HAZEL RENEWABLE ENERGY VCT2 PLC

REPORT & ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

HAZEL CAPITAL

SHAREHOLDER INFORMATION

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 (30 January 2017)	103.0p per share	5.05p per share

Selling shares

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

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

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

Financial calendar

13 March 2017	Annual General Meeting
May 2017	Announcement of half yearly financial results
September 2017	Annual dividend paid

Dividends

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

Notification of change of address

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

Other information for Shareholders

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

www.downing.co.uk

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.capitaassetservices.com and click on "Products and services" and then "Shareholders".

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COMPANY INFORMATION

Registered number	07378395
Directors	Peter Wisher (Chairman) Matthew Evans Christian Yates
Company Secretary and Registered Office	Grant Whitehouse Ergon House Horseferry Road London SW1P 2AL
Investment Manager	Hazel Capital LLP 2nd Floor 227 Shepherds Bush Road London W6 7AS Tel: 020 3434 1010 www.hazelcapital.com
Administration Manager	Downing LLP Ergon House Horseferry Road London SW1P 2AL Tel: 020 7416 7780 www.downing.co.uk
Auditor	BDO LLP 55 Baker Street London W1U 7EU
VCT status advisers	Philip Hare & Associates LLP Staples Inn London WC1V 7QH
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines open 9:00 a.m. to 5:30 p.m. Monday to Friday) www.capitaassetservices.com
Solicitors	Howard Kennedy 1 London Bridge London SE1 9BG
Bankers	Royal Bank of Scotland plc London Victoria Branch 119/121 Victoria Street London SW1E 6RA
Corporate Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF

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 Strategic Report on page 17.

FINANCIAL HIGHLIGHTS

	Audited Year End 30 September 2016 Pence	Audited Year End 30 September 2015 Pence
Net asset value per Ordinary Share	117.3	117.3
Net asset value per 'A' Share	0.1	0.1
Cumulative Dividends paid	34.5	29.5
Total return per Ordinary Share and 'A' Share	151.9	146.9

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

Christian Yates was closely involved in establishing both Hazel Renewable Energy VCTs in 2010 whilst a Partner at Hazel Capital LLP from 2009 to 2012. Having started his career in financial services in 1988 he has worked for a number of investment houses holding senior positions at Bear Stearns Asset Management, Julius Baer, Chase Asset Management and Lazard Asset Management. Whilst his focus has been on building and managing businesses he has gained broad investment experience across many asset classes including private equity, hedge funds, infrastructure and real estate. He remains active, both as an investor and developer, in the field of renewable energy. He is now a private equity investor and Director of and Adviser to SMEs and funds covering a number of sectors including real estate, energy, natural resources and emerging technology. He is also a Director of a Bristol based FCA Regulated chartered financial planner and wealth manager.

Matthew Evans was a founding partner of LGT Vestra in 2007, where he ran the ventures team, focusing on renewables, unlisted commercial property and private equity investments. Prior to that, Matthew ran the financial planning department at PwC in London. More recently, Matthew founded CH1 Investment Partners, which provides bespoke investment solutions to high net worth, professional and sophisticated investors. Matthew is also a director of several of businesses, including Longhedge Renewables, Lake District Biogas Limited and Osprey Solar.

All the Directors are non-executive and are independent of the Investment Manager.

CHAIRMAN'S STATEMENT

I present the Annual Report for Hazel Renewable Energy VCT2 plc for the year ended 30 September 2016. As Shareholders will be aware, there has been a heavy focus in recent months on considering the future of the Company and a general meeting took place on 19 January 2017 for Shareholders to vote on this. The results of this meeting are discussed below.

Although the above work has taken up a considerable amount of both the Board's and the Investment Manager's time, it is pleasing to report that the investment performance has continued to be satisfactory during the year, with a further small uplift in NAV per share being recorded.

Investment portfolio

There was limited investment activity during the year and, at the year end, the Company held a portfolio of 16 investments with a total value of £30.9 million.

As usual, the Board has reviewed the investment valuations and made some minor adjustments to the fair values, resulting in a net unrealised gain of £370,000.

Net asset value and results

At 30 September 2016, the Net Asset Value ("NAV") per Ordinary Share stood at 117.3p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 117.4p. This represents an increase of 5.0p (4.3%) over the year (after adjusting for dividends paid during the year of 5.0p per Ordinary share). Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 34.5p. Total Return (NAV plus cumulative dividends paid to date) now stands at 151.9p, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The profit on ordinary activities after taxation for the year was £1.2 million, comprising a surplus of £1.0 million on the revenue account and £0.2 million on the capital account.

Dividends

A dividend of 5.0p per Ordinary Share paid was paid on 16 September 2016. The Company normally pays its annual dividend in September each year, however the plans for the future of the Company as discussed below may impact this.

Share Buybacks

During the year, the Company acquired 98,300 'Ordinary' Shares and 105,600 'A' Shares for cancellation at an average price of 111.0p and 0.1p per share respectively.

In view of the ongoing review in respect of the future of the Company, the Company will not make any further purchases of shares for the time being.

Future strategy

At the General Meeting that took place on 19 January 2017, the Company's Shareholders voted against the Company continuing as a VCT. At a meeting of Shareholders of the sister company, Hazel Renewable Energy VCT1 plc ("Hazel 1"), Shareholders voted the opposite way and were in favour of continuing.

The Articles of Association now require that the Board puts formal proposals to Shareholders for a winding up, reorganisation or other reconstruction by 19 May 2017. The Board will work closely with the Board of Hazel 1 to see if a plan can be devised that provides all Shareholders with a satisfactory outcome, including Shareholders that may wish to continue with their investment. However, Shareholders should note that the ultimate result may be that both Companies wind up.

Board

Since March 2016, the Board has comprised two directors. In view of the work described above that the Directors will now undertake to identify proposals for the future of the Company, the directors have decided to appoint Matthew Evans as an additional non-executive director. The existing directors believe that Matthew will be a valuable addition to the Board and will be helpful in shaping proposals for the future of the Company. Matthew will be well-known to some shareholders as a director of JL Strategies Limited, a founding partner of LGT Vestra and, more recently, a founding partner of CH1 Investment Partners.

Annual General Meeting

The Company's sixth AGM will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11.35 a.m. on 13 March 2017.

One item of special business will be proposed in respect of share buybacks.

Outlook

Although the result of the EU referendum and plans for Brexit might have some significant effect on the macro economic environment in the medium and long term, the Board believes the impact on the Company will be reasonably small. The Company is effectively fully invested in a portfolio of projects with long term, Government backed agreements in place. This should ensure a relatively stable outlook in terms of expected performance of the assets. The Board will, of course, continue to monitor developments.

The Board remains pleased with the performance of the Company to date. The vote by Shareholders against continuing is a disappointment, however the Board understands that a significant proportion of Shareholders wish to realise their investment. Work is now underway to produce a plan that provides a satisfactory route for Shareholders as a whole. The Board expects to present formal proposals to Shareholders in May.

Peter Wisher
Chairman

31 January 2017

INVESTMENT MANAGER'S REPORT

Introduction

The year ended 30 September 2016 has been another good year for Hazel Renewable Energy VCT2 plc (the Company).

The portfolio was fully invested at the beginning of the financial year, and we had set ourselves the objectives of further improving the operational and financial performance of the asset base, as well as exploring and initiating new avenues for augmenting the return of the portfolio.

We continuously seek to improve the operational performance of the asset base by examining the performance of each installation in detail, closely taking into account factors specific to the installation, as well as our knowledge of the type of technical installation that is in place. We also review the operations maintenance ("O&M") process from the point of view of its impact on performance. For the year in question, we have focused both on the ground-mounted solar assets that form the majority of the asset base, as well as the small wind turbine and roof-mounted solar system portfolios.

In terms of financial performance, our primary focus was on successfully concluding the refinancing transaction ("Project Surya") that pooled together the Ayshford Court and Priory Farm ground-mounted solar assets that are remunerated under the Renewable Obligation Certificate ("ROC") mechanism as well as the circa 1,200 roof-mounted solar installations that are located on properties owned by housing associations in England, Wales and Scotland and are remunerated under the Feed-in-Tariff ("FiT") mechanism.

This transaction was finalised at the beginning of March. The terms were very attractive, the interest rate was at 1.54% plus inflation, which is one of the lowest refinancing interest rates we have come across in the market.

The purpose of the refinancing was to deploy the proceeds into investments that could yield substantially higher than the refinancing rate as well as secure a cash buffer that could be used to fund repurchases of the Company's shares.

We were able to deploy close to 20 percent of the net proceeds into purchasing the interests of the minority shareholders in the special purpose vehicle ("SPV") that owns the very well-performing Ayshford Court asset. In May we also concluded a £1 million investment into Chargepoint Services Limited, a company that develops electric vehicle charging infrastructure.

Further investments have been on hold pending the outcome of the continuation vote which took place on 19 January 2017.

The refinancing transaction has aided us with our task of improving operational performance. Such transactions involve a thorough review of historic operational performance by technical advisers. We have used their feedback to address minor technical issues as well as to improve on O&M procedures and incorporate these in new contracts.

Separately, we were able to continue our successful effort to reduce costs across the portfolio. The most notable savings have come from the reduction of O&M costs for the 6 FiT-remunerated ground-mounted solar assets but we have also continued to reduce non-core costs such as bookkeeping and identify new areas with cost reduction potential such as utility and monitoring costs.

Overall portfolio and Operational review

At the end of the year, the portfolio consisted of 16 underlying renewable energy generation projects which are all entirely owned by the VCTs as well as the small investment made in the year, in a company developing electric vehicle charging infrastructure.

The eight ground-mounted solar assets that account for close to eighty percent of the portfolio performed well in operational terms however solar irradiation was lower than expected by between 1.7% and 5% at seven of the eight installations. There were no significant technical issues experienced at any of these installations.

The refinancing transaction that included the Ayshford Court and Priory Farm assets was taken as an opportunity to bolster the O&M contracts that were in place. Better reporting, fault response and revenue compensation (in the event of poor performance by the Contractor) were introduced. Issues relating to the way the Priory Farm installation reconnects to the electricity grid in the case of significant and sustained grid outages that had surfaced in the previous year were also successfully resolved.

Overall portfolio and Operational review (continued)

We are continuing to reap the benefits of the sophisticated monitoring systems installed at the beginning of summer 2014 at these installations. We have worked with the monitoring system providers to improve the quality and reporting of the data. We have also added an experienced renewable energy engineer to our team who has been tasked with supervising O&M contractors more closely and proactively identifying areas where operational performance could be further enhanced.

Six of the eight ground-mounted assets are now only a month away from the expiry of the O&M contracts put in place 5 years ago. We have run a "beauty – parade" of contractors and now have an offer from the existing contractor who can continue to perform the services at less than half the price we have been paying. This will result in significant cost savings of circa £140,000 per year.

The value of the SPVs containing the ground-mounted solar installations has increased since the last audited NAV from 30 September 2015. This is due to the fact that a lower discount rate (6.5% for the FiT-remunerated assets and 6.75% for the ROC-remunerated assets) was used in the valuation to reflect the increase in the market value of these assets.

Of the four rooftop solar portfolios that we own, the two portfolios that are distributed across housing association rooftops in England, Wales and Scotland and that account for circa 70% of the solar rooftop asset base have performed better than expectations despite the poor irradiation experienced.

These FiT-remunerated installations were also included in the refinancing transaction, and as is the case with the ground-mounted assets, we took advantage of the fact that the Lender conducted intensive due diligence to improve O&M arrangements. We replaced Strategic Group which had commissioned the assets with Anesco, who has emerged as the most stable and capable provider of O&M services for roof-mounted installations. Strategic Group were reducing staffing and were not able to commit to the requirements we had for the actual services to be performed. Our new long-term contract with Anesco has performance guarantees in place as well as tightened reporting requirements.

The solar rooftop portfolio owned by Gloucester Wind Limited (a £1.8 million investment), had suffered as a result of the original developer going into administration in April 2013. We are continuing to see minor improvements in this portfolio, however, as communicated last year, it is unlikely this project will reach original expectations from the time of the original investment. We are also pleased to say that there has been no valuation impact on the portfolio as the original transaction was well-priced.

On an overall basis the value of the solar rooftop portfolio has shown a small increase compared to last year. This is due to the fact that a slightly lower discount rate was used to reflect the lower hurdle rates that apply to these assets with a high degree of revenue predictability.

The financial performance of the solar assets has been slightly weaker than expected this year due to the lower irradiation as well as the fact that power prices remained lower than modelled at the time of the original investment. The exposure to power prices of the FiT-remunerated portion of the portfolio is low, however Priory Farm, one of the two ground-mounted solar assets remunerated under the ROC regime has suffered from the very low prices that prevailed in the earlier part of the year as well as the fall in the recycle value component of the ROC value. The other asset, Ayshford Court Limited is still under a fixed price Power Purchase Agreement and has therefore not suffered an impact.

Electricity prices had been in a long downward drift in power prices in the wholesale market over the 2.5 year period that ended last summer. Since then there has been a meaningful bounce due to the depreciation in sterling as well as the upward movement in oil and gas prices. It remains difficult to foresee whether this bounce in power prices will be sustained. It is important to bear in mind, however, that on an overall basis this portfolio has very low exposure to power prices.

For 'Project Lunar' (the debt structure secured on the now wholly-owned six FiT solar projects) we continued to meet our obligations to the lender including payment milestones, ongoing funding of reserves, observing all covenants and other requirements. We have also successfully completed the first interest payment process for Project Surya.

Overall portfolio and Operational review (continued)

Our small wind turbine projects held within HRE Willow Limited, Small Wind Generation Limited, Tumblewind Limited and Minsmere Power Limited have shown some improvement since last year. We have been working with our O&M contractor Britwind, a division of Ecotricity, to implement a targeted maintenance capex programme to resolve a few categories of issues that affected circa 15 percent of the turbines in the portfolio. Each installation was evaluated separately to decide whether the new incremental investment in the form of maintenance capex would yield a positive return in terms of increased yield. We have also tested the solution proposed by Britwind on a sample of installations before giving the go-ahead for a wider roll-out.

Despite these efforts, we stick to our conclusion that certain assets within this segment of the portfolio are not likely to ever reach expected performance due to poor wind conditions at the specific sites and in some cases poor quality physical installations. We continue to reflect the same degree of impairment in the value of these assets in this year's valuation exercise as that of last year. We will continue to strive to rectify issues that can be rectified and continue to see the potential for an upward adjustment in the future.

Portfolio valuation

The NAV of the portfolio has remained static at 117.4p while the total return has increased from 146.9p to 151.9p if dividends already paid are taken into account. This year's increase has come about as a result of market prices for renewable power generation assets rising which we have reflected in the lower discount ranges that we have used, inter alia, as described below.

This is the first year where we have used different discount rates for different sets of assets. We believe this is justified due to the diversity of the asset base. The FiT remunerated ground-mounted solar projects have the most stable cashflows as the fixed feed-in-tariff accounts for over ninety percent of the unit revenues. These assets have also been operating for close to five years and this is a decent history of predictable cashflow generation. We have therefore used the lowest discount rate of 6.5% for the FiT based assets.

We have valued the assets grouped together under Project Surya at a discount rate 25 basis points lower than this to reflect the mix of rooftop solar assets with no power price exposure and the ROC-remunerated ground-mounted solar projects where up to 30% of unit revenues are impacted by power prices.

At the other end of the scale are the small solar rooftop portfolios where the lease counterparts are individual homeowners and schools as well as the small wind turbine portfolios. We have used discount rates of 7% and 7.25% respectively for these assets.

A significant difference from last year is the degree to which this valuation is composed of cash. In addition to the circa £6 million we have in the various reserves required under the Lunar and Surya facilities we have circa £5.5 million of cash that remains from the refinancing. Under ordinary circumstances this would have been largely reinvested, however all new investment decisions have been put on hold pending the outcome of the review by the Board following the continuation vote.

Factors that will continue to affect the value of these assets in the future are maturity (longer operating histories suggest higher predictability), the number of participants in the market who have appetite to own these assets, inflation expectations, power prices and interest rates. The first two factors represent a favourable tailwind for the portfolio, the assets are gaining longer operating histories and there is a greater diversity of potential owners out there who are comfortable owning these assets.

Inflation has also been rising and since revenues are inflation-linked, a further increase could translate into higher valuations in the future. This has been covered in the circular that was send out at the end of 2016.

The last two factors remain very difficult to forecast. Power prices have bounced since the Brexit vote but they are still significantly under the levels we saw as recently as 1.5 years ago. The future direction will be determined by commodity prices as well as the supply/demand balance of the UK electricity system.

Renewable generation assets such as those under the Company's ownership tend to trade at a certain premium in relation to "risk free" interest rates. This premium has narrowed over the years and has led to us using lower discount rates for valuation purposes. It is difficult to predict how this may change but it is unlikely that the premium will increase given the increased comfort of investors in owning these assets. However, the risk free rate is also a factor and the return of "risk free" rates to historically normal levels could adversely affect the valuation of the portfolio.

Outlook

Our focus for 2017 will be on continuing to improve the operational and financial performance of the assets and thus the overall yield of the portfolio.

Outlook (continued)

We will also continue to seek opportunities for further value enhancement through energy storage projects attached to the ground-mounted solar projects so long as there is no impact on the accreditation status.

The Company has recently gone through a continuation vote. Regardless of the outcome of the vote, there will be some investors who will want to sell their shares. We will strive to achieve the best possible value for these investors.

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

Ben Guest
Chief Investment Officer
Hazel Capital LLP

31 January 2017

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 30 September 2016:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Qualifying and part-qualifying investments				
Lunar 2 Limited*	2,976	13,479	1,276	43.6%
Ayshford Solar (Holding) Limited*	2,480	3,496	(75)	11.3%
Lunar 1 Limited*	125	2,186	110	7.1%
New Energy Era Limited	884	1,489	119	4.8%
Hewas Solar Limited	1,000	1,361	(387)	4.4%
Vicarage Solar Limited	871	1,303	122	4.2%
Tumblewind Limited*	1,438	1,246	82	4.0%
Gloucester Wind Limited	1,000	1,153	112	3.7%
Minsmere Power Limited	975	1,050	130	3.4%
HRE Willow Limited	875	770	(10)	2.5%
Penhale Solar Limited	825	735	(340)	2.4%
St. Columb Solar Limited	650	690	(670)	2.2%
Small Wind Generation Limited	975	583	(99)	1.9%
Chargepoint Services Limited	500	500	-	1.6%
Sunhazel UK Limited	1	-	-	0.0%
	15,575	30,041	370	97.1%
Non-qualifying investments				
AEE Renewables UK 3 Limited	900	900	-	2.9%
	900	900	-	2.9%
	16,475	30,941	370	100%
Cash at bank and in hand		4		0.0%
Total investments		30,945		100%

* Part-qualifying investment

All venture capital investments are incorporated in England and Wales.

Hazel Renewable Energy VCT1 plc, of which Hazel Capital LLP is the Investment Manager, holds the same investments as above.

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 30 September 2016

ADDITIONS

	Cost £'000
Qualifying and part-qualifying investments	
Ayshford Solar (Holding) Limited	557
Chargepoint Services Limited	500
	1,057

DISPOSALS

	Cost £'000	Valuation at 30 September 2015 £'000	Proceeds £'000	Profit vs cost £'000	Realised Gain £'000
Qualifying and part-qualifying investments					
Tumblewind Limited	1,010	1,010	1,010	-	-
Ayshford Solar (Holding) Limited	65	59	65	-	6
St. Columb Solar Limited	58	58	58	-	-
	1,133	1,127	1,133	-	6
Non-qualifying investments					
ZW Parsonage Limited	15	15	15	-	-
	15	15	15	-	-
	1,148	1,142	1,148	-	6

The basis of valuation for the largest investments is set out on pages 11 to 14.

All venture capital investments are incorporated in England and Wales.

REVIEW OF INVESTMENTS (continued)

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

Lunar 2 Limited

Cost at 30/09/16:	£2,976,000	Valuation at 30/09/16:	£13,479,000
Cost at 30/09/15:	£2,976,000	Valuation at 30/09/15:	£12,202,000
Date of first investment:	Dec 2013	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£1,331,000	Proportion of equity held:	50 %
Loan stock:	£1,645,000	Proportion of loan stock held:	50 %
Summary financial information from statutory accounts: 30 April 2015		Turnover:	*£nil*
		Operating loss:	(£11,834)
		Net assets:	£415,270

Lunar 2 Limited fully owns the holding companies South Marston Solar Limited, Beechgrove Solar Limited and 10% of Vicarage Solar Limited. These companies own ground-mounted solar farm projects of 5MW (near Swindon), 4MW (near Hawkchurch) and 0.64MW (Ilminster, Somerset) respectively. Furthermore, Lunar 2 Limited owns 90% of Lunar 1 Limited and therefore its subsidiaries.

Ayshford Solar (Holding) Limited

Cost at 30/09/16:	£2,480,000	Valuation at 30/09/16:	£3,496,000
Cost at 30/09/15:	£1,987,000	Valuation at 30/09/15:	£3,073,000
Date of first investment:	Mar 2012	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£827,000	Proportion of equity held:	50%
Loan stock:	£1,653,000	Proportion of loan stock held:	50%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	*£nil*
		Operating loss:	(£13,658)
		Net assets:	£713,289

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

Lunar 1 Limited

Cost at 30/09/16:	£125,000	Valuation at 30/09/16:	£2,186,000
Cost at 30/09/15:	£125,000	Valuation at 30/09/15:	£2,076,000
Date of first investment:	Dec 2013	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£125,000	Proportion of equity held:	5%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	*£nil*
		Operating Loss:	(£4,550)
		Net assets:	£1,660,064

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

REVIEW OF INVESTMENTS (continued)

New Energy Era Limited

Cost at 30/09/16:	£884,000	Valuation at 30/09/16:	£1,489,000
Cost at 30/09/15:	£884,000	Valuation at 30/09/15:	£1,369,000
Date of first investment:	Nov 2011	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£884,000	Proportion of equity held:	45%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£315,906
		Operating profit:	£182,449
		Net Assets:	£1,795861

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

Hewas Solar Limited

Cost at 30/09/16:	£1,000,000	Valuation at 30/09/16:	£1,361,000
Cost at 30/09/15:	£1,000,000	Valuation at 30/09/15:	£1,748,000
Date of first investment:	Aug 2011	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£1,000,000	Proportion of equity held:	50%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£382,931
		Operating profit:	£221,160
		Net assets:	£2,277,354

Hewas Solar Limited owns a portfolio of roof-mounted solar assets located on housing stock owned by a housing association. The company financed the capital costs of installing equipment and in return receives the FiT income. Residents of the housing associations are able to use the electricity generated by the installations free of charge. Roof-top installations were undertaken during November and December 2011. The company has entered into a fixed term O&M agreement with the installer, Strategic Energy Limited. At the beginning of March 2016, Hewas Solar Limited bought a portfolio of 964.3kW of rooftop solar PV assets which are installed on 433 rooftops on housing association properties located in South Wales from Penhale Solar Limited.

Vicarage Solar Limited

Cost at 30/09/16:	£871,000	Valuation at 30/09/16:	£1,303,000
Cost at 30/09/15:	£871,000	Valuation at 30/09/15:	£1,181,000
Date of first investment:	Mar 2012	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£871,000	Proportion of equity held:	45%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£382,931
		Operating profit:	£221,160
		Net assets:	£2,277,354

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

REVIEW OF INVESTMENTS (continued)

Tumblewind Limited

Cost at 30/09/16:	£1,438,000	Valuation at 30/09/16:	£1,246,000
Cost at 30/09/15:	£2,449,000	Valuation at 30/09/15:	£2,175,000
Date of first investment:	Nov 2011	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£790,000	Proportion of equity held:	50%
Loan stock:	£648,000	Proportion of loan stock held:	50%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£74,926
		Operating loss:	(£129,654)
		Net assets:	£1,329,771

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

Gloucester Wind Limited

Cost at 30/09/16:	£1,000,000	Valuation at 30/09/16:	£ 1,153,000
Cost at 30/09/15:	£1,000,000	Valuation at 30/09/15:	£1,041,000
Date of first investment:	Aug 2012	Valuation method:	Discounted Cash Flow
Investment comprises:			
Ordinary shares:	£800,000	Proportion of equity held:	50%
Loan stock:	£200,000	Proportion of loan stock held:	50%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£209,907
		Operating profit:	£75,012
		Net assets:	£1,635,294

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

Minsmere Power Limited

Cost at 30/09/16:	£975,000	Valuation at 30/09/16:	£1,050,000
Cost at 30/09/15:	£975,000	Valuation at 30/09/15:	£920,000
Date of first investment:	Nov 2011	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: 30 April 2015		Turnover:	£182,861
		Operating profit:	£54,817
		Net assets:	£1,667,031

Minsmere Power Limited owns a portfolio of 69 small scale 5kW wind turbines located on domestic sites located throughout Norfolk. The land owner is entitled to free electricity produced by the turbines with Minsmere Power Limited collecting the FITs for the generation of the electricity and the export tariff of any electricity unused by the home. The Company also owned 252kWp of rooftop solar assets installed on 102 rooftops on housing association properties located near Glasgow, Scotland. These assets were sold to St. Columb Solar Limited at the beginning of March 2016.

AEE Renewables UK 3 Limited

Cost at 30/09/16:	£900,000	Valuation at 30/09/16:	£900,000
Cost at 30/09/15:	£900,000	Valuation at 30/09/15:	£900,000
Date of first investment:	Apr 2010	Valuation method:	Cost as reviewed for impairment
Investment comprises:			
Loan stock:	£900,000	Proportion of loan stock held:	50%
Summary financial information from statutory accounts: 30 April 2015		Turnover:	£2,172,976
		Operating profit:	£1,505,947
		Net assets:	£581,233

AEE Renewables UK 3 Limited is a UK FiT accredited photovoltaic solar farm located in Sutton Benger, Wiltshire. The project has a total installed capacity of 4,983.84kW. The lease is held with a local cereal farmer. The project was developed through to planning permission and grid connection by AEE UK Limited. The project was built and commissioned by Graess GMBH. The extended installation was given Ofgem accreditation in February 2012.

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

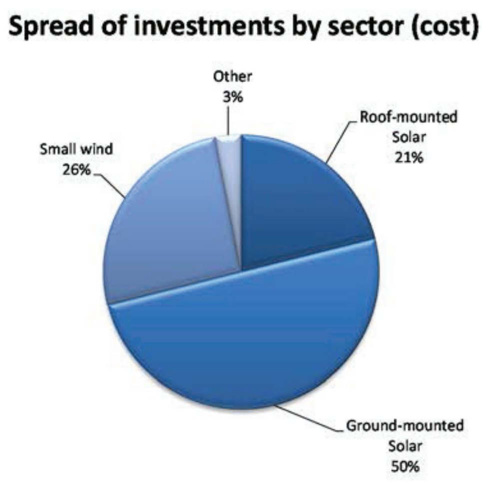
REVIEW OF INVESTMENTS (continued)

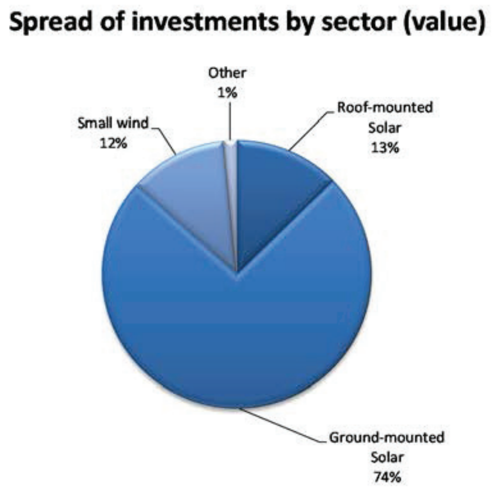
Summary of loan stock interest income

	£'000
Loan stock interest receivable in the period	
Tumblewind Limited	86
AEE Renewables UK 3 Limited	72
Chargepoint Services Limited	17
St. Columb Solar Limited	11
Minsmere Power Limited	11
Other	1
	198

Analysis of investments by commercial sector

The split of the investment portfolio by sector (by cost and by value at 30 September 2016) is as follows:





Analysis of investments by type

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

	Actual portfolio split at 30 September 2016
VCT qualifying investments	
Loans to qualifying companies	26.1%
Ordinary shares in qualifying companies	61.2%
Total	87.3%
Non-qualifying investments (including cash at bank)	12.7%
Total	100%

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 30 September 2016. The Board have prepared this report in accordance with the Companies Act 2006.

Business model

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

Investment management and administration fees

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

The Board has reviewed the services provided and concludes that it is satisfied with Hazel Capital LLP's strategy, approach and procedures in providing investment management services to the Company. In view of the result of the vote in respect of the resolution for the Company against continuing as a VCT at the General Meeting that took place on 19 January 2017, the Board will now review plans for the future of the Company and its sister Company, Hazel Renewable Energy VCT plc. As part of this review, the Board will review the management arrangement to ensure that they are aligned with the future strategy.

Downing LLP provides administration services to the Company for a fee of £35,000 (plus VAT, if applicable) per annum. The agreement is for a minimum term of six years, effective from 20 October 2010, with a twelve month notice period on either side thereafter.

Investment policy

General

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

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

Investment strategy

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. Investee companies generally reflect the following criteria:

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

Asset allocation

The Company aims to hold at least 70% of its funds in VCT qualifying investments.

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

Investment policy (continued)

Asset allocation (continued)

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

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

Risk diversification

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

The main risk management features include:

- portfolio of investee companies – the Company seeks to invest in at least eight different companies, thereby reducing the potential impact of poor performance by any individual investment;
- monitoring of investee companies – the Manager will closely monitor the performance of all the investments made by the Company in order to identify any issues and to enable necessary corrective action to be taken; and
- the Company will ensure that it has sufficient influence over the management of the business of the investee companies, in particular, through rights contained in the relevant investment agreements and other Shareholder/constitutional documents.

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

Gearing

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

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

As at 30 September 2016, the Company had the ability to borrow £4.3 million and has borrowings of £2.4 million (2015: £2.0 million).

Listing rules

In accordance with the Listing Rules:

(i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;

(ii) the Company must not conduct any trading activity which is significant in the context of the Company; and

(iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act.

The above Listing Rules have been complied with for the year ended 30 September 2016.

Business review and developments

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

During the year to 30 September 2016, the investments held increased in value by £370,000 and gains arising on investment realisations totalled £6,000.

Income over expenditure for the year resulted in a net return, after accounting for capital expenses, of £843,000.

The total return for the year was £1,219,000 (2015: £1,791,000). Net assets at the year-end were £28.8 million (2015: £28.9 million). Dividends paid during the year totalled £1,226,000 (2015: £1,230,000).

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

Directors and senior management

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

Key performance indicators

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

The position of the Company's Net Asset Value Total Return at 30 September 2016 is on page 2.

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

Principal risks and uncertainties

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

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

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

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

Viability statement

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

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

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

In the event that the Company decides to pursue a voluntary liquidation following the recent vote by Shareholders, the Board expects that any such liquidation is likely to take place over a period of at least three years.

Directors' remuneration

It is a requirement under The Companies Act 2006 for Shareholders to vote on the Directors' remuneration every three years, or sooner if the Company wants to make changes to the policy. The Directors' remuneration policy for the three year period from 1 October 2014 is set out on page 24.

Annual running costs cap

The annual running costs for the year are capped 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. Annual Running Costs for the year to 30 September 2016 were less than 3.5% of net assets.

Performance incentive

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

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

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

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

Hurdle criteria:			
Annual dividend per Ordinary Share	0-5p	5-10p	>10p
Combined NAV Hurdle	N/A	>100p	>100p
Allocation:			
Shareholders	99.97%	80%	70%
Management	0.03%	20%	30%

As the hurdle has not been met for the year ended 30 September 2016, 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 reappointed Philip Hare & Associates LLP ("Philip Hare") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare works closely with the Investment Manager, they report directly to the Board.

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

	Position at the year ended 30 Sep 16
1. To ensure that the Company holds at least 70% of its investments in qualifying companies;	85.2%
2. To ensure that at least 30% (70% in the case of funds raised after 6 April 2011) of the Company's qualifying investments are held in "eligible shares";	72.4%
3. At least 10% of each investment in a qualifying company is held in eligible shares;	Complied
4. No investment constitutes more than 15% of the Company's portfolio;	Complied
5. To ensure that the Company's income for each financial year is derived wholly or mainly from shares and securities;	100%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and	Complied
7. Prior to 6 April 2012, a maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

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

STRATEGIC REPORT (continued)

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

One purchase of 'Ordinary' Shares and one purchase of 'A' Shares was undertaken in the year. A total of 98,300 'Ordinary' Shares and 105,600 'A' Shares were purchased at a price of 111.0p per share and 0.1p per share respectively and were subsequently cancelled.

A special resolution to continue this policy is proposed for the forthcoming AGM.

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

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

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

Events after the end of the reporting period
Following the end of the reporting period, Shareholders were asked to vote on whether the Company should continue as a VCT for at least a further five year period. At the General meeting held on 19 January 2017, Shareholders voted against the Company continuing as a VCT, however the Company's sister company, Hazel Renewable Energy VCT1 plc voted in favour of the resolution. Further details are set out in note 22 to the Financial Statements.

By order of the Board

Grant Whitehouse
Company Secretary
Company number: 07378395

Registered office:
Ergon House
Horseferry Road
London SW1P 2AL

31 January 2017

REPORT OF THE DIRECTORS

The Directors present the sixth Annual Report and Accounts of the Company for the year ended 30 September 2016.

Share capital

At the year end, the Company had in issue 24,504,858 Ordinary Shares and 36,799,133 'A' Shares. There are no other share classes in issue.

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

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

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

At the Annual General Meeting ("AGM") that took place on 7 March 2016, the Company was authorised to make market purchases of its Ordinary Shares and 'A' Shares, up to a limit of 3,665,870 Ordinary Shares and 5,498,805 'A' Shares which represented approximately 14.9% of the issued Ordinary Share capital and 'A' Share capital at the date of the AGM. At the current date, authority remains for 3,567,570 Ordinary Shares and 5,337,471 'A' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 13 March 2017.

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

Results and dividends

	£'000	Pence per Ord Share	Pence per 'A' Share
Profit for the period	1,219	4.9p	-

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2016 and at the date of this report were as follows:

Directors		As at the date of this report	As at 30 Sep 2016	As at 30 Sep 2015
Peter Wisher	Ord	20,800	20,800	20,800
	'A'	20,800	20,800	20,800
Christian Yates	Ord	19,673	19,673	19,673
	'A'	2,616,069	2,616,069	2,616,069
Alexander Hambro	Ord	n/a	n/a	15,600
	'A'	n/a	n/a	15,600
Bozkurt Aydinoglu	Ord	n/a	n/a	-
	'A'	n/a	n/a	2,688,331
Matthew Evans	Ord	-	n/a	n/a
	'A'	-	n/a	n/a

Alexander Hambro and Bozkurt Aydinoglu resigned as directors on 7 March 2016. Matthew Evans was appointed as a director on 31 January 2017.

Peter Wisher and Christian Yates were last re-elected at the AGM that took place in March 2015. In accordance with the Articles of Association neither is required to retire for three AGMS following the 2015 AGM. Matthew Evans was appointed to fill a casual vacancy on 31 January 2017 and will retire at the forthcoming AGM and stand for re-election.

Peter Wisher and Christian Yates signed a letter of appointment with the Company dated 20 October 2010. Matthew Evans signed a similar letter dated 31 January 2017. 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.

Insurance cover

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

Auditor

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

Substantial interests

As at 30 September 2016, and the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Annual General Meeting

The Company's sixth Annual General Meeting ("AGM") will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11.35 a.m. on 13 March 2017. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

- the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' published in November 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that the management report, comprising the Chairman's Statement, Investment Manager's Report, Review of Investments, Strategic Report, and Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

Website publication

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

Corporate governance

The Company's Corporate Governance statement and compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code June 2014 (www.frc.org.uk) is shown on page 28.

Other matters

Information in respect of risk management and risk diversification has been disclosed within the Strategic Report on pages 17 and 18.

Information in respect of greenhouse emissions which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 20.

Events after the end of the reporting period

At the General Meeting that took place after the end of the reporting period on 19 January 2017, the Company's Shareholders voted against the Company continuing as a VCT for at least a further five year period. However, the Company's sister company, Hazel Renewable Energy VCT1 plc voted against the resolution. Further detail is set out in note 22 to the Financial Statements.

Statement as to disclosure of information to the 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
Company Secretary
Company number: 07378395

Registered office:
Ergon House
Horseferry Road
London SW1P 2AL

31 January 2017

DIRECTORS' REMUNERATION REPORT

Annual Statement of the Remuneration Committee

There have been no changes to the Directors' remuneration and no major decisions regarding the remuneration policy other than the Board changes.

Report on Remuneration Policy

Below is the Company's remuneration policy. This policy applies from 1 October 2014. Shareholders must vote on the remuneration policy every three years, or sooner if the Company want to make changes to the policy. The policy was last approved by Shareholders at the AGM that took place on 25 March 2014. A resolution will be put to Shareholders to approve the policy at the forthcoming AGM scheduled to take place on 13 March 2017.

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

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

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

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

Agreement for services

Information in respect of the Directors' agreements has been disclosed within the Report of the Directors on page 21.

Performance incentive fees

The structure of 'A' Shares, whereby Management (being partners and staff of the investment manager) owns one third of the 'A' shares in issue (known as the "Management 'A' Shares"), enables a payment, by way of a distribution of income, of the performance incentive fees to the Management Team, including Christian Yates who is a Director and former member of the Management Team. As the hurdle has not been met, no fee is due to be paid for the year ended 30 September 2016.

Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2015, 30 September 2016 and at the date of this report are disclosed within the Report of the Directors on page 22.

Annual Report on Remuneration

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

Under the requirements of Section 497 of the Companies Act 2006, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 29 to 32.

Directors' remuneration (audited)

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

	Current annual fee £	Year ended 30/09/16 £	Year ended 30/09/15 £
Peter Wisher	20,000	20,000	20,000
Alexander Hambro*	N/A	15,000	15,000
Christian Yates	15,000	15,000	15,000
Bozkurt Aydinoglu*	N/A	11,000	15,000
Matthew Evans *	15,000	n/a	n/a
	50,000	61,000	65,000

*Alexander Hambro and Bozkurt Aydinoglu resigned as Directors on 7 March 2016. Matthew Evans was appointed as a director on 31 January 2017.

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.

2016/2017 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 as shown in the table above.

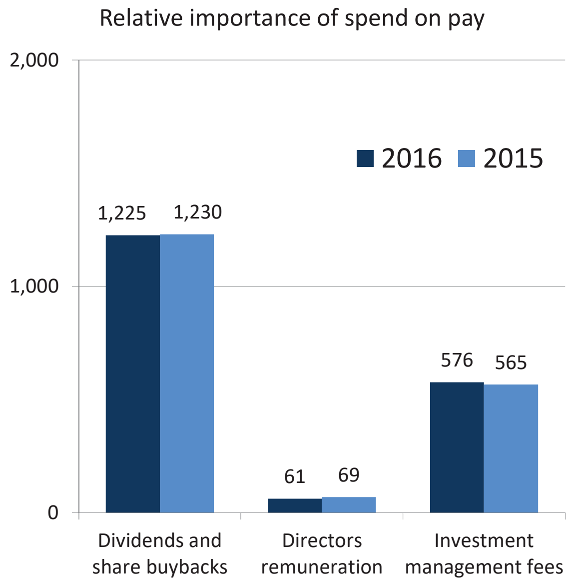
Statement of voting at AGM

At the AGM on 7 March 2016, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	100%
Against	0%
Withheld	nil votes

Relative importance of spend on pay

The difference in actual spend between 30 September 2016 and 30 September 2015 on remuneration for all employees in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular graph below:



Performance graph

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

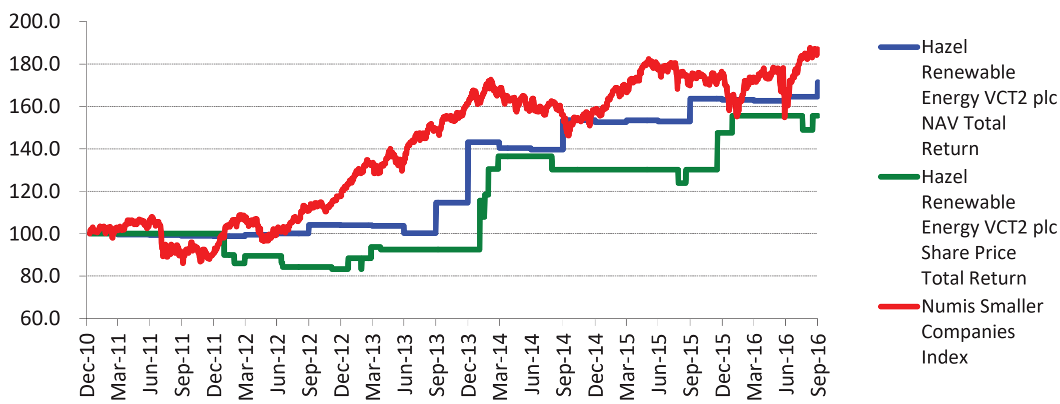
The Numis Smaller Companies Index has been chosen as a comparison as it is a publicly available broad equity index which focuses on smaller companies and is therefore more relevant than most other publicly available indices.

By order of the Board

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

31 January 2017

Performance chart



CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in September 2014, being the principles of good governance and the code of best practice, as set out in Section 1 of the UK Corporate Governance Code annexed to the Listing Rules of the Financial Conduct Authority.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman is 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.

Peter Wisher and Christian Yates were last re-elected at the AGM that took place in March 2015. In accordance with the Articles of Association neither is required to retire for three AGMs following the 2015 AGM. Matthew Evans was appointed to fill a casual vacancy on 31 January 2017 and will retire at the forthcoming AGM and stand for re-election.

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.

Peter Wisher and Christian Yates are currently the sole members of the Audit, the Remuneration and the Nomination Committees. The Chairman of each Committee is Christian Yates. 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 in note 14 on page 43.

Audit Committee

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

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

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

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

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

External auditor

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

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

External auditor (continued)

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

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

Following assurances received from the Managers at the completion of the audit for the period ended 30 September 2016, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be reappointed at the forthcoming AGM.

Board and Committee meetings

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

	Board meetings attended (6 held)	**Audit Committee meetings attended** (2 held)
Peter Wisher	6	2
Christian Yates	5	2
Alexander Hambro (resigned 7 March 2016)	4	1
Bozkurt Aydinoglu (resigned 7 March 2016)	4	n/a
Matthew Evans (appointed 31 January 2017)	n/a	n/a

No Remuneration Committee meetings were held in the year.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 24, 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 sixth 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 22 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 29.

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.

Internal control (continued)

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 to 8 and the Strategic Report on page 20. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 36.

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

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

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

Share capital

The Company has two classes of share capital: Ordinary Shares and 'A' Shares. The rights and obligations attached to those shares, including the power of the Company to buy back shares and details of any significant shareholdings, are set out on page 21 of the Report of the Directors.

Compliance statement

The Listing Rules require the Board to report on compliance with the 52 UK Corporate Governance Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 30 September 2016 with the provisions set out in Section 1 of the UK Corporate Governance Code.

a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1. B.4.2, E.1.1)

b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)

c) Non-executive Directors' contracts are on a three month rolling notice following an initial one year fixed term, whereas the recommendation is for fixed term renewable contracts. In the Directors' opinion this does not make a substantive difference to the circumstances of the Company. (B.2.3)

d) As the Company has no staff, other than Directors, there are no procedures in place relating to whistleblowing. (C.3.4)

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

31 January 2017

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

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 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in preparing the financial statements is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of Directors and auditor

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

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.

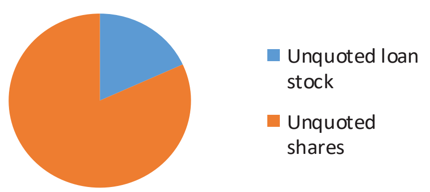
Our assessment of and response to the risks of material misstatement and overview of the scope of our audit

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

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

The valuation of investments in the underlying portfolio was the risk that had the greatest impact on our audit strategy and scope, including the allocation of resources in the audit. The Audit Committee's consideration of this key matter is set out on page 26.

A breakdown of the investment portfolio by nature of instrument is shown below.



Our assessment of and response to the risks of material misstatement and overview of the scope of our audit (continued)

Risk description	How our audit addressed the risk
The valuation of investments is a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the company. 100% of the underlying investment portfolio is represented by unquoted equity and loan stock.	In respect of the unquoted equity investments valued using discounted cash flow models, we performed the following specific procedures: • Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines • Re-performed the calculations which underpinned the valuations • Verified key inputs to the valuation to independent information • Used spreadsheet analysis tools to assess the integrity of the valuation models and track changes to inputs or structure • Challenged the Investment Manager regarding significant judgements made • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation • Challenged the appropriateness of the selection and application of key assumptions in the model to available industry data and consulting with our internal valuations specialists • Considered the accuracy of forecasting by comparing previous forecasts to actual results For unquoted loan stock we performed the following: • Vouched to loan agreements and security held to documentation • Challenged the assumption that fair value is not significantly different to the carrying value by considering movements in market interest rates since acquisition For unquoted equity investments valued at cost and reviewed for impairment we considered the appropriateness of this methodology by reviewing the operational performance of the investee company to determine whether this is an approximation of fair value. For key assumptions in the valuation models, we considered the appropriateness of the assumption and whether alternative reasonable assumptions could have been applied. We considered each assumption in isolation as well as in conjunction with other assumptions and the valuation as a whole. Where appropriate, we sensitised the valuations where other reasonable alternative assumptions could have been applied. We also considered the completeness and clarity of disclosures in the financial statements with regards to valuation assumptions.

Our application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

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

Our application of Materiality (continued)

The application of these key considerations gives rise to two levels of materiality for the Company, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Basis and Key considerations	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	Based on 2% of net asset value • The value of investment • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	610,000
Specific materiality – classes of transactions and balances which impact on the realised return	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• 10% of profit before tax for the year excluding unrealised valuation movements	180,000

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

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

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

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Matters on which we are required by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic Report and Report of the Directors.

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

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

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

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 28, in relation to going concern and set out on page 18 in relation to longer-term viability; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

BDO LLP

Vanessa-Jayne Bradley *(senior statutory auditor)*
For and on behalf of BDO LLP, statutory auditor

London
United Kingdom
31 January 2017

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

INCOME STATEMENT

for the year ended 30 September 2016

	Note	Year ended 30 September 2016 Revenue £'000	Capital £'000	Total £'000	Year ended 30 September 2015 Revenue £'000	Capital £'000	Total £'000
Income	3	1,784	-	1,784	580	-	580
Gain on investments	10	-	376	376	-	2,057	2,057
		1,784	376	2,160	580	2,057	2,637
Investment management fees	4	(432)	(144)	(576)	(424)	(141)	(565)
Other expenses	5	(293)	(72)	(365)	(281)	-	(281)
Profit/(loss) on ordinary activities before tax		1,059	160	1,219	(125)	1,916	1,791
Tax on total comprehensive income and ordinary activities	7	-	-	-	-	-	-
Profit/(loss) for the year and total comprehensive income		1,059	160	1,219	(125)	1,916	1,791
Basic and diluted earnings per share:							
Ordinary Share	9	4.3p	0.6p	4.9p	(0.5p)	7.8p	7.3p
'A' Share	9	-	-	-	-	-	-

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 by the Association of Investment Companies ("AIC SORP").

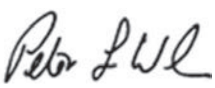
Other than revaluation movements arising on investments held at fair value through the profit and loss, there were no differences between the return/loss as stated above and at historical cost.

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

BALANCE SHEET
as at 30 September 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Fixed assets					
Investments	10		30,941		30,656
Current assets					
Debtors	11	420		362	
Cash at bank and in hand		4		16	
		424		378	
Creditors: amounts falling due within one year	12	(161)		(160)	
Net current assets			263		218
Total Assets less net current assets			31,204		30,874
Creditors: amounts falling due after more than one year	13	(2,434)		(1,986)	
Net assets			28,770		28,888
Capital and reserves					
Called up Ordinary Share capital	14		25		25
Called up 'A' Share capital	14		37		37
Share premium account	15		3,985		3,985
Special reserve	15		11,065		12,402
Revaluation reserve	15		14,466		14,090
Capital reserve - realised	15		(1,057)		(841)
Revenue reserve	15		249		(810)
Total Shareholders' funds			28,770		28,888
Basic and diluted net asset value per share					
Ordinary Share	16		117.3p		117.3p
'A' Share	16		0.1p		0.1p

The financial statements of Hazel Renewable Energy VCT2 plc on pages 33 to 50 were approved and authorised for issue by the Board of Directors on 31 January 2017 and were signed on its behalf by:



Peter Wisher
Chairman
Company number: 07378395

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2016

	Called up share capital £'000	Share Premium Account £'000	Special Reserve £'000	Revaluation reserve £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
Year ended 30 September 2015							
At 30 September 2014	62	3,985	13,632	12,127	(794)	(685)	28,327
Total comprehensive income	-	-	-	1,936	(20)	(125)	1,791
Transactions with owners							
Dividend paid	-	-	(1,230)	-	-	-	(1,230)
Transfer between reserves	-	-	-	27	(27)	-	-
At 30 September 2015	62	3,985	12,402	14,090	(841)	(810)	28,888
Year ended 30 September 2016							
At 30 September 2015	62	3,985	12,402	14,090	(841)	(810)	28,888
Total comprehensive income	-	-	-	370	(210)	1,059	1,219
Transactions with owners							
Dividends Paid	-	-	(1,226)	-	-	-	(1,226)
Repurchase and cancellation of own shares	-	-	(111)	-	-	-	(111)
Transfer between reserves	-	-	-	6	(6)	-	-
At 30 September 2016	62	3,985	11,065	14,466	(1,057)	249	28,770

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

CASH FLOW STATEMENT
for the year ended 30 September 2016

	Note	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Net cash inflow/(outflow) from operating activities	17	786	(482)
Cash flows from investing activities			
Purchase of investments	10	(1,057)	-
Proceeds from disposal of investments	10	1,148	1,203
Net cash inflow from investing activities		91	1,203
Net cash inflow before financing activities		877	721
Cash flows from financing activities			
Equity dividends paid	8	(1,226)	(1,230)
Long term loans		448	362
Purchase of own shares		(111)	-
Net cash outflow from financing activities		(889)	(868)
Net decrease in cash		(12)	(147)
Cash and cash equivalents at start of year		16	163
Cash and cash equivalents at end of year		4	16
Cash and cash equivalents comprise			
Cash at bank and in hand		4	16
Total cash and cash equivalents		4	16

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

NOTES TO THE ACCOUNTS
for the year ended 30 September 2016

1. General Information
Hazel Renewable VCT2 plc ("the Company") is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Accounting policies
Basis of accounting
The Company has prepared its financial statements under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies ("AIC") revised November 2014 ("SORP") as well as the Companies Act 2006.

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

This is the first year in which the Financial Statements have been prepared under FRS 102, however it has not been necessary to restate comparatives as the treatment previously applied aligns with the requirements of FRS 102. As a result, there are no reconciling differences between the previous financial reporting framework and the current financial reporting framework and the comparative figures represent the position under both current and previous financial reporting frameworks.

The financial statements are presented in Sterling (£).

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

Investments
All investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS 102 sections 11 and 12.

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.

2. Accounting policies (continued)

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

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

It is not the Company's policy to exercise controlling influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP and FRS 102 sections 14 and 15 that does not require portfolio investments to be accounted for using the equity method of accounting.

Income

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

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

Expenses

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

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

Taxation

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

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

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

Other debtors, other creditors and loan notes

Other debtors (including accrued income), other creditors and loan notes (other than those held as part of the investment portfolio as set out in note 10) 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.

3. Income

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Income from investments		
Loan stock interest	198	244
Dividend Income	1,586	335
	1,784	579
Other income		
Bank interest	-	1
	1,784	580

4. Investment management fees

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

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	432	144	576	424	141	565

5. Other expenses

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	35	-	35	35	-	35
Trail commission	115	-	115	114	-	114
Directors' remuneration	47	-	47	53	-	53
Social security costs	14	-	14	15	-	15
Auditor's remuneration for audit	20	-	20	20	-	20
Auditor's remuneration for non-audit services (taxation compliance)	3	-	3	3	-	3
Other	59	72	131	41	-	41
	293	72	365	281	-	281

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

6. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 24.

The Company had no employees (other than Directors) during the year. Costs in respect of these are referred to in note 5 above. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.

7. Tax on ordinary activities

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
(a) Tax charge for the year		
UK corporation tax at 20.0% (2015:20.5%)	-	-
Charge for the year	-	-
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	1,219	1,791
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20.0% (2015: 20.5%)	244	367
Effects of:		
UK dividend income	(317)	(69)
Gains on investments	(75)	(422)
Expenses disallowed for tax purposes	14	-
Losses available to carry forward	134	124
Current tax charge	-	-

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £2,339,000 (2015: £1,668,000). The associated deferred tax asset of £398,000 (2015: £342,000) 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.

8. Dividends

	Year ended 30 September 2016			Year ended 30 September 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Paid						
2016 Interim Ordinary – 5.0p	-	1,226	1,226	-	-	-
2015 Interim Ordinary – 5.0p	-	-	-	-	1,230	1,230
	-	1,226	1,226	-	1,230	1,230

9. Basic and diluted earnings per share

Profit/(loss) per share is calculated on the following:		Weighted average number of shares in issue	Revenue return/ (loss) £'000	per share	Capital return £'000	per share
Year ended 30 September 2016	Ordinary Shares	24,576,029	1,057	4.3	160	0.6
	'A' Shares	36,875,592	2	-	-	-
Year ended 30 September 2015	Ordinary Shares	24,603,156	(125)	(0.5)	1,913	7.8
	'A' Shares	36,904,733	-	-	3	-

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

10. Fixed assets – investments

	2016 Unquoted investments £'000	2015 Unquoted investments £'000
Opening cost at 1 October 2015	16,565	17,675
Unrealised gains as at 1 October 2015	14,091	12,127
Opening fair value at 1 October 2015	30,656	29,802
Movement in the year:		
Purchased at cost	1,057	-
Disposals - proceeds	(1,148)	(1,203)
- realised gains on disposals	6	121
Unrealised gains in the income statement	370	1,936
Closing fair value at 30 September 2016	30,941	30,656
Closing cost at 30 September 2016	16,475	16,565
Unrealised gains at 30 September 2016	14,466	14,091
Closing fair value at 30 September 2016	30,941	30,656

10. Fixed assets – investments (continued)

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

Level a Reflects financial instruments quoted in an active market;

Level b Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level c i) Reflects financial instruments with inputs that are not based on observable market data (unquoted equity investments and loan note investments).

ii) Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level a £'000	Level b £'000	Level c (ii) £'000	2016 £'000	Level a £'000	Level b £'000	Level c (ii) £'000	2015 £'000
Unquoted loan notes	-	-	5,641	5,641	-	-	6,334	6,334
Unquoted equity	-	-	25,300	25,300	-	-	24,322	24,322
	-	-	30,941	30,941	-	-	30,656	30,656

During the year to 30 September 2016 and 30 September 2015 there were no transfers between levels.

Reconciliation of fair value for Level c (ii) financial instruments held at the year end:

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2015	6,334	24,322	30,656
Movements in the income statement:			
Unrealised (losses)/gains in the income statement	-	370	370
Realised gains in the income statement	6	-	6
	6	370	376
Additions at cost	449	608	1,057
Sales proceeds	(1,148)	-	(1,148)
Balance at 30 September 2016	5,641	25,300	30,941

FRS 102 sections 11 and 12 require disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative assumptions where this would result in a significant change in the fair value of the Level c (ii) investments. There is an element of judgement 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 some of the Company's investments.

Investments which are reaching maturity or have an established level of maintainable earnings are valued on a discounted cash flow basis. The basis of valuation of the investment was unchanged during the year.

The Board and the investment manager believe that the valuation as at 30 September 2016 reflects the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Consequently, the variation in the spread of reasonable, possible, alternative valuations is likely to be in the range set out in note 18.

11. Debtors

	2016 £'000	2015 £'000
Prepayments and accrued income	420	362
	420	362

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Taxation and social security	2	3
Accruals and deferred income	159	157
	161	160

13. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Other loans	2,434	1,986
	2,434	1,986

Borrowings are repayable as follows:	2016 £'000	2015 £'000
After five years	2,434	1,986
	2,434	1,986

Of the amounts due after more than one year, £2,065,000 (2015: £1,522,000) was due to Lunar 2 Limited. The loan is interest free and has a term that ends on 17 December 2043. £65,000 (2015: £65,000) was due to Hewas Solar Limited, £27,000 (2015: £168,000) was due to HRE Willow Limited, £75,000 (2015: £152,000) was due to Minsmere Power Limited, £125,000 (2015: £nil) was due to Ayshford Solar (Holdings) Limited and £77,000 (2015: £80,000) was due to Gloucester Wind Limited. All loans are interest free and, other than those due to Lunar 2 Limited, are repayable after 5 years from drawdown. However, the Company has the right to repay all or any part of the loans at any time.

14. Called up share capital:

	2016 £'000	2015 £'000
Allotted, called up and fully-paid:		
24,504,858 (2015: 24,603,158) Ordinary Shares of 0.1p each	25	25
36,799,133 (2015: 36,904,733) 'A' Shares of 0.1p each	37	37
	62	62

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report, in pursuit of its principal investment objectives as stated on pages 16 and 17. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

The Company has the authority to buy back shares as described in the Report of the Directors. One purchase of 'Ordinary' Shares and one purchase of 'A' Shares was undertaken in the year. A total of 98,300 'Ordinary' Shares and 105,600 'A' Shares were purchased at a price of 111.0p per share and 0.1p per share respectively and were subsequently cancelled.

No shares were issued during the year ended 30 September 2016 or for the year ended 30 September 2015.

14. Called up share capital (continued)

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

1) Unless and until Ordinary Shareholders receive a dividend of at least 5.0p 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.

15. Reserves

	2016 £'000	2015 £'000
Share premium account	3,985	3,985
Special reserve	11,065	12,402
Revaluation reserve	14,466	14,090
Capital reserve- realised	(1,057)	(841)
Revenue reserve	249	(810)
	28,708	28,826

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserve is reduced by unrealised holding losses of £932,000 (2015: £819,000) which are included in the Revaluation reserve. At 30 September 2016, distributable reserves were £9,325,000 (2015: £9,932,000).

Share premium account
This reserve accounts for the difference between the prices at which shares are issued and the nominal value of the shares, less issue costs and transfers to the other distributable reserves.

Revaluation reserve
Increases and decreases in the valuation of investments held at the year end against cost are included in this reserve.

15. Reserves (continued)

Capital reserve – realised

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments; and
- expenses, together with the related taxation effect, charged in accordance with the above accounting policies.

Revenue reserve

This reserve accounts for movements from the revenue column of the Income Statement, the payment of dividends and other non-capital realised movements.

16. Basic and diluted net asset value per share

	Shares in issue		2016		2015	
	2016	2015	Net asset value		Net asset value	
			per share	£'000	per share	£000
Ordinary Shares	24,504,858	24,603,158	**117.3**	28,733	**117.3**	28,851
'A' Shares	36,799,133	36,904,733	**0.1**	37	**0.1**	37

The Directors allocate the assets and liabilities of the Company between the Ordinary Shares and 'A' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights as described in note 14.

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

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

	2016 £'000	2015 £'000
Profit for the financial year	1,219	1,791
Gains on investments	(376)	(2,057)
Increase in debtors	(58)	(218)
Increase in creditors	1	2
Net cash inflow/(outflow) from operating activities	786	(482)

18. Financial instruments

The Company held the following categories of financial instruments at 30 September 2016:

		2016		2015
	Cost	Value	Cost	Value
	£'000	£'000	£'000	£'000
Assets at fair value through profit or loss	16,475	30,941	16,565	30,656
Other financial assets/(liabilities)	259	259	(262)	(262)
Cash at bank	4	4	16	16
Total	16,738	31,204	16,319	30,410

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

The fair value of investments is determined using the detailed accounting policy as shown in note 2. The composition of the investments is set out in note 10.

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.

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

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

- Investment price risk; and
- Interest rate risk

18. Financial instruments (continued)

Investment price risk

The Company's investments which comprise of both equity and debt financial instruments in unquoted investments are all in renewable energy projects with predetermined expected returns. Consequently, the investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives which can be influenced by many macro factors such as changes in interest rates, electricity power prices and movements in inflation. 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 2016, the unquoted portfolio was valued at £30,941,000 (2015: £30,656,000). The key inputs to the valuation models are electricity power prices, inflation and discount factors. The Board considers that the most significant of these is discount factors and has undertaken some sensitivity analysis into the movement of these.

The analysis below is provided to illustrate the sensitivity of the fair value of investments to an individual input, while all other variables remain constant. The Board considers these changes in inputs to be within reasonable expected ranges. This is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range. The possible effects are quantified below.

0.5% movement in discount rates

Input	Base case	Change in input	Change in fair value of investments £'000	Change in NAV per share pence
Discount rate	6.5% – 7.25%	+0.5%	(1,871,000)	(7.6)
		-0.5%	2,197,000	9.0

Interest rate risk

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

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

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

18. Financial instruments (continued)

Interest rate risk (continued)

	Average interest rate	Average period until maturity	2016 £'000	2015 £'000
Fixed rate	3.3%	2,132 days	5,641	6,319
Variable rate	-%	- days	-	15
Floating rate	0.4%		4	16
No interest rate			23,125	22,538
			28,770	28,888

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

It is estimated that an increase of 1% in interest rates would have increased profit before tax for the year by £40. As the Bank of England base rate fell for the first time in seven years by 0.25% to 0.25% per annum, it is not believed that a further 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:

	2016 £'000	2015 £'000
Investments in loan stocks	5,641	6,334
Cash and cash equivalents	4	16
Interest, dividends and other receivables	420	362
	6,065	6,712

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 with interest, dividends and other receivables is covered within the investment management procedures. The level of security is a key means of managing credit risk. Additionally, the risk is mitigated by the security of the assets in the underlying investee companies.

18. Financial instruments (continued)

Credit risk (continued)

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

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

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the Company has a relatively low level of creditors being £161,000 (2015: 160,000) and has low loans from investee companies being £2,434,000 (2015: £1,986,000) the Board believes that the Company's exposure to liquidity risk is low. The Company always holds sufficient levels of funds as cash in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the Company's exposure to liquidity risk is minimal.

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

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

The carrying value of loan stock investments held at fair value through the profit and loss account at 30 September 2016 as analysed by the expected maturity date is as follows:

As at 30 September 2016	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	542	3,161	-	450	588	4,741
Past due loan stock	900	-	-	-	-	900
	1,442	3,161	-	450	588	5,641

Of the loan stock classified as "past due" above, £900,000 related to the principal of loan notes where, although the principal remains within the term, the investee company was not fully servicing the interest obligations under the loan note at 30 September 2016 and thus was in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due falls within the banding of less than one year past due. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

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

19. Capital management

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

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

As the Investment Policy implies, the Board would consider levels of gearing. As at 30 September 2016 the Company had loans from investee companies of £2,434,000 (2015: £1,986,000). It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous period.

20. Contingencies, guarantees and financial commitments

At 30 September 2016, the Company had no contingencies, guarantees or financial commitments.

21. Controlling party and related party transactions

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

During the year, Hazel Capital LLP was regarded as a related party as Bozkurt Aydinoglu was a director of the VCT and a controlling partner in Hazel Capital LLP. Bozkurt ceased to be a director from 7 March 2016 and Hazel Capital LLP ceased to be a related party as at that date.

Hazel Capital LLP provides investment management services to the Company. Details of the agreement with Hazel Capital LLP are included within note 4. During the year ended 30 September 2016, £576,000 (2015: £565,000) was payable to Hazel Capital LLP in respect of these services. At the year end there was no balance owing to Hazel Capital LLP (2015: nil).

In accordance with the prospectus and the Investment Management agreement, Hazel Capital LLP receives trail commission of 0.4% of the net assets of the Company at the year end, out of which it pays trail commission to financial intermediaries. As at 30 September 2016, this amounted to £115,000 (2015: £114,000), all of which is outstanding and included in accruals and deferred income under Creditors.

22. Events after the end of the reporting period

On 19 January 2017, the Company held a General Meeting seeking Shareholder approval for the Company to continue as a VCT for a further five years. The resolution was not passed by Shareholders and so now the board is required to put proposals to Shareholders for a voluntary liquidation, reconstruction or other reorganisation of the Company. The same resolution for the sister company, Hazel Renewable Energy VCT1 plc ("Hazel 1"), was passed by Shareholders. As a result, the board is exploring options for the future of the two Companies with the Hazel 1 Board and expects to draw up formal proposals in the coming months.

The boards of both companies will review options for the future and expect to come to a conclusion in the coming months. Should this review result in a decision to voluntarily liquidate the Company, it is likely that this would take place over a period of two to three years. The Directors therefore believe that it remains appropriate to prepare the accounts on a going concern basis. The financial effect of this event cannot be determined at this time, although if a voluntary liquidation were to take place, there might ultimately be a reduction in net asset value as a result of realising investments at lower than the current carrying values and costs associated in selling the Company's investments.

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

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of Hazel Renewable Energy VCT2 plc will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11.35 a.m. on 13 March 2017 for the transaction of the following business:

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

1. To receive and adopt the Report and Accounts for the year ended 30 September 2016 together with the Report of the Auditor thereon.

2. To approve the Directors' Remuneration Report.

3. To approve the Directors' Remuneration Policy.

4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.

5. To re-elect as Director, Matthew Evans, who retires and, being eligible, offers himself for re-election.

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

Special Resolutions

6. 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 3,651,224 Ordinary Shares and 5,483,071 '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
Ergon House
Horseferry Road
London SW1P 2AL
31 January 2017

Notes

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the Power of Attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

(e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:35 am. on 9 March 2017 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 11:35 am. on 9 March 2017 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 31 January 2017, the Company's issued share capital comprised 24,504,858 Ordinary Shares and 36,799,133 'A' Shares and the total number of voting rights in the Company were 24,541,657,133. The website referred to above will include information on the number of shares and voting rights.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

HAZEL RENEWABLE ENERGY VCT2 PLC
FORM OF PROXY

For use at the Annual General Meeting of the above named Company to be held on Ergon House, Horseferry Road, London SW1P 2AL at 11.35 a.m. on 13 March 2017.

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

of ....

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

or ....

of ....

as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at Ergon House, Horseferry Road, London SW1P 2AL at 11.35 a.m. on 13 March 2017 or at any adjournment thereof.

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

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

ORDINARY BUSINESS	**FOR**	**AGAINST**	**WITHHELD**
1. To receive and adopt the Directors' Report and Accounts.	☐	☐	☐
2. To approve the Directors' Remuneration Report.	☐	☐	☐
3. To approve the Directors' Remuneration Policy.	☐	☐	☐
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration.	☐	☐	☐
5. To re-elect Matthew Evans as a director.	☐	☐	☐
SPECIAL BUSINESS			
6. To authorise the Company to make market purchases of its shares.	☐	☐	☐

Signature(s)*.. Date...................................2017

* Delete as appropriate

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

NOTES AND INSTRUCTIONS:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.

2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

3. Any alterations to the Form of Proxy should be initialled.

4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.

6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.

7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.