



HAZEL RENEWABLE ENERGY VCT2 PLC

REPORT & ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

SHAREHOLDER INFORMATION

Forthcoming dividend

Year end	Date of payment	Record date	Pence per share
Proposed 2012 Final	28 March 2013	1 March 2013	5.0p

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 Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am 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).

Share price

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

	Ordinary Shares	'A' Shares
TIDM/EPIC codes	HR2O	HR2A
Latest share price (14 January 2013)	70.0p per share	0.1p 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. Shareholders who wish to sell should contact Downing LLP, who will be able to provide up-to-date details. Downing LLP can be contacted on 020 7416 7780.

Financial calendar

11 March 2013	Annual General Meeting
28 March 2013	Payment of dividend
May 2013	Announcement of half yearly financial results

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

If you have any queries regarding your shareholding in Hazel Renewable Energy VCT2 plc, please contact the registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders and employees".

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COMPANY INFORMATION

Registered number	07378395
Directors	Peter Wisher (Chairman) Alexander Hambro Christian Yates Gareth Owen
Company Secretary and Registered Office	Grant Whitehouse 10 Lower Grosvenor Place London SW1W 0EN
Investment Manager	Hazel Capital LLP 59 Gloucester Place London W1U 8JH Tel: 020 3434 1010 www.hazelcapital.com
Administration Manager	Downing LLP 10 Lower Grosvenor Place London SW1W 0EN Tel: 020 7416 7780 www.downing.co.uk
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30a.m. to 5:30p.m. Monday to Friday) www.capitaregistrars.com
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW
Bankers	Royal Bank of Scotland London Victoria Branch 119/121 Victoria Street London SW1E 6RA

INVESTMENT OBJECTIVES

Hazel Renewable Energy VCT2 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 Report of the Directors on pages 14 and 15.

FINANCIAL HIGHLIGHTS

	30 September 2012	30 September 2011
	Pence	Pence
Net asset value per Ordinary Share	94.6	93.4
Net asset value per 'A' Share	0.1	0.1
Dividends paid	3.5	-
Total return per Ordinary Share and 'A' Share	98.2	93.5

DIRECTORS

Peter Wisher (Chairman) is currently Managing Director and owner of Milland Partnership Limited, a consulting company that provides financial training to the international banking sector and strategic advice to growing companies. He is chairman of Angel Publicity and has a background in senior operating positions in service related businesses. Previous positions include Chief Operating Officer of Carbon Leadership LLP and Baines Gwinner Limited, Finance Director of Pauline Hyde Limited and 10 years at merchant bank, Charterhouse, latterly as head of mergers and acquisitions.

Christian Yates started his career in financial services in 1988. He has worked for a number of investment houses holding senior positions at Bear Stearns Asset Management, Julius Baer, Chase Asset Management and Lazard Asset Management. Whilst his focus has been on building and managing businesses he has gained broad investment experience across many asset classes including private equity, hedge funds, infrastructure and real estate. He is very active, both as an investor and developer, in the field of renewable energy. He is a Director of Hazel Renewable Energy VCT 2 plc one of two VCTs that he has helped establish whilst a Partner at Hazel Capital LLP from 2009 to 2012. He currently acts as a Senior Adviser to the investment division of Shore Capital; sits on the advisory board of jonathanfry plc a growing wealth manager; is a shareholder and Director of W4B (Bristol) Ltd a developer of a 50 MW Biomass power station in Avonmouth and; a non-executive Director of FreshStart Living a property investment and development company based in the North West.

Alexander Hambro has been in the private equity industry for 22 years during which time he has acted as a principal investor, manager and sponsor of private equity and venture capital teams. Alex managed the venture capital and private equity fund investment portfolio for Hambros plc, prior to its sale to Société Générale in 1998. He is chairman of Crescent Capital, a Belfast-based venture capital fund manager and an independent consultant for a number of private equity and venture capital fund management groups and family office investors, advising them on the establishment of alternative investment funds and investment strategies. Fund managers that he has advised include STAR Capital, Sand Aire Private Equity, Lennox Investment Management and Prospect Investment Management Limited. In addition to his private equity activities, Alex is chairman of Judges Scientific plc and is a non-executive director of Octopus Eclipse VCT plc.

Gareth Owen

Gareth Owen has 11 years of experience executing structured transactions across a variety of different projects and joined Hazel Capital LLP in 2011. Prior to that, Gareth worked at Barclays Capital within Barclays Natural Resource Investments, Deutsche Bank in the Structured Transaction Group and Greenwich NatWest in infrastructure project finance. He has an MBA from Imperial College Business School (Distinction) and holds an MSc of Engineering Project Management and a BEng of Civil Engineering from the University of Manchester.

All the Directors are non-executive and, with the exception of Gareth Owen, are independent of the Investment Manager. Following his resignations from Hazel Capital LLP, the Board considers Christian Yates to be independent.

CHAIRMAN'S STATEMENT

I am pleased to present the Company's second Annual Report. Good progress has been made in both investing the Company's funds and also by most of the underlying investments.

Top-up share offer

The Company successfully completed a top-up offer during the year along with its sister company, Hazel Renewable Energy VCT1 plc. The fundraising was fully subscribed and raised gross proceeds of approximately £2.0 million for each VCT. Shares were issued under this offer at a price of £1.05 for one Ordinary Share and one 'A' Share.

Venture capital investments

The significant number of changes to the FIT regime imposed by the Government since the Company's launch have produced challenges in investing the Company's funds, however, it is now close to completing the build of its initial investment portfolio.

During the year, 14 new investments were made at a total cost of £9.6 million, along with 6 follow-on investments with a total cost of £2.0 million. Of the new investments, the majority were in solar PV projects, although a number of small wind projects were also backed.

In general, the investee companies have progressed well. A small number have encountered initial technical issues, particularly the wind projects. The Manager has worked closely with these investee companies and potential solutions are now being implemented. Several investee companies still have funds which have not yet been employed in suitable projects. The Manager is working with these companies in assessing opportunities to employ the remaining capital.

Since the year end, three investee companies, which had commenced work in rolling out solar projects under the Renewable Obligation Certificate "ROC" regime, have accepted offers to dispose of their stakes in the projects at attractive prices. These companies have now returned some of their funds to the Company by redeeming loan stock but they continue to hold a proportion of their original capital and will seek new projects.

The Board has reviewed the valuations of the investments at the year end and made modest increases to the valuations of investments which have already established a reliable track record of electricity generation.

AEE Renewables 26 Limited has been uplifted by £344,000, St. Columb Solar Limited by £251,000, Hewas Solar Limited by £108,000, and New Energy Era Limited by £92,000. All other investments continue to be valued at levels equal to original cost.

Further details of the investment management activities during the year are included in the Investment Manager's Report on pages 5 to 6.

Net asset value and results

At 30 September 2012, the NAV per Ordinary Share stood at 94.6p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 94.7p. This represents an increase of 4.7p (5.0%) over the year (after adjusting for dividends paid during the year of 3.5p per share).

The profit on ordinary activities after taxation for the period was £883,000, comprising a loss of £62,000 on the revenue account and profit of £945,000 on the capital account.

Dividends

The Board is proposing a final dividend for the year of 5.0p per Ordinary Share. The dividend will be subject to Shareholder approval at the AGM on 11 March 2013 and will be paid on 28 March 2013 to Shareholders on the register at 1 March 2013.

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 10% 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.

CHAIRMAN'S STATEMENT (continued)

Annual General Meeting


The Company's second AGM will be held at 59 Gloucester Place, London W1U 8JH at 12:05 p.m. on 11 March 2013.

Three items of special business will be proposed at the AGM; one resolution seeking approval for the Company to be able to buy its own shares as described above and two resolutions in connection with the authority for the Directors to allot shares. Notice of the meeting is at the end of this document.

Outlook

The Board is pleased with the progress made by the Manager in investing the Company's funds and in building a robust portfolio of renewable energy assets. There is still work to be done by some of the investee companies in utilising all of their capital and, in addition, the Company now has further funds to invest following the recent redemption of loan stock by three investee companies. Although the regulatory changes to the FIT and ROC regimes have potentially reduced yields from the renewable energy sector, the Manager is continuing to see attractive opportunities in which these funds can be employed.

Over the next year, the Manager's work will become more focussed on the existing portfolio. Opportunities to refinance existing projects will be explored. This may allow yields to be enhanced and further funds to be released for reinvestment.



Peter Wisner
Chairman

15 January 2013

INVESTMENT MANAGER'S REPORT

Introduction

The team at Hazel Capital is pleased to be able to report that it has continued to deploy capital resulting in total investments in excess of £20 million at the date of this report, leaving your Company almost fully invested. This being said, as the underlying project companies generate significant cashflow which, combined with the outright sale of a small number of projects at a profit, there is the need for continual redeployment of funds into new opportunities. Hazel Capital continues to find new opportunities despite the end of Feed-in-Tariff driven businesses as a qualifying trade for VCT purposes for incremental investments.

As many of your Company's investments mature, with many now having over a year's operating history, it is gratifying to see that the majority are performing to plan or above expectations. This is particularly true for our solar investments, which make up 78.5% of total funds deployed. Our small wind investments which represent less than 15% of funds, while also being cash-generative, have not enjoyed the same result, partly due to light winds (annual variations in wind resource can be significant) and partly due to operational issues relating to grid voltages being higher than they ought to be. The developer is in contact with the utility company to address this issue. The developer has also identified a solution independent of the utility company which is showing promising results.

Hazel Capital's role, with the portfolio being almost fully invested, now moves from deploying funds into opportunities with good risk-adjusted return characteristics to a manager of project companies with the goal of maximising returns. This we are doing through various efforts, including increasing energy produced, lowering costs and refinancing of equity with debt. The latter is a major project for the next 12 months during which time we will refinance as much of the portfolio as possible, providing debt markets are supportive of long term financing at attractive rates.

Most importantly, the Company is on track to generate cashflow in excess of that required to pay its next annual dividend targeted internally by Hazel Capital at the time that funds were raised.

We are also grateful for the support from new and existing Shareholders who invested in the top-up fundraising which closed at the start of April 2012 which increased funds under management by 10% or £2.1 million.

Regulatory changes

As was the case last year, the regulatory environment has continued to prove challenging. This year the changes came from the Department for Energy and Climate Change ("DECC") and also HM Revenue and Customs ("HMRC"), and further uncertainty was introduced by the judicial review of the tariff cut. These changes directly impacted the revenue line for renewable energy generation in both Feed-in-Tariffs ("FiTs") and are also expected for renewable obligation certificates ("ROC"). These changes have significantly impacted the revenue levels available for large solar installation and distributed wind and solar assets alike. Despite its best efforts, the changes introduced by the DECC have not had a negative impact on any assets in the portfolio.

Furthermore, in addition to the revenue impact introduced by the DECC, separate changes introduced by HMRC also narrowed the pool of qualifying investments from which the VCT could invest. Notwithstanding these changes, the VCT has managed to navigate a path and successfully deploy capital in attractive assets. Given the VCT is rapidly approaching full investment, the regulatory landscape is expected to become less important, however, in the event that capital is released through refinancing and/or return of profits, the VCT will need to operate within this ever changing environment.

Portfolio overview

The core of the VCT portfolio is built around capital invested in six larger ground mounted solar projects. These projects were commissioned in Q4:2011 and now have a full year of operating history. Whilst the poor summer has had an impact on output, the solar projects have, as a group, performed in line with expectations and not experienced any significant operational issues.

In addition, the VCT has acquired a portfolio of roof-mounted solar assets during the course of the year, and, whilst FiT support has been falling, this has been mostly compensated for by reducing installation costs. These cost reductions come from falling equipment costs and more competition from project developers/installers which has led to them accepting lower margins. So, whilst available returns have certainly dropped incrementally, they still meet our hurdle rates. Going forward, it is difficult to predict how much further costs will drop and whether this will continue to keep pace with the FiT tariff digression mechanism which is designed to steadily reduce the prevailing tariff.

INVESTMENT MANAGER'S REPORT (continued)

Portfolio overview (continued)

The tariff applicable to small wind assets has also suffered reductions, however, given the comparatively low level of wind capacity added under the FiT regime (as compared with solar), this has not suffered the same level of attention from the DECC. The VCT will shortly conclude funding a fleet of small wind turbines, which is expected to reach c.350 turbines located across the UK. Early performance of the fleet has been disappointing. This is currently the subject of further detailed technical analysis but it is not believed that this will be a long-term performance issue. A proposed technical solution is in the process of being rolled out which is expected to address the issue.

Future investment activity

We continue to look out for well-priced opportunities that might supplement the existing portfolio and have acquired small portfolios of roof mounted solar assets that fit with the Company's required return profile. Conversely, the VCT has been opportunistic and divested a limited number of assets where it was felt a good valuation was available.

Future investment activity is likely to be relatively limited due to capital constraints, however, the banking market now appears to be more receptive to financing FiT assets than was previously the case. Initial discussions will be followed up with a view to releasing capital invested in the larger solar parks.

Outlook

The day-to-day activity is now transitioning away from portfolio construction to asset management with a view to delivering expected investment returns and resulting in dividends to the Company's Shareholders. Appropriate levels of debt finance will be sought as part of this process with a view to releasing capital and enhancing equity returns.

Hazel Capital LLP

15 January 2013

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 30 September 2012:

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio
Qualifying and part-qualifying investments				
AEE Renewables UK 3 Limited*	3,500	3,500	-	16.4%
AEE Renewables UK 26 Limited*	1,795	2,139	344	10.0%
Hewas Solar Limited*	1,362	1,470	108	6.9%
St. Columb Solar Limited*	935	1,186	251	5.6%
South Marston Solar Limited*	1,110	1,110	-	5.2%
Beechgrove Solar Limited	1,000	1,000	-	4.7%
Gloucester Wind Limited	1,000	1,000	-	4.7%
Penhale Solar Limited	1,000	1,000	-	4.7%
New Energy Era Limited	884	976	92	4.6%
Minsmere Power Limited	975	975	-	4.6%
Small Wind Generation Limited	975	975	-	4.6%
Tumblewind Limited	912	912	-	4.3%
HRE Willow Limited	875	875	-	4.1%
Vicarage Solar Limited	871	871	-	4.1%
Owl Lodge Solar (Holding) Limited	544	544	-	2.6%
Ayshford Solar (Holding) Limited	451	451	-	2.1%
Higher Tregarne Solar (Holding) Limited	368	368	-	1.7%
Causilgey Solar (Holding) Limited	349	349	-	1.6%
ZW Parsonage Limited*	250	250	-	1.2%
Yonder Netherton Solar (Holding) Limited	5	5	-	0.0%
Sunhazel UK Limited	1	1	-	0.0%
	<u>19,162</u>	<u>19,957</u>	<u>795</u>	<u>93.7%</u>
Non-qualifying investments				
Quiet Revolution Limited	600	600	-	2.8%
Lime Technology Limited	100	100	-	0.5%
	<u>700</u>	<u>700</u>	<u>-</u>	<u>3.3%</u>
	<u>19,862</u>	<u>20,657</u>	<u>795</u>	<u>97.3%</u>
Cash at bank and in hand		<u>630</u>		<u>3.0%</u>
Total investments		<u>21,287</u>		<u>100.0%</u>

* Part-qualifying investment

All venture capital investments are incorporated in England and Wales.

Hazel Renewable Energy VCT1 holds the same investments as above.

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 30 September 2012

ADDITIONS

	Cost £'000
Qualifying investments	
South Marston Solar Limited*	1,110
Beechgrove Solar Limited	1,000
Gloucester Wind Limited	1,000
Penhale Solar Limited	1,000
Minsmere Power Limited	975
Small Wind Generation Limited	975
Vicarage Solar Limited	968
Tumblewind Limited	912
St. Columb Solar Limited*	685
Owl Lodge Solar (Holding) Limited	544
Hewas Solar Limited*	462
Ayshford Solar (Holding) Limited	451
Higher Tregarne Solar (Holding) Limited	368
Causilgey Solar (Holding) Limited	349
ZW Parsonage Limited*	250
AEE Renewables UK 26 Limited*	145
HRE Willow Limited	125
Yonder Netherton Solar (Holding) Limited	5
Sunhazel UK Limited	1
Non-qualifying investments	
Quiet Revolution Solar Limited	300
	<u>11,625</u>

DISPOSALS

	Cost £'000	Proceeds £'000	Profit vs cost £'000	Realised gain £'000
Qualifying investments				
ZW Parsonage Limited*	960	960	-	-
Vicarage Solar Limited	96	96	-	-
	<u>1,056</u>	<u>1,056</u>	<u>-</u>	
Non-qualifying investments				
South Marston Renewables Limited	1,000	1,256	256	256
AEE AG	750	750	-	-
	<u>1,750</u>	<u>2,006</u>	<u>256</u>	<u>256</u>
	<u>2,806</u>	<u>3,062</u>	<u>256</u>	<u>256</u>

* Part-qualifying investment

The basis of valuation for all investments is set out on pages 9 to 11.

All venture capital investments are incorporated in England and Wales, with the exception of AEE AG, which was incorporated in Germany.

REVIEW OF INVESTMENTS (continued)

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

AEE Renewables UK 3 Limited



Cost:	£3,500,000	Valuation at 30/09/12:	£3,500,000
Date of first investment:	Jun 2011	Valuation at 30/09/11:	£3,500,000
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary shares:	£100,100	Proportion of equity held:	19.7%
Loan stock:	£899,800	Proportion of loan stock held:	50%
Loan facility:	£2,500,000	Proportion of loan facility held:	50%

Summary financial information from abbreviated statutory accounts: 31 December 2012

Net assets	£1
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AEE Renewables UK 3 Limited owns a solar farm located in Sutton Benger, Wiltshire. The project is accredited under the feed-in tariff regime, has a total installed capacity of 5MW and the lease is held with a local farmer. The company has entered into a comprehensive fixed term O&M agreement.

AEE Renewables UK 26 Limited



Cost:	£1,795,000	Valuation at 30/09/12:	£2,139,000
Date of first investment:	Jun 2011	Valuation at 30/09/11:	£1,649,600
		Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£1,144,600	Proportion of equity held:	10.2%
Loan stock:	£650,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: 30 April 2012

Turnover:	£598,061
Operating loss:	(£710,631)
Net assets:	£9,096,397

AEE Renewables UK 26 Limited owns a solar farm located in Bradford-on-Avon, Wiltshire. The project is accredited under the feed-in tariff regime, has a total installed capacity of 5MW and the lease is held with a local farmer. The company has entered into a comprehensive fixed term O&M agreement.

Hewas Solar Limited



Cost:	£1,362,500	Valuation at 30/09/12:	£1,470,000
Date of first investment:	Aug 2011	Valuation at 30/09/11:	£899,000
		Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£1,000,000	Proportion of equity held:	50%
Loan stock:	£362,500	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: None filed

Hewas Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by a housing association. The company has financed the capital costs of installing equipment and in return will receive the feed-in tariff 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:	£935,000	Valuation at 30/09/12:	£1,186,000
Date of first investment:	Sept 2011	Valuation at 30/09/11:	£249,999
		Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£650,000	Proportion of equity held:	50%
Loan stock:	£285,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: None filed

St. Columb Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by housing associations. The company has financed the capital costs of installing equipment and in return will receive the feed-in tariff 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)

South Marston Solar Limited



Cost:	£1,110,000	Valuation at 30/09/12:	£1,110,000
Date of first investment:	Nov 2011	Valuation at 30/09/11:	£n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£111,000	Proportion of equity held:	7.8%
Loan stock:	£999,000	Proportion of loan stock held:	7.5%

Summary financial information from statutory accounts: None filed

South Marston Solar Limited owns a solar farm located just outside Swindon, Wiltshire. The project is accredited under the feed-in tariff regime, has a total installed capacity of 5MW and the lease is held with a local farmer. The company has entered into a comprehensive fixed term O&M agreement.

Beechgrove Solar Limited



Cost:	£1,000,000	Valuation at 30/09/12:	£1,000,000
Date of first investment:	Nov 2011	Valuation at 30/09/11:	£n/a
		Valuation method:	Cost as reviewed for impairment

Investment comprises:

Ordinary shares:	£100,000	Proportion of equity held:	7.8%
Loan stock:	£900,000	Proportion of loan stock held:	7.8%

Summary financial information from statutory accounts: None filed

Beechgrove Solar Limited owns a solar farm located near Hawkchurch, Devon. The project is accredited under the feed-in tariff regime, has a total installed capacity of 5MW and the lease is held with a local farmer. The company has entered into a comprehensive fixed term O&M agreement.

Gloucester Wind Limited



Cost:	£999,500	Valuation at 30/09/12:	£999,500
Date of first investment:	Apr 2012	Valuation at 30/09/11:	£n/a
		Valuation method:	Cost as reviewed for impairment

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: None filed

Gloucester Wind Limited owns a portfolio of roof-mounted solar assets located on residential housing stock across the UK. The company has financed the capital costs of installing equipment and in return will receive the feed-in tariff income. Home owners are able to use the electricity generated by the installations free of charge. Roof-top installations commenced in June 2012 and are now approaching completion. The company has entered into a fixed term O&M agreement with the installer.

Penhale Solar Limited



Cost:	£999,500	Valuation at 30/09/12:	£999,500
Date of first investment:	Apr 2011	Valuation at 30/09/11:	£n/a
		Valuation method:	Cost as reviewed for impairment

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: None filed

Penhale Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by a housing association located in South Wales. The company has financed the capital costs of installing equipment and in return will receive the feed-in tariff income. Residents of the housing association are able to use the electricity generated by the installations free of charge. Roof-top installations were undertaken in July and August 2012. In addition the company is in the process of acquiring additional roof mounted solar assets located on schools across the south of the UK. The company has entered into a fixed term O&M agreement with the installer.

REVIEW OF INVESTMENTS (continued)

New Energy Era Limited



Cost:	£884,000	Valuation at 30/09/12:	£976,000
Date of first investment:	Nov 2011	Valuation at 30/09/11:	£884,000
		Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£883,700	Proportion of equity held:	45%
Loan stock:	£n/a	Proportion of loan stock held:	n/a%

Summary financial information from statutory accounts: None filed

New Energy Era Limited owns a solar farm located just outside Shipton under Wychwood, Oxfordshire. The project is accredited under the feed-in tariff 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.

Minsmere Power Limited



Cost:	£975,000	Valuation at 30/09/12:	£975,000
Date of first investment:	Nov 2011	Valuation at 30/09/11:	£n/a
		Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Ordinary shares:	£840,000	Proportion of equity held:	50%
Loan stock:	£135,000	Proportion of loan stock held:	50%

Summary financial information from statutory accounts: None filed

Minsmere Power Limited owns a portfolio of 5kW wind turbines distributed across the East Anglia region. The company receives the feed-in tariff generated by the wind turbines, and the landowner is able to use any electricity generated free of charge. In addition the company also acquired a small portfolio of roof mounted solar assets, these are located on a property portfolio owned by a housing association. The tenants of the housing association are able to use the generated electricity free of charge.

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.

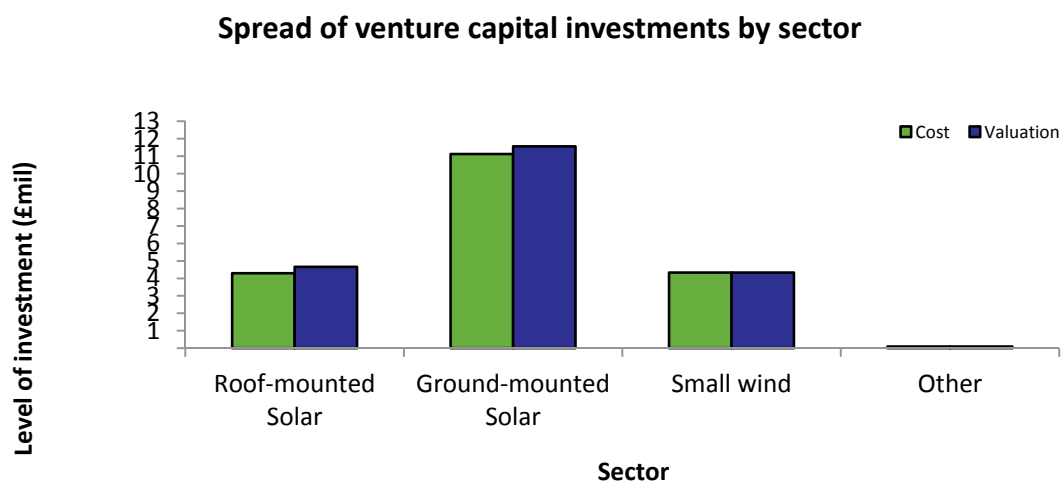
Summary of loan stock interest income

	£'000
Loan stock interest receivable in the period	
AEE Renewables UK 3 Limited	271
AEE Renewables UK 26 Limited	42
Hewas Solar Limited	23
St. Columb Solar Limited	11
South Marston Solar Limited	-
Beechgrove Solar Limited	-
Gloucester Wind Limited	-
Penhale Solar Limited	-
New Energy Era Limited	-
Minsmere Power Limited	5
Other	80
	432

REVIEW OF INVESTMENTS (continued)

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 30 September 2012) is as follows:



Analysis of investments by type (based on cost)

The allocation of the funds compared to the intended split at 30 September 2012 is summarised as follows:

	Actual portfolio split at 30 September 2012	Target portfolio split at 30 September 2013
VCT qualifying investments		
Loans to qualifying companies	22%	50%
Ordinary shares in qualifying companies*	51%	40%
Total	73%	90%
Non-qualifying investments (including cash at bank)	27%	10%
Total	100%	100%

* Includes investments which are due to become qualifying

REPORT OF THE DIRECTORS

The Directors present the second Annual Report and Accounts of the Company for the year ended 30 September 2012. The comparative period is from 20 October 2010 to 30 September 2011.

Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a Venture Capital Trust from HM Revenue & Customs and have continued to comply with the VCT regulations.

The Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

The Company has no employees (other than the Directors).

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.

Share capital

At the year end, the Company had in issue 22,793,330 Ordinary Shares and 34,189,992 '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 10%.

Results and dividends

	£'000	Pence per Ord Share	Pence per 'A' Share
Profit for the period	883	4.1	-

The Board is proposing to pay a final dividend for the year ended 30 September 2012 of 5.0p per Ordinary Share, subject to Shareholder approval, payable on 28 March 2013 to Shareholders on the register at 1 March 2013.

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2012 and at the date of this report were as follows:

Directors		As at the date of this report	As at the year ended 30 Sept 2012
Peter Wisher	Ord Shares	20,800	20,800
	'A' Shares	20,800	20,800
Alexander Hambro	Ord Shares	15,600	15,600
	'A' Shares	15,600	15,600
Christian Yates	Ord Shares	10,500	10,500
	'A' Shares	2,896,969	10,396,085
Gareth Owen*	Ord Shares	404,431	-
	'A' Shares	2,492,969	-

*Appointed 31 May 2012

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 four 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.

REPORT OF THE DIRECTORS (continued)

Insurance cover

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

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 will invest at least 70% of its funds in VCT qualifying investments. Initially, whilst suitable qualifying investments are being identified, the funds are held as a selection of deposits, institutional money market funds and/or short term fixed income securities. Progressively, this portfolio will be realised in order to fund investments in qualifying investments.

Although under VCT legislation the 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.

It is expected that once 70% of funds raised have been invested in qualifying investments, the Company intends to 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 per cent 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.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

Gearing

It is not intended that the Company will borrow. However, the Company has the ability to borrow up to 15% of its net asset value. As at 30 September 2012, this would equal £3.2 million. There are no plans to utilise this ability at the current time.

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 ITA.

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 6 December 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.

For the initial part of the year, Downing Management Services Limited provided 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. On 16 December 2011, the administration agreement was novated such that services are now carried out by Downing LLP, effective 1 June 2011. Downing LLP provides administration services to the Company on the same terms.

Annual running costs cap

The annual running costs for the year are set at 3.5% of net assets; any excess will either be paid by the Investment Manager or refunded by way of a reduction of the Investment Manager's fees.

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end.

Environmental and social policy

As a VCT, with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

REPORT OF THE DIRECTORS (continued)

Performance incentive

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

- i) Shareholders who invested under the offer for subscription receive a dividend of at least 5p 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 100p.

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	0-5p	5-10p	>10p
Ordinary Share	0-5p	5-10p	>10p
NAV	N/A	>100p	>100p
Hurdle	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 2012, 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 retained PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although PwC 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 12
1. To ensure that, by and from 1 October 2013, the Company holds at least 70% of its investments in qualifying companies;	73.8%
2. To ensure that, by and from 1 October 2013, 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";	69.6%
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, by and from 1 October 2011, the Company's income for each financial year is derived wholly or mainly from shares and securities;	89.9%
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

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.

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, credit and liquidity risks, are summarised within note 17 to the financial statements.

REPORT OF THE DIRECTORS (continued)

Principal risks and uncertainties (continued)

The Company, as a fully listed company on the London Stock Exchange and as a Venture Capital Trust, 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 Services 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.

Substantial interests

As at 30 September 2012, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Auditor

A resolution proposing the reappointment of PKF (UK) LLP will be submitted at the AGM.

Annual General Meeting

The Company's second Annual General Meeting ("AGM") will be held at 59 Gloucester Place, London W1U 8JH at 12.05 p.m. on 11 March 2013. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 Services 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the areas of the Manager's and Administrator's websites maintained on behalf of the Company. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS (continued)

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 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.

Electronic publication

The financial statements are published on www.downing.co.uk and www.hazelcapital.com.

Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code June 2010 (www.frc.org.uk) is shown on page 23.

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 VCT2 plc

Company number: 07378395

Registered office:
10 Lower Grosvenor Place
London SW1W 0EN

15 January 2013

DIRECTORS' REMUNERATION REPORT

The Board have prepared this report in accordance with the requirements of Section 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to Shareholders at the Annual General Meeting to be held on 11 March 2013.

Under the requirements of Section 497, 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 24 to 25.

Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- (i) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £100,000 per annum (excluding any performance incentive fees to which the Directors may be entitled from time to time). The Directors shall also receive, by way of additional fees, such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and, in default of the determination, equally; 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. This includes any expenses incurred in attending meetings of the Board, or of Committees of the Board or General Meetings. If in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

Agreement for services

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.

Performance incentive fees

The structure of 'A' Shares enables a payment, by way of a distribution of income, of the performance incentive fees to the Management Team. As the hurdle has not been met, no fee is due to be paid for the year ended 30 September 2012.

Directors' remuneration (audited)

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

	Current annual fee	Year ended 30/09/12
	£	£
Peter Wisher	20,000	20,000
Alexander Hambro	15,000	15,000
Christian Yates	15,000	12,000
Gareth Owen	Nil	Nil
	<u>50,000</u>	<u>47,000</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.

2012/2013 remuneration

The remuneration levels for the forthcoming year for the Directors of Hazel Renewable Energy VCT2 plc are expected to be at the current annual fee levels shown in the above table.

DIRECTORS' REMUNERATION REPORT (continued)

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 Company has not presented a broad equity market index within the graphs as a comparison because the Company has been unable to agree an acceptable price with an index publisher for the use of this data. The Board therefore considers it to be in the best interests of Shareholders that this information is omitted.

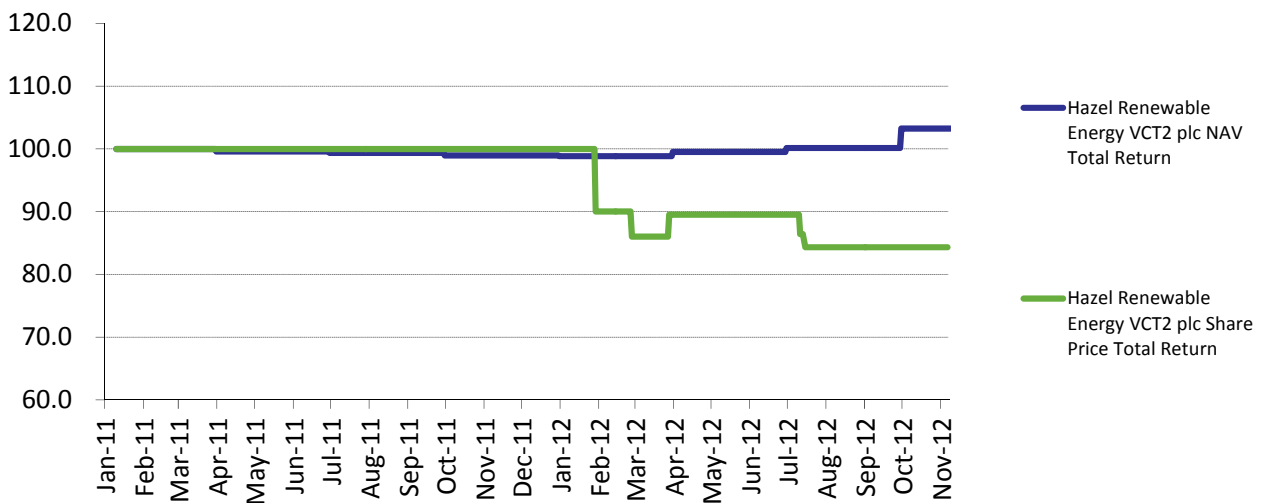
By order of the Board



Grant Whitehouse
Company Secretary
10 Lower Grosvenor Place
London SW1W 0EN

15 January 2013

Ordinary/'A' performance chart



CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in June 2010, being the principles of good governance and the code of best practice, as set out in the annex to the Listing Rules of the UK Listing Authority.

The Board

The Company has a Board comprising four non-executive Directors. The Chairman is Peter Wisher. 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.

As the Company has a small Board of non-executive Directors, Peter Wisher, Alexander Hambro, Christian Yates and Gareth Owen sit on the Audit, the Remuneration, and the Nomination Committees. The Chairman of each Committee is Peter Wisher. 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 13.

Audit Committee

The Company has an Audit Committee comprising of Peter Wisher, as Chairman, Alexander Hambro, Christian Yates and Gareth Owen. This Committee has defined terms of reference and duties.

The Audit Committee 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.

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.

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 part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, the audit feedback documentation and from correspondence and discussions with the engagement partner of PKF (UK) LLP. Based on the assurance obtained, the Committee has recommended to Shareholders that PKF (UK) LLP be re-appointed as Auditor for the forthcoming year.

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.

Board and Committee meetings

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

	Board meetings attended	Audit Committee meetings
	(5 held)	(2 held)
Peter Wisher	5	2
Alexander Hambro	5	2
Christian Yates	5	2
Gareth Owen	1*	-

*appointed 31 May 2012

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

CORPORATE GOVERNANCE (continued)

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 19, 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 second 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 17, and a statement by the Auditor about their reporting responsibilities is set out in the independent Auditor's report on page 24.

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.

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.

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 and 6 and the Report of the Directors on pages 16 and 17. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 28 and the Report of the Directors on page 15.

In addition, note 17 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.

CORPORATE GOVERNANCE (continued)

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 13 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 period ended 30 September 2012 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

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
10 Lower Grosvenor Place
London SW1W 0EN

15 January 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT2 PLC

We have audited the financial statements of Hazel Renewable Energy VCT2 plc for the year ended 30 September 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 21 to 23 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAZEL RENEWABLE ENERGY VCT2 PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the Shareholders by the board on Directors' remuneration.



Rhodri Whitlock (Senior statutory auditor)
For and on behalf of PKF (UK) LLP, statutory auditor
London, UK

15 January 2013

INCOME STATEMENT

for the year ended 30 September 2012

	Note	Year ended 30 Sept 2012			Period ended 30 Sept 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	481	-	481	146	-	146
Net gain on investments	9	-	1,051	1,051	-	-	-
		481	1,051	1,532	146	-	146
Investment management fees	3	(302)	(101)	(403)	(110)	(36)	(146)
Other expenses	4	(241)	(5)	(246)	(181)	(13)	(194)
(Loss)/profit on ordinary activities before tax		(62)	945	883	(145)	(49)	(194)
Tax on ordinary activities	6	-	-	-	-	-	-
(Loss)/profit attributable to equity shareholders		(62)	945	883	(145)	(49)	(194)
Basic and diluted (loss)/profit per share:							
Ordinary Share	8	(0.2p)	4.3p	4.1p	(1.2p)	(0.4p)	(1.6p)
'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/loss as stated above and historical cost.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
Opening Shareholders' funds		19,445	-
Proceeds from share issue	12	2,123	20,782
Share issue costs	12	(117)	(1,143)
Profit/(loss) for the year		883	(194)
Dividend paid	7	(727)	-
Closing Shareholders' funds		<u>21,607</u>	<u>19,445</u>

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

BALANCE SHEET

as at 30 September 2012

	Note	£'000	2012 £'000	2011 £'000
Fixed assets				
Investments	9		20,657	11,043
Current assets				
Debtors	10	450		107
Cash at bank and in hand	16	630		8,422
		<u>1,080</u>		<u>8,529</u>
Creditors: amounts falling due within one year	11	<u>(130)</u>		<u>(127)</u>
Net current assets			950	8,402
Net assets			<u>21,607</u>	<u>19,445</u>
Capital and reserves				
Called up Ordinary Share capital	12		23	21
Called up 'A' Share capital	12		34	31
Share premium account	13		2,001	19,587
Special reserve	13		18,860	-
Revaluation reserve	13		795	-
Capital reserve - realised	13		101	(49)
Revenue reserve	13		<u>(207)</u>	<u>(145)</u>
Total equity shareholders' funds			<u>21,607</u>	<u>19,445</u>
Basic and diluted net asset value per share				
Ordinary Share	14		94.6p	93.4p
'A' Share	14		0.1p	0.1p

The financial statements of Hazel Renewable Energy VCT2 plc on pages 26 to 40 were approved and authorised for issue by the Board of Directors on 15 January 2013 and were signed on its behalf by:



Peter Wisher

Chairman

Company number: 07378395

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

CASH FLOW STATEMENT

for the year ended 30 September 2012

	Note	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
Net cash outflow from operating activities	15	<u>(509)</u>	<u>(174)</u>
Capital expenditure			
Purchase of investments	9	(11,625)	(12,686)
Proceeds from disposal of investments	9	3,062	1,643
Net cash outflow from capital expenditure		<u>(8,563)</u>	<u>(11,043)</u>
Dividends paid	7	(727)	
Net cash outflow before financing		(9,799)	(11,217)
Financing			
Proceeds from Ordinary Share issue	12	2,123	20,751
Proceeds from 'A' Share issue	12	1	31
Proceeds from Preference Share issue	12	-	50
Redemption of Preference Shares	12	-	(50)
Share issue costs	12	(117)	(1,143)
Net cash inflow from financing		<u>2,007</u>	<u>19,639</u>
(Decrease)/increase in cash	16	<u>(7,792)</u>	<u>8,422</u>

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

NOTES TO THE ACCOUNTS

for the year ended 30 September 2012

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 certain financial instruments measured at fair value.

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

Presentation of income statement

In order to better reflect the activities of a Venture Capital Trust 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 period as a capital item and transaction costs on acquisition or disposal of the investment are expensed.

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 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 2012

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 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 Venture Capital Trust 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. Deferred taxation is not discounted.

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 2012 £'000	Period ended 30 September 2011 £'000
Income from investments		
Loan stock interest	432	62
Other income		
Bank interest	49	84
	<u>481</u>	<u>146</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

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 Sept 2012			Period ended 30 Sept 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	302	101	403	110	36	146

4. Other expenses

	Year ended 30 Sept 2012			Period ended 30 Sept 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	42	-	42	30	-	30
Trail commission	86	-	86	78	-	78
Directors' remuneration	47	-	47	33	-	33
Social security costs	3	-	3	3	-	3
Auditor's remuneration for audit	17	-	17	12	-	12
Auditor's remuneration for non-audit services (taxation)	5	-	5	2	-	2
Incidental capital expenses						
investment additions	-	5	5	-	13	13
Other	41	-	41	23	-	23
	<u>241</u>	<u>5</u>	<u>246</u>	<u>181</u>	<u>13</u>	<u>194</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.

5. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 19.

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 2012

6. Tax on ordinary activities

	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
(a) Tax charge for the year		
UK corporation tax at 25.0%	-	-
Charge for the year	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u>883</u>	<u>(194)</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 25.0%	221	(52)
Effects of:		
Gains on investments	(263)	
Expenses disallowed for tax purposes	23	24
Losses available to carry forward	<u>19</u>	<u>28</u>
Current tax charge	<u>-</u>	<u>-</u>

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £178,000. The associated deferred tax asset of £45,000 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 2012			Period ended 30 Sept 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid						
2011 Final – 3.5p	-	727	727	-	-	-
Proposed						
2012 Final – 5.0p	-	1,140	1,140	-	-	-
2011 Final – 3.5p	-	-	-	-	727	727

8. Basic and diluted loss per share

		Weighted average number of shares in issue	Revenue loss £'000	Capital return/(loss) £'000
(Loss)/profit per share is calculated on the following:				
Year ended 30 September 2012	Ordinary Shares	21,776,774	(62)	945
	'A' Shares	32,665,086	-	-
Period ended 30 September 2011	Ordinary Shares	12,394,059	(145)	(49)
	'A' Shares	16,405,026	-	-

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

9. Fixed assets – investments

	2012	2011
	Unquoted	Unquoted
	investments	investments
	£'000	£'000
Opening cost at 1 October 2011	11,043	-
Unrealised gain as at 1 October 2011	-	-
Opening fair value at 1 October 2011	<u>11,043</u>	<u>-</u>
Movement in the year:		
Purchased at cost	11,625	12,686
Disposals - proceeds	(3,062)	(1,643)
- realised gains on disposals	256	-
Unrealised gains in the income statement	795	-
Closing fair value at 30 September 2012	<u>20,657</u>	<u>11,043</u>
Closing cost at 30 September 2012	19,862	11,043
Gains at 30 September 2012	795	-
Closing fair value at 30 September 2012	<u>20,657</u>	<u>11,043</u>

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	Level 2	Level 3	2012	Level 1	Level 2	Level 3	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan notes	-	-	9,286	9,286	-	-	5,200	5,200
Unquoted equity	-	-	11,371	11,371	-	-	5,843	5,843
	<u>-</u>	<u>-</u>	<u>20,657</u>	<u>20,657</u>	<u>-</u>	<u>-</u>	<u>11,043</u>	<u>11,043</u>

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

	Loan	Unquoted	Total
	notes	equity	Total
	£'000	£'000	£'000
Balance at 30 September 2011	5,200	5,843	11,043
<i>Movements in the income statement:</i>			
Unrealised gains in the income statement	-	795	795
Realised gains in the income statement	-	256	256
	<u>5,200</u>	<u>6,894</u>	<u>12,094</u>
Purchases at cost	4,836	6,789	11,625
Sales proceeds	(750)	(2,312)	(3,062)
Balance at 30 September 2012	<u>9,286</u>	<u>11,371</u>	<u>20,657</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

9. Fixed assets – investments (continued)

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 identified. These result in an overall increase of £400,000 to the value of the unquoted investments for an upside scenario and an overall decrease of £200,000 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 38.

Investments which are reaching maturity or have an established level of maintainable earnings are now valued on a Discounted cash flow basis. Additions and those investments which have not yet established an acceptable level of maintainable earnings continue to be held at cost reviewed for impairment.

The Board and the Investment Manager believe that the valuations as at 30 September 2012 reflect the most appropriate assumptions at the date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

10. Debtors

	2012	2011
	£'000	£'000
Prepayments and accrued income	449	68
Other debtors	1	39
	<u>450</u>	<u>107</u>

11. Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Taxation and social security	3	5
Accruals and deferred income	127	122
	<u>130</u>	<u>127</u>

12. Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully-paid:		
22,793,328 (2011: 20,771,170) Ordinary Shares of 0.1p each	23	21
34,189,992 (2011: 31,156,755) 'A' Shares of 0.1p each	34	31
	<u>57</u>	<u>52</u>

The Company's capital is managed in accordance with its investment policy as shown in the Report of the Directors, in pursuit of its principal investment objectives as stated on pages 14 and 15.

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

Between 2 April 2012 and 5 April 2012, 2,022,158 Ordinary Shares were issued at 104.9p per share, 2,022,158 'A' Shares were issued at 0.1p per share and 1,011,079 Management 'A' Shares (known as the "Management 'A' Shares") were issued at 0.1p per share pursuant to the offers for subscription by way of a prospectus. The aggregate consideration for the shares was £2,123,000 which excludes issue costs of £117,000.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

12. Called up share capital (continued)

The holders of Ordinary Shares and 'A' Shares shall have rights as regards 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.

13. Reserves

	Special reserve £'000	Revaluation reserve £'000	Share premium account £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 October 2011	-	-	19,587	(49)	(145)
Issue of new shares	-	-	2,118	-	-
Share issue costs	-	-	(117)	-	-
Expenses capitalised	-	-	-	(106)	-
Gains on investments	-	795	-	256	-
Loss for the year	-	-	-	-	(62)
Dividend paid	-	-	-	(727)	-
Transfer between reserves	18,860	-	(19,587)	727	-
At 30 September 2012	<u>18,860</u>	<u>795</u>	<u>2,001</u>	<u>101</u>	<u>(207)</u>

On 24 December 2011, the share premium account was cancelled following receipt of court approval. The amount standing to the share premium account has therefore been transferred to a special reserve. 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. At 30 September 2012, distributable reserves were £18,754,000.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

14. Basic and diluted net asset value per share

	Shares in issue		2012		2011	
	2012	2011	Net asset value per share	£'000	Net asset value per share	£000
Ordinary Shares	22,793,330	20,771,172	94.6	21,573	93.4	19,414
'A' Shares	34,189,992	31,156,755	0.1	34	0.1	31

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 12.

As the Company has not issued any convertible shares or share options, there is no dilutive 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 or per 'A' Share.

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

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before taxation	883	(194)
Gains on investments	(1,051)	-
(Increase) in debtors	(343)	(107)
Increase in creditors	2	127
Net cash outflow from operating activities and returns on investments	<u>(509)</u>	<u>(174)</u>

16. Analysis of changes in cash at bank during the year

	2012 £'000	2011 £'000
Beginning of year	8,422	-
Net cash outflow	<u>(7,792)</u>	<u>8,422</u>
End of year	<u>630</u>	<u>8,422</u>

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through the profit and loss, being equity and loan stock investments in unquoted companies, loans and receivables being cash deposits and short term debtors 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-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:

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

17. Financial instruments (continued)

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:

Market risks

As a VCT, the Company is exposed to market 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 market 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. Market risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

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

- Market price risk
- Interest rate risk

Market price risk

Market 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 2012, the unquoted portfolio was valued at £20,657,000 (2011: £11,043,000)

The Company's unlisted investments are all in renewable energy projects with predetermined expected returns. As a result, variations in share prices are unlikely to have a significant impact on valuations of the unquoted investments. A 10% movement in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

10% movement in unquoted investment valuations	2012		2011	
	Impact on net assets £'000	Impact on NAV per share pence	Impact on net assets £'000	Impact on NAV per share pence
Unquoted investments	2,066	9.0p	1,104	5.3p

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

17. Financial instruments (continued)

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” asset represent investments with predetermined interest rates that vary at set dates in accordance with loan agreements;
- “Floating rate” assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank and liquidity fund investments and certain loan note investments; and
- “No interest rate” assets do not attract interest and comprise equity investments, certain loan note investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Average interest rate	Average period until maturity	2012 £'000	2011 £'000
Fixed rate	5.5%	1,686 days	7,686	4,150
Variable rate	7.4%	613 days	1,600	1,050
Floating rate	1.2%		630	8,422
No interest rate			<u>11,691</u>	<u>5,823</u>
			<u>21,607</u>	<u>19,445</u>

The Company monitors the level of income received from fixed and floating 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 total return before taxation for the year by £6,000. 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:

	2012 £'000	2011 £'000
Investments in loan stocks	9,286	5,200
Cash and cash equivalents	630	8,422
Interest, dividends and other receivables	<u>450</u>	<u>107</u>
	<u>10,366</u>	<u>13,729</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under “Market 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.

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 are directly attributable to changes in credit risk.

NOTES TO THE ACCOUNTS (continued)
for the year ended 30 September 2012

17. 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 (£130,000) and has no borrowings 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 2012 as analysed by the expected maturity date is as follows:

As at 30 September 2012	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	1,946	-	-	1,740	1,800	5,486
Past due loan stock	300	-	-	3,500	-	3,800
	<u>2,246</u>	<u>-</u>	<u>-</u>	<u>5,240</u>	<u>1,800</u>	<u>9,286</u>

Of the loan stock classified as "past due" above £3,800,000 relates to the principal of loan notes where, although the principal remains within the term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears.

As at 30 September 2011	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	1,400	300	-	3,500	-	5,200

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 September 2012

18. 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.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. 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.

19. Contingencies, guarantees and financial commitments

At 30 September 2012, the Company had no contingencies, guarantees or financial commitments.

20. Controlling party and related party transactions

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

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 2012 £402,000 (2011: £146,000) was payable to Hazel Capital LLP in respect of these services. At the year end there was no balance owing to Hazel Capital LLP.

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 2012, this amounted to £85,657 (2011: £77,778), all of which is outstanding.

Hazel Renewable Energy VCT1 plc is a company of which Hazel Capital LLP is also the Investment Manager. At the year end the Company was owed £1,998 (2011: £7,774) by Hazel Renewable Energy VCT1 plc in relation to interest received on cash deposits during the fundraising. This amount is included in other debtors.

NOTICE OF THE SECOND ANNUAL GENERAL MEETING OF HAZEL RENEWABLE ENERGY VCT2 PLC

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Hazel Renewable Energy VCT2 plc will be held at 59 Gloucester Place, London W1U 8JH at 12.05 p.m. on 11 March 2013 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 of the Directors and Accounts of the Company for the period ended 30 September 2012 together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 5.0p per Ordinary Share.
4. To re-appoint PKF (UK) 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.
5. To re-elect as Director, Peter Wisher, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Alexander Hambro, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Christian Yates, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Gareth Owen, who retires and, being eligible, offers himself for re-election.

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

Ordinary Resolution

9. THAT, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot:
 - (i) Ordinary Shares or to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £22,793 (representing approximately 10% of the Ordinary Share capital in issue at today's date);
 - (ii) 'A' Shares or to grant rights to subscribe for or to convert any security into 'A' Shares in the Company up to an aggregate nominal amount of £34,190 (representing approximately 10% of the 'A' Share capital in issue at today's date);

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

NOTICE OF THE SECOND ANNUAL GENERAL MEETING OF HAZEL RENEWABLE ENERGY VCT2 PLC (continued)

Special Resolutions

10. THAT, the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 8 above, as if Section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;
11. 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 3,396,206 Ordinary Shares and 5,094,309 '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.

By order of the Board



Grant Whitehouse
Company Secretary

Registered Office
10 Lower Grosvenor Place
London SW1W 0EN
15 January 2013

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, 10 Lower Grosvenor Place, London SW1W 0EN 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, 10 Lower Grosvenor Place, London SW1W 0EN. 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 12.05 p.m. on 11 March 2013 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 12.05 p.m. on 11 March 2013 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 15 January 2013, the Company's issued share capital comprised 22,793,328 Ordinary Shares and 34,189,992 'A' Shares and the total number of voting rights in the Company were 22,827,519,992. 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.

