



# HAZEL RENEWABLE ENERGY VCT1 PLC

REPORT & ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2015



HAZEL CAPITAL

## SHAREHOLDER INFORMATION

### Share price

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

	<b>Ordinary Shares</b>	<b>'A' Shares</b>
TIDM/EPIC codes	HR10	HR1A
Latest share price (28 January 2016)	105.5p per share	5.05p per share

### Selling shares

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

Chris Lloyd  
0207 886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan  
0207 886 2717 [paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)

### Financial calendar

7 March 2016	Annual General Meeting
May 2016	Announcement of half yearly financial results
September 2016	Annual dividend paid

### Dividends

Dividends will be paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, and did not complete these details on their original application form can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, on 0871 664 0300 (calls cost 10p per minute plus network extras, lines open 9:00am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from Capita's website (see below).

### Notification of change of address

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

### Other information for Shareholders

Up-to-date Company information (including financial statements, share prices and dividend history) may be obtained from Downing's website at:

**[www.downing.co.uk](http://www.downing.co.uk)**

If you have any queries regarding your shareholding in Hazel Renewable Energy VCT1 plc, please contact the registrar on the above number or visit Capita's website at [www.capitaassetservices.com](http://www.capitaassetservices.com) and click on "Products and Services" and then "Shareholders".

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## COMPANY INFORMATION

<b>Registered number</b>	07378392
<b>Directors</b>	Michael Cunningham (Chairman) Ben Guest Stephen Hay
<b>Company Secretary and Registered Office</b>	Grant Whitehouse Ergon House Horseferry Road London SW1P 2AL
<b>Investment Manager</b>	Hazel Capital LLP 2 <sup>nd</sup> Floor 227 Shepherds Bush Road London W6 7AS Tel: 020 3434 1010 <a href="http://www.hazelcapital.com">www.hazelcapital.com</a>
<b>Administration Manager</b>	Downing LLP Ergon House Horseferry Road London SW1P 2AL Tel: 020 7416 7780 <a href="http://www.downing.co.uk">www.downing.co.uk</a>
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>VCT status advisers</b>	Philip Hare & Associates LLP Staples Inn London WC1V 7QH
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines open 9:00 a.m. to 5:30 p.m. Monday to Friday) <a href="http://www.capitaassetservices.com">www.capitaassetservices.com</a>
<b>Solicitors</b>	Howard Kennedy 1 London Bridge London SE1 9BG
<b>Bankers</b>	Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA
<b>Corporate Broker</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF

## INVESTMENT OBJECTIVES

Hazel Renewable Energy VCT1 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The Company's principal objectives are to:

- invest in a portfolio of Venture Capital Investments, primarily in the UK and EU, that specialise in long term renewable energy projects and energy developers;
- maximise tax free capital gains and income to Shareholders from dividends and capital distributions; and
- maintain VCT status to enable Shareholders to retain their 30% income tax relief on investment.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 15 and 16.

## FINANCIAL HIGHLIGHTS

	<b>Audited Year End 30 September 2015 Pence</b>	<b>Audited Year End 30 September 2014 Pence</b>
Net asset value per Ordinary Share	117.6	115.2
Net asset value per 'A' Share	0.1	0.1
Cumulative Dividends paid	29.5	24.5
Total return per Ordinary Share and 'A' Share	<u>147.2</u>	<u>139.8</u>

## DIRECTORS

**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 20 years' investment experience, 15 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 which has developed and/or financed over 135MW in the last 3 years 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 has strong counterparty relationships that he has developed throughout his career. In addition to being a non-executive director of Hazel Renewable Energy VCT1 plc he is also non-executive director of the Company's project companies and of other clean technology companies. Prior to Hazel Capital, Ben was a co-founder of Cantillon Capital, where he 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 spent twenty years in a variety of roles, including as director of equity research in London and Tokyo. He is a non-executive director of NHS Tayside. He has an MBA from the London Business School and an MSc in Global Environmental Change from Edinburgh University.

All the Directors are non-executive and, with the exception of Ben Guest, are independent of the Investment Manager.

## CHAIRMAN'S STATEMENT

I am pleased to present the Company's Annual Report for the year ended 30 September 2015. The year has been one of steady progress within the portfolio. Investment activity has been mostly limited to a small number of partial redemptions and winding up of investee companies that are no longer being used. Since the year end the Company is expected to complete another refinancing which has the potential to further increase the yield from the existing portfolio.

### Investment portfolio

At the year end, the Company held a portfolio of 16 investments with a total value of £30.7 million.

There were five full realisations during the year, primarily from investments that had ceased to undertake any activities and were being wound up. There were also partial loan stock redemptions from four investments. Total proceeds were £1.2 million and realised gains on the year were £121,000.

Within the existing portfolio progress has generally been good, with the Manager achieving administration cost savings on many of the solar projects, while producing reliable energy generation performances. The wind turbine portfolio has not performed so well and has warranted a provision against its carrying value.

In reviewing the investment valuations at the year end, the Board has made a number of adjustments resulting in a net unrealised gain of £1.9 million.

### Net asset value and results

At 30 September 2015, the Net Asset Value ("NAV") per Ordinary Share stood at 117.6p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 117.7p. This represents an increase of 7.4p (6.4%) over the year (after adjusting for dividends paid during the year of 5.0p per Ordinary share). Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 29.5p. Total Return (NAV plus cumulative dividends paid to date) now stands at 147.2p, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The profit on ordinary activities after taxation for the year was £1.8 million, comprising a loss of £107,000 on the revenue account and surplus of £1.9 million on the capital account.

### Dividends

A dividend of 5.0p per Ordinary Share paid was paid on 18 September 2015. In line with the Company's policy, it is intended that the next annual dividend will be paid in September 2016 and will be announced in May 2016.

### Future strategy

Given that the Company's original fundraising was launched slightly over five years ago, the articles specify that a resolution is put to Shareholders at the forthcoming AGM for the Company to continue as a VCT.

The Board has spent some time discussing future strategy with the Manager and considered a number of possible options in which the Company could move forward. Options such as winding up, divesting and reinvesting into new assets and changing the structure of the investment vehicle were considered.

The process highlighted the fact the Company holds a robust portfolio of renewable energy assets which cannot be rebuilt from scratch and which have a financing structure in place that will allow the payment of gently increasing dividends over a long timeframe.

With the incentive schemes for new renewable energy projects now dramatically reduced and such schemes also now effectively prohibited from being held as qualifying investments by VCTs, the Board believes that the existing portfolio offers Shareholders a reliable, tax-free income stream with the possibility of further capital growth and the prospect of steadily increasing dividends. Accordingly the Board plans to operate the existing portfolio in this manner over the next 5-10 years, although they will review strategy at regular intervals.

The board recognises that a small number of Shareholders may wish to exit once the initial holding period passes and has introduced a share buyback policy of buying in any shares that become available in the market at approximately a 5% discount to the latest published NAV. In future, the Board intends to publish NAVs for each quarter end.

### Fundraising plans

While the opportunity for further investment by VCTs into renewable energy projects benefitting from Government incentives has now passed, the Manager is seeing interesting dealflow in other cleantech opportunities, such as electrical storage solutions both in the UK and overseas.

The Manager believes that there is sufficient good quality dealflow to be able to build a new investment portfolio from scratch which can provide an attractive return in a related but different area to the existing portfolio. Accordingly, proposals are being drawn up for a new fundraising in a new share class.

## CHAIRMAN'S STATEMENT (continued)

### Fundraising plans (continued)

The new funds will be maintained and managed separately from the existing investments but will allow the fixed running costs of the VCT to be spread over a greater asset base, reducing the burden on all shareholders.

### Corporate broker appointment

In order to ensure an orderly market in the Company's shares, the Company has engaged Panmure Gordon UK Limited to act as the Corporate Broker to the Company. Any Shareholders wishing to sell their shares should contact Panmure Gordon whose details are noted on the Shareholder Information page.

### Annual General Meeting

The Company's fifth AGM will be held at 2<sup>nd</sup> Floor, 227 Shepherds Bush Road, London W6 7AS at 2.00 p.m. on 7 March 2016.

Two items of special business will be proposed at the AGM; a resolution seeking approval for the Company to be able to buy its own shares as described above and one to amend the Articles of Association as described below.

In view of the future strategy and planned fundraising, the Board has decided to seek Shareholder approval by resolution 9 at the forthcoming AGM to amend the Articles of Association to remove the requirement for a regular continuation vote to be put to Shareholders in future. The Board believes this gives more flexibility in implementing future plans and will avoid potential issues in fundraising where no guarantee can be given that Shareholders will be able to hold their shares for the minimum holding period.

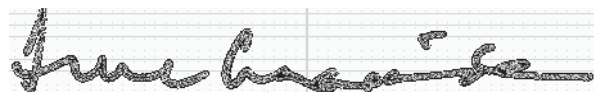
Notice of the meeting is at the end of this document.

### Outlook

The Board is very satisfied with the performance of the Company to date and believes it is well placed to continue to deliver solid results to Shareholders for years to come. The second major refinancing which is expected to complete shortly should improve the prospects for an increasing yield from the current portfolio.

The proposals for the new fundraising in a new share class will have a relatively small impact on existing Shareholdings other than in reducing running costs, although there could be possible benefits in co-investing with the new share pool if suitable and attractive opportunities arise and surplus funds are available. The new fundraising will also, of course, provide an opportunity for existing Shareholders to make a new VCT investment with a team that has delivered excellent results since first entering this market some five years ago.

I look forward to reporting on developments in my statement with the half year report to 31 March 2016.



**Michael Cunningham**  
Chairman

28 January 2016

## INVESTMENT MANAGER'S REPORT

### Introduction

The year ended 30 September 2015 has been another good year for Hazel Renewable Energy VCT1 plc (the Company). As the portfolio was fully invested at the beginning of this financial year, the focus has been on further improving the operational and financial performance of the asset base as well as exploring and initiating new avenues for augmenting the return of the portfolio. The improvement in operational performance is a process that was initiated in the previous financial year, starting with the small-wind portfolio. This was extended this year to cover other areas of the portfolio such as the roof-mounted solar assets.

In terms of financial performance, we have sought to extend the benefits gained from the previous financial year's refinancing and concurrent acquisition of the entire share capital of the six ground-mounted solar assets commissioned in 2011 and 2012. We have done this by pooling together an additional group of the portfolio's solar assets in order to refinance them with low cost debt and to use the proceeds to invest in projects offering a substantially higher return. This transaction commenced at the beginning of September and is expected to complete shortly.

Separately, across the board, there was also a successful effort to reduce non-core costs across the portfolio such as audit and bookkeeping costs.

### Overall Portfolio and Operational Review

At the end of the year, as at the end of the previous year, the portfolio consisted for the most part of 16 underlying projects held through 13 portfolio companies which are all either entirely or majority-owned by the VCTs. The dormant companies that featured in last year's report were all closed down.

Ten of the twelve solar projects (eight ground-mounted and four rooftop ones) which account for close to 80% of capital invested, continued to perform in line with or above expectations. However, Priory Farm, the comparatively small, 3.2MW ground-mounted solar project acquired in July 2014 (owned by Tumblewind Limited) showed poorer performance as a result of a combination of grid-related issues (a series of long outages over the summer) and an inadequate agreement between the project company and the local grid operator. These issues were subsequently addressed by way of a revised agreement with the local grid operator, technical modifications and adjustments to the O&M contract and we expect to see this project perform reliably going forward.

Another historically poor performer, measured against the initial expectations, is the solar rooftop portfolio owned by Gloucester Wind Ltd (a c.£1m investment),

which had suffered as a result of the original developer going into administration in April 2013. However, we are very pleased with the progress in restoring the operating performance of this portfolio which has largely been catalysed by the appointment of Anesco as O&M contractor. However, it is unlikely this project will reach original expectations although it is now much closer to them. We are also pleased to say that there has been no valuation impact on the portfolio as the original transaction was well-priced, resulting in a margin of safety.

Across our ground-mounted solar farms, the sophisticated monitoring systems installed at the beginning of summer 2014 continue to be invaluable, delivering more timely and granular information on the performance of each asset. This has enabled us to better monitor the performance of our O&M contractors and identify areas to reduce risk and increase returns through the modification of O&M contracts.

In terms of electricity prices, over the last two years there has been a long downward drift in power prices in the wholesale market. The vast majority of our projects' revenues are shielded from this as they are Feed-in-tariff based or, in the case of the Ayshford Court solar project, are under a fixed price power purchase agreement. However, the export tariffs that account for around 10% of the overall portfolio's revenues has fallen. Given the severity of the disruption in the worldwide energy price environment, it is difficult to foresee when a recovery in the power prices will occur, however, we take comfort from the fact that this portfolio is largely shielded from this effect.

There are, however, methods we can apply to improve revenues per kWh of electricity generated. We are searching for opportunities to make direct sales to power consumers (aka direct Power Purchase Agreements - PPAs), and will intensify these efforts in 2016. Another opportunity we are continuously evaluating is the installation of energy storage solutions on our sites in order to shift and smooth our electricity output to improve the electricity price that could be achieved. The steadily declining cost of batteries is likely to yield opportunities in the near future.

As explained last year, from a cost perspective, our O&M contract costs are falling sharply as our contracts come up for renewal. We have seen this with Priory Farm this year, where we have achieved a 30% reduction. The bigger positive impact will come when several more O&M contracts come up for renewal next year, or possibly earlier, the savings from this will contribute to an increase in returns.



## INVESTMENT MANAGER'S REPORT (continued)

### Overall Portfolio and Operational Review (continued)

For 'Project Lunar' (the debt structure secured on the now wholly-owned six FIT solar projects) we continued to meet our obligations to the lender including payment milestones, ongoing funding of reserves, observing all covenants and other requirements. One key, near term aspect of this transaction has been the need to fund various reserves required by the lender, and until fully funded, which will take till the end of 2018, this funding of reserves (the largest being the Debt Service Reserve Account) will reduce our cash flow from these projects. Once funded, however, this effect goes away revealing the strong underlying cash generation of this group of projects; at which time we expect dividends to investors to increase markedly. Of course at the end of the debt repayment in 20 years' time, the largest remaining value creator in this structure kicks in with dividends of over £8m in 2034, and over £11m in both 2035 and 2036 (assuming 2% RPI on average between now and then) as the debt will have been repaid and the reserves unwound. This totals over £30m in dividends in three years compared with just c.£18m of equity invested in these assets.

Our small wind turbine projects held within HRE Willow Ltd, Small Wind Generation Ltd, Tumblewind Ltd and Minsmere Power Ltd stabilised but continued to lag in terms of performance. As explained in last year's report, the fact that the developers went bankrupt meant that the companies did not benefit from the contractual provisions that provided compensation in the event of underperformance. Britwind, a division of Ecotricity, that were appointed as O&M Contractor in the previous financial year are steadily progressing with the repairs and adjustments that are necessary to the physical structures. Unlike the previous financial year, we now have access to a full year's high quality data on the performance of each individual wind turbine via an online portal and therefore are in a better position to make a judgment on where performance is likely to go. We have concluded that certain assets within this segment of the portfolio are unlikely to ever reach expected performance due to poor wind conditions at the specific sites and in some cases poor quality physical installations. We have therefore taken a prudent approach and impaired the value of these assets in this year's valuation exercise. We will continue to strive to rectify issues that can be rectified and see the potential for an upward adjustment in the future.

### Portfolio Valuation

The NAV of the portfolio has increased from 115.3p to 117.7p (or from 139.8p to 147.2p if dividends already paid are taken into account). This year's increase has come about primarily as result of market prices for renewable power generation assets rising and strong performance from the ground-mounted solar assets that we own. These have been more than sufficient to offset not only the effect of lower power prices but also the impact of the impairment of the small wind portfolio which we deemed prudent. Our portfolio of assets that were initially bought targeting average hurdle rates of 9% to 11% are now valued by discounted cash flows at 7.25% reflecting the number of market participants who are keen to own these fixed-income type assets in an environment where interest rates remain at historical lows. The discount rate of 7.25% followed a valuation exercise that we carried out and that was reviewed by BDO, the Company's auditors, and is 0.25% less than last year.

We will not offer a prediction on where interest rates will go but one factor pointing to the potential for higher valuations is the maturity of the asset base. As assets acquire longer operating histories, the predictability of revenues increases, and a lower discount rate can be justified. The ground-mounted solar assets in the portfolio that were among the first to be built in the UK also benefit from the fact that their exposure to market power prices is less than 10% of revenues and hence should command a higher discount rate than the average in the market. With the advent of cheaper battery technology and other levers, there is also the opportunity to earn additional revenue streams from the projects or increase value in other ways.

### Outlook

The fund was fully invested at the end of the financial year. However, should, as we expect, the refinancing transaction mentioned above close successfully, we will aim to deploy the proceeds into investments with a similar risk/reward profile to the current portfolio at hurdle rates significantly in excess of the cost of debt and thus hopefully add value to the portfolio.

Our focus for 2016 will be on continuing to improve the operational and financial performance of the assets and thus the overall yield of the portfolio, as well as the anticipated successful conclusion and deployment of the proceeds from the refinancing transaction.

## INVESTMENT MANAGER'S REPORT (continued)

### Outlook (continued)

Also, as we reach the five year mark in the life of the Company, we anticipate a wish by some investors to sell their shares. The Company has plans to fund purchases with cash in hand in order to implement its policy to repurchase shares at approximately a 5% discount to the latest stated NAV, subject to certain restrictions including liquidity and regulatory (for more information please see the announcement posted at the London Stock Exchange in December 2015).

As always, we are very happy to hear from our investors if they have any questions or comments.



**Ben Guest**  
**Chief Investment Officer**  
**Hazel Capital LLP**

28 January 2016

## REVIEW OF INVESTMENTS

### Portfolio of investments

The following investments were held at 30 September 2015:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
<b>Qualifying and part-qualifying investments</b>				
Lunar 2 Limited*	2,976	12,202	2,255	39.7%
Ayshford Solar (Holding) Limited	1,987	3,073	267	10.0%
Tumblewind Limited*	2,449	2,175	(596)	7.1%
Lunar 1 Limited*	124	2,076	33	6.8%
Hewas Solar Limited	1,000	1,748	76	5.7%
St. Columb Solar Limited	708	1,419	45	4.6%
New Energy Era Limited	884	1,369	65	4.5%
Vicarage Solar Limited	871	1,181	(22)	3.8%
Penhale Solar Limited	825	1,075	249	3.5%
Gloucester Wind Limited	1,000	1,041	41	3.4%
Minsmere Power Limited	975	920	(89)	3.0%
HRE Willow Limited	875	780	(95)	2.5%
Small Wind Generation Limited	975	682	(292)	2.2%
Sunhazel UK Limited	1	-	-	0.0%
	<u>15,650</u>	<u>29,741</u>	<u>1,937</u>	<u>96.8%</u>
<b>Non-qualifying investments</b>				
AEE Renewables UK 3 Limited	900	900	-	3.0%
ZW Parsonage Limited	15	15	-	0.0%
	<u>915</u>	<u>915</u>	<u>-</u>	<u>3.0%</u>
	<u>16,565</u>	<u>30,656</u>	<u>1,937</u>	<u>99.8%</u>
Cash at bank and in hand		56		0.2%
<b>Total investments</b>		<u>30,712</u>		<u>100.0%</u>

\* Part-qualifying investment

All venture capital investments are incorporated in England and Wales.

Hazel Renewable Energy VCT2 plc, of which Hazel Capital LLP is the Investment Manager, holds the same investments as above.

## REVIEW OF INVESTMENTS (continued)

### Investment movements for the year ended 30 September 2015

#### DISPOSALS

	Cost	Valuation at 30 September 2014	Proceeds	Profit/(Loss) vs cost	Realised Gain/(loss)
	£'000	£'000	£'000	£'000	£'000
<b>Qualifying and part-qualifying investments</b>					
Higher Tregarne Solar (Holding) Limited	243	216	264	21	48
Owl Lodge Solar (Holding) Limited	80	249	274	194	25
Yonder Netherton Solar (Holding) Limited	5	-	-	(5)	-
Ayshford Solar (Holding) Limited	260	260	260	-	-
Tumblewind Limited	85	85	85	-	-
Causilgey Solar (Holding) Limited	248	183	181	(67)	(2)
St. Columb Solar Limited	15	15	15	-	-
Penhale Solar Limited	74	74	74	-	-
	<u>1,010</u>	<u>1,082</u>	<u>1,153</u>	<u>143</u>	<u>71</u>
<b>Non-qualifying investments</b>					
Lime Technology Limited	100	-	50	(50)	50
	<u>100</u>	<u>-</u>	<u>50</u>	<u>(50)</u>	<u>50</u>
	<u>1,110</u>	<u>1,082</u>	<u>1,203</u>	<u>93</u>	<u>121</u>

The basis of valuation for the largest investments is set out on pages 10 to 13.

All venture capital investments are incorporated in England and Wales.

## REVIEW OF INVESTMENTS (continued)

### Further details of the ten largest investments (by value):

#### Lunar 2 Limited



Cost at 30/09/15:	£2,976,000	Valuation at 30/09/15:	£12,202,000
Cost at 30/09/14:	£2,976,000	Valuation at 30/09/14:	£9,947,000
Date of first investment:	Dec 2013	Valuation method:	Discounted Cash Flow

Investment comprises:

Ordinary shares:	£1,331,000	Proportion of equity held:	50 %
Loan stock:	£1,645,000	Proportion of loan stock held:	50 %

Summary financial information from statutory accounts: 30 April 2014

Turnover:	£0
Operating loss:	(£42,018)
Net assets:	£1,308,880

Lunar 2 Limited fully owns the holding companies South Marston Solar Ltd, Beechgrove Solar Ltd and 10% of Vicarage Solar Ltd. These companies own ground-mounted solar farm projects of 5MW (near Swindon), 4MW (near Hawkchurch) and 0.64MW (Ilminster, Somerset) respectively.

#### Ayshford Solar (Holding) Limited



Cost at 30/09/15:	£1,987,000	Valuation at 30/09/15:	£3,073,000
Cost at 30/09/14:	£2,247,000	Valuation at 30/09/14:	£3,065,000
Date of first investment:	Mar 2012	Valuation method:	Discounted Cash Flow

Investment comprises:

Ordinary shares:	£269,000	Proportion of equity held:	36.27%
Loan stock:	£1,718,000	Proportion of loan stock held:	34.11%

Summary financial information from statutory accounts: 30 April 2014

Turnover:	£6,570
Operating loss:	(£4,327)
Net assets:	£726,947

Ayshford Solar (Holding) Limited owns a ground-mounted solar farm located near Tiverton, Devon. The project is accredited under the ROC regime, has a total installed capacity of 5.4MW and the lease is held with a local farmer. The company has entered into a comprehensive fixed term O&M agreement.

#### Tumblewind Limited



Cost at 30/09/15:	£2,449,000	Valuation at 30/09/15:	£2,175,000
Cost at 30/09/14:	£2,534,000	Valuation at 30/09/14:	£2,856,000
Date of first investment:	Nov 2011	Valuation method:	Discounted Cash Flow

Investment comprises:

Ordinary shares:	£790,000	Proportion of equity held:	50%
Loan stock:	£1,659,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: 30 April 2014

Turnover:	£38,856
Operating Loss:	(£26,373)
Net assets:	£1,410,330

Tumblewind Limited owns a 66.5kW portfolio of wind turbines located on largely farmer-owned sites located throughout East Anglia. Each project is a single or multiple turbine site which has its own distinct equipment location agreement, planning permission and Feed in Tarrif (FIT) accreditation (through MCS). The developer, Windcrop Limited, offered a complete turnkey solution where they developed, built and commissioned each site. The land owner is entitled to free electricity produced by the turbines with Tumblewind Limited collecting both the FIT and Export revenue for any surplus that the land owner does not consume. Windcrop Limited is in administration and Evance (now Britwind) has taken over the O&M. On 29 July 2014 Tumblewind bought Priory Farm Solar Farm Limited that owns a solar project of 3.228MW located close to Lowestoft. The project was built and commissioned by Ideemsun Energy GmbH, a German EPC.

## REVIEW OF INVESTMENTS (continued)

### Lunar 1 Limited



Cost at 30/09/15:	£124,000	Valuation at 30/09/15:	£2,076,000
Cost at 30/09/14:	£124,000	Valuation at 30/09/14:	£2,043,000
Date of first investment:	Dec 2013	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£124,000	Proportion of equity held:	5%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£0
	Operating loss:	(£46,780)
	Net Assets:	£3,126,616

Lunar 1 Limited fully owns the holding companies AEE Renewables UK 3 Ltd, AEE Renewables UK 26 Ltd and 10% of New Energy Era Ltd. These companies own the FIT accredited ground-mounted solar farm projects of 5MW (Wiltshire) and 0.7MW (Oxfordshire) respectively.

### Hewas Solar Limited



Cost at 30/09/15:	£999,999	Valuation at 30/09/15:	£1,748,000
Cost at 30/09/14:	£999,999	Valuation at 30/09/14:	£1,672,000
Date of first investment:	Aug 2011	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£999,999	Proportion of equity held:	50%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£421,600
	Operating profit:	£266,750
	Net assets:	£2,235,480

Hewas Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by a housing association. The company financed the capital costs of installing equipment and in return receives the FIT income. Residents of the housing associations are able to use the electricity generated by the installations free of charge. Roof-top installations were undertaken during November and December 2011. The company has entered into a fixed term O&M agreement with the installer, Strategic Energy Limited.

### St. Columb Solar Limited



Cost at 30/09/15:	£708,000	Valuation at 30/09/15:	£1,419,000
Cost at 30/09/14:	£722,000	Valuation at 30/09/14:	£1,388,000
Date of first investment:	Sep 2011	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£650,000	Proportion of equity held:	50%
Loan stock:	£58,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£194,144
	Operating profit:	£105,279
	Net assets:	£1,490,820

St. Columb Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by housing associations. The company financed the capital costs of installing equipment and in return receives the FIT income. Residents of the housing associations are able to use the electricity generated by the installations free of charge. Roof-top installations commenced in November 2011 and the vast majority were completed before the tariff reduction became effective in March 2012. The company has entered into a fixed term O&M agreement with the installer, Strategic Energy Limited.

## REVIEW OF INVESTMENTS (continued)

### New Energy Era Limited



Cost at 30/09/15:	£884,000	Valuation at 30/09/15:	£1,369,000
Cost at 30/09/14:	£884,000	Valuation at 30/09/14:	£1,304,000
Date of first investment:	Nov 2011	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£884,000	Proportion of equity held:	45%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£296,226
	Operating loss:	(£29,486)
	Net assets:	£1,647,339

New Energy Era Limited owns a solar farm located just outside Shipton under Wychwood, Oxfordshire. The project is accredited under the FIT regime and has a total installed capacity of c.727kWp. The lease is held with a local landowner who developed the project, and who remains a minority shareholder. The company has entered into a comprehensive fixed term O&M agreement.

### Vicarage Solar Limited



Cost at 30/09/15:	£871,000	Valuation at 30/09/15:	£ 1,181,000
Cost at 30/09/14:	£871,000	Valuation at 30/09/14:	£1,204,000
Date of first investment:	Mar 2012	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£871,000	Proportion of equity held:	45%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£0
	Operating loss:	(£133)
	Net assets:	£1,931,386

Vicarage Solar Limited is a holding company which owns 90% of the share capital of ZW Parsonage Limited (the remainder is owned by Lunar 2 Limited). ZW Parsonage Limited owns a solar farm with a capacity of 0.64MW which is located outside Ilminster, Somerset.

### Penhale Solar Limited



Cost at 30/09/15:	£825,000	Valuation at 30/09/15:	£1,075,000
Cost at 30/09/14:	£899,500	Valuation at 30/09/14:	£900,000
Date of first investment:	April 2012	Valuation method:	Discounted Cash Flow

Investment comprises:			
Ordinary shares:	£800,000	Proportion of equity held:	50%
Loan stock:	£25,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: 30 April 2014	Turnover:	£142,159
	Operating profit:	£7,045
	Net assets:	£1,633,814

Penhale Solar Limited owns a portfolio of 964.3kW of rooftop solar pv assets installed on 430 rooftops on housing association properties located in South Wales. The company acquired a further 343kW of rooftop solar assets in the first half of 2013. These assets are located on the roofs of 9 schools in Surrey, East Sussex and Kent. The residents and schools receive free electricity generated by the solar modules and the company receives the Feed -In-Tariff and export revenue.

## REVIEW OF INVESTMENTS (continued)

### Gloucester Wind Limited



Cost at 30/09/15:	£999,500	Valuation at 30/09/15:	£1,041,000
Cost at 30/09/14:	£999,500	Valuation at 30/09/14:	£999,500
Date of first investment:	Apr 2012	Valuation method:	Discounted Cash Flow

Investment comprises:

Ordinary shares:	£799,600	Proportion of equity held:	50%
Loan stock:	£199,900	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: 30 April 2014

Turnover:	£171,118
Operating profit:	£35,982
Net assets:	£1,576,860

Gloucester Wind Limited owns a portfolio of roof-mounted solar assets located on residential housing stock across the UK. The company financed the capital costs of installing equipment and is receiving the FIT income in return. Home owners are able to use the electricity generated by the installations free of charge. Roof-top installations commenced in June 2012 and were completed over the subsequent 6 months. However, the developer's bankruptcy in April 2013 uncovered several issues with the portfolio that are continuing to be investigated. An O&M agreement with Anesco was signed in February 2015, this has resolved the technical issues that were identified. The current focus is on bringing all property documentation up to date.

Note: The proportion of equity held in each investment also represents the level of voting rights held by the Company in respect of the investment.



## REVIEW OF INVESTMENTS (continued)

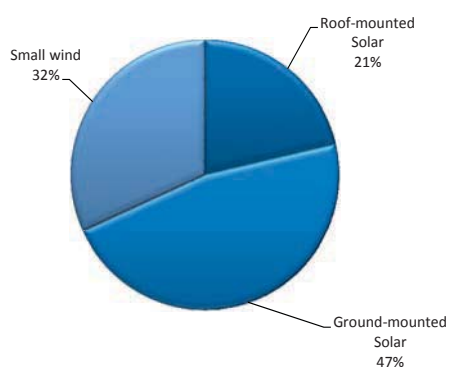
### Summary of loan stock interest income

	£'000
<b>Loan stock interest receivable in the period</b>	
Tumblewind Limited	139
Minsmere Power Limited	11
St. Columb Solar Limited	6
Other	88
	<u>244</u>

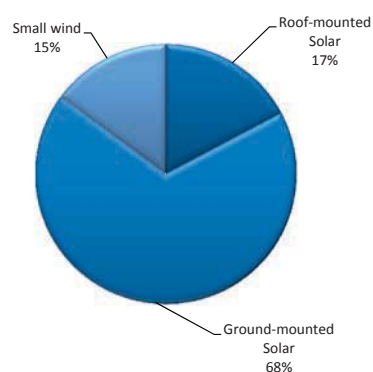
### Analysis of investments by commercial sector

The split of the investment portfolio by sector (by cost and by value at 30 September 2015) is as follows:

**Spread of investments by sector (cost)**



**Spread of investments by sector (value)**



### Analysis of investments by type

The allocation of the funds based on cost is summarised as follows:

	<b>Actual portfolio split at 30 September 2015</b>
<b>VCT qualifying investments</b>	
Loans to qualifying companies	24%
Ordinary shares in qualifying companies	60%
<b>Total</b>	<u>84%</u>
<b>Non-qualifying investments (including cash at bank)</b>	16%
<b>Total</b>	<u>100%</u>

## STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 30 September 2015. The Board have prepared this report in accordance with the Companies Act 2006.

### Business model

The business acts as an investment company, investing in a portfolio of businesses within the renewable energy sector. The Company operates as a VCT to ensure that its Shareholders can benefit from tax reliefs available.

### Investment management and administration fees

Hazel Capital LLP provides investment management services to the Company at 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.

The Board has reviewed the services provided and conclude that it is satisfied with Hazel Capital LLP's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore agreed that the continuing appointment of Hazel Capital LLP as Investment Manager remains in the best interests of Shareholders.

Downing LLP provides administration services to the Company 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.

### Investment policy

#### General

The Company's objectives are to maximise tax free capital gains and income to Shareholders from dividends and capital distributions by investing the Company's funds in:

- a portfolio of VCT 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 cash deposits, fixed income funds, securities 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 VCT qualifying investments will involve smaller start-up companies, 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 Company.

### Investment strategy

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. Investee companies 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;
- companies where the Manager 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 Company aims to hold at least 70% of its funds in VCT qualifying investments.

Although under VCT legislation the Company must have 70% of its funds invested in qualifying investments within three years, the Company intends to invest up to 90%. Accordingly, the Company's maximum exposure to qualifying investments will be 90%. The Company intends to retain the remaining funds in non-qualifying investments to fund the annual running costs of the Company, to reduce the risk profile of the overall portfolio of its fund and to provide investments which can be realised to fund any follow-on investments in the investee companies.

Now that more than 70% of funds raised have been invested in qualifying investments, it is expected that the Company shall hold at least eight investments to provide diversification and risk protection. In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

## STRATEGIC REPORT (continued)

### Investment policy (continued)

The Company's investment in Lunar 1 Limited and Lunar 2 Limited has, at the time of investment, not exceeded 33% of the aggregate net asset value of its fund and its direct or indirect investment in each of AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited will not individually represent more than 17% of the aggregate net asset value of its fund.

### Risk diversification

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

The main risk management features include:

- portfolio of investee companies – the Company seeks to invest in at least eight different companies, thereby reducing the potential impact of poor performance by any individual investment;
- monitoring of investee companies – the Manager will closely monitor the performance of all the investments made by the Company in order to identify any issues and to enable necessary corrective action to be taken; and
- the Company will ensure that it has sufficient 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.

In respect of Lunar 1 Limited and Lunar 2 Limited the Company has followed the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

### Gearing

It is not intended that the Company will borrow (other than from investee companies). However, the Company will have the ability to borrow up to 15% of its net asset value save that this limit shall not apply to any loan monies used to facilitate the acquisition by the Company, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company has ensured that Lunar 1 Limited and Lunar 2 Limited has borrowed no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

As at 30 September 2015, the Company has the ability to borrow £4.3 million and has borrowings of £2.0 million (2014: £1.6 million).

### Listing rules

In accordance with the Listing Rules:

- (i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of the Company; and
- (iii) the Company must, 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 set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act.

### Business review and developments

The Company's business review and developments during the year are set out in the Chairman's Statement, Investment Manager's Report, and the Review of Investments.

During the year to 30 September 2015, the investments held increased in value by £1.9 million and gains arising on investment realisations totalled £121,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £248,000.

## STRATEGIC REPORT (continued)

### Business review and developments (continued)

The total return for the year was £1,809,000 (2014: £7,899,000). Net assets at the year end were £29 million (2014: £28 million). Dividends paid during the year totalled £1,227,000 (2014: £4,057,000).

The Company's business review and developments during the year are reviewed further in the Strategic Report, Investment Manager's Report, and the Review of Investments.

The Directors initially obtained provisional approval for the Company to act as a Venture Capital Trust from HM Revenue & Customs. The Directors consider that the Company has continued to conduct its affairs in a manner such that it complies with Part 6 of the Income Tax Act 2007.

### Directors and senior management

The Company has three non-executive Directors, each of whom is male. The Company has no employees, the same was true of the previous year.

### Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share.

The position of the Company's Net Asset Value Total Return at 30 September 2015 is on page 2.

In addition, the Board considers the Company's performance in relation to other VCTs.

### Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, investment valuation, credit and liquidity risks, are summarised within note 18 to the financial statements.

The Company, as a fully listed company on the London Stock Exchange and as a VCT, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing Rules of the Financial Conduct Authority, and the Companies Act 2006, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

In addition to these risks, the Company invests in a sector which is currently subject to regular government review of policy which can significantly impact on the Company's investment strategy.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Manager which monitors the compliance of these risks, and places reliance on the Manager to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

### Viability statement

In accordance with C.2.1 and C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the Company and have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the balance sheet date as developments are considered to be reasonably foreseeable over this period.

The three year review considers the principal risks facing the Company which are summarised within note 18 as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three year review makes assumptions about the level of investment activity, expenditure, dividends and share buybacks.

The Directors believe that the Company is well placed to manage its business risks successfully. Based on the results, the Board confirms that, taking into account the Company's current position and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least three years from the balance sheet date.

### Directors' remuneration

It is a requirement under The Companies Act 2006 for Shareholders to vote on the Directors' remuneration every three years, or sooner if the Company wants to make changes to the policy. The Directors' remuneration policy for the three year period from 1 October 2014 is set out on page 23.

## STRATEGIC REPORT (continued)

### Performance incentive

The structure of the 'A' Shares, whereby Management owns one third of the 'A' Shares in issue (known as the "Management 'A' Shares"), acts as a performance incentive mechanism. 'A' Share dividends will be increased if, at the end of each year, the hurdle is met, which is illustrated below:

- i) Shareholders who invested under the offer for subscription receive a dividend of at least 5.0p per Ordinary Share at the end of the financial period; and
- ii) one Ordinary Share and one 'A' Share has a combined net asset value of at least 100.0p.

The performance incentive is calculated each year and is not based on cumulative dividends paid.

A summary of how proceeds are allocated between Shareholders and Management, before and after the hurdle is met, and as dividends per Ordinary Share increase is as follows:

#### Hurdle criteria:

Annual dividend per Ordinary Share	0-5p	5-10p	>10p
Combined NAV Hurdle	N/A	>100p	>100p
	Not met	Met	Met

#### Allocation:

Shareholders	99.97%	80%	70%
Management	0.03%	20%	30%

As the hurdle has not been met for the year ended 30 September 2015, no performance incentive is due.

### Trail commission

The Company has an agreement to pay trail commission annually to Hazel Capital LLP, in connection to the funds raised under the offer for subscription. This is calculated at 0.4% of the net assets of the Company at each year end. Out of these funds Hazel Capital LLP is liable to pay trail commission to financial intermediaries.

### VCT status

The Company has appointed Philip Hare & Associates LLP ("Philip Hare") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare works closely with the Investment Manager, they report directly to the Board.

Compliance with the VCT regulations for the year under review is summarised as follows:

	Position at the year ended 30 Sep 15
1. To ensure that the Company holds at least 70% of its investments in qualifying companies;	94.5%
2. To ensure that at least 30% (70% in the case of funds raised after 6 April 2011) of the Company's qualifying investments are held in "eligible shares";	71.6%
3. At least 10% of each investment in a qualifying company is held in eligible shares;	Complied
4. No investment constitutes more than 15% of the Company's portfolio;	Complied
5. To ensure that the Company's income for each financial year is derived wholly or mainly from shares and securities;	99.9%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and	Complied
7. Prior to 6 April 2012, a maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

The Directors, with the help of the Investment Manager, actively monitor and ensure the investee companies have less than £5 million state backed financing in a 12 month period listed in order to remain compliant with the VCT regulations.

### Share buybacks

The Company operates a share buyback policy whereby, subject to liquidity, the rules of the London Stock Exchange, the UK Listing Authority and applicable VCT legislation, it will make market purchases of its own shares that become available in the market at a price equivalent to a 5% discount to the most recently published NAV.

A special resolution to continue this policy is proposed for the forthcoming AGM. No shares were bought back during the year.

## STRATEGIC REPORT (continued)

### Greenhouse Emissions

Whilst as a UK quoted company the VCT is required to report on its Greenhouse Gas (GHG) Emissions, as it outsources all of its activities and does not have any physical assets, property, employees or operations, it is not responsible for any direct emissions.

### Environmental, social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and Investment Manager take environmental, social and human rights factors into consideration when making investment decisions.

### Future prospects

The Company's future prospects are set out in the Chairman's Statement and Investment Manager's Report.

By order of the Board



**Grant Whitehouse**

Secretary of Hazel Renewable Energy VCT1 plc  
Company number: 07378392

Registered office:  
Ergon House  
Horseferry Road  
London SW1P 2AL

28 January 2016

## REPORT OF THE DIRECTORS

The Directors present the fifth Annual Report and Accounts of the Company for the year ended 30 September 2015.

### Share capital

At the year end, the Company had in issue 24,536,966 Ordinary Shares and 36,805,446 'A' Shares. There are no other share classes in issue.

All shares have voting rights; each Ordinary Share has 1,000 votes and each 'A' Share has one vote. Where there is a resolution in respect of a variation of the rights of 'A' Shareholders or a Takeover Offer, the voting rights of the 'A' Shares rank pari-passu with those of Ordinary Shares.

The Company operates a share buyback policy whereby, subject to liquidity, the rules of both the London Stock Exchange and the UK Listing Authority and applicable VCT legislation, and except in the first year after being established, it is intended that the Company will make market purchases of its own shares, up to a maximum number of shares equivalent to 14.9% of the total number of each class of issued shares from time to time.

The Board intends to operate a policy of purchasing shares in the market at a price equivalent to the Company's most recently published NAV, at the time of purchase, less a discount of at least 5%.

At the Annual General Meeting ("AGM") that took place on 9 March 2015, the Company was authorised to make market purchases of its Ordinary Shares and 'A' Shares, up to a limit of 3,656,008 Ordinary Shares and 5,484,011 'A' Shares which represented approximately 14.9% of the issued Ordinary Share capital and 'A' Share capital at the date of the AGM. At the current date, authority remains for 3,656,008 Ordinary Shares and 5,484,011 'A' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 7 March 2016.

The minimum price which may be paid for an Ordinary Share or an 'A' Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for an Ordinary Share or an 'A' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

### Results and dividends

	£'000	Pence per Ord Share	Pence per 'A' Share
Profit for the period	<u>1,809</u>	<u>7.4p</u>	<u>-</u>

### Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2015 and at the date of this report were as follows:

		As at the date of this report	As at the year ended 30 Sept 2015
<b>Directors</b>			
Michael	Ord Shares	27,221	27,221
Cunningham	'A' Shares	27,221	27,221
Stephen Hay	Ord Shares	104,000	104,000
	'A' Shares	104,000	104,000
Ben Guest	Ord Shares	552,760	552,760
	'A' Shares	11,507,336	11,507,366

In line with the Articles of Association, all the Directors are to retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 2, together with the results for the period to date, in order to support the resolutions to re-appoint all three Directors.

Each of the Directors entered into a letter of appointment with the Company dated 20 October 2010. These agreements are for a period of twelve months and thereafter are terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

### Substantial interests

As at 30 September 2015, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

### Annual General Meeting

The Company's fifth Annual General Meeting ("AGM") will be held at 2<sup>nd</sup> Floor, 227 Shepherds Bush Road, London W6 7AS at 2:00 p.m. on 7 March 2016. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

### Auditor

A resolution proposing the reappointment of BDO LLP will be submitted at the AGM.

## REPORT OF THE DIRECTORS (continued)

### Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 2, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that the management report, comprising the Chairman's Statement, Investment Manager's Report, Review of Investments, Strategic Report, and Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

### Insurance cover

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

### Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the website of the Administration Manager ([www.downing.co.uk](http://www.downing.co.uk)) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Corporate governance

The Company's Corporate Governance statement and compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code June 2014 ([www.frc.org.uk](http://www.frc.org.uk)) is shown on pages 25 to 27.



## REPORT OF THE DIRECTORS (continued)

### Other matters

Information in respect of greenhouse emissions which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 19.

### Statement as to disclosure of information to Auditor

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

By order of the Board



**Grant Whitehouse**

Secretary of Hazel Renewable Energy VCT1 plc

Company number: 07378392

Registered office:  
Ergon House  
Horseferry Road  
London SW1P 2AL

28 January 2016

## DIRECTORS' REMUNERATION REPORT

### Annual Statement of the Remuneration Committee

There have been no changes to the Directors' remuneration and no major decisions regarding the remuneration policy during the year ended 30 September 2015.

### Report on Remuneration Policy

Below is the Company's remuneration policy. This policy applies from 1 October 2014. Shareholders must vote on the remuneration policy every three years, or sooner if the Company want to make changes to the policy.

The Company's policy on Directors' remuneration is to seek to remunerate Board members at a level appropriate for the time commitment required and degree of responsibility involved and to ensure that such remuneration is in line with general market rates. Non-executive Directors will not be entitled to any performance related pay or incentive (other than by virtue of also being a member of the Management Team).

Initial Directors' remuneration levels were set in the Company's prospectus and there has been no change to those levels to date.

Directors' remuneration is also subject to the Company's Articles of Association which provide that:

- (i) The aggregate fees will not exceed £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time); and
- (ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

### Agreement for services

Information in respect of the Directors agreements has been disclosed within the Report of the Directors on page 20.

### Performance incentive fees

The structure of 'A' Shares, whereby Management owns one third of the 'A' Shares in issue (known as the "Management 'A' shares"), enables a payment, by way of a distribution of income, of the performance incentive fees to the Management Team, including Ben Guest who is also a Director. As the hurdle has not been met, no fee is due to be paid for the year ended 30 September 2015.

### Annual Report on Remuneration

The Board have prepared this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006.

Under the requirements of Section 497 of the Companies Act 2006, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 28 to 31.

### Directors' remuneration (audited)

Directors' remuneration for the Company for the year under review was as follows:

	Current annual fee £	Year ended 30/09/15 £	Year ended 30/09/14 £
Michael Cunningham	20,000	20,000	20,000
Stephen Hay	15,000	15,000	15,000
Ben Guest	15,000	15,000	15,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

### 2015/2016 remuneration

The remuneration levels for the forthcoming year for the Directors of Hazel Renewable Energy VCT1 plc are expected to be at the current annual fee levels as shown in the table above.

### Statement of voting at AGM

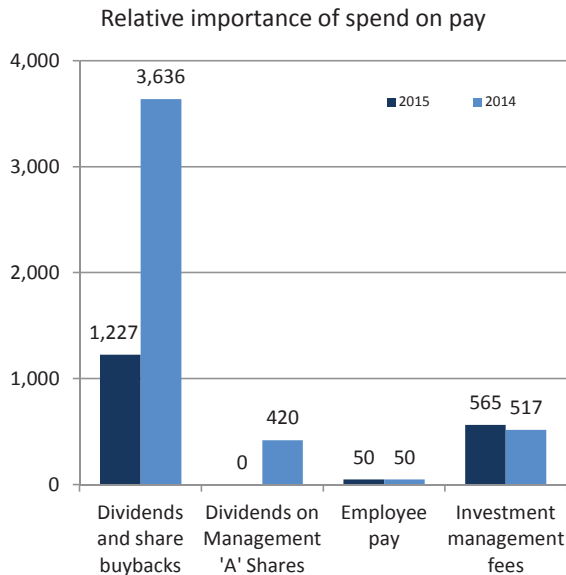
At the AGM on 9 March 2015, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	97%
Against	3%
Withheld	nil votes

## DIRECTORS' REMUNERATION REPORT (continued)

### Relative importance of spend on pay

The difference in actual spend between 30 September 2015 and 30 September 2014 on remuneration for all employees in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular graph below.



### Performance graph

The graph below represents the Company's performance over the reporting periods since the Company's Ordinary Shares and 'A' Shares were first listed on the London Stock Exchange, and shows share price total return and net asset value total return performance on a dividends reinvested basis. All series are rebased to 100 at 10 January 2011, being the date the Company's shares were listed.

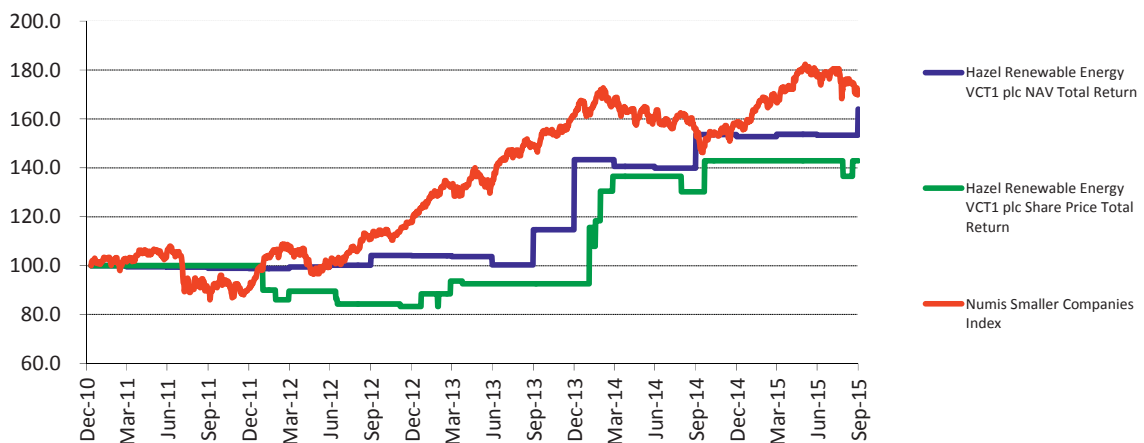
The Numis Smaller Companies Index has been chosen as a comparison as it is a publicly available broad equity index which focuses on smaller companies and is therefore more relevant than most other publicly available indices.

By order of the Board

**Grant Whitehouse**  
Company Secretary  
Ergon House  
Horseferry Road  
London SW1P 2AL

28 January 2016

Performance Chart



## CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in September 2012, being the principles of good governance and the code of best practice, as set out in Section 1 of the UK Corporate Governance Code annexed to the Listing Rules of the Financial Conduct Authority.

### The Board

The Company has a Board comprising three non-executive Directors. The Chairman is Michael Cunningham. The Company has not appointed a senior independent director. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 2.

In accordance with company policy all of the Directors are offering themselves for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Manager; making decisions concerning the acquisition or disposal of investments; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Manager and Administration Manager).

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

Michael Cunningham and Stephen Hay are the sole members of the Audit, the Remuneration and the Nomination Committees. The Chairman of each Committee is Stephen Hay. The Audit Committee normally meets twice yearly, and the Remuneration and Nomination Committees meet as required. All Committees have defined terms of reference and duties.

The Board has authority to make market purchases of the Company's own shares. This authority to purchase up to 14.9% of the Company's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 20.

### Audit Committee

The Audit Committee has defined terms of reference and duties. It is responsible for reviewing the half-year and annual accounts before they are presented to the Board, the terms of appointment of the Auditor, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the half-yearly and annual accounts.

The Committee also takes into consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the Report to the Audit Committee as part of the finalisation process for the Annual Accounts.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they were appropriate. They also considered the need for an internal audit function and concluded that, due to the size of the Company, this would not be an appropriate function.

As the Company has no staff, other than the Directors, there are no procedures in place in respect of C3.4 of the UK Corporate Governance Code relating to whistle blowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistle blowing procedures in place.

### External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit and confirms their status on independence.

The Committee confirms that the two main areas of risk for the period under review are the carrying value of investments and revenue recognition. The Committee's consideration of these matters is set out above.

## CORPORATE GOVERNANCE (continued)

### External auditor (continued)

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken to ensure that auditor objectivity and independence is safeguarded. With the exception of tax compliance services the auditor has not provided any non-audit services. The Audit Committee evaluated the appropriateness of the auditor to undertake this work and were satisfied that the auditor was best placed to carry out the work and did not impact on their independence.

The Committee, after taking into consideration comments from the Investment Manager and Administration Manager, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either the re-appointment or removal of the auditors.

Following assurances received from the Managers at the completion of the audit for the period ended 30 September 2015, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be reappointed at the forthcoming AGM.

### Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings during the year:

	<b>Board meetings attended</b>	<b>Audit Committee meetings attended</b>
	(5 held)	(2 held)
Michael Cunningham	5	2
Stephen Hay	5	2
Ben Guest	5	n/a

No Remuneration or Nomination Committee meetings were held in the year.

### Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 23, and this is subject to Shareholder approval.

### Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate.

### Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the period, or to meet with major Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a Shareholder may have. Separate resolutions are proposed at the AGM on each substantially separate issue. The Administration Manager collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the fifth AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and the conditions of appointment of non-executive Directors are available to Shareholders on request.

### Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 21 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 28.

### Internal control

The Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the UK Corporate Governance Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

## CORPORATE GOVERNANCE (continued)

### Internal control (continued)

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers:

Investment Management	Hazel Capital LLP
Administration	Downing LLP

### Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by Downing LLP at [www.downing.co.uk](http://www.downing.co.uk).

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 and 4, the Investment Manager's Report on pages 5 to 7 and the Strategic Report on pages 15 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 34.

In addition, note 18 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

### Share capital

The Company has two classes of share capital: Ordinary Shares and 'A' Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on page 20 of the Report of the Directors.

### Compliance statement

The Listing Rules require the Board to report on compliance with the 52 UK Corporate Governance Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 30 September 2015 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 Board. Such matters are addressed on an individual basis as they arise. Also the Company has 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 Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been 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. In the Directors' opinion this does not make a substantive difference to the circumstances of the Company. (B.2.3)
- d) As the Company has no staff, other than Directors, there are no procedures in place relating to whistleblowing. (C.3.4)



**Grant Whitehouse**  
Company Secretary  
Ergon House  
Horseferry Road  
London SW1P 2AL

28 January 2016

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT1 PLC

## Our opinion on the financial statements

In our opinion the Hazel Renewable Energy VCT1 plc financial statements for the year ended 30 September 2015, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards (together "UK GAAP"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## What our opinion covers

Our audit opinion on the financial statements covers the:

- Income Statement;
- Recognition of Movements in Shareholders' Funds;
- Balance Sheet;
- Cash Flow Statement; and
- Related notes

## Respective responsibilities of Directors and auditor

As explained more fully in the Report of the Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## An overview of the scope of the audit including our assessment of the risk of material misstatement

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

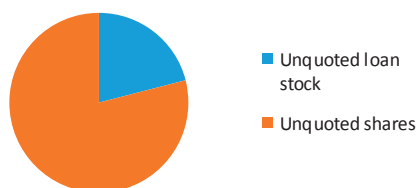
The outcome of our risk assessment was that the valuation of investments was considered to be the area that had the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument is shown below:

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT1 PLC (continued)

### An overview of the scope of the audit including our assessment of the risk of material misstatement (continued)



For unquoted loan stock held at fair value, we performed the following specific procedures over 100% of investments held as follows:

- Vouched to loan agreements and security held to documentation
- Challenged the assumption that fair value is not significantly different to cost by considering movements in market interest rates since acquisition and considering the validity of the “unit of account” concept
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Association of Investment Companies Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts 2014.

For unquoted shares, testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. 94% of the unquoted shares are valued with reference to subjective techniques in the form of discounted cash flows. For all unquoted shares valued using discounted cash flows we:

- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines
- Re-performed the calculation of the investment valuations
- Tested the integrity of the model by using computer assisted audit techniques
- Verified and benchmarked key inputs and estimates to independent information and our own research
- Performed sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist
- Challenged the Investment Manager regarding significant judgements made
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation

For the remaining unquoted shares (representing 6% by value of the investment), investments cost reviewed for impairment is used as an approximation of fair value. For these investments we considered the appropriateness of this methodology by considering the operational performance of the investee company.

We also consider revenue recognition to be a significant risk. Revenue consists of dividends receivable from the investee companies and interest earned on loan stock and cash balances. Revenue recognition is considered to be a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

We also reviewed the recognition and classification of accrued income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest.



## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT1 PLC (continued)

### An overview of the scope of the audit including our assessment of the risk of material misstatement (continued)

In respect of dividends receivable, we compared actual income to expectations set based on dividends declared by the investee companies. We reviewed the categorisation of dividends received from the investee companies between revenue and capital.

The audit committee’s consideration of these key issues is set out on page 25.

### Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below:

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	<ul style="list-style-type: none"> <li>The value of investments</li> <li>The level of judgement inherent in the valuation</li> <li>The range of reasonable alternative valuation</li> </ul>	580,000
Specific materiality – classes of transactions and balances which impact on revenue profits	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>The level of net income return</li> </ul>	100,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £12,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;

### Statement regarding the Directors’ assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors’ confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT1 PLC (continued)

### Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company (continued)

- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any material disclosures drawing attention to any necessary qualifications or assumptions.

### Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 27, in relation to going concern and set out on page 17 in relation to longer-term viability; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.



**Vanessa-Jayne Bradley** (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
28 January 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## INCOME STATEMENT

for the year ended 30 September 2015

	Note	Year ended 30 September 2015			Year ended 30 September 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	580	-	580	366	-	366
Gain on investments	9	-	2,057	2,057	-	8,343	8,343
		580	2,057	2,637	366	8,343	8,709
Investment management fees	3	(424)	(141)	(565)	(388)	(129)	(517)
Other expenses	4	(263)	-	(263)	(281)	(12)	(293)
<b>(Loss)/profit on ordinary activities before tax</b>		(107)	1,916	1,809	(303)	8,202	7,899
Tax on ordinary activities	6	-	-	-	-	-	-
<b>(Loss)/profit attributable to equity shareholders</b>		(107)	1,916	1,809	(303)	8,202	7,899
<b>Basic and diluted earnings per share:</b>							
Ordinary Share	8	(0.4p)	7.8p	7.4p	(1.3p)	34.8p	33.5p
'A' Share	8	-	-	-	-	-	-

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company. No operations were acquired or discontinued during the year.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement noted above.

Other than revaluation movements arising on investments held at fair value through profit or loss, there were no differences between the profit or loss as stated above and historical cost.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Opening Shareholders' funds		28,308	22,497
Proceeds from share issue	13	-	2,052
Share issue costs	13	-	(83)
Profit for the year		1,809	7,899
Dividend paid	7	(1,227)	(4,057)
Closing Shareholders' funds		28,890	28,308

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEET

as at 30 September 2015

	Note	£'000	2015 £'000	£'000	2014 £'000
<b>Fixed assets</b>					
Investments	9		30,656		29,802
<b>Current assets</b>					
Debtors	10	336		118	
Cash at bank and in hand	17	56		167	
		<u>392</u>		<u>285</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(622)</u>		<u>(679)</u>	
<b>Net current liabilities</b>			<u>(230)</u>		<u>(394)</u>
<b>Total assets less net current liabilities</b>			<u>30,426</u>		<u>29,408</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(1,536)</u>		<u>(1,100)</u>	
<b>Net assets</b>			<u>28,890</u>		<u>28,308</u>
<b>Capital and reserves</b>					
Called up Ordinary Share capital	13		25		25
Called up 'A' Share capital	13		37		37
Share premium account	14		3,910		3,910
Special reserve	14		12,430		13,657
Revaluation reserve	14		14,090		12,127
Capital reserve - realised	14		(840)		(793)
Revenue reserve	14		<u>(762)</u>		<u>(655)</u>
<b>Total Shareholders' funds</b>			<u>28,890</u>		<u>28,308</u>
<b>Basic and diluted net asset value per share</b>					
<b>Ordinary Share</b>	15		117.6p		115.2p
<b>'A' Share</b>	15		0.1p		0.1p

The financial statements of Hazel Renewable Energy VCT1 plc on pages 32 to 49 were approved and authorised for issue by the Board of Directors on 28 January 2016 and were signed on its behalf by:



**Michael Cunningham**

Chairman

Company number: 07378392

The accompanying notes form an integral part of these financial statements.

## CASH FLOW STATEMENT

for the year ended 30 September 2015

	Note	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
<b>Net cash outflow from operating activities and returns on investments</b>	16	<u>(463)</u>	<u>(386)</u>
<b>Capital expenditure</b>			
Purchase of investments	9	-	(1,684)
Proceeds from disposal of investments	9	<u>1,203</u>	<u>2,735</u>
<b>Net cash inflow from capital expenditure</b>		<u>1,203</u>	<u>1,051</u>
<b>Dividends paid</b>	7	(1,227)	(4,057)
<b>Net cash outflow before financing</b>		<u>(487)</u>	<u>(3,392)</u>
<b>Financing</b>			
Proceeds from Ordinary Share issue	13	-	2,049
Proceeds from 'A' Share issue	13	-	3
Short term loans	11	(60)	-
Long term loans	12	436	1,100
Share issue costs	13	-	(83)
<b>Net cash inflow from financing</b>		<u>376</u>	<u>3,069</u>
<b>Decrease in cash</b>	17	<u>(111)</u>	<u>(323)</u>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE ACCOUNTS

for the year ended 30 September 2015

### 1. Accounting policies

#### Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” revised January 2009 (“SORP”).

The financial statements are prepared under the historical cost convention except for fixed asset investments which are measured at fair value.

The Company implements new Financial Reporting Standards (“FRS”) issued by the Financial Reporting Council when they become effective.

#### Presentation of income statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the Company’s compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

#### Investments

All investments are designated as “fair value through profit or loss” assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company’s documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”) together with FRS26.

For unquoted investments, fair value is established by using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed. Where an investee company has gone into receivership or liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised.

It is not the Company’s policy to exercise controlling influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with UK GAAP and the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

## NOTES TO THE ACCOUNTS (continued)

### for the year ended 30 September 2015

#### 1. Accounting policies (continued)

##### Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a time apportionment basis, by reference to the principal sum outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection in the foreseeable future.

##### Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The Company has adopted a policy of charging 75% of the investment management fees to the revenue account and 25% to the capital account to reflect the Board's estimated split of investment returns which will be achieved by the Company over the long term.

##### Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate, using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a VCT and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

Deferred taxation, which is not discounted, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

##### Other debtors, other creditors and loan notes

Other debtors (including accrued income), other creditors and loan notes (other than those held as part of the investment portfolio as set out in note 9) are included within the accounts at amortised cost.

##### Issue costs

Issue costs in relation to the shares issued for each share class have been deducted from the share premium account.

#### 2. Income

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
<b>Income from investments</b>		
Loan stock interest	244	179
Dividend income	335	175
	<u>579</u>	<u>354</u>
<b>Other income</b>		
Bank interest	1	12
	<u>580</u>	<u>366</u>

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**3. Investment management fees**

The management fee, which is charged quarterly to the Company, is based on 2% of the net assets as at the previous quarter end.

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	424	141	565	388	129	517

**4. Other expenses**

	Year ended 30 September 2015			Year ended 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	35	-	35	35	-	35
Trail commission	116	-	116	113	-	113
Directors' remuneration	43	-	43	42	-	42
Social security costs	7	-	7	8	-	8
Auditor's remuneration for audit	20	-	20	20	-	20
Auditor's remuneration for non-audit services (taxation compliance)	3	-	3	2	-	2
Auditor's remuneration for non-audit services (limited assurance review)	-	-	-	17	-	17
Incidental capital expenses	-	-	-	-	12	12
Other	39	-	39	44	-	44
	<u>263</u>	<u>-</u>	<u>263</u>	<u>281</u>	<u>12</u>	<u>293</u>

The annual running costs of the Company for the year are subject to a cap of 3.5% of net assets of the Company, which was not breached during the year under review.

**5. Directors' remuneration**

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 23.

The Company had no employees (other than Directors) during the year. Costs in respect of these are referred to in note 4 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.



**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**6. Tax on ordinary activities**

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
<b>(a) Tax charge for the year</b>		
UK corporation tax at 20.5% (2014: 22.0%)	-	-
<b>Charge for the year</b>	<u>-</u>	<u>-</u>
<b>(b) Factors affecting tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>1,809</u>	<u>7,899</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20.5% (2014: 22.0%)	371	1,737
Effects of:		
Dividend income	(69)	-
Gains on investments	(422)	(1,835)
Expenses disallowed for tax purposes	-	28
Losses available to carry forward	<u>120</u>	<u>70</u>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £1,618,000 (2014: £656,000). The associated deferred tax asset of £332,000 (2014: £144,000) has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

**7. Dividends**

	Year ended 30 Sept 2015			Year ended 30 Sept 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Paid</b>						
2015 Interim Ordinary – 5.0p	-	1,227	1,227	-	-	-
2014 Interim Ordinary – 7.3p	-	-	-	-	1,659	1,659
2014 Interim 'A' Share – 3.7p	-	-	-	-	1,262	1,262
2013 Final Ordinary – 5.0p	-	-	-	-	1,136	1,136
	<u>-</u>	<u>1,227</u>	<u>1,227</u>	<u>-</u>	<u>4,057</u>	<u>4,057</u>

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**8. Basic and diluted earnings per share**

		Weighted average number of shares in issue	Revenue loss £'000	Capital return £'000
(Loss)/profit per share is calculated on the following:				
Year ended 30 September 2015	Ordinary Shares	24,536,966	(107)	1,913
	'A' Shares	36,805,446	-	3
Year ended 30 September 2014	Ordinary Shares	23,559,111	(303)	8,190
	'A' Shares	35,338,664	-	12

As the Company has not issued any convertible securities or share options, there is no dilutive effect on earnings per Ordinary Share or 'A' Share. The earnings per share disclosed therefore represents both the basic and diluted return per Ordinary Share or 'A' Share.

**9. Fixed assets – investments**

	2015 Unquoted investments £'000	2014 Unquoted investments £'000
Opening cost at 1 October 2014	17,675	19,344
Unrealised gains as at 1 October 2014	12,127	3,166
<b>Opening fair value at 1 October 2014</b>	<u>29,802</u>	<u>22,510</u>
<b>Movement in the year:</b>		
Purchased at cost	-	1,684
Disposals - proceeds	(1,203)	(2,735)
- realised gains on disposals	121	-
Unrealised gains in the income statement	1,936	8,343
<b>Closing fair value at 30 September 2015</b>	<u>30,656</u>	<u>29,802</u>
Closing cost at 30 September 2015	16,565	17,675
Unrealised gains at 30 September 2015	14,091	12,127
<b>Closing fair value at 30 September 2015</b>	<u>30,656</u>	<u>29,802</u>

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**9. Fixed assets – investments (continued)**

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2015 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2014 £'000
Unquoted loan notes	-	-	6,334	6,334	-	-	6,924	6,924
Unquoted equity	-	-	24,322	24,322	-	-	22,878	22,878
	-	-	30,656	30,656	-	-	29,802	29,802

During the year to 30 September 2015 and 30 September 2014 there were no transfers between levels.

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2014	6,924	22,878	29,802
<i>Movements in the income statement:</i>			
Unrealised (losses)/gains in the income statement	(156)	2,092	1,936
Realised gains in the income statement	50	71	121
	(106)	2,163	2,057
Additions at cost	-	-	-
Sales proceeds	(484)	(719)	(1,203)
Balance at 30 September 2015	6,334	24,322	30,656

The Board and the Investment Manager believe that the valuations as at 30 September 2015 reflect the most appropriate assumptions at the date, giving due regard to all information available from each investee company. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to certain of the VCT's investments. FRS 29 requires disclosure to be made if changing one or more of the assumptions used in valuing investments would result in a significant change in the fair value of the investments. The portfolio has been reviewed and both downside and upside alternative assumptions of a 0.5% movement in the discount rate has been identified. These result in an overall increase of £2,040,000 to the value of the unquoted investments for an upside scenario and an overall decrease of £2,173,000 to the value of the unquoted investments for a downside scenario. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown on page 45.

Investments which are reaching maturity or have an established level of maintainable earnings are valued on a discounted cash flow basis.

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**10. Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments and accrued income	336	118
	<u>336</u>	<u>118</u>

**11. Creditors:** amounts falling due within one year

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Short term borrowings	464	524
Taxation and social security	1	2
Accruals and deferred income	157	153
	<u>622</u>	<u>679</u>

**12. Creditors:** amounts falling due after more than one year

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Other loans	1,536	1,100
	<u>1,536</u>	<u>1,100</u>

Borrowings are repayable as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
After five years	1,536	1,100
	<u>1,536</u>	<u>1,100</u>

The loan is interest free and is due to be repaid on 17 December 2043; however the Company may repay the whole or any part of the loan at any time up to the repayment date.

**13. Called up share capital:**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully-paid:</b>		
24,536,966 (2014:24,536,966) Ordinary Shares of 0.1p each	25	25
36,805,446 (2014: 36,805,446) 'A' Shares of 0.1p each	37	37
	<u>62</u>	<u>62</u>

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report, in pursuit of its principal investment objectives as stated on pages 15 and 16. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

The Company has the authority to buy back shares as described in the Report of the Directors. No shares were repurchased during the year.

No shares were issued during the year ended 30 September 2015. For the year ended 30 September 2014, between 4 April 2014 and 27 May 2014, 1,808,913 Ordinary Shares were issued at an average price of 113.3p per share, 1,808,913 'A' Shares were issued at 0.1p per share and 904,457 'A' Shares were issued to the Management Team (known as "Management 'A' Shares") at 0.1p per share pursuant to the offers for subscription by way of a prospectus. The aggregate consideration for the shares was £1,969,000 net of issue costs of £83,000.

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**13. Called up share capital (continued)**

The holders of Ordinary Shares and 'A' Shares shall have rights as regards to dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) which shall be applied on the following basis:

- 1) Unless and until Ordinary Shareholders receive a dividend of at least 5p per Ordinary Share and one Ordinary Share and one 'A' Share has a combined net asset value of 100p (the Hurdle), distributions will be made as to 99.9% to Ordinary Shares and 0.1% to 'A' Shares;
- 2) After (and to the extent that) the Hurdle has been met, and subject to point 3 below, the balance of such amounts shall be applied as to 40% to Ordinary Shares and 60% to 'A' Shares; and
- 3) Any amount of a dividend which, but for the entitlement of 'A' Shares pursuant to point 2 above, would have been in excess of 10p per Ordinary Share in any year shall be applied as to 10% to Ordinary Shares and 90% to 'A' Shares.

If, on the date on which a dividend is to be declared on the Ordinary Shares, the amount of any dividend which would have been payable to the 'A' Shares (the "A' Dividend Amount"), together with any previous amounts which were not paid as a result of this clause (the "A' Share Entitlement"), would together:

- a) in aggregate be less than £5,000; or
- b) be less than an amount being equivalent to 0.25p per 'A' Share

then the 'A' Dividend amount shall not be declared and paid, but shall be aggregated with any 'A' Share Entitlement and retained by the Company until either threshold is reached. No interest shall accrue on any 'A' Share Entitlement.

The Company does not have any externally imposed capital requirements.

**14. Reserves**

	Share premium account £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 October 2014	3,910	13,657	12,127	(793)	(655)
Expenses capitalised	-	-	-	(141)	-
Gains on investments	-	-	1,936	121	-
Loss for the year	-	-	-	-	(107)
Dividend paid	-	(1,227)	-	-	-
Transfer between reserves	-	-	27	(27)	-
At 30 September 2015	<u>3,910</u>	<u>12,430</u>	<u>14,090</u>	<u>(840)</u>	<u>(762)</u>

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserve is reduced by unrealised holding losses of £819,000 (2014: £196,000) which are included in the Revaluation reserve. At 30 September 2015, distributable reserves were £10,009,000 (2014: £12,013,000).

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 30 September 2015**

**15. Basic and diluted net asset value per share**

	Shares in issue		2015		2014	
	2015	2014	Net asset value per share	£'000	Net asset value per share	£000
Ordinary Shares	24,536,966	24,536,966	117.6	28,853	115.2	28,271
'A' Shares	36,805,446	36,805,446	0.1	37	0.1	37

The Directors allocate the assets and liabilities of the Company between the Ordinary Shares and 'A' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights as described in note 13.

As the Company has not issued any convertible shares or share options, there is no dilutive effect on net asset value per Ordinary Share or per 'A' Share. The net asset value per share disclosed therefore represents both the basic and diluted net asset value per Ordinary Share and per 'A' Share.

**16. Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities**

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	1,809	7,899
Gains on investments	(2,057)	(8,343)
(Increase)/Decrease in debtors	(216)	57
Increase in creditors	1	1
Net cash outflow from operating activities and returns on investments	<u>(463)</u>	<u>(386)</u>

**17. Reconciliation of net cash flow to movement in net debt**

	Net debt at 1 October 2014 £'000	Cash flows £'000	Net debt at 30 September 2015 £'000
Cash at bank and in hand	167	(111)	56
Debt due within one year	(524)	60	(464)
Debt due in more than one year	<u>(1,100)</u>	<u>(436)</u>	<u>(1,536)</u>
	<u>(1,457)</u>	<u>(487)</u>	<u>(1,944)</u>

## NOTES TO THE ACCOUNTS (continued)

### for the year ended 30 September 2015

#### 18. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in unquoted companies, loans and receivables consisting of short term debtors, cash deposits and financial liabilities being creditors arising from its operations. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short and long term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9.

Loans and receivables and other financial liabilities, as set out in the balance sheet, are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Investment risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company was expected to be exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year end are provided below:

#### ***Investment risks***

As a VCT, the Company is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy. The management of these investment risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key investment risks to which the Company is exposed are:

- Investment price risk
- Interest rate risk

## NOTES TO THE ACCOUNTS (continued)

for the year ended 30 September 2015

### 18. Financial instruments (continued)

#### *Investment price risk*

The Company's investments which comprise of both equity and debt financial instruments in unquoted investments are all in renewable energy projects with predetermined expected returns. Consequently, the investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through changes in the fair value of unquoted investments that it holds.

At 30 September 2015, the unquoted portfolio was valued at £30,656,000 (2014: £29,802,000). Given the nature of financial instruments, variations in share prices are unlikely to have a significant impact on valuations of the unquoted investments. Having regard to the variability of key inputs into the Company's valuation model, a 10% spread of movement in the valuations of all of the unquoted investments is considered reasonable, the effect of which is quantified below:

#### 10% movement in unquoted investment valuations

	2015		2014	
	Impact on net assets £'000	Impact on NAV per share pence	Impact on net assets £'000	Impact on NAV per share pence
Unquoted investments	3,066	12.5p	2,980	12.1p

The sensitivity analysis for unquoted valuations above assumes that each of the sub-categories of financial instruments (ordinary shares and loan stocks) held by the Company produces an overall movement of 10%. Shareholders should note that equal correlation between these sub-categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

#### *Interest rate risk*

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers. Investments in loan stock attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

There are four categories in respect of interest which are attributable to the financial instruments held by the Company as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments and preference shares;
- "Variable rate" assets represent investments with predetermined interest rates that vary at set dates in accordance with loan note agreements;
- "Floating rate" assets predominantly bear interest at rates linked to The Bank of England base rate or LIBOR and comprise cash at bank; and
- "No interest rate" assets do not attract interest and comprise equity investments, certain loan note investments, loans and receivables and other financial liabilities.

	Average interest rate	Average period until maturity	2015 £'000	2014 £'000
Fixed rate	3.5%	2,669 days	6,319	6,909
Variable rate	8.0%	- days	15	15
Floating rate	0.8%		56	167
No interest rate			22,500	21,217
			<u>28,890</u>	<u>28,308</u>



## NOTES TO THE ACCOUNTS (continued)

for the year ended 30 September 2015

### 18. Financial instruments (continued)

#### *Interest rate risk (continued)*

The Company monitors the level of income received from fixed and floating or variable rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

It is estimated that an increase of 1% in interest rates would have increased profit before tax for the year by £561. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

#### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, cash deposits and debtors. Credit risk relating to loan stock investee companies is considered to be part of market risk.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Investments in loan stocks	6,334	6,924
Cash and cash equivalents	56	167
Interest, dividends and other receivables	336	118
	<u>6,726</u>	<u>7,209</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under "Investment risks" above. Similarly the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures. The level of security is a key means of managing credit risk. Additionally, the risk is mitigated by the security of the assets in the underlying investee companies.

Cash is held by the Royal Bank of Scotland plc which is an A-rated financial institution and also ultimately part-owned by the UK Government. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

There have been no changes in fair value during the year that is directly attributable to changes in credit risk. Any balances that are past due are disclosed further under liquidity risk.

There have been no loans for which the terms have been renegotiated during the year.

## NOTES TO THE ACCOUNTS (continued)

for the year ended 30 September 2015

### 18. Financial instruments (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the Company has a relatively low level of creditors being £158,000 (2014: £155,000) and has low loans from investee companies being £2,000,000 (2014: £1,624,000) the Board believes that the Company's exposure to liquidity risk is low. The Company always holds sufficient levels of funds as cash in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it were required to do so.

The carrying value of loan stock investments held at fair value through the profit and loss account at 30 September 2015 as analysed by the expected maturity date is as follows:

As at 30 September 2015	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	915	542	3,221	-	1,598	6,276
Past due loan stock	58	-	-	-	-	58
	<u>973</u>	<u>542</u>	<u>3,221</u>	<u>-</u>	<u>1,598</u>	<u>6,334</u>

Of the loan stock classified as "past due" above, £58,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company was not fully servicing the interest obligations under the loan note at 30 September 2015 and thus was in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due falls within the banding of less than one year past due. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 30 September 2014	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	87	-	630	3,623	1,684	6,024
Past due loan stock	-	900	-	-	-	900
	<u>87</u>	<u>900</u>	<u>630</u>	<u>3,623</u>	<u>1,684</u>	<u>6,924</u>

## NOTES TO THE ACCOUNTS (continued)

for the year ended 30 September 2015

### 19. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

As the Investment Policy implies, the Board would consider levels of gearing. As at 30 September 2015 the Company had loans from investee companies of £2,000,000 (2014: £1,624,000). It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous period.

## **NOTES TO THE ACCOUNTS (continued)**

### **for the year ended 30 September 2015**

#### **20. Contingencies, guarantees and financial commitments**

At 30 September 2015, the Company had no contingencies, guarantees or financial commitments.

#### **21. Controlling party and related party transactions**

In the opinion of the Directors there is no immediate or ultimate controlling party.

Hazel Capital LLP is regarded as a related party as Ben Guest is a director of the VCT and a controlling partner in Hazel Capital LLP.

Hazel Capital LLP also provides investment management services to the Company. Details of the agreement with Hazel Capital LLP are included within note 3. During the year ended 30 September 2015, £565,000 (2014: £517,000) was payable to Hazel Capital LLP in respect of these services. At the year end there was no balance owing to Hazel Capital LLP (2014: nil).

In accordance with the prospectus and the Investment Management agreement, Hazel Capital LLP receives trail commission of 0.4% of the net assets of the Company at the year end, out of which it pays trail commission to financial intermediaries. As at 30 September 2015, this amounted to £116,000 (2014: £113,000), all of which is outstanding and included in accruals and deferred income under Creditors.

## NOTICE OF THE FIFTH ANNUAL GENERAL MEETING OF HAZEL RENEWABLE ENERGY VCT1 PLC

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Hazel Renewable Energy VCT1 plc will be held at 2<sup>nd</sup> Floor, 227 Shepherds Bush Road, London W6 7AS at 2:00 p.m. on 7 March 2016 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report and Accounts for the year ended 30 September 2015 together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
4. To re-elect as Director, Michael Cunningham, who retires and, being eligible, offers himself for re-election.
5. To re-elect as Director, Stephen Hay, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Ben Guest, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

### ***Special Resolutions***

7. THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 0.1p each ("Ordinary Shares") and 'A' Shares of 0.1p each ("A' Shares") in the capital of the Company provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 3,656,008 Ordinary Shares and 5,484,011 'A' Shares representing approximately 14.9% of the issued Ordinary Share capital and 14.9% of the issued 'A' Share capital of the Company;
  - (ii) the minimum price which may be paid for an Ordinary Share or 'A' Share is 0.1p, exclusive of all expenses;
  - (iii) the maximum price which may be paid for an Ordinary Share or 'A' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the relevant share as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased; and
  - (iv) the Company may validly make a contract to purchase its own Ordinary Shares or 'A' Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares or 'A' Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

**NOTICE OF THE FOURTH ANNUAL GENERAL MEETING  
OF HAZEL RENEWABLE ENERGY VCT1 PLC (continued)**

8. To remove Article 179 relating to the duration of the Company.

By order of the Board

A handwritten signature in black ink, appearing to read "G. Whitehouse", is written over a light grey rectangular background.

**Grant Whitehouse**  
Company Secretary

Registered Office  
Ergon House  
Horseferry Road  
London SW1P 2AL  
28 January 2016

## Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the Power of Attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
  - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 2.00 p.m. on 3 March 2016 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 2:00 p.m. on 3 March 2016 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

- (g) As at 9:00 a.m. on 28 January 2016, the Company's issued share capital comprised 24,536,966 Ordinary Shares and 36,805,446 'A' Shares and the total number of voting rights in the Company were 24,573,771. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.



# HAZEL RENEWABLE ENERGY VCT1 PLC

## FORM OF PROXY

For use at the Annual General Meeting of the above named Company to be held on 2nd Floor, 227 Shepherds Bush Road, London W6 7AS at 2:00 p.m. on 7 March 2016.

I/We\*..... (in BLOCK CAPITALS please)

of .....  
 being the holder(s)\* of Ordinary Shares of 0.1p each/ A Shares of 0.1p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or .....

of .....  
 as my/our\* proxy to attend for me/us\* on my/our\* behalf at the Annual General Meeting of the Company to be held at 2nd Floor, 227 Shepherds Bush Road, London W6 7AS at 2:00 p.m. on 7 March 2016 or at any adjournment thereof.

I/We\* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

**ORDINARY BUSINESS**

	<b>FOR</b>	<b>AGAINST</b>	<b>WITHHELD</b>
1. To receive and adopt the Directors' Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Michael Cunningham as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Stephen Hay as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Ben Guest as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SPECIAL BUSINESS**

7. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To remove Article 179 relating to the duration of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)\*..... Date.....2016

\* Delete as appropriate

**PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED**



## NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



