit from inflation as the electricity tariffs earned by renewable energy generation installations are revised upwards every April with inflation (about RPI from the October before). All else being equal a 1% increase in inflation increases cash available for distribution by c.3%. Tariffs were adjusted upwards in April by 2.51% which means that there was no benefit accruing to the portfolio in the last half year but we look forward to this contributing in future periods.

In terms of technical performance, the ground mounted solar installations performed in line with the expectations set at the time of acquisition of the projects. For one of the sites, there was an outage in October at the point of connection to the electricity grid which is outside the site boundary and under the exclusive control of the local electricity network operator. This meant that although the site was capable of generating power, it could not export this power to the grid. All the sites are insured with business interruption insurance for this type of event, although, in this case, the duration was less than the minimum excess set under the policy. The impact on the portfolio was to reduce revenues by 1.5%, all else being equal. This is the sort of rare event over which a manager has little control.

INVESTMENT MANAGER'S REPORT (continued)

In the period, we undertook a new risk assessment study based on our experience to date with the purpose of identifying areas where a small incremental investment could drastically reduce the likelihood of low probability but high impact outages within a project's boundary. We took into account the age of the equipment as well as the fact that some brands of equipment are getting more difficult to source. Three areas we identified as having a high pay-off. These are longer lead time items such as meters and switchgear. A modest incremental investment has resulted in sufficient spares to avoid such an event across the four larger FiT-remunerated sites that generate around 75% of overall portfolio revenues (but a smaller percentage of cashflow today due to debt obligations).

Rooftop installations, which represent circa 18% of the NAV mostly performed well. The only ongoing challenge relates to detailed monitoring as it is not cost effective to put equipment on the c. 1,500 small installations that the portfolio owns. As a result, some of the installations can be affected by communication problems which prevent metering data being reported for revenue collection purposes. This is a widespread occurrence across similar solar portfolios and its effect is only limited to timing of revenue receipts.

The small wind turbine portfolio which accounts for 7% of the total NAV suffered a run of sub-par performance exacerbated by poor wind conditions. One third of the fleet consists of Huaying HY-5 turbines which have performed poorly from the start. We had initiated a maintenance capital expenditure programme to improve performance. However, this has now been put on hold due to mechanical failure on two Huaying turbines, meaning that most of these turbines have been put on mechanical break as we perform a safety review.

As to costs, we have renegotiated the O&M contracts for the four largest FiT-remunerated ground-mounted solar assets, and now pay around half of what we were paying last year, as well as improving contractual provisions. A further 10% reduction will come through if we extend the contracts beyond the one-year term, which can be done once there is clarity on the final outcome of the continuation vote process.

We are working on achieving further cost savings through lower bills for services such as electricity (incoming), mobile and broadband communications, and security and monitoring.

There is also scope to renegotiate some terms of the debt facility that was put in place in December 2013. We will report on this at a future date but, for example, as the prices of inverters and modules is now much lower than in 2013, the reserves are now sufficient to replace most inverters and a significant sub-set of the entire module stock across the six sites in question.

There is the potential for a negative development on the cost side, beyond the manager's control: there are proposals that, if finally implemented, could increase the business rates that the FiT-remunerated sites are paying, by increasing the rateable value significantly. A decision on these proposals is due in the near future.

Year over year, energy production has been at the same level as it was during the half year to 31 March 2016, when climactic conditions were also slightly unfavourable. Production in this period accounts for around a third of annual output, and even a single good month in the summer season would be sufficient to redress the effect over the full year.

Looking into the future, the increase in inflation will impact the portfolio positively, as will more favourable weather conditions than that which have been experienced over the last 18 months.

INVESTMENT MANAGER'S REPORT (continued)

Investment Strategy, Valuation and Dividends

There is a substantial amount of cash in the portfolio as only 30% of the refinancing transaction proceeds from last year were reinvested. However, the Board has halted new investment pending the outcome of the process that began with the continuation vote in January 2017. Share buybacks, *inter alia*, would be a good use of this cash.

The portfolio is capable of generating a very attractive dividend profile which will increase over time as inflation filters through, operating costs are released further, cash in reserves are released and leverage is paid off.

The government has closed all avenues that enable investors to enjoy the regular and predictable income streams for renewable generation assets in a tax free manner. In our view, this means that the portfolio has scarcity value.

We are working with the Board to reach a solution that will allow investors who have voted in favour of continuation to continue enjoying increasing tax free dividends, and those investors who want to sell to exit at an attractive price.

We look forward to the next half year and building on the progress we achieved in the six months ended March 2017.

As a final comment, Hazel Capital has announced that it has agreed terms for its acquisition by Gresham House plc. This is a very positive development which will strengthen the Hazel Capital team and improve its ability to perform its services. The transaction is expected to complete in the third quarter of 2017.

A handwritten signature in black ink, appearing to read 'Ben Guest', with a long horizontal flourish extending to the right.

Ben Guest
Managing Partner
Hazel Capital LLP
28 June 2017

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 March 2017

	31 Mar 2017 £'000	31 Mar 2016 £'000	30 Sep 2016 £'000
Fixed assets			
Investments	30,941	30,071	30,941
Current assets			
Debtors (including accrued income)	480	427	416
Cash at bank and in hand	21	70	6
	<u>501</u>	<u>497</u>	<u>422</u>
Creditors: amounts falling due within one year	(44)	(92)	(157)
	<u>(44)</u>	<u>(92)</u>	<u>(157)</u>
Net current assets	457	405	265
Total assets less net current assets	<u>31,398</u>	<u>30,476</u>	<u>31,206</u>
Creditors: amounts falling due after more than one year	(3,872)	(1,744)	(3,262)
Net assets	<u>27,526</u>	<u>28,732</u>	<u>27,944</u>
Capital and reserves			
Called up share capital	60	62	60
Share premium	3,910	3,910	3,910
Special reserve	10,244	12,430	10,244
Revaluation reserve	14,466	14,096	14,466
Capital redemption reserve	2	-	2
Capital reserve - realised	(1,184)	(912)	(1,056)
Revenue reserve	28	(854)	318
	<u>27,526</u>	<u>28,732</u>	<u>27,944</u>
Equity shareholders' funds	<u>27,526</u>	<u>28,732</u>	<u>27,944</u>
Net asset value per Ordinary Share	116.4p	116.9p	118.1p
Net asset value per 'A' Share	0.1p	0.1p	0.1p
	<u><u>116.5p</u></u>	<u><u>117.0p</u></u>	<u><u>118.2p</u></u>

STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2017

	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000	Total £'000
Six months ended 31 March 2016								
At 30 September 2015	62	3,910	12,430	14,090	-	(840)	(762)	28,890
Gains on investments	-	-	-	6	-	-	-	6
Expenses capitalised	-	-	-	-	-	(72)	-	(72)
Retained revenue	-	-	-	-	-	-	(92)	(92)
At 31 March 2016	62	3,910	12,430	14,096	-	(912)	(854)	28,732

Year ended 30 September 2016

At 30 September 2015	62	3,910	12,430	14,090	-	(840)	(762)	28,890
Gains on investments	-	-	-	370	-	6	-	376
Expenses capitalised	-	-	-	-	-	(216)	-	(216)
Other expenses	-	-	-	-	-	-	-	-
Retained revenue	-	-	-	-	-	-	1,080	1,080
Repurchase and cancellation of own shares	(2)	-	(1,004)	-	2	-	-	(1,004)
Dividends paid	-	-	(1,182)	-	-	-	-	(1,182)
Transfer between reserves	-	-	-	6	-	(6)	-	-
At 30 September 2016	60	3,910	10,244	14,466	2	(1,056)	318	27,944

Six months ended 31 March 2017

At 30 September 2016	60	3,910	10,244	14,466	2	(1,056)	318	27,944
Gains on investments	-	-	-	-	-	-	-	-
Expenses capitalised	-	-	-	-	-	(128)	-	(128)
Retained revenue	-	-	-	-	-	-	(290)	(290)
At 31 March 2017	60	3,910	10,244	14,466	2	(1,184)	28	27,526

UNAUDITED INCOME STATEMENT

for the six months ended 31 March 2017

	Six months ended 31 Mar 2017			Six months ended 31 Mar 2016			Year ended 30 Sep 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	6	-	6	268	-	268	1,784
Gains on investments	-	-	-	-	6	6	376
	6	-	6	268	6	274	2,160
Investment management fees	(209)	(70)	(279)	(216)	(72)	(288)	(576)
Other expenses	(87)	(58)	(145)	(144)	-	(144)	(344)
(Loss)/return on ordinary activities before taxation	(290)	(128)	(418)	(92)	(66)	(158)	1,240
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
(Loss)/return attributable to equity shareholders	(290)	(128)	(418)	(92)	(66)	(158)	1,240
(Loss)/return per Ordinary Share	(1.2p)	(0.5p)	(1.7p)	(0.4p)	(0.3p)	(0.7p)	5.1p
(Loss)/return per 'A' Share	-	-	-	-	-	-	-

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

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 CASH FLOW STATEMENT

for the six months ended 31 March 2017

	31 Mar 2017 £'000	31 Mar 2016 £'000	30 Sep 2016 £'000
Note			
Net cash (outflow)/inflow from operating activities	1 <u>(593)</u>	<u>(319)</u>	<u>784</u>
Cash flows from investing activities			
Purchase of investments	-	(558)	(1,057)
Sale of investments	<u>-</u>	<u>1,148</u>	<u>1,148</u>
Net cash inflow from investing activities	<u>-</u>	<u>590</u>	<u>91</u>
Net cash (outflow)/inflow before financing activities	(593)	271	875
Cash flows from financing activities			
Equity dividends paid	-	-	(1,182)
Long term loans	608	(257)	1,261
Purchase of own shares	<u>-</u>	<u>-</u>	<u>(1,004)</u>
Net cash inflow/(outflow) from financing activities	<u>15</u>	<u>(257)</u>	<u>(925)</u>
Increase/(decrease) in cash	2 <u><u>15</u></u>	<u><u>14</u></u>	<u><u>(50)</u></u>

Notes to the cash flow statement:

1 Cash (outflow)/inflow from operating activities			
(Loss)/return on ordinary activities before taxation	(418)	(158)	1,240
Gains on investments	-	(6)	(376)
Increase in other debtors	(62)	(89)	(79)
Decrease in other creditors	<u>(113)</u>	<u>(66)</u>	<u>(1)</u>
Net cash (outflow)/inflow from operating activities	<u>(593)</u>	<u>(319)</u>	<u>784</u>
2 Analysis of net funds			
Beginning of period	6	56	56
Net cash inflow/(outflow)	<u>15</u>	<u>14</u>	<u>(50)</u>
End of period	<u><u>21</u></u>	<u><u>70</u></u>	<u><u>6</u></u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 March 2017

	Cost £'000	Valuation £'000	Unrealised gain in period £'000	% of portfolio by value
Qualifying and partially qualifying investments				
Lunar 2 Limited*	2,976	13,479	-	43.5%
Ayshford Solar (Holding) Limited*	2,480	3,496	-	11.3%
Lunar 1 Limited*	125	2,186	-	7.1%
New Energy Era Limited	884	1,489	-	4.8%
Hewas Solar Limited	1,000	1,361	-	4.4%
Vicarage Solar Limited	871	1,303	-	4.2%
Tumblewind Limited	1,438	1,246	-	4.0%
Gloucester Wind Limited	1,000	1,153	-	3.7%
Minsmere Power Limited	975	1,050	-	3.4%
HRE Willow Limited	875	770	-	2.5%
Penhale Solar Limited	825	735	-	2.4%
St Columb Solar Limited	650	690	-	2.2%
Small Wind Generation Limited	975	583	-	1.9%
Chargepoint Services Limited	500	500	-	1.6%
Sunhazel UK Limited	1	-	-	0.0%
	<u>15,575</u>	<u>30,041</u>	-	<u>97.0%</u>
Non qualifying investments				
AEE Renewables UK 3 Limited	900	900	-	2.9%
	<u>900</u>	<u>900</u>	-	<u>2.9%</u>
	<u>16,475</u>	<u>30,941</u>	-	<u>99.9%</u>
Cash at bank and in hand		21		0.1%
Total investments		<u>30,962</u>		<u>100%</u>

* Part-qualifying investment

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

Hazel Renewable Energy VCT1 plc (“the Company”) is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Accounting policies - Basis of accounting

The unaudited half-yearly results cover the six months to 31 March 2017 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2016 which were prepared under FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and in accordance with the Statement of Recommended Practice (“SORP”) “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued by the Association of Investment Companies (“AIC”) revised November 2014.

3. All revenue and capital items in the Income Statement derive from continuing operations.

4. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

5. Net asset value per share at the period end has been calculated on 23,638,058 Ordinary Shares and 35,977,774 ‘A’ Shares, being the number of shares in issue at the period end.

6. Return per share for the period has been calculated on 23,638,058 Ordinary Shares and 35,977,774 ‘A’ Shares, being the weighted average number of shares in issue during the period.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Dividends

	Period ended 31 Mar 2017			Year ended 30 Sep 2016
	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in period				
2016 Interim Ordinary Shares - 5.0p	-	-	-	1,182
	-	-	-	1,182
Forthcoming dividends				
2017 Interim Ordinary Shares - 5.0p	-	1,182	1,182	-
	-	1,182	1,182	-

8. Reserves

	Period ended 31 Mar 2017 £'000	Year ended 30 Sep 2016 £'000
Share premium reserve	3,910	3,910
Special reserve	10,244	10,244
Revaluation reserve	14,466	14,466
Capital redemption reserve	2	2
Capital reserve-realised	(1,184)	(1,056)
Revenue reserve	28	318
	<u>27,466</u>	<u>27,884</u>

The Revenue reserve, Capital reserve - realised and Special reserve are distributable reserves. The distributable reserve is reduced by unrealised holding losses of £932,121 which are included in the Revaluation reserve. Distributable reserves at 31 March 2017 were £8,158,417.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Investments

The fair value of investments is determined using the detailed accounting policies as referred to in note 2.

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

- Level a Reflects financial instruments quoted in an active market;
 Level b Reflects financial instruments that have prices that are observable either directly or indirectly; and
 Level c
- i) Reflects financial instruments that use valuation techniques that are based on observable market data.
 - ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level a	Level b	Level c	31 Mar	Level a	Level b	Level c	30 Sep
			(ii)	2017			(ii)	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan notes	-	-	5,641	5,641	-	-	5,641	5,641
Unquoted equity	-	-	25,300	25,300	-	-	25,300	25,300
	-	-	30,941	30,941	-	-	30,941	30,941

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

10. Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-year results to report on 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) investment risk associated with investing in small and immature businesses;
- (ii) market risk in respect of the various assets held by the investee companies; and
- (iii) failure to maintain approval as a VCT.

In order to make VCT qualifying investments, the Company has to invest in small businesses which are often immature. The Investment Manager follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the business. The Manager also seeks to diversify the portfolio to some extent by holding investments which operate in various sectors. The Board is satisfied with this approach.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who reports regularly to the Board on the current position. The Company has reappointed Philip Hare & Associates LLP, who will work closely with the Investment Manager and provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. 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.

- 12.** 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)

- 13.** 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.
- 14.** Copies of the Half-Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company’s registered office or can be downloaded from www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Selling shares

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is only able to make market purchases of shares, so Shareholders will need to use a stockbroker to sell any shares. Disposing of shares is likely to have significant tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision. If you are considering selling your shares or wish to buy shares in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure can be contacted as follows:

Chris Lloyd
0207 886 2716
chris.lloyd@panmure.com

Paul Nolan
0207 886 2717
paul.nolan@panmure.com

Downing LLP is able to provide details of close periods and the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

If you have any queries regarding your shareholding in Hazel Renewable Energy VCT1 plc, please contact the registrar on the number shown on the back cover or visit Capita's website at **www.capitaassetservices.com** and click on "Products and Services" and then "Shareholders".

Directors

Michael Cunningham (Chairman)
Stephen Hay
Stuart Knight

Company Secretary and Registered Office

Grant Whitehouse
Ergon House
Horseferry Road
London SW1P 2AL

Registered No. 07378392

Investment Manager

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Tel: 0203 434 1010
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Administration Manager

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London SW1P 2AL
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 9:00am to 5:30pm)

www.capitaassetservices.com