



HAZEL RENEWABLE ENERGY VCT1 PLC

HALF-YEARLY REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2018

SHAREHOLDER INFORMATION

Performance summary

	28 June 2018	31 Mar 2018	30 Sep 2017	31 Mar 2017
		Pence	Pence	Pence
Net asset value per Ordinary Share		114.4	116.0	116.4
Net asset value per 'A' Share		0.1	0.1	0.1
Cumulative dividends *		<u>39.5</u>	<u>39.5</u>	<u>34.5</u>
Total Return *		<u>154.0</u>	<u>155.6</u>	<u>151.0</u>
Share Price – Ordinary (HR10)	113.0p	113.0p	106.5p	103.0p
Share Price – A Shares (HR1A)	5.05p	5.05p	5.05p	5.05p

* for a holding of one Ordinary Share and A Share

Dividends

Historic dividends

Ordinary Shares

2017 Interim	15 September 2017	5.0
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>39.5</u>

The next dividend is expected to be paid in December 2018 and will be announced in November 2018.

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 Link Asset Services, whose contact details are shown on the back cover.

Shareholder information is continued on the inside back cover.

CHAIRMAN'S STATEMENT

I am pleased to present my first report to Shareholders as Chairman of Hazel Renewable Energy VCT1 plc. This report covers the six-month period ended 31 March 2018.

Board changes

As Shareholders may be aware, Stephen Hay, the Company's former Chairman, stepped down from the Board on 30 April 2018, in order to focus on his other business interests.

Stephen had been a non-executive director of the Company since its launch in 2010, acting as Chairman since July 2017 and overseeing the completion of a reorganisation of the Company, which resulted in the appointment of Gresham House Asset Management as Investment Adviser in October 2017. On behalf of the Board, I would like to thank Stephen for his substantial contribution to the Company throughout its life to date.

I joined the Board on 1 May 2018 and also took over the role of Chairman. The Board currently comprises two non-executive directors. I can report that we are close to finalising the appointment of a further non-executive director, so that the Company will return to a three person Board, which we believe to be appropriate for a VCT of this size.

Investment portfolio

At the period end, the Company continued to hold a portfolio of 16 investments, which were valued at £30.0 million. There were no additions to, or full disposals from, the portfolio during the period, however two loan note investments were partially redeemed, at par, during the period.

The Board has reviewed the investment valuations at the half-year date. Adjustments have been made for cash that has been paid to the Company from the investee companies, as dividends during the period. The adjustments were equivalent to approximately a 2% reduction in fair value. Apart from this, no changes to the valuation of the underlying projects have been considered necessary at this time.

A large proportion of the underlying assets owned by the investee companies are solar assets. Irradiation levels over the six-month period have generally been lower than expected, contributing to net revenues from all the assets over the period coming in 11.5% lower than budget. However, as irradiation is naturally lower during the winter months and these months are only expected to produce a small proportion of the annual electricity generation and income, this shortfall is not considered significant and could be made up during the summer months. Indeed, irradiation levels since the period end have been ahead of expectation.

Further detail on the investments is provided in the Investment Advisor's Report on pages 4 to 7.

Net asset value and results

At 31 March 2018, the net asset value ("NAV") per Ordinary Share stood at 114.4p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 114.5p. This represents a decrease of 1.6p since 30 September 2017.

The decrease in NAV is to be expected as the running costs of the VCT for this period have exceeded income and gains from the portfolio. Further detail on the performance of the investee companies is given in the Investment Advisers Report on pages 4 to 7. Total Return (total NAV plus cumulative dividends paid to date) stands at 154.0p 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. This represents an annualised tax-free return ("IRR") of 7.0%, or 13.3% when taking into account the initial tax relief.

CHAIRMAN'S STATEMENT (continued)

Share Buybacks

As part of the reorganisation in 2017, the Board reviewed the Company's Share buyback policy. In the last Annual Report, the Board stated that it aims to buy-in shares that become available in the market, at a discount of approximately 2% to the latest published NAV. This policy is subject to market conditions, the Company having sufficient liquidity for dividends and other commitments and being able to comply with all relevant regulations, in particular those relating to VCT qualifying status.

During the period, the Company purchased a total of 2,361,063 Ordinary Shares at an average price of 113.6p per Share, and a total of 2,361,063 'A' Shares at an average price of 0.1p.

Contact details for Shareholders considering selling shares are shown on the Shareholder Information page.

Fundraising

In March, the Company identified an opportunity to undertake a small Top-up Offer for Subscription. This was launched on 14 March 2018 and reached full capacity a few days after launch. A total of £2.5 million was raised by the Company, alongside the £1.7 million raised by the sister company, Hazel Renewable Energy VCT2 plc ("Hazel VCT 2"). 1,955,172 Ordinary and 'A' Shares were issued during April 2018 in respect of this offer. These new funds help to finance the running of the Company, support the investee companies and potentially allow the Company to consider new opportunities that may arise.

Dividends

In recent years, the Company has paid its annual dividend in September. This is not well synchronised with the cyclical pattern of income generated by the Company's underlying investments. Most income is produced in the July to September quarter, and is paid to the investee companies in November. The Board has therefore decided to pay future annual dividends in December, when most of the annual income flows have been received.

Accordingly, no dividend is being announced at this point. The Board expects to announce the annual dividend in November. The quantum of the dividend will depend on the levels of income generated over the summer months. The Company continues to target a dividend of at least 5.0p per annum.

Outlook

Following the successful reorganisation of the Company, alongside Hazel VCT 2, the Board and the Investment Adviser are now working together on the strategy for the future that will seek to deliver maximum value for Shareholders.

I am a strong believer in the importance of effective Shareholder communications, and will be paying particular attention, going forward, to keeping Shareholders informed of the VCT's progress. To date, Downing LLP, as administrator, has provided the online information for the VCT. Currently Gresham House is working on a new website for the VCT, to be contained within their website. This will include all the information you will need to keep abreast of developments in the VCT. It is expected to be up and running during the course of the summer. In addition, we will be sending out, and posting online, updates between the Annual and Half-Yearly Reports, to keep you fully informed.

The task of ensuring that the Company complies with the latest VCT regulations is challenging and places significant restrictions on the Company, which must continue to meet the VCT rules at all times, so as to preserve the tax benefits for Shareholders.

CHAIRMAN'S STATEMENT (continued)

Outlook (continued)

Despite these restrictions, the Investment Adviser believes that returns from the portfolio can continue to be maintained, and potentially enhanced, by close monitoring of the assets, to ensure that performance is optimised and costs are tightly controlled.

As mentioned above, the Company expects to announce its annual dividend in November, and we will notify Shareholders at that time.

A handwritten signature in black ink, appearing to read 'Gill Nott', with a stylized flourish at the end.

Gill Nott
Chairman
29 June 2018

INVESTMENT ADVISER'S REPORT

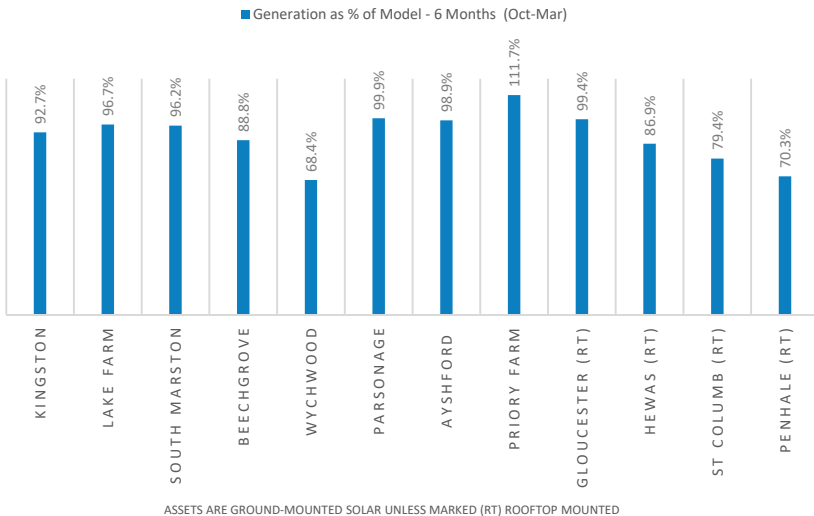
The Adviser reports below on the performance of the portfolio of assets owned by Hazel Renewable Energy VCT1 ("Company") in the half-year ending 31 March 2018. This report analyses performance by the various sites in which the Company has a stake. The investee companies that own and operate these sites are shown on page 12.

Performance

The solar generation assets, that account for circa 93% of the Company's NAV, performed 3.6% worse than forecasted during the half-year.

The entire underperformance can be explained by low irradiation conditions and the effect of a grid level outage, covered by business interruption insurance, at Wychwood, one of the two smallest ground-mounted solar assets.

SOLAR ASSETS - GENERATION VS FORECAST (OCT17-MAR18)



Macro Level Factors

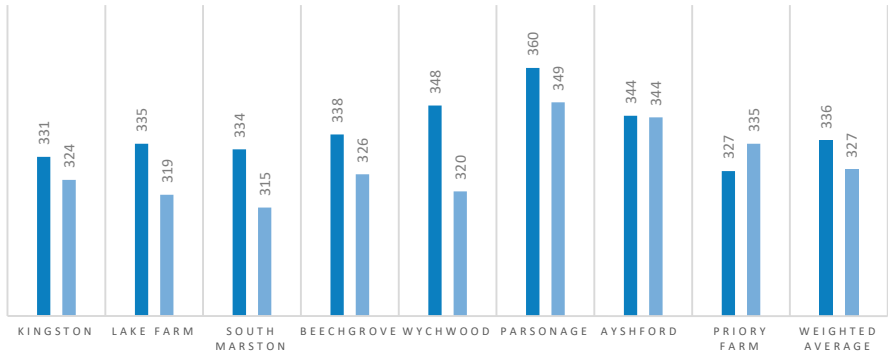
Macro level factors are outside of the Company's control and these were unfavourable overall.

The UK has been going through a period of generally low solar irradiation conditions in the last two years, and the six months to 31 March 2018 have also been poor in this regard. There are pyranometers installed on all eight ground-mounted solar sites in the portfolio, and their readings indicate weighted average (by capacity) irradiation of 2.7% below forecast in the period.

INVESTMENT ADVISER'S REPORT (continued)

GROUND-MOUNTED SOLAR. IRRADIATION (1 OCTOBER 2017 - 31 MARCH 2018)

■ Business Plan Irradiation (kWh/m2) ■ Actual Irradiation (kWh/m2)



The macro level variable that worked out in the Company's favour was inflation. The Feed-in-Tariffs ("FiTs") and Renewable Obligation Certificates ("ROCs") earned by the Company are adjusted in line with Retail Price Inflation ("RPI") every April. The exact RPI level used is that published by the Office of National Statistics in December, which this time coincided with the peak of recent RPI releases at 4.1%. The portfolio valuation models assume long term inflation of three percent. This will add circa £100,000 to forecast portfolio revenues if all else remains the same.

The third macro-level variable is power prices. These fluctuated significantly during the period, however on average they were lower by 5% compared to the six-month period ending 31 March 2017. This had little negative impact on the portfolio, as over 80% of the NAV is concentrated in projects remunerated under the FIT regime, where in excess of 90% of revenues are fixed.

Finally, the ROC recycle price (which has a minor effect on two of the eight ground-mounted solar projects) rebounded from zero to ten percent.

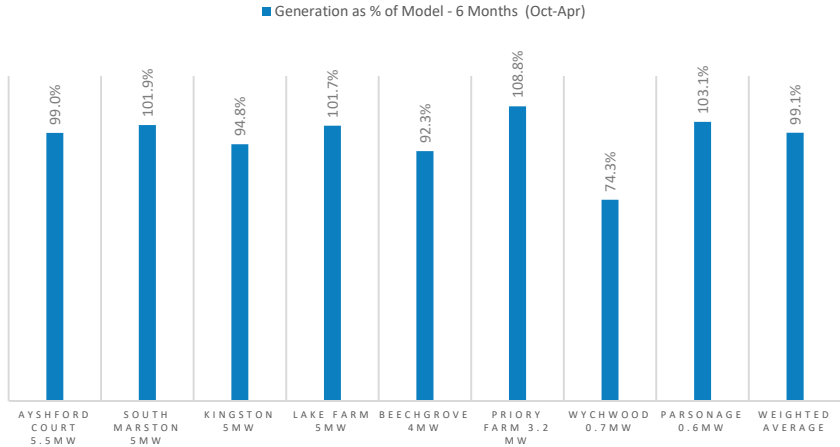
Overall the net effect of the above factors was a shortfall in total portfolio revenues of £389,893, resulting in total revenue from the investee companies of £3,001,801 compared with a budget of £3,391,694. During the period there were no material differences between actual and budgeted costs. Solar irradiation in May has been above average and it is hoped that over the course of the summer, income will be made up by higher levels of irradiation.

Technical Performance of the Assets

Performance of the asset base was mixed. A straightforward way of measuring technical performance is to adjust the figures for performance versus the financial model, by measured irradiation versus forecast. If the resulting number is above 100%, the asset has performed better than irradiation conditions suggest and if the number is lower than 100%, the asset has performed worse than irradiation conditions suggest.

INVESTMENT ADVISER'S REPORT (continued)

GROUND-MOUNTED SOLAR. GENERATION VS FORECAST. ADJUSTED FOR IRRADIATION (OCT17-APR18)



On a weighted (by generation) basis, and adjusted for irradiation, the ground-mounted solar assets performed slightly worse than forecast with a 0.9% shortfall.

The Wychwood site experienced a 2.5-month long outage due to an outage at the grid level, and therefore outside of the Company's control. These types of outages are covered by business interruption insurance. The claim for this was approved by the insurer.

The Lake Farm site had experienced an outage for the same reason last summer. The insurance claim for that was also approved and the proceeds were received in April.

The Lake Farm, South Marston, Priory Farm and Parsonage sites performed better than expected given the irradiation conditions.

The Kingston site suffered an outage due to the HV cables at the site short circuiting due to poor original installation. This was repaired within eight days and prompted a testing process of HV cables at all ground-mounted sites to prevent a repeat of this situation.

The Beechgrove site suffered from a problem that repeats whenever very damp conditions are present – some of the DC connectors on the modules are affected by moisture. This is very difficult to address in a cost effective (without leading to an outage of long duration) manner.

Following on from the technical risk management strategy put into action last year, the Adviser prepared a comprehensive technical study of the asset base and reported to the Board in March.

INVESTMENT ADVISER'S REPORT (continued)

An important area of focus was the decision criteria for preventative maintenance capital expenditure for all the key components of the sites. The ground-mounted sites are of high build quality and inverter failure rates are very low, however these are expected to increase as they are between four and seven years into the ten-year expected life of the inverters. There are reserves in place under the debt facility agreements to replace inverters, however the Company seeks to not use up these reserves faster than necessary and to minimise downtime.

Steady progress was made on reducing the number of non-performing solar rooftop installations during the six-month period. Repairs were carried out on all properties where housing association tenants allowed the contractor access. These repairs are expected to increase revenues from this group of installations by 2.5%.

The small wind fleet which accounts for circa seven percent of the Net Asset Value continued to perform poorly, with the 95 Huaying HY-5 turbines offline. The shortfall between actual revenues and revenues forecast at the time of the original investments in the 2001 to 2013 period was £192,739. The Adviser commissioned an inspection programme to identify those assets that could be safely put back into service at a reasonable cost and decided to set the bar at six years in terms of the payback period of the additional investment required. With all but 12 of the 95 turbines inspected, 60 will be repaired over the summer and autumn months, with circa £160,000 earmarked for this. The contribution to revenues, once all the repairs are completed, is expected to be circa £40,000 per year.

Costs

The Adviser has been working over the past two years to reduce the cost base as much as possible with the main area of focus being operations and maintenance. In February, Baywa, which was appointed last year, was given a five-year contract, thus locking in the rate negotiated last year (which was around 60% lower than the rate that applied to the first five years of the projects).

The Adviser also replaced Anesco with Silverstone Green Energy as the Operations and Maintenance Contractor for the small Wychwood and Parsonage sites. Silverstone emerged from the tender as the best option.

Recent Developments

Since the period end, a Top-Up offer was successfully completed at full capacity. This has provided the Company with some funds that are available for new investment, for which we continue to evaluate potential VCT-qualifying investment opportunities. Meanwhile we will monitor the assets vigorously with the purpose of further maximising yield.

Gresham House Asset Management Limited

29 June 2018

UNAUDITED BALANCE SHEET

as at 31 March 2018

	31 Mar 2018 £'000	31 Mar 2017 £'000	30 Sep 2017 £'000
Fixed assets			
Investments	29,961	30,941	31,390
Current assets			
Debtors	398	480	443
Cash at bank and in hand	1,600	21	129
	<u>1,998</u>	<u>501</u>	<u>572</u>
Creditors: amounts falling due within one year	<u>(610)</u>	<u>(44)</u>	<u>(71)</u>
Net current assets	<u>1,388</u>	<u>457</u>	<u>501</u>
Total assets less net current assets	<u>31,349</u>	<u>31,398</u>	<u>31,891</u>
Creditors: amounts falling due after more than one year	(5,365)	(3,872)	(4,426)
Net assets	<u>25,984</u>	<u>27,526</u>	<u>27,465</u>
Capital and reserves			
Called up share capital	60	60	60
Share premium	3,910	3,910	3,910
Funds held in respect of shares not yet allotted	1,598	-	-
Treasury Shares	(2,695)	-	-
Capital redemption reserve	2	2	2
Special reserve	9,062	10,244	9,062
Revaluation reserve	14,865	14,466	15,504
Capital reserve - realised	(1,237)	(1,184)	(1,195)
Revenue reserve	419	28	122
	<u>25,984</u>	<u>27,526</u>	<u>27,465</u>
Equity shareholders' funds	<u>25,984</u>	<u>27,526</u>	<u>27,465</u>
Net asset value per Ordinary Share	114.4p	116.4p	116.0p
Net asset value per 'A' Share	0.1p	0.1p	0.1p
	<u>114.5p</u>	<u>116.5p</u>	<u>116.1p</u>

STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2018

	Called up Share capital	Share Premium account	Shares not yet allotted	Treasury Shares	Capital Redemption reserve	Special reserve	Revaluation reserve	Capital Reserve - realised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 September 2016	60	3,910	-	-	2	10,244	14,466	(1,056)	318	27,944
Total comprehensive income	-	-	-	-	-	-	992	(93)	(196)	703
Transactions with owners										
Dividends paid	-	-	-	-	-	(1,182)	-	-	-	(1,182)
Transfer between reserves	-	-	-	-	-	-	46	(46)	-	-
As at 30 September 2017	60	3,910	-	-	2	9,062	15,504	(1,195)	122	27,465
Total comprehensive income	-	-	-	-	-	-	(639)	(42)	297	(384)
Fundraising proceeds	-	-	1,598	-	-	-	-	-	-	1,598
Transactions with owners										
Repurchase of shares	-	-	-	(2,695)	-	-	-	-	-	(2,695)
As at 31 March 2018	60	3,910	1,598	(2,695)	2	9,062	14,865	(1,237)	419	25,984

UNAUDITED INCOME STATEMENT

for the six months ended 31 March 2018

	Six months ended 31 Mar 2018			Six months ended 31 Mar 2017			Year ended 30 Sep 2017
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	690	-	690	6	-	6	492
(Losses)/gains on investments							
Unrealised	-	(639)	(639)	-	-	-	992
Realised	-	5	5	-	-	-	46
	690	(634)	56	6	-	6	1,530
Investment advisory fees	(141)	(47)	(188)	(209)	(70)	(279)	(554)
Other expenses	(252)	-	(252)	(87)	(58)	(145)	(273)
Return/(loss) on ordinary activities before taxation	297	(681)	(384)	(290)	(128)	(418)	703
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
Return/(loss) for the period and total comprehensive income	297	(681)	(384)	(290)	(128)	(418)	703
Return/(loss) per Ordinary Share	1.3p	(2.9p)	(1.6p)	(1.2p)	(0.5p)	(1.7p)	3.0p
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 ("FRS 102"). 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 STATEMENT OF CASH FLOWS

for the six months ended 31 March 2018

	31 Mar 2018 £'000	31 Mar 2017 £'000	30 Sep 2017 £'000
Cash flows from investing activities			
(Loss)/return on ordinary activities before taxation	(384)	(418)	703
Losses/(gains) on investments	634	-	(1,038)
Decrease/(increase) in other debtors	45	(62)	(27)
Decrease in other creditors	(29)	(113)	(86)
Net cash inflow/(outflow) from operating activities	<u>266</u>	<u>(593)</u>	<u>(448)</u>
Cash flows from investing activities			
Sale of investments	795	-	589
Net cash inflow from investing activities	<u>795</u>	<u>-</u>	<u>589</u>
Net cash inflow/(outflow) before financing	1,061	(593)	141
Cash flows from financing activities			
Equity dividends paid	-	-	(1,182)
Fundraising proceeds	1,598	-	-
Long term loans	939	608	1,164
Purchase of own shares	(2,127)	-	-
Net cash inflow/(outflow) from financing activities	<u>410</u>	<u>608</u>	<u>(18)</u>
Increase in cash	1,471	15	123
Cash and cash equivalents at start of period	129	6	6
Cash and cash equivalents at end of period	<u>1,600</u>	<u>21</u>	<u>129</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 March 2018

Qualifying and partially qualifying investments			Operating sites	Sector	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Lunar 2 Limited*		South Marston, Beechgrove	Ground Solar	2,976	15,360	38	51.3%	
Ayshford Solar (Holding) Limited*		Ayshford	Ground Solar	1,308	2,191	(343)	7.3%	
Lunar 1 Limited*		Kingston Farm, Lake Farm	Ground Solar	125	2,121	-	7.1%	
New Energy Era Limited		Wychwood Solar Farm	Ground Solar	884	1,390	-	4.6%	
Hewas Solar Limited		Hewas	Roof Solar	1,000	1,355	-	4.5%	
Vicarage Solar Limited		Parsonage Farm	Ground Solar	871	1,215	-	4.1%	
Tumblewind Limited*		Priority Farm	Small Wind/Solar	1,231	1,043	69	3.5%	
Gloucester Wind Limited		Gloucester	Roof Solar	1,000	915	(38)	3.1%	
Minsmere Power Limited		Minsmere	Small Wind/Solar	975	729	-	2.4%	
HRE Willow Limited		HRE Willow	Small Wind	875	726	-	2.4%	
St Columb Solar Limited		St Columb	Roof Solar	650	671	(2)	2.2%	
Chargepoint Services Limited			Vehicle charging	500	500	-	1.7%	
Small Wind Generation Limited		Small Wind Generation	Small Wind	975	483	-	1.6%	
Penhale Solar Limited		Penhale	Roof Solar	825	362	(363)	1.2%	
Sunhazel UK Limited			Roof Solar	1	-	-	-	
				14,196	29,061	(639)	97.0%	
Non-qualifying investments								
AEE Renewables UK 3 Limited		Lake Farm	Ground Solar	900	900	-	3.0%	
				900	900	-	3.0%	
Total investments				15,096	29,961	-	100.0%	

* Partially 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 2018 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2017 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 21,276,995 Ordinary Shares and 33,616,905 ‘A’ Shares, being the number of shares in issue at the period end, excluding Treasury Shares.

6. Return per share for the period has been calculated on 23,108,109 Ordinary Shares and 35,447,878 ‘A’ Shares, being the weighted average number of shares in issue during the period, excluding Treasury Shares.

7. Dividends

	Period ended 31 Mar 2018		Year ended 30 Sep 2017
	Revenue £’000	Capital £’000	Total £’000
Dividends paid			
2017 Interim - Ordinary Shares - 5.0p	-	-	1,182
	-	-	1,182

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	Period ended 31 Mar 2018 £'000	Year ended 30 Sep 2017 £'000
Share premium reserve	3,910	3,910
Special reserve	9,062	9,062
Revaluation reserve	14,865	15,504
Funds held in respect of shares not yet allotted	1,598	-
Treasury Shares	(2,695)	-
Capital redemption reserve	2	2
Capital reserve-realised	(1,237)	(1,195)
Revenue reserve	419	122
	<u>25,924</u>	<u>27,405</u>

The Revenue reserve, Capital reserve - realised and Special reserve are distributable reserves. Distributable reserves are reduced by unrealised holding losses of £1,625,000 which are included in the Revaluation reserve. Distributable reserves at 31 March 2018 were £6,621,000.

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 1 Reflects financial instruments quoted in an active market;
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
- Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	31 Mar 2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	30 Sep 2017 £'000
Loan notes	-	-	4,413	4,413	-	-	5,203	5,203
Unquoted equity	-	-	25,548	25,548	-	-	26,187	26,187
	<u>-</u>	<u>-</u>	<u>29,961</u>	<u>29,961</u>	<u>-</u>	<u>-</u>	<u>31,390</u>	<u>31,390</u>

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Risks and uncertainties (continued)

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 Adviser follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the business. The Adviser 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 Adviser, 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 Adviser 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.

12. Going concern

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

13. 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.
14. 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 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.
15. 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 from time to time. 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, Link 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/h1**

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 Link's website at **www.linkassetsservices.com** and click on "Shareholders".

Directors

Gill Nott (Chairman)

Stuart Knight

Company Secretary and Registered Office

Grant Whitehouse
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

Registered No. 07378392

Investment Adviser

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5 Cheapside
London EC2V 6AA
Tel: 020 3837 6270
www.greshamhouse.com

Administration Adviser

Downing LLP
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
www.downing.co.uk

Registrar

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

Tel: 0871 664 0324

(calls cost 12p per minute plus network extras,
lines open Monday to Friday 9:00 a.m. to 5:30 p.m.)

www.linkassetservices.com