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THIS DOCUMENT HAS BEEN PREPARED FOR THE PURPOSES OF COMPLYING WITH THE PROSPECTUS DIRECTIVE, ENGLISH LAW AND THE RULES OF THE UKLA AND THE INFORMATION DISCLOSED MAY NOT BE THE SAME AS THAT WHICH WOULD BE DISCLOSED IF THIS DOCUMENT HAD BEEN PREPARED IN ACCORDANCE WITH THE LAWS OF A JURISDICTION OUTSIDE ENGLAND.

Hazel Renewable Energy VCT 1 Plc

Registered in England and Wales with registered number 07378392

Hazel Renewable Energy VCT 2 Plc

Registered in England and Wales with registered number 07378395

The Companies' Existing Shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities.

Howard Kennedy Corporate Services LLP (Howard Kennedy), which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Conduct Authority, is acting as sponsor exclusively for the Companies and for no one else in connection with the Offers, and, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, will not be responsible to any person other than the Companies for providing the protections afforded to customers of Howard Kennedy or for providing advice to them in relation to the Offer. Howard Kennedy is not making any representation or warranty, express or implied, as to the contents of this document.

Copies of this Registration Document, the Securities Note and the Summary (and any supplementary prospectus published by the Companies) are available free of charge from the offices of the Companies' investment adviser, Hazel Capital LLP, at 2nd Floor 227 Shepherds Bush Road, London, W6 7AS and on the Companies' website: www.hazelcapital.com/currentoffers.

None of the New Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, (the Securities Act) or under the securities laws of Canada, Australia, Japan or South Africa (each a Restricted Territory) and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US Persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. No offer of the New Shares has been, nor will be, made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective Shareholders who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only.

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RISK FACTORS

The following are those risk factors which are material to the Companies and of which the Directors are aware. Material risk factors relating to the New Shares are contained in the Securities Note. Additional factors which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an effect on the Companies' business, financial condition or results of operations.

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 for their management on a smaller number of key individuals. 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 its investment objective.
- The Boards have broad discretion to monitor the performance of Hazel Capital and the power to appoint a replacement, but Hazel Capital's performance or that of any replacement cannot be guaranteed.
- The past performance of the Companies or other funds managed or advised by Hazel Capital 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 Hazel Capital's team referred to in Part I of this document or otherwise with a significant role in the management of the Companies' investments will remain with Hazel Capital or that Hazel Capital will be able to attract and retain other suitable staff. The departure of a key member of Hazel Capital'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, annual volatility for revenues, increasing operational costs and unavailability of 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 revenue may experience volatility. This may influence the availability of dividends than can be paid out to Investors. The risk can be mitigated through a diversified portfolio without reliance on one single project or technology.
- 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. Hazel, however, believes that the risk is significantly mitigated by long term contracts that are guaranteed and index price linked, such as FiTs or PPAs. Furthermore, the UK government is renowned for grandfathering the regulatory support for any already 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. If debt is used to finance investee projects then this risk should be reduced as lending will typically be at a fixed rate of interest over the term of the debt. It is further possible that investments into the investee project could be made in the form of Non-Qualifying Investments and as such the Company would receive interest payments.
- There is no guarantee that the VCT will source sufficient deal flow of operational or fully consented projects to meet the required 70% criteria of Qualifying Investments. If such a situation arises then Qualifying Investments will be sought in AIM listed companies to fulfil the Companies' primary aim of securing and maintaining their VCT status. This could, however, reduce the possible returns from the investments.
- There can be no certainty that the equipment used to generate renewable energy will not be subject to downtime and reduce the margins of the investee plants. The Companies will mitigate this risk by utilising proven technology with multi-year warranties and maintenance contracts.
- The use of battery technology for energy storage on an industrial scale is comparatively recent although the underlying components, manufacturing processes and general understanding of Lithium-based battery technology have been evolving for over 30 years. Therefore, while there are risks as to safety and reliability this does not equate to the risks associated with unproven or early stage technologies. Furthermore, long term warranties relating to reliability (life in years or cycles) should be forthcoming from suppliers.

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 can 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 its affairs in respect of each accounting period so as to obtain and thereafter maintain approval as a VCT. However, there can be no guarantee that the Companies will be able to maintain VCT status. Where the Companies fails to maintain approval as

a VCT before Qualifying 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 a Qualifying Investor will generally be liable to income tax on the aggregate amount of the dividend and the notional tax credit equal to 1/9th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate tax payer. Qualifying Investors who also pay tax at the higher or additional rate can use the notional credit against their tax liability.

- Where approval as a VCT is not maintained the Companies will also lose its exemption from corporation tax on capital gains.

PART I: THE DIRECTORS AND THE INVESTMENT ADVISER

A. THE DIRECTORS

The Directors are responsible for the determination of the Companies' investment objective and policy and have overall responsibility for the Companies' activities including the review of investment activity and performance.

The Directors are all non-executive and (other than Ben Guest and Bozkurt Aydinoglu) are all independent of the Investment Adviser. Save for Ben Guest and Bozkurt Aydinoglu (who are members of the Investment Adviser and are, therefore, interested in those contracts with the Companies referred to in paragraph 4 in Part IV below), there are no potential conflicts of interest between any duties owed to the Companies by its Directors and their private interests and/or their other duties.

Corporate Governance

With the exception of the limited items outlined below, the Companies comply with the provisions set out in Section 1 of the UK Corporate Governance Code.

- (a) New Directors do not receive a full, formal and tailored induction on joining the Boards. Such matters are addressed on an individual basis as they arise. Also the Companies have no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)
- (b) Due to the size of the Boards and the nature of the Companies business, a formal performance evaluation of the Boards, their Committees, the individual Directors and the Chairmen is not undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)
- (c) Non-executive Directors' contracts are on a three month rolling notice following an initial one year fixed term, whereas the recommendation is for fixed term renewable contracts.(B.2.3)
- (d) As the Companies have no staff, other than the Directors, there are no procedures in place relating to whistleblowing (C.3.4)

Practices and Operation

The Board of each Company is responsible for the overall control and management of that Company with responsibility for its affairs, including determining its investment policy. However, investment proposals will be originated and decided on by the Investment Adviser under the relevant investment management agreement between each Company and the Investment Adviser.

Each Board meets at least 4 times a year. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings.

Audit Committee

The audit committee of VCT1 is chaired by Stephen Hay and its other member is Michael Cunningham. The audit committee of VCT2 is chaired by Alex Hambro and its other member is Peter Wisher.

The audit committees meet not less than once a year. The Companies' auditors and the senior executives of the Investment Adviser may attend and speak at audit committee meetings.

A summary of the terms of reference of each audit committee is as follows: the committee has responsibility for, among other things, the planning and reviewing of the relevant Company's annual and half-yearly financial statements and the supervision of its auditors in the review of such financial statements. The audit committee will focus particularly on the relevant Company's compliance with legal requirements, accounting standards, financial and regulatory reporting requirements, the Listing Rules and the Prospectus Rules and ensuring that effective systems for internal financial control and for reporting non-financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and half yearly statements will remain with the Board of the relevant Company.

The Nomination Committee

The nomination committee of VCT1 is chaired by Stephen Hay and its other member is Michael Cunningham. The nomination committee of VCT2 is chaired by Alex Hambro and its other members are Peter Wisher and Christian Yates.

The nomination committees meet on an ad hoc basis. The committees have responsibility for considering the size, structure and composition of the Boards, the retirement and appointment of Directors, and will make appropriate recommendations to the relevant Board in relation to these matters.

The Remuneration Committee

The remuneration committee of VCT1 is chaired by Stephen Hay and its other member is Michael Cunningham. The remuneration committee of VCT2 is chaired by Alex Hambro and its other members are Peter Wisher and Christian Yates. The remuneration committees meet on an ad hoc basis. The committees have responsibility for considering matters relating to remuneration and will make appropriate recommendations to the relevant Board in relation to these matters.

Other matters

The Companies do not intend to appoint a senior independent director.

1. The Boards

VCT 1

Michael Cunningham (Chairman) has worked in the investment management business for over 25 years and, within Rathbones, was an investment director with responsibility for VCTs, Rathbones' EIS Portfolios and an IHT Service, which together raised over £100 million. He is also a non-executive director of Helios Underwriting plc and previously of Downing Distribution VCT 1 plc and Downing Income VCT 3 plc.

Ben Guest founded Hazel Capital LLP in April 2007. He has 22 years' investment experience, most of which have been in the technology and cleantech sectors. In cleantech, Ben's experience spans the investment spectrum, from clean energy infrastructure, to public equities and venture capital. Ben leads the infrastructure team at Hazel Capital and oversees all aspects of investment origination, execution and on-going portfolio management. Ben is responsible for the development of Hazel Capital's pipeline of UK infrastructure assets and also oversees the firm as a whole. In addition to being a non-executive director of VCT1 he is also non-executive director of the Companies' investee companies and of other clean technology companies. Prior to founding Hazel Capital, Ben was a co-founder of Cantillon Capital, where he successfully managed over \$1 billion in a global technology hedge fund called Cantillon Technology from 2003 to 2006. Ben started his career in 1994 at Lazard Asset Management having graduated from Imperial College, London with a BEng in Mechanical Engineering.

Stephen Hay is a self-employed business consultant. He is a former managing director of Goldman Sachs, where he worked for 20 years in a variety of roles including as director of equity research in London. . He is a non-executive director of NHS Tayside , a director of PilotLite Ventures and an independent director of Rhino Doors.

Current and past directorships

The Directors of VCT 1 are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below:

Michael Cunningham	
Current directorships/partnerships Equine Rescue Services Limited Hazel Renewable Energy VCT1 plc Helios Underwriting plc H M C Consulting (UK) Limited	Past directorships/partnerships (five years) Downing One VCT plc Downing Income VCT 3 plc*** First Care Limited Doubletake Studios Limited****
Ben Guest	
Current directorships/partnerships AEE Renewables UK 3 Limited AEE Renewables UK 13 Limited AEE Renewables UK 15 Limited AEE Renewables UK 18 Limited AEE Renewables UK 26 Limited AEE Renewables UK 33 Limited Archletter Limited Ayshford Solar (holding) Limited A&B Corp Limited Beechgrove Solar Limited Blankney Solar Limited Ewerby Solar Limited Frith Solar Limited Gloucester Wind Limited Hazel Capital LLP Hazel Capital Development LLP Hazel Capital Development (Wrangle) Limited Hazel Capital Solar 1 LLP Hazel Capital Solar 2 LLP Hazel Capital Solar 3 LLP Hazel Capital Solar 1 Financing Limited Hazel Renewable Energy VCT1 plc Hewas Solar Limited HRE Willow Limited	Past directorships/partnerships (five years) AEE Renewables UK 6 Limited AEE Renewables UK 14 Limited AEE Renewables UK 16 Limited AEE Renewables UK 21 Limited* AEE Renewables UK 24 Limited* AEE Renewables UK 29 Limited Archletter Limited* Causilgey Solar (Holding) Limited* Cave Farm Solar Limited* Folly Farm Solar Park Limited Hazel Renewables Limited Higher Tregarne Solar (Holding) Limited* Higher Tregarne Solar (UK) Limited Ingenious Film Partners 2 LLP Nowhere Solar Limited Owl Lodge Solar (Holding) Limited* Quiet Revolution Limited**** TV Pixie Limited** Wymeswold Solar Farm Limited Yonder Netherton Solar (Holding) Limited*

Lumicity 1 Limited Lumicity 2 Limited Lumicity 4 Limited Lunar 1 Limited Lunar 2 Limited Lunar 3 Limited Lux Energy Limited Lux Energy (Wind) Limited Minsmere Power Limited New Energy Era Limited Oxis Energy Limited Park & Spark Limited Penhale Solar Limited Priory Farm Solar Farm Limited Roskrow Solar Limited Silverstone Green Energy Limited Small Wind Generation Limited South Marston Renewables Limited South Marston Solar Limited ST Columb Solar Limited The European Film Partners III LLP Tumble Solar Limited Tumblewind Limited Vicarage Solar Limited West Down Solar Limited ZW Parsonage Limited	
Stephen Hay	
Current directorships/partnerships NHS Tayside 32 Fellows Road Limited Freeland Services Limited Hazel Renewable Energy VCT1 plc NHS Tayside (Non-Executive Director) Pilotlight Innovation limited Rhino Systems Limited Strathallan School	Past directorships/partnerships (five years) Ingenious Film Partners 2 LLP West Herts NHS Trust (Co-opted Non-Executive Director) Homerton NHS Trust (Non-Executive Director)

- * Dissolved through voluntary strike off
- ** Dissolved through compulsory strike off
- *** In liquidation – members' voluntary
- **** In liquidation – creditors' voluntary

Save as set out in paragraph 1 above, no Director is

- (i) currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the 5 years immediately preceding the date of this document; none of the Directors in the five years prior to the date of this Prospectus.
- (ii) has any unspent convictions in relation to fraudulent offences;
- (iii) has had any bankruptcies, receiverships or liquidations through acting in the capacity of a member of any administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company; and has had any official public recriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a Court from acting as a member of the administrative management or supervisory bodies of any company or firm acting, or in the management or conduct of the affairs of, any company.

VCT2

Peter Wisner (Chairman) is currently Managing Director and owner of Milland Partnership Limited, a consulting company that provides financial training to the international banking sector and strategic advice to growing companies. He is chairman of Angel Publicity and has a background in senior

operating positions in service related businesses. Previous positions include Chief Operating Officer of Carbon Leadership LLP and Baines Gwinner Limited, Finance Director of Pauline Hyde Limited and 10 years at merchant bank, Charterhouse, latterly as head of mergers and acquisitions.

Christian Yates was closely involved in establishing both Companies in 2010 whilst a Partner at Hazel Capital 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 a 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, natural resources and emerging technology. He also sits on the advisory board of a UK wealth manager.

Alexander Hambro has been in the private equity industry for 23 years during which time he has acted as a principal investor, manager and sponsor of private equity and venture capital teams. Alex managed the venture capital and private equity fund investment portfolio for Hambros plc, prior to its sale to Société Générale in 1998. He is chairman of Crescent Capital, a Belfast-based venture capital fund manager and an independent consultant for a number of private equity and venture capital fund management groups and family office investors, advising them on the establishment of alternative investment funds and investment strategies. In addition to his private equity activities, Alex is chairman of Judges Scientific plc, Benchmark Holdings plc and Octopus Eclipse VCT plc, and a director of Hazel Targa VCT plc.

Bozkurt Aydinoglu has been a Partner of Hazel Capital LLP since 2008 and has 23 years of experience in the financial sector. At Hazel Capital he focuses on asset management, transaction execution, commercial negotiations and general management. Bozkurt has been exclusively focused on the clean energy industry since 2002 as an entrepreneur and investor. He co-founded New Energy Finance, the industry's leading research and information service, which was sold to Bloomberg in 2009, and has wide experience of investing in the industry across asset classes. Bozkurt dedicated the first nine years of his career to capital raising, advisory and asset management work in the telecommunications and technology industries. He trained and developed his financial analysis, transactional and commercial skills working for Nomura, Salomon Brothers (now part of Citigroup), Deloitte and Touche and Groupe Arnault. He received his MSc in Electrical Engineering from Imperial College, London in 1993.

Current and past directorships

The Directors of VCT 2 are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below:

Peter Wisher (Chairman)	
Current directorships/partnerships Angel Publicity Limited Future Digital Footprint Limited Guarantee Holdings Limited Guarantee Laundries Limited Guarantee Linen Services Limited Hazel Renewable Energy VCT2 plc Heritage Square Limited Milland Partnership Limited Puma Heritage plc Sherborne Laundry Limited Wilsco 712 Limited	Past directorships/partnerships (five years) Carbon Leadership LLP Carbon Search Limited Firing Line Limited Wilsco 710 Limited*
Alexander Hambro	
Current directorships/partnerships Bacit (UK) Limited Bapco Closures Holdings Limited Bapco Closures Research Limited Benchmark Holdings plc Crescent Capital II GP Limited Crescent Capital III GP Limited Crescent Capital NI Limited First Magazine Limited Halkin Development Limited Hazel Renewable Energy VCT2 plc Hazel Targa VCT plc HF Partnership LLP Izon Science Limited Izon Science Limited New Zealand Judges Scientific plc Octopus Eclipse VCT plc Octopus Eclipse VCT 4 plc Welbeck Capital Partners LLP Whitley Asset Management Limited	Past directorships/partnerships (five years) Aldersgate House Limited Chloride Extraction Technologies Limited Welbeck Investment Partners Member Limited

Christian Yates	
Current directorships/partnerships 127 Picadilly plc Cherif Barnes Developments Limited Cherif Hampton Row Holdco Limited Cherif Investment Properties Limited CJK & RA Yates LLP Hazel Renewable Energy VCT2 plc New Radiation LLP The Citymark Partnership Limited W4B (UK) Limited	Past directorships/partnerships (five years) AEE Renewables UK 26 Limited Emerging Technology Venture Partners LLP* Empirical Property Group Limited Hazel Capital LLP Hazel Capital Services Company Limited Hewas Solar Limited Penhale Solar Limited Pennoyer Resources LLP* Puma Bioenergy plc* ST Columb Solar Limited W4B Bristol Limited****
Bozkurt Aydinoglu	
Current directorships/partnerships AEE Renewables UK 3 Limited AEE Renewables UK 26 Limited Beechgrove Solar Limited Blankney Solar Limited Cophorne Investments Limited Ewerby Solar Limited Frith Solar Limited Hazel Capital LLP Hazel Capital Development LLP Hazel Capital Development (Wrangle) Limited Hazel Capital Services Company Limited Hazel Capital Solar 1 LLP Hazel Capital Solar 2 LLP Hazel Capital Solar 3 LLP Hazel Capital Solar 1 Financing Limited Hazel Renewable Energy VCT2 plc Lumicity 2 Limited Lunar 1 Limited Lunar 2 Limited Lunar 3 Limited Priory Farm Solar Farm Limited Roskrow Solar Limited South Marston Solar Limited Sunhazel UK Limited Tumble Solar Limited West Down Solar Limited	Past directorships/partnerships (five years) Folly Farm Solar Park Limited Nowhere Solar Limited Sims Venture Capital Limited**

- * Dissolved via voluntary strike off
- ** Dissolved via compulsory strike off
- *** In liquidation – members' voluntary
- **** In liquidation – creditors' voluntary

Save as set out in paragraph 1 above, no Director is

- (iv) currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the 5 years immediately preceding the date of this document; none of the Directors in the five years prior to the date of this Prospectus.
- (v) has any unspent convictions in relation to fraudulent offences;
- (vi) has had any bankruptcies, receiverships or liquidations through acting in the capacity of a member of any administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company; and has had any official public recriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a Court from acting as a member of the administrative management or supervisory bodies of any company or firm acting, or in the management or conduct of the affairs of, any company.

B. THE INVESTMENT ADVISER

Hazel Capital is the Companies' investment adviser and is authorised and regulated by the Financial Conduct Authority (Reg. No. 468385).

Hazel Capital is a limited liability partnership incorporated and registered in England and Wales on 30 April 2007 under number OC327915. The

registered office of Hazel Capital is 2nd Floor 227 Shepherds Bush Road, London, W6 7AS. Hazel's principal place of business is 2nd Floor 227 Shepherds Bush Road, London, W6 7AS (telephone number 020 3434 1010). Hazel is authorised to advise on investments, arrange deals in investments and to make arrangements with a view to transactions in investments. The principal legislation under which Hazel operates is the Limited Liability Partnership Act 2000 and the applicable provisions of CA 2006 (and regulations made thereunder).

Hazel Capital provides investment advisory services to the Companies for a fee equivalent to 2% of net assets per annum. The agreement is for a minimum term of six years, effective from 20 October 2010, with a twelve month notice period on either side thereafter.

Downing LLP provides administration services to each of the Companies for a fee of £35,000 (plus VAT, if applicable) per annum. The agreement is for a minimum term of six years, effective from 20 October 2010, with a twelve month notice period on either side thereafter. It is intended that this fee will be increased to £40,000 per annum for each Company on the launch of the B Share class.

Performance Incentive

As is common in the VCT industry, Hazel Capital receives a performance incentive, in the form of "A" Shares. The structure of the "A" Shares, whereby Management owns one third of the "A" Shares in issue, acts as a performance incentive mechanism. "A" Share dividends will be increased if, at the end of each year, the hurdle of 5p per Ordinary Share, per annum, is met in respect of the Existing Shares.

Proposed Changes to the Fees

It is proposed, subject to shareholder approval at the General Meetings, that Hazel Capital, will be paid investment management and performance fees in respect of the New Shares on the following basis:

- an investment management fee of 2% per annum of the net assets of the Companies attributable to the New Shares at the previous quarter end, payable quarterly in advance which is chargeable 60 % to revenue and 40 % against realised capital reserves;
- a performance fee equivalent to 20 % of amounts distributed by the Companies in excess of 5p per "B" Share, up to 10p per "B" Share, and 30 % thereafter, provided the aggregate of NAV is not less than 100p per "B" Share.

PART II: INVESTMENT POLICY OF THE COMPANIES

The following section contains a description of the investment policy of the Companies.

Investment Objective and Policy

Investment Objectives

Each of the Companies' objective is to maximise tax free capital gains and income to shareholders from dividends and capital distributions by investing the Companies' funds in:

- a portfolio of Qualifying Investments, primarily being in UK and EU based unquoted companies that specialise in long term renewable energy projects and energy developers; and
- a range of non-Qualifying Investments, comprised from a selection of fixed income funds, securities, cash deposits and secured loans and which will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated). In addition, as the portfolio of Qualifying Investments will involve smaller, start-up companies VCT non-qualifying loans could be made to these companies to negate the need to borrow from banks and, therefore, undermine the companies' security,

within the conditions imposed on all VCTs under current and future VCT legislation applicable to the Companies.

Investment Strategy

The Companies will seek to invest in investee companies that 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. Companies will generally reflect the following criteria:

- a well defined business plan and ability to demonstrate strong demand for its products and services;
- products or services which are cash generative;
- objectives of management and shareholders which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;
- high calibre management teams;
- be companies where the Investment Adviser believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term; and
- a focus on small and long term renewable energy projects that utilise proven technology and qualify for the highest possible long term government guaranteed subsidies.

Asset Allocation

The Companies will invest at least 70 % of their funds in Qualifying Investments. Initially, whilst suitable Qualifying Investments are being identified, the funds will be invested in a mixture of deposits, institutional money market funds, or short term fixed income securities. Progressively, this portfolio will be realised in order to fund investments in Qualifying Investments.

Although under VCT legislation the Companies must have 70 % of their funds invested in Qualifying Investments within 3 years, the Companies intend to invest up to 90 %. Accordingly, the Companies' maximum exposure to Qualifying Investments will be 90 %. The Companies intend to retain their remaining funds in non-Qualifying Investments to fund the annual running costs of the Companies, to reduce the risk profile of the overall portfolio of their funds and to provide investments which can be realised to fund any further investments in their investee companies.

It is expected that once 70% of funds raised have been invested in Qualifying Investments, each Company will have at least 8 investments (assuming full subscription) to provide diversification and risk protection, with a maximum investment in each Qualifying Investment of £1 million. In any case, an investee company's gross assets will not exceed £7 million prior to investment to ensure compliance with VCT legislation. In relation to the Company, no single investment (including loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund.

Risk Diversification

The structure of the Companies' funds, and their investment strategies have been designed to reduce risk as much as possible.

The main risk management features include:

- portfolio of investee companies – each Company will invest in at least 8 different companies (assuming full subscription), thereby reducing the potential impact of poor performance by any individual investment;
- monitoring of investee companies – the Investment Adviser will closely monitor the performance of all the investments made by the Companies in order to identify any issues and to enable necessary corrective action to be taken;
- each Company ensuring that it has significant influence over the management of the business of the investee companies, in particular, through rights contained in the relevant investment agreements and other shareholder/constitutional documents.

Gearing

It is not intended that either Company will borrow. However, each Company will have the ability to borrow up to 15% of its net asset value. There are no plans to utilise this ability at the current time.

Change in Investment Policy

A material change in the investment policy of either Company will only be effected with the prior approval of the relevant Company's shareholders in accordance with the Listing Rules.

PART III: FINANCIAL INFORMATION ON THE COMPANIES

The Companies have produced annual statutory accounts for the three financial years ended 30 September 2013, 30 September 2014 and 30 September 2015. The auditors, BDO LLP of 55 Baker Street, London, W1U 7EU have reported on these statutory accounts without qualification and without statements under sections 495 to 497 of CA 2006 .

The annual reports referred to above, were prepared in accordance with UK generally accepted accounting practice (GAAP), the fair value rules of CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The annual reports contain a description of the Companies' financial condition, changes in financial condition and results of operation for each relevant financial year and are being incorporated by reference and can be accessed at the following websites: www.downing.co.uk/shareholder-information/hazel-renewable-energy-vct1-plc and www.downing.co.uk/shareholder-information/hazel-renewable-energy-vct2-plc.

The Companies and the Directors confirm that the financial statements of the Companies for the periods ended 30 September 2014 and 30 September 2015 (prepared under United Kingdom Generally Accepting Accounting Practice) have been presented and prepared in a form which is consistent with that which will be adopted in the Companies' next published annual financial statements (which will be prepared under Financial Reporting Standard 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks.

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. Those parts of the annual statutory accounts referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in this document.

VCT 1

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Balance sheet	Page 29	Page 31	Page 33
Income statement (or equivalent)	Page 28	Page 30	Page 32
Statement showing all changes in equity (or equivalent note)	Page 28	Page 30	Page 42
Cash flow statements	Page 30	Page 32	Page 34
Notes to the Financial Statements	Pages 31-44	Page 33-48	Pages 35-49
Auditors' report	Page 25	Page 26	Pages 28-31

VCT 2

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Balance sheet	Page 29	Page 31	Page 33
Income statement (or equivalent)	Page 28	Page 30	Page 32
Statement showing all changes in equity (or equivalent note)	Page 28	Page 30	Page 42
Cash flow statements	Page 30	Page 32	Page 34
Notes to the Financial Statements	Pages 31-44	Pages 33-48	Pages 35-49
Auditors' report	Page 25	Page 26	Page 28

The Companies' published annual report and accounts for the three financial years ended 30 September 2013, 30 September 2014 and 30 September 2015 contain, on the pages specified in the table below, descriptions of the Companies' financial condition (in both capital and revenue terms), details of the Companies' investment activity and portfolio exposure and changes in its financial condition for each of those periods:

VCT 1

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Objective	Page 2	Page 2	Page 2
Performance summary	Page 3	Page 3	Page 5
Results and dividend	Page 15	Page 18	Page 3
Investment policy	Page 16	Page 14	Page 15
Chairman's statement	Page 3	Page 3	Page 3
Investment Adviser' review	Page 5	Page 5	Page 5
Portfolio summary	Page 7	Page 7	Page 8
Valuation policy	Page 31	Page 33	Page 35

VCT 2

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Objective	Page 2	Page 2	Page 2
Performance summary	Page 3	Page 3	Page 5
Results and dividend	Page 15	Page 18	Page 3
Investment policy	Page 16	Page 14	Page 15
Chairman's statement	Page 3	Page 3	Page 3
Investment Adviser' review	Page 5	Page 5	Page 5
Portfolio summary	Page 7	Page 7	Page 8
Valuation policy	Page 31	Page 33	Page 35

The key figures that summarise the Companies' financial position in respect of the three financial years ended 30 September 2013, 30 September 2014 and 30 September 2015 which have been extracted without material adjustment from the historical financial information referred to above, are set out in the following table:

VCT 1

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Profit/loss on ordinary activities before taxation (£'000)	2,094	7,899	1,809
Earnings per Ordinary Share (p)	9.2	33.5	7.4
Earnings per A Share (p)	-	-	-
Dividends declared per Ordinary Share (p)	5.0	7.3	5.0
Dividends declared per A Share (p)	-	3.7	-
Net assets (£'000)	22,497	28,308	28,890
NAV per Ordinary Share (p)	98.8	115.2	117.6
NAV per A Share (p)	0.1	0.1	0.1

VCT 2

Description	2013 Annual Report	2014 Annual Report	2015 Annual Report
Profit/loss on ordinary activities before taxation (£'000)	2,077	7,882	1,791
Earnings per Ordinary Share (p)	9.1	33.3	7.3
Earnings per A Share (p)	-	-	-
Dividends declared per Ordinary Share (p)	5.0	7.3	5.0
Dividends declare per A Share (p)	-	3.7	-
Net assets (£'000)	22,545	28,327	28,888
NAV per Ordinary Share (p)	98.8	115.0	117.3
NAV per A Share (p)	0.1	0.1	0.1

The audited net asset value per Share as at 30 September 2015 (being the most recent NAV per Share published by the Companies prior to the publication of this document) was 117.6p per Ordinary and 0.1p per "A" Share in respect of VCT 1 and 117.3p per Ordinary Share and 0.1p per "A" Share in respect of VCT 2.

No Significant Change

There has been no significant change in the financial or trading position of the Companies since 30 September 2015 (being the last date up to which the Companies have published financial information).

PART IV: PORTFOLIO INFORMATION

The investment portfolio of the Companies as at the date of this document is shown below (the valuations being the latest valuations carried out by the Boards as comprised within the audited report and accounts of the Companies as at 30 September 2015). The information on the investment portfolio below represents more than 50% of the NAV of the Companies and each of the investments which have a value of greater than 5% of the Companies' gross assets.

VCT 1

VCT Qualifying investments

	Cost	Valuation		% of portfolio
	£'000		£'000	
Lunar 2 Limited*	2,976		12,202	39.7%
Ayshford Solar (Holding) Limited	1,987	3,073		10.0%
Tumblewind Limited*	2,449		2,175	7.1%
Lunar 1 Limited*	124	2,076		6.8%
Hewas Solar Limited	1,000	1,748		5.7%
St. Columb Solar Limited	708	1,419		4.6%
New Energy Era Limited	884	1,369		4.5%
Vicarage Solar Limited	871		1,181	3.8%
Penhale Solar Limited	825	1,075		3.5%
Gloucester Wind Limited	1,000	1,041		3.4%
Minsmere Power Limited	975	920		3.0%
HRE Willow Limited	875	780		2.5%
Small Wind Generation Limited	975		682	2.2%
Sunhazel UK Limited	1	-		0.0%
	15,650	29,741		96.8%
Non-VCT qualifying investments				
AEE Renewables UK 3 Limited	900	900		3.0%
ZW Parsonage Limited	15	15		0.0%
	915	915		3.0%
	16,565	30,656		99.8%
Cash at bank and in hand		56		0.2%
Total investments		30,712		100.0%

* Part-qualifying investment

Notes:

** Save for general movements in cash/listed fixed income balances for general working capital purposes, since 30 September 2015, (being the date on which the valuations were undertaken) there has been no material change to the valuations used to prepare the above analysis.

All venture capital investments are incorporated in England and Wales

VCT 2 holds the same investments as above.

PART V: GENERAL INFORMATION

1. Incorporation and administration

- (1) The Companies were incorporated and registered in England and Wales on 16 September 2010 with limited liability as public limited companies under the 2006 Act with the names Hazel Renewable Energy VCT1 plc and Hazel Renewable Energy VCT2 plc and with registered numbers 07378392 and 07378395 respectively.
- (2) On 28 September 2010, the Registrar of Companies issued the Companies with certificates under Section 761 of the 2006 Act entitling them to commence business.
- (3) On 28 September 2010, the Companies gave notice to the Registrar of Companies of their intention to carry on business as investment companies under section 833 of the 2006 Act.
- (4) The Companies have not, since incorporation, been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Companies are aware) which may have or have had a significant effect on each of the Companies' financial position.
- (5) The Companies have been granted approval as VCTs under Section 274 of the Tax Act and the Directors have managed and intend to manage the affairs of the Companies in such a manner so as to comply with Section 274 of the Tax Act.
- (6) The Companies are authorised and regulated by the FCA as self-managed alternative investment funds. The Companies are required to manage their affairs to obtain and maintain approval as a VCT under the provisions of Section 274 of the Tax Act. The Companies operate under the CA 2006 and the regulations made thereunder. The Companies, as companies whose shares are admitted to the Official List, are subject to the Listing Rules and the Disclosure and Transparency Rules.
- (7) The ISIN number for the Companies' shares as at the date of the document as follows.

VCT 1

A Shares:	GB00B4L13999
Ordinary Shares:	GB00B4M2G812
B Shares:	GB00BD982C19

VCT 2

A Shares:	GB00B4KWC525
Ordinary Shares:	GB00B43GVJ82
B Shares:	GB00BD9MY492

2. Share capital

- (a) As at 17 February 2016 (being the latest practicable date prior to the publication of this document), the share capital of Hazel 1 comprised 24,536,966 Ordinary Shares and 36,805,446 "A" Shares and the issued share capital of Hazel 2 comprised 24,603,158 Ordinary Shares and 36,904,733 "A" Ordinary Shares.
- (b) The Companies' issued share capital history since 1 October 2013 is as follows:
 - (i) during the financial year ended 30 September 2013, the Companies bought back 0 Ordinary and 0 "A" Shares and VCT 1 issued 0 Ordinary and 0 "A" Shares;
 - (ii) during the financial year ended 30 September 2014, the Companies bought back 0 Ordinary and 0 "A" Shares and VCT1 issued 1,808,913 Ordinary and 1,808,913 "A" Shares and VCT 2 issued 1,809,828 Ordinary Shares and 1,809,828 "A" Shares
 - (iii) during the financial year ended 30 September 2015, the Companies bought back 0 Ordinary and 0 "A" Shares and issued 0 Ordinary and 0 "A" Shares;
 - (iv) as at 17 February 2016 (being the latest practicable date prior to the publication of this document), there have been no further changes in the issued share capital of the Companies.
- (c) The following authorities were granted at the annual general meeting of the Companies on 9 March 2015 by the passing of ordinary and special resolutions:
 - (i) the Directors were generally and unconditionally authorised in accordance with Section 551 of that Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot:

1. Ordinary Shares or to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £2,454 (£2,460 in the case of VCT 2);
2. "A" Shares or to grant rights to subscribe for or to convert any security into "A" Shares in the Company up to an aggregate nominal amount of £3,681 (£3,090 in the case of VCT 2);

This authority to expire at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect;

- (ii) the Directors were empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in the general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution (I) above, as if Section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

At the general meeting of each of the Companies convened for 14 March 2016, the following resolutions are to be proposed: **That:**

- (i) a class of B Shares of 0.1p each in the capital of the Company ("B" Shares) be created, having attached thereto the rights and being subject to the restrictions set out in the Articles of Association of the Company as altered by the below resolution.
- (ii) in addition to any existing authority (to the extent unused), the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of CA2006 to exercise all the powers of the Company to allow shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £20,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of CA2006 be and are hereby revoked, provided that such revocation shall not have retrospective effect.
- (iii) in addition to any existing authority (to the extent unused), the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to section 570 of CA2006, to allot equity securities (as defined in Section 560(1) of CA2006) for cash pursuant to the authority given in accordance with Section 551 of CA2006 pursuant to the above resolution, as if section 561(1) of CA2006 did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.
- (iv) the Articles of Association of the Company be and are hereby altered, inter alia, to (i) reflect the creation of the B Shares and the rights and restrictions to be attached thereto and (ii) permit reserves arising in respect of any share class to be used by any other share class in the capital of the Company; and (iii) removes article 179 relating to the duration of the Companies so that the Companies will continue indefinitely).
- (v) the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of CA2006) of B Shares provided that:
 - the maximum aggregate number of B Shares authorised to be purchased is 5,000,000 or, if less, 14.9% of the B Shares (as such term is defined in the circular to shareholders dated 18 February 2016);

- the maximum price which may be paid for a B Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
- the minimum price which may be paid for a B Share is its respective nominal value;
- this authority shall take immediate effect;
- the Company may make a contract or contracts to purchase B Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of B Shares in pursuance of any such contract or contracts;
- and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Company's next annual general meeting following the passing of the resolution or, if later, on the expiry of 15 months from the passing of the resolution.

(vi) that, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

(vii) that, subject to the sanction of the High Court, the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

(d) Assuming 20,000,000 New Shares are allotted by each Company (this being the maximum number of New Shares that may be allotted pursuant to the Offers), the issued share capital of each Company will be 20,000,000 New Shares (none of which are expected to be held in treasury) each.

(e) There have been no allotments of Shares that have taken place since 1 October 2015:

(f) The Companies have not bought back any of its shares in the period commencing 1 October 2015 and ending on the date of this document.

3. Directors' and other interests

(a) As at 17 February 2016 (being the latest practicable date prior to publication of this document), the Companies were not aware of any person who directly or indirectly, has an interest in the Companies' capital or voting rights which is notifiable under UK law.

(b) As at 17 February 2016 (being the latest practicable date before the publication of this document) the holdings of Shares of the Directors were as follows:

VCT 1

Director	No. of Ordinary Shares	% of issued Ordinary Shares	No. Of "A" Shares	% of issued "A" Shares
Michael Cunningham	27,221	0.11%	27,221	0.07%
Stephen Hay	104,000	0.42%	104,000	0.28%
Ben Guest	552,760	2.25%	11,507,366	31.27%

VCT 2

Director	No. of Ordinary Shares	% of issued Ordinary Shares	No. Of "A" Shares	% of issued "A" Shares
Peter Wisher	20,800	0.08%	20,800	0.06%
Alexandra Hambro	15,600	0.06%	15,600	0.04%
Christian Yates	19,673	0.08%	2,616,069	7.09%
Bozkurt Aydinoglu	Nil	0.00%	2,688,331	7.28%

- (c) The Directors may act as directors of companies in which the Companies invest and receive and retain fees in that capacity.
- (d) None of the Directors has a service contract with the Companies, and no such contract is proposed. However, each of the Directors has entered into a letter of appointment for the provision of their services as directors. The fees currently payable for such services are disclosed below. The agreements are terminable by either party giving notice to the other (the length of such notice varying from no notice being required to three months' notice), subject to retirement by rotation and earlier cessation for any reason under the Articles. There are no commission or profit sharing arrangements and no compensation is payable on termination of the agreements. The chairmen of the Companies, are entitled to annual remuneration of £20,000, while the annual remuneration receivable by the other directors is £15,000 each.

The annual directors' fees payable to the Directors for the periods ended 30 September are; £50,000 (2015) (VCT2: £65,000), £50,000 (2014) (VCT2: £65,000) and £50,000 (2013) (VCT2: £65,000). The Directors receive no other remuneration benefits, nor pension, retirement or similar benefits, in addition to their fees detailed above. It is estimated that the aggregate amount payable to the Directors by each Company for the financial period ending on 30 September 2016 under the arrangements in force at the date of this document will not exceed £50,000 (VCT2: £65,000) plus out-of-pocket expenses.

- (e) No loan or guarantee has been granted or provided by the Companies to or for the benefit of any of the Directors.
- (f) None of the Directors nor any member of their respective immediate families has, or has had, an interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of the Companies and which were effected by the Companies during the current or immediately preceding financial year or during an earlier financial year and remaining in any respect outstanding or unperformed.
- (g) The Companies have taken out directors' and officers' liability insurance for the benefit of the Directors, which is renewable on an annual basis.
- (h) No Director is, or has been, interested in any transaction which is, or was, unusual in its nature or conditions or significant to the business of the Companies and which was effected by the Companies in the period since its incorporation and remains in any respect outstanding or unperformed.
- (i) None of the Directors have any convictions in relation to fraudulent offences during the previous five years.
- (j) There have been no official public incriminations of and/or sanctions on any Director by statutory or regulatory authorities (including designated professional bodies) and no Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a companies or from acting in the management or conduct of the affairs of any companies during the previous five years.

4. Material contracts

Save as disclosed in this paragraph, the Companies has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Companies within the two years immediately preceding the publication of this document or into any contract which contains any provision under which the Companies has any obligation or entitlement which is material to the Companies as at the date of this document:

- (i) An offer agreement dated 18 February 2016 between the Companies, the Directors, Howard Kennedy and the Investment Adviser, pursuant to which Howard Kennedy has agreed to act as sponsor to the Offers and the Investment Adviser has undertaken, as agent of the Companies, to use its reasonable endeavours to procure subscribers under the Offers. Neither Howard Kennedy nor the Investment Adviser is obliged to subscribe for New Shares under the Offers. Under the agreement the Companies have agreed to pay the Investment Adviser a promoter fee of either 2 % or 4 % of gross subscriptions under the Offers and the Investment Adviser has agreed to meet the costs of the Offers. Under the agreement, which may be terminated by Howard Kennedy and the Investment Adviser in certain circumstances, certain warranties have been given by the Companies and the Directors to Howard Kennedy and the Investment Adviser, subject to certain limitations. The Companies have also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in the usual form for a contract of this type. The agreement may be terminated by Howard Kennedy if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

- (ii) The Companies have entered into the IMA Deed of Variation dated 18 February 2016, pursuant to which the Companies and Hazel Capital have agreed, subject to Shareholder approval, to the investment advisory and performance fees in the IMA being varied so that the Investment Adviser will be paid:
- an investment advisory fee of 2% per annum of the net assets of the Companies attributable to the B Shares, payable quarterly in advance;
 - a performance fee equivalent to 20 % of amounts distributed by the Companies in excess of 5p per "B" Share, up to 10p per "B" Share, and 30 % thereafter..
- (iii) the IMA
- (iv) On 18 December 2013 each Company entered into a term loan agreement with Lunar 2 Limited in the amount of £1,409,059.56 in the case of Hazel Renewable Energy VCT1 plc and £1,410,274.46 in the case of Hazel Renewable Energy VCT 2 plc (the "Lunar 2 Loans"). Each Lunar 2 Loan is subject to interest at the rate of 3% per annum and is due for repayment on 17 December 2043. These loans were extended by mutual agreement to an aggregate amount of £2.1m in the case of each Company, as recorded in side letters dated 18 December 2014.
- (v) In addition, each company has entered into loan agreements with the following companies, in the following amounts:

Lender	Date	Amount of Loan
HRE Willow Limited	07-Sep-15	£167,500
Gloucester Wind Limited	28-Sep-15	80,000
Minsmere Power Limited	07-Sep-15	151,701
Hewas Solar Limited	07-Sep-15	£65,000

All of the above loans are interest free and are repayable only after 5 years and one day from the draw down date.

5. Articles of the Companies

The Articles of each Company are identical and contain provisions, *inter alia*, to the following effect:

(a) Limited Liability

The liability of the members of the Companies is limited to the amount, if any, unpaid on the shares held by them.

(b) Objects

The Articles provide that each of the Companies' principal objects are to carry on the business of a venture capital trust.

(c) Variation of Rights

Whenever the share capital of the Companies is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Acts and every other statute for the time being in force concerning companies and affecting the Companies ("the Statutes"), be varied or abrogated in respect of the whole or any part of that class either (a) in such manner (if any) as may be provided by such rights or (b) in the absence of such provision with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise). At every such separate meeting the necessary quorum shall be at least two persons present holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

(d) Alteration of Share Capital

Each of the Companies may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe; and
- (ii) consolidate all or any of its share capital into shares of a larger amount than its existing shares.

Subject to the provisions of the Statutes, each of the Companies may by special resolution:

- (i) purchase any of its own shares (including any redeemable shares);
- (ii) reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner; or
- (iii) sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Articles and by the same resolution may confer special rights on any of the shares resulting from the sub-division.

(e) Issue of Shares

The provisions of Section 561 of the 2006 Act (which, to the extent not disapplied pursuant to Section 570 of the 2006 Act, confer on Shareholders' rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to any shares which the Companies may issue under an authority passed by each of the Companies in general meeting, except to the extent disapplied by such Company in general meeting. Subject to the provisions of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of each of the Companies in general meeting passed pursuant thereto, all shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

(f) Transfer of Shares

The shares are in registered form and are freely transferable. All transfers of shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share, and may also refuse to register any instrument of transfer unless:

- (i) is lodged at the registered office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share;
- (iii) the transferees do not exceed four in number; and
- (iv) it does not relate to any shares in respect of which the relevant Company has a lien.

(g) Voting Rights of Ordinary Shares and A Shares

Subject to any disenfranchisement as provided in the Articles the Ordinary Shareholders and the A Shareholders are entitled to receive notice of, to attend, speak and vote at any general meeting. Subject to (h) below, every Ordinary Shareholder present in person or by proxy shall upon a show of hands have one thousand votes for every Ordinary Share held by him and every Ordinary Shareholder present in person or by proxy shall upon a poll have one thousand votes for every Ordinary Share held by him. Subject to (h) below, every A Shareholder present in person or by proxy shall upon a show of hands have one vote for every A Share held by him and every A Shareholder present in person or by proxy shall upon a poll have one vote for every A Share held by him

(h) Voting where Variation or Takeover Offer

Where the resolution to be considered by a meeting of Shareholders is in respect of a variation to the rights of the A Shareholders or where a Takeover Offer (as defined in the Articles) remains open for acceptance at the time of the relevant meeting, the voting rights of the A Shareholders shall rank *pari passu* with those of the Ordinary Shares. At such meetings each Ordinary Shareholder and A Shareholder present in person or by proxy shall upon a show of hands each have one vote for every Share held by each of them and every Ordinary Shareholder and A Shareholder present in person or by proxy shall upon a poll each have one vote for every Share held by each of them.

(i) Redesignation of A Shares into Deferred Shares

On the final closing date of the Offers, any Management A Shares in excess of one third of the total number of issued A Shares will be converted into and redesignated as Deferred Shares *pro rata* to each holder's respective holdings of A Shares. The Deferred Shares shall entitle the holders thereof to the following rights (subject to the following restrictions) in relation to their Deferred Shares:

- (i) as regards dividends, the holders of Deferred Shares shall not be entitled to any dividends or other distributions in respect of their holding of such shares;

- (ii) as regards capital, on any winding up or on a return of assets on a liquidation, reduction of capital or otherwise, the holders of the Deferred Shares shall be entitled in respect of such shares to the nominal value in respect of such shares after the holders of the Ordinary Shares and A Shares shall have received £1,000,000 in respect of each such share held by them;
- (iii) as regards voting, the holders of Deferred Shares shall not be entitled to receive notice of and attend general meetings and shall not be entitled to vote at such meetings in respect of such shares; and
- (iv) the Deferred Shares shall be redeemable by the relevant Company at any time and on their redemption the holders thereof shall, subject to the provisions of the 2006 Act, be paid, in aggregate, 0.1p in respect of all Deferred Shares then in issue. The holders of the Deferred Shares shall promptly take all actions required by the relevant Company in relation to, or otherwise in connection with, any such redemption including, without prejudice to the generality of the foregoing, the delivery of all share certificates in respect of such Deferred Shares to such person and at such time as directed by the relevant Company.

(j) Dividends

The Holders of Shares shall, subject to the provisions of the Articles, be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the Shares and from income received and accrued from the income portfolio attributable to the Shares;

The Company may in general meeting by ordinary resolution declare dividends to be paid to members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other monies payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to a dividend arises. All dividends unclaimed for a period of twelve years after being declared or becoming due for payment shall be forfeited and shall revert to the Company.

The Directors may, with the prior sanction of an ordinary resolution of the Company, offer Shareholders the right to elect to receive in respect of all or part of their holding of shares, additional shares credited as fully paid instead of cash in respect of all or part of such dividend or dividends and (subject as hereinafter provided) upon such terms and conditions and in such manner as may be specified in such ordinary resolution. The ordinary resolution shall confer the said power on the Directors in respect of all or part of a particular dividend or in respect of all or any dividends (or any part of such dividends) declared or paid within a specified period but such period may not end later than the date of the annual general meeting next following the date of the general meeting at which such ordinary resolution is passed.

Notwithstanding the above provisions, the profits of the relevant Company available for dividends and resolved to be distributed and any other distributions and reductions of share capital shall be applied in accordance with the respective rights of the Ordinary and A Shares as set out in Part III of this document.

(k) Redemption provisions on Shares

There are no redemption provisions affecting the Shares.

(l) Rights attaching to the Redeemable Shares

Each of the Redeemable Shares carries the right to a fixed dividend of 0.1% per annum on the nominal amount thereof, but confers no right to vote except where the rights of the holders of those shares are to be varied or abrogated. On a winding-up the Redeemable Shares confer the right to be paid the nominal amount paid upon such shares. The Redeemable Shares are redeemable at any time by the relevant Company for a sum equivalent to the amount paid up on each share.

(m) Directors' interests

A Director may hold any other office or place of profit except that of Auditor in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Companies. Subject to the provisions of the Act, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Companies in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the relevant Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established subject to the nature and extent of the Director's direct or indirect interest having been disclosed by him to the other Directors and authorisation being obtained from the Directors for the above in accordance with the provisions of the Act.

Save as set out in the Articles, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any direct or indirect interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the relevant Company unless the Director has made a declaration disclosing the nature and extent of such interests and has obtained from the other Directors their authorisation for the above in accordance with the provisions of the Act. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from

voting.

A Director shall (in the absence of some other material interest than is as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any security or indemnity to him in respect of monies lent or obligations incurred by him at the request of or for the benefit of the relevant Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the relevant Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares or debentures or other securities of or by the relevant Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iv) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in 1% or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the company;
- (v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which the relevant relates to both employees and Directors of the relevant Company or has been approved by or is subject to and conditional upon approval by HM Revenue & Customs for taxation purposes;
- (vi) any contract, arrangement, transaction or proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive directors of the relevant Company and/or any subsidiary to acquire shares of such Company or any arrangement for the benefit of employees of such Company or any of its subsidiaries under which the Director benefits in a similar manner to employees and which does not accord to any Director as such any privilege not accorded to the employees to whom the scheme relates; and
- (vii) any arrangement for purchasing or maintaining for any officer or auditor of the relevant Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to such Company or any of its subsidiaries of which he is a director, officer or auditor.

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the relevant Company or any company in which such relevant Company is interested including fixing or varying the terms of his appointment or the termination thereof.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the relevant Company or any company in which the relevant Company is interested, such proposals shall be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(n) Remuneration of Directors

The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall not exceed £100,000 per year, to be divided among them in such proportions and manner as the Directors may determine (and any additional amount as is approved by the relevant Company in general meeting). The Directors shall also be paid by the relevant Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Any Director who, by request of the Directors, performs special services or goes on any special journey for any purposes of the relevant Company may be paid such extra remuneration as the Directors may determine.

The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependant on or after retirement or death.

(o) Retirement of Directors

At the annual general meeting of the relevant Company next following the appointment of a Director he shall retire from office. A Director shall also retire from office at or before the third annual general meeting following the annual general meeting at which he last retired and was re-elected. A retiring Director shall be eligible for re-election.

(p) Borrowing Powers

- (i) Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of each of the Companies to borrow money, and to mortgage or charge its undertaking, property, assets and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of each of the Companies or of any third party.
- (ii) The Directors shall restrict the borrowings of each of the Companies so as to secure that the aggregate amount at any one time owing or deemed to be owing by each of the Companies in respect of moneys borrowed without the previous sanction of an ordinary resolution of each of the Companies shall not exceed an amount equal to 15% of the relevant Company's net asset value.

(q) Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the relevant Company is in default in supplying within 28 days (or, if the shareholding is at least 0.25% of the share capital, 42 days) after the date of service of a notice requiring such member or other person to supply to such Company in writing all or any such information as is referred to in Section 793 of the 2006 Act, the Directors may, for such period as the default shall continue, impose restrictions upon the relevant shares. The restrictions available are the suspension of voting and rights of attendance at meetings of the Companies in respect of the relevant shares and, additionally, in the case of a shareholder representing at least 0.25% by nominal value of any class of shares of the relevant Company then in issue the withholding of payment of any dividends on and the restriction of transfer of the relevant shares.

(r) Distribution of assets on liquidation

On a winding-up of either of the Companies any surplus assets will be divided amongst the holders of the Shares. The Articles provide that the liquidator may, with the sanction of a special resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of each of the Companies in such manner as he may determine.

(s) Duration

The Board shall procure that at the fifth Annual General Meeting of the Company in 2016 (and at five (5) yearly intervals thereafter) an ordinary resolution will be proposed to the effect that the Company shall continue in being as a venture capital trust. If at any such meeting, such resolution is not passed, the Board shall within four months of such meeting convene an extraordinary general meeting of the Company at which a special resolution requiring the Company to be wound-up voluntarily shall be proposed.

If the special resolution referred to in this Article is not passed, the Company shall continue as a venture capital trust.

It is proposed at the Companies' annual general meeting convened for 7 March 2016 that this provision is removed.

(t) Investment Company Status

At any time when each of the Companies has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company ("a Relevant Period"), distribution of each of the Companies' capital profits (within the meaning of section 833(2)(c) of the 2006 Act) shall be prohibited, except for the purpose of redeeming or purchasing its own shares in accordance with the 2006 Act, and the Directors shall establish a reserve to be called the capital reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other moneys realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other moneys which are considered by the Directors to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the 2006 Act, the Directors may determine whether any amount received by each of the Companies is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Directors consider to relate to a capital item or which the Directors otherwise consider appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of each of the Companies or be regarded or treated as profits of each of the Companies available for distribution (as defined by Section 829(1) of the 2006 Act), except for the purpose of redeeming or purchasing its own shares, or be applied in paying dividends on any shares in each of the Companies. In periods other than a Relevant Period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of each of the Companies or be regarded or treated as profits of each of the Companies available for distribution or applied in paying dividends on any shares in each of the Companies.

(u) Calling of general meetings

An annual general meeting shall be held within six months of the financial year end. The Directors may, whenever they see fit, and shall

on requisition in accordance with statute, proceed with proper expedition to convene a general meeting.

Subject to the Acts, an annual general meeting shall be called by at least 21 clear days' notice in writing, and any other general meeting shall be called by at least 21 clear days' notice by the relevant Company unless, in either case, it is proposed to pass a resolution for which special notice has to be given by the relevant Company, in which case 28 days' notice is required. Notice shall be given to all members, other than those who are not entitled under the Articles to receive notice, to the Directors and to the Auditors. A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of a general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95% in nominal value of the shares giving that right.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the relevant Company.

In the case of any general meeting at which businesses other than routine business is to be transacted, the notice shall specify the general nature of such business. The notice shall say whether any resolution is to be proposed as a special resolution. In the case of an annual general meeting, the notice shall also specify the meeting as such. "Routine business" shall include only business transacted as an annual general meeting of the following classes; declaring dividends; receiving and/or adopting the accounts, the reports of the directors and auditors and other documents required to be attached or annexed to the accounts; appointing or re-appointing directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise; reappointing the retiring auditors (other than auditors last appointed otherwise than by the relevant Company in general meeting); and fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed.

6. Valuation policy

Valuation of listed investments and investments traded on AIM or other public stock markets will be stated at closing bid prices. Where quoted investments are subject to restrictions, an appropriate discount to the latest market price may be applied with regard to International Private Equity and Venture Capital ("IPEVC") valuation guidelines.

Unquoted investments are stated at the Directors' valuation. The Directors will value these investments in accordance with the IPEVC valuation guidelines.

Investments will be valued by each of the Boards on 31 December and 30 June of each year and these net asset values will be communicated to Shareholders through the Regulatory News Service. Each Company will also announce when there has been a major change to net asset value, for instance as a result of a disposal of an investment or if that Company undertakes a fundraising and needs to announce an interim valuation. The Directors do not anticipate any circumstances arising under which the calculation of the net asset value may be suspended.

7. Taxation

- (a) The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Directors as to the position of the Shareholders who hold Shares in the Companies other than for trading purposes. Any person who is in any doubt as to his taxation position or is subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.
- (b) Taxation of dividends - under current law, no tax will be withheld by a Company when it pays a dividend.
- (c) Stamp duty and stamp duty reserve tax - the Directors have been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of New Shares. The Directors have also been advised that the transfer of Shares in the Companies will, subject to any applicable exemptions, be liable to ad valorem stamp duty at the rate of 0.5% of the consideration paid. An unconditional agreement to transfer such shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.
- (d) Close companies - the Directors of each Companies believe that their Companies is not, and expect that following the Offer will not be, a close companies within the meaning of the Tax Act. If a Company was a close companies in any accounting period, approval as a VCT for that Companies would be withdrawn.

8. VCT Status

The Companies have to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. The following information is based on current UK law and practice and is subject to changes therein, is given by way of a general summary and does not constitute legal or tax advice.

- (a) Qualification as a VCT

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

- (i) not be a close company;

- (ii) have each class of its ordinary share capital listed on a regulated market;
- (iii) derive its income wholly or mainly from shares or securities;
- (iv) have at least 70% by VCT Value of its investments in shares or securities in Qualifying Investments of which 70% must be in eligible shares (30% for funds raised before 6 April 2011);
- (v) have at least 10% by VCT Value of each Qualifying Investment in eligible shares;
- (vi) not have more than 15% by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (vii) not retain more than 15% of its income derived from shares and securities in any accounting period;
- (viii) not make an investment in a company which causes that company to receive more than £5 million of Risk Finance State Aid investment (including from VCTs) in the twelve months ending on the date of the investment, or more than £12 million in total (£20 million for a Knowledge Intensive Company);
- (ix) not, in respect of any share capital created on or after 6 April 2014, and any reserves created from the cancellation thereof, make any payment or distribution to shareholders out of such share capital and reserves to shareholders within three years from the end of the accounting period in which that share capital was created.
- (x) not invest in a company whose first commercial sale was more than seven years ago (ten years for a Knowledge Intensive Company) unless the company had previously received Risk Finance State Aid within that period or a turnover test is met; and
- (xi) a company receiving investment from a VCT cannot use those funds to acquire a trade, intangible assets in use in a trade or to acquire shares in another company.

The term "eligible shares" means shares which carry no preferential rights to assets on a winding-up and no rights to be redeemed, although they may have certain preferential rights to dividends. For investments made before 6 April 2011, "eligible shares" means shares which do not carry any rights to be redeemed or a preferential right to dividends or to assets on a winding up.

(b) 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 the conditions set out in Chapter 4 of Part 6 of the Tax Act 2007.

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, have fewer than 250 fulltime equivalent employees, apply the money raised for the purposes of a qualifying trade within a certain time period, cannot be controlled by another company and at the time of investment did not obtain more than £5 million of Risk Finance State Aid investment in the twelve month period ending on the date of the investment by the VCT. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

(c) Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes company whose shares are traded on the ISDX and AIM) 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 qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter). The company first commercial sale must be less than seven years before the first investment from Risk Finance State Aid (ten years for a Knowledge Intensive Company) or the investment must meet a turnover test. The company must have a permanent establishment in the UK, but the companies need not be UK resident. 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, in most cases, be at least 51% owned.

With effect from 6 April 2012 a "disqualifying purpose" test was introduced under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business.

VCT funds cannot be used by an investee company to fund the purchase of shares in another company or to acquire an existing trade or intangible assets in use in a trade.

(d) Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified at 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, where a VCT raises further funds, VCTs are given grace periods to invest those funds before those funds need to meet such tests. The Company has received approval as a VCT from HMRC.

(e) Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost. Withdrawal of approval generally has effect from time to time when notice is given to the VCT but in relation to capital gains tax 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.

9. Conflicts of Interest

The Investment Adviser may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Companies. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other funds or accounts that may have similar investment objectives and/or policies to that of the Companies and may receive ad valorem and/or performance-related fees for doing so. As a result, the Investment Adviser may have conflicts of interest in allocating investments among the Companies and other clients and in effecting transactions between the Companies and other clients. The Investment Adviser may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Companies. The Board of the Companies have noted that the Investment Adviser has other clients and have satisfied themselves that the Investment Adviser has procedures in place to address potential conflicts of interest.

10. Responsibility

The Companies and the Directors (whose names are set out on page 33) accept responsibility for the information contained in this document. To the best of the knowledge of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the document is in accordance with the facts and does not omit anything likely to affect the import of such information.

11. Miscellaneous

- (a) There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Companies' prospects for at least the current financial year. There have been no important events, so far as the Companies and the Directors are aware, relating to the development of the Companies or its business.
- (b) The maximum expenses payable by the Companies in connection with the Offers (including VAT where applicable) will be an amount equal to 4% of the application amounts in respect of applications accepted under the Offers. The total expenses will, therefore, be a maximum of £14,400,000 (assuming that each Offer is fully subscribed at £7.5 million). The maximum net proceeds per Company will, on the same basis, amount to at least £7,200,000. The issue premium on a New Share issued pursuant to the Offer will be the difference between the issue price of that share and the nominal value thereof of 0.1p.
- (c) Neither Company has, nor has it had since incorporation, any subsidiaries, subsidiary undertakings or employees and it neither owns nor occupies any premises.
- (d) Neither Company has any major Shareholders and no Shareholders have different voting rights. To the best of the knowledge and belief of the Directors, the Companies are not directly controlled by any other party and, as at 17 February 2016 (being the latest practicable date prior to the publication of this document) there are no arrangements in place that may, at a subsequent date, result in a change of control of the Companies.
- (e) There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Companies are aware), during the previous 12 months which may have, or have had in the recent past significant effects on the Companies' financial position or profitability.
- (f) The typical investor for whom investment in the Companies are designed is an individual retail investor aged 18 or over who is a UK tax payer.
- (g) None of the Companies' capital is under option, nor are there any conditional or unconditional agreements for any part of the Companies' capital to be put under option.

- (h) Shareholders will be informed by means of the interim and/or annual report or through a public announcement if the investment restrictions which apply to the Companies as a VCT (as detailed in this document) are breached.
- (i) Save for the fees paid to the Directors (as detailed in paragraph 3(d) above) and the fees paid to Hazel Capital in respect of its management and administration arrangements (as detailed in paragraph 4(iii) above), performance related incentive fees of £0, £758,493.16 and £0 in the respective years ended 30 September 2013, 30 September 2014 and 30 September 2015, there were no related party transactions or fees paid by the Companies during the years ended 30 September 2013, 30 September 2014 and 30 September 2015 or to the date of this document in the current financial year.
- (j) Applications will be made for the admission of the New Shares to be issued under the Offers to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. The New Shares shall be in registered form and may be in either certificated or uncertificated form. New Shares in uncertificated form will be credited to CREST accounts.
- (k) There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Companies' prospects or which have materially affected the Companies' income from operations so far as the Companies and the Directors are aware.
- (l) The Companies are subject to the investment restrictions relating to a venture capital trust in the Tax Act (a summary of which is set out in paragraph 8 of this Part IV). In addition, for so long as the Shares are admitted to the Official List, the Companies are required to abide by applicable Listing Rules including the following:
 - (i) the Companies will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy;
 - (ii) the Companies will not conduct any trading activity which is significant in the context of the Companies (or, if applicable, its group as a whole); and
 - (iii) not more than 10% in aggregate of the value of the total assets of the Companies at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List unless those investment funds have stated investment policies to invest no more than 15% of their total assets in other investment companies which are listed on the Official List.
- (m) Pursuant and subject to the Uncertificated Securities Regulations, the Board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class.
- (n) The principal place of business and registered office of each of the Companies is at 2nd Floor 227 Shepherds Bush Road, London, W6 7AS (telephone number 020 3434 1010). None of the Companies has, nor has it had since incorporation, any employees. None of the Companies has any subsidiaries or associated companies.
- (o) There has been no significant change in the financial or trading position of either Company since 30 September 2015, the date of the Companies' last published accounts.
- (p) The Offer Price represents a premium of 99.9p over the nominal value of "B" Share and is payable in full in cash on application. No expenses are specifically charged to any Investor.
- (q) PKF(UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP, and BDO LLP of 55 Baker Street, London, W1U 7EU, members of the Institute of Chartered Accountants of England and Wales, have been the only registered auditors of each of the Companies since their incorporation.
- (r) A detailed description of the investment policy which will be pursued by each of the Companies is set out in Part I under the heading "Investment Policy". Each Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with this published investment policy. The investment policy is in line with Chapter 15 of the Listing Rules and Part 6 ITA and the Companies will not deviate from it. A material change in the investment policy of either Company will only be effected with shareholders' approval in accordance with the Listing Rules. Each Company is subject to various rules and regulations in order to continue to qualify as a VCT, as set out in paragraph 8 of this Part IV of this document. Any material breach of the investment policy or such rules and regulations will be notified to Shareholders through the Regulatory News Service. The Companies will not conduct any trading activity. No more than 10%, in aggregate, of the value of the total assets of each VCT at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds have themselves published investment policies which permit them to invest more than 15% of their total assets in other listed closed-ended investment funds
- (s) The Directors and the Investment Adviser may, from time to time, become interested in transactions with or in certain companies in which each of the Companies has invested or proposes to invest, subject to full disclosure, Board approval and compliance with the Listing Rules. If the Board of either Company is required to pass any resolution regarding the continuing appointment of the Investment Adviser as the Companies' investment adviser or other matters concerning the Investment Adviser, only directors independent of the Investment Adviser will vote on such resolutions.

- (t) There is no withholding tax on dividends paid by a UK company and consequently each of the Companies does not assume responsibility for the withholding of tax at source.
- (u) Where information set out in this document has been sourced from a third party the source has been identified at the relevant place in the document and the Companies confirm that this information has been accurately reproduced and, as far as the Companies are aware and able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (v) Each Company's expected market competitors would be other venture capital funds investing in the same sectors and asset classes referred to in this Prospectus.
- (w) The statements attributed to the Investment Adviser in this document have been included in the form and context in which they appear with the consent of the Investment Adviser, which has authorised the contents of those statements in this document. The Investment Adviser accepts responsibility for those statements, and to the best of the knowledge and belief of the Investment Adviser (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of such information.
- (x) The Company does not have an external custodian.

12. Overseas shareholders

- (a) No person receiving a copy of the Prospectus in any territory other than the UK may treat the same as constituting an invitation or offer unless, in the relevant territory, such an invitation or offer could be lawfully made to him without contravention of any registration or other legal requirements.
- (b) The distribution of the Prospectus in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession the Prospectus comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction.
- (c) It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (d) No action has been taken to permit the distribution of the Prospectus in any jurisdiction outside the UK where such action is required to be taken.
- (e) None of the New Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, (the "Securities Act") or under the securities laws of any Restricted Territory and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the amount or benefit of US Persons (as defined in Regulation S made under the Securities Act) or any national citizen or resident of the United States or any of the Restricted Territories. The Offer is not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective shareholders who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only.
- (f) All applicants under the Offers will be required to warrant that they are not a US Person (within the meaning of Regulation S made under the United States Securities Act of 1933, as amended), nor a resident, national or citizen of a Restricted Territory.

13. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on weekdays, weekends and public holidays excepted, at the offices of Howard Kennedy LLP at No.1 London Bridge, London SE1 9BG, whilst the Offer is open:

- the memorandum and articles of the Companies;
- the audited financial statements for the Companies, as applicable, as referenced in Part III of this document;
- the Circular;
- this Registration Document;
- the Securities Note; and
- the Summary.

PART VI: DEFINITIONS

In this document, the following words and expressions have the following meanings:

Admission	the respective dates on which the New Shares allotted pursuant to the Offer are listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities
Articles	the articles of association of the Companies
Board or Directors	the board of directors of the Companies or either Company from time to time
Business Day	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
B Shares	"B" Ordinary Shares of 0.1p each in the capital of the relevant Company
CA 2006	the Companies Act 2006 (as amended)
Circular	the circular to the Shareholders of the Companies dated 18 February 2016
UK Corporate Governance Code	the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014
Company or VCT 1 or VCT 2	Hazel Renewable Energy VCT 1 plc and/or Hazel Renewable Energy VCT 2 plc
CREST	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form operated by Euroclear UK & Ireland Limited
Existing Shares	ordinary shares of 0.1p each and/or "A" Ordinary Shares of 0.1p each (and each a Share)
FCA	the Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the general meeting of the Companies to be held on 14 March 2016 (or any adjournment thereof) at which Shareholders' approval will be sought to, among other things, approve the Offers
HMRC	Her Majesty's Revenue and Customs
IMA	the investment management and administration agreement dated 20 October 2010 (as varied) between the Companies and Hazel under which Hazel acts as the Companies' investment adviser for an initial term of six years and thereafter on one year's notice either side, further details of which are set out on page 21
IMA Deed of Variation	the deed of variation to the IMA dated 18 February 2016 between the Companies and Hazel, details of which are set out in paragraph 4(ii) of Part VI
Listing Rules	the listing rules made by the UK Listing Authority under section 74 of FSM
London Stock Exchange	London Stock Exchange plc
Hazel Capital or Hazel or the Investment Adviser	Hazel Capital LLP, the Investment Adviser to the Companies (registered in England and Wales under number OC327915) whose registered office is at 2nd Floor 227 Shepherds Bush Road, London, W6 7AS

NAV or net asset value	the net asset value of a Share calculated in accordance with the relevant Companies' accounting policies
New Articles	the Articles that are proposed to be adopted at the General Meeting
Offer	the offer for subscription of New Shares in the Companies contained in the Prospectus
Official List	the official list of the UK Listing Authority
Prospectus	this Registration Document, the Securities Note and the Summary
Qualifying Company	an unquoted (including ISDX-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
Qualifying Investor	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
Qualifying Investment	shares in, or securities of, a Qualifying Companies held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act
Qualifying Shareholder	a Shareholder in the Companies who satisfies the conditions of eligibility for tax relief available to investors in a VCT in respect of his or her shareholding
Registrars	Capita Asset Services
Receiving Agent	Downing LLP
Registration Document or this document	this document dated 18 February 2016
Restricted Territories	Canada, Australia, Japan and South Africa
Securities Note	the securities note issued by the Companies dated 18 February 2016 in connection with the Offer
Shareholders	holders of Shares in the Companies (and each a Shareholder)
Summary	the summary issued by the Companies dated 18 February 2016 in connection with the Offer
Tax Act	the Income Tax Act 2007 (as amended)
UK Listing Authority or UKLA	the FCA in its capacity as the competent authority for the purposes of Part VI of the FSMA
United States	the United States of America, its states, territories and possessions (including the District of Columbia)
VCT Value	the value of an investment calculated in accordance with section 278 of the Tax Act
VCT	a venture capital trust as defined in section 259 of the Tax Act

COMPANY INFORMATION

DIRECTORS AND ADVISERS

VCT 1 Directors (all Non Executive)	Michael Cunningham (Chairman) Stephen Hay Ben Guest all of 2nd Floor 227 Shepherds Bush Road, London, W6 7AS
VCT 2 Directors (all Non-Executive)	Peter Wisher (Chairman) Alexander Hambro Christian Yates Bozkurt Aydinoglu all of 2nd Floor 227 Shepherds Bush Road, London, W6 7AS
Companies Secretary and Registered Office of the Companies	Grant Whitehouse 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Investment Adviser of the Companies	Hazel Capital LLP 2nd Floor 227 Shepherds Bush Road, London, W6 7AS
Administrator of the Companies	Downing Management Services Limited 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Receiving Agents of the Companies	Downing LLP 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Registrars of the Companies	Capita Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Registered Auditors of the Companies	BDO LLP 55 Baker Street, London, W1U 7EU
Sponsor to the Offers	Howard Kennedy Corporate Services LLP No.1 London Bridge, London, SE1 9BG
VCT Advisers to the Companies	Philip Hare & Associates Limited 4-6 Staple Inn, Holborn, London, WC1V 7QH
Bankers to the Companies	Royal Bank of Scotland 119/121 Victoria Street, London, SW1E 6RA
Solicitors to the Offers	Howard Kennedy LLP No.1 London Bridge, London, SE1 9BG