

New  
Century  
AIM  
VCT2  
plc

31st December

2011

Audited Report and Accounts for  
the year to 31st December 2011

TUESDAY



A45  
"A1EAJYU"  
31/07/2012 #427  
COMPANIES HOUSE

<b>Financial Summary</b>	<b>1</b>
<b>Investment Objective</b>	<b>1</b>
<b>Chairman's Statement</b>	<b>2</b>
<b>Details of Directors</b>	<b>3</b>
<b>Management and Administration</b>	<b>4</b>
<b>Directors</b>	<b>5</b>
<b>Investment Manager's Review</b>	<b>6</b>
<b>Investment Portfolio</b>	<b>7</b>
<b>Top Ten Investments</b>	<b>10</b>
<b>Directors' Report</b>	<b>11</b>
<b>Directors' Remuneration Report</b>	<b>14</b>
<b>Corporate Governance</b>	<b>16</b>
<b>Independent Auditors' Report</b>	<b>19</b>
<b>Income Statement</b>	<b>21</b>
<b>Balance Sheet</b>	<b>22</b>
<b>Cash Flow Statement</b>	<b>23</b>
<b>Notes to the Financial Statements</b>	<b>24</b>
<b>Shareholder Information</b>	<b>33</b>
<b>Notice of Annual General Meeting</b>	<b>33</b>
<b>Form of Proxy</b>	

## Financial Summary

	Year ended 31 December 2011	Year ended 31 December 2010
Revenue return per share (pence) for the year	-0.12	-0.17
Total return per share (pence) for the year	-8.42	-2.65
Proposed dividends per share (pence)	0.00	0.00
Net asset value per share (pence)	39.80	47.28
Cumulative value of shareholder investment (net asset value plus cumulative dividends per share) (pence)	40.76	49.04
Shareholders' funds (£'000)	2,401	2,716

The 2010 comparative information has not been amended in respect of subsequent share issues

## Investment Objective

New Century AIM VCT2 PLC is a Venture Capital Trust ("VCT") established under the legislation introduced in the Finance Act 1995. The company's principal objectives as set out in the prospectus are to achieve long term capital growth through investment in a diversified portfolio of Qualifying Companies primarily quoted on AIM.

## Chairman's Statement

In the year to 31 December 2011, the FTSE AIM Index declined by 25.8%. Your fund was not immune to this weakness, though the decline in asset value was rather less at 15.8%.

Qualifying investments fell from 76.1% to 70.3% primarily due to the takeover of Coolabi which was a qualifying investment.

We regret to say that we are unable to pay a dividend this year due to a lack of distributable reserves.

With the arrival of the 5 year anniversary of the fund, we are aware that certain shareholders may soon wish to dispose of their shares without losing their tax relief. Under normal circumstances, we would arrange a share buy back to facilitate this. However, due to the lack of distributable reserves, this is not possible. To rectify the situation, we are currently working with our lawyers to write off past losses against the share premium account. This will involve court approval. However, once granted, we shall be in a position to pay out future profits as dividends and to facilitate buy backs. While the delay in buy backs is regretted, the Board will take every step possible to enable investors to sell their shares through a buy back.

I would like to thank the management for their efforts over the year.

### Annual General Meeting

The AGM will be held at 11.30am on *21 June 2012* at 17-21 New Century Road  
Landon, Essex SS15 6AG

Geoffrey Charles Gamble

Chairman

26 April, 2012



## **Details of Directors**

### **Michael Barnard (Aged 61)**

Michael has been employed in stockbroking since 1971. In 1974 he became a Member of the Stock Exchange. During his career his duties have spanned investment advising, investment research, dealing and company management. In 1988 he started his own stockbroking company, M D Barnard. Based in Laindon, Essex, it has offices in London, Wells, Exeter and Colchester. Since 1995, he has been either managing or advising unit trust, private client and pension company portfolios with a total value of approximately £115 million.

### **Geoffrey Gamble (Aged 51)**

Geoffrey started his career with National Westminster Bank plc. He joined Publishing Holdings plc in 1984 and became a director in 1986. He took part in an MBO in 1988, backed by Schroder Ventures (now Permira) to form Charterhouse Communications Group Ltd and was instrumental in the satisfactory venture capital exit from that company and its flotation on AIM in 1996. He became managing director of Charterhouse Communications plc in 1999.

### **Peter William Riley (Aged 65)**

Peter qualified as a solicitor in 1969 and in that year became partner of Mitchells, Solicitors. In 1977, he became a partner in his present solicitor practice, Daybells, where he specialises in property law with an emphasis on large commercial properties.

### **Ian Cameron-Mowat (Aged 61)**

Ian has a Bsc 1st degree in electronics and was involved in the early development of computers at Burroughs Machines. He is currently a consultant radiologist to a NHS Trust.

## **Management and Administration**

<b>Registered Office</b>	4 <sup>th</sup> Floor, 150-152 Fenchurch Street London EC3M 6BB
<b>Company Secretary</b>	Graham Kenneth Urquhart FCIS 4 <sup>th</sup> Floor, 150-152 Fenchurch Street London EC3M 6BB
<b>Registrar</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>Solicitors</b>	Dundas & Wilson 5th Floor, Northwest Wing Bush House Aldwych London WC2B 4EZ
<b>Investment Manager and Broker</b>	M D Barnard & Company Limited 17-21 New Century Road Landon, Essex SS15 6AG
<b>Auditor &amp; VCT Status Adviser</b>	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW
<b>Bankers</b>	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN

## **Directors**

Geoffrey Gamble (Chairman)  
Michael David Barnard  
Peter William Riley  
Ian Cameron-Mowat

All directors are non-executive

## **Audit Committee**

Geoffrey Gamble (Chairman)  
Peter William Riley  
Ian Cameron-Mowat

## Investment Manager's Review

2011 will be remembered for fears over the Eurozone, and in particular Greece. These worries impacted both the main market and AIM.

Despite this, your fund had some notable successes. A H Medical and Coolabi were both taken over resulting in an increase in value of £74,625 over the previous year end valuation. Advanced Computer continued to make good progress with a further gain of £72,000. We also benefited from a short term gain of £24,636 on Angle.

On the negative front, we lost around £83,000 on Cyan which reflected a cash raising exercise at a low price. Results from Bango did not live up to expectations and our holding fell in value by £65,000 though since then their share price has recovered sharply on some important orders from Amazon and Facebook.

### Outlook

While still precarious, the financial situation in Europe does appear to be stabilising and share prices have recently been showing some improvement as a result. Reflecting the improved conditions, the net asset value of the fund has recovered to 42.7p per share as at 13 April 2012. Many companies in which we have invested are producing better results and making encouraging statements about the future. We therefore feel cautiously optimistic.

Michael Barnard

26 April 2012



## Investment Portfolio

Security	Cost	Valuation	%	%
		31/12/2011	Cost	Valuation
<b>Qualifying Investments</b>	3,653,834	1,485,706	70.31	61.68
<b>Non-qualifying Investments</b>	1,384,498	765,029	26.64	31.76
<b>Uninvested funds</b>	158,063	158,063	3.04	6.56
	<b>5,196,395</b>	<b>2,408,798</b>	<b>100.00</b>	<b>100.00</b>
<b>Qualifying Investments</b>				
<b>AIM Quoted</b>				
Marechale Capital plc	151,504	15,000	2.92	0.62
Sinclair Pharma plc	288,020	242,000	5.54	10.05
EBTM plc	471,420	0	9.07	0.00
HML Holdings plc	271,350	100,000	5.22	4.15
Sport Media Group plc	125,625	0	2.42	0.00
Environ Group plc	334,125	10,000	6.43	0.42
Kurawood plc	150,750	0	2.90	0.00
Boomerang Plus plc	238,185	72,000	4.58	2.99
Corac Group plc	160,062	82,274	3.08	3.42
Tristel plc	204,303	188,100	3.93	7.81
Advanced Computer Software	102,510	282,000	1.97	11.71
Cyan Holdings plc	204,219	67,322	3.93	2.79
Savile Group	126,254	13,125	2.43	0.54
M Winkworth plc	72,360	75,600	1.39	3.14
Green Compliance plc	33,668	20,770	0.65	0.86
Bango plc	32,411	51,000	0.62	2.12
Angel Biotech Holdings	125,506	103,500	2.42	4.30
In-Deed Online	66,906	61,815	1.29	2.57
Music Festivals plc	45,731	39,200	0.88	1.63
Inspired Energy plc	45,231	45,000	0.87	1.87
	<b>3,250,140</b>	<b>1,468,706</b>	<b>62.54</b>	<b>60.99</b>
<b>Plus Markets Quoted</b>				
General Medical Clinics plc	37,371	17,000	0.72	0.71
CKS Group plc	366,323	0	7.05	0.00
	<b>403,694</b>	<b>17,000</b>	<b>7.77</b>	<b>0.71</b>
<b>Total qualifying investments</b>	<b>3,653,834</b>	<b>1,485,706</b>	<b>70.31</b>	<b>61.68</b>

## Investment Portfolio

Security	Cost	Valuation 31/12/2011	% Cost	% Valuation
<b>Non-qualifying Investments</b>				
<b>AIM Quoted</b>				
NetDimensions Ltd	31,155	10,500	0.60	0.44
Ashley House plc	86,558	13,500	1.67	0.56
DCD Media	60,300	750	1.16	0.03
Eco City Vehicles	15,530	6,000	0.30	0.25
ILX Group	30,099	11,500	0.58	0.48
Sanderson Group	58,231	36,400	1.12	1.51
Pactolus Hungarian Prop	10,616	5,000	0.20	0.21
Fishworks plc	30,150	0	0.58	0.00
AT Communications Group	41,815	0	0.80	0.00
STM Group	35,855	16,000	0.69	0.66
Rotala plc	39,902	39,000	0.77	1.62
Tristel plc	60	38	0.00	0.00
Advanced Computer Software	97	94	0.00	0.00
Green Compliance plc	2	1	0.00	0.00
Bango plc	299	136	0.01	0.01
2Ergo Group	17,932	18,500	0.35	0.77
Stadium Group	7,036	6,930	0.14	0.29
May Gurney	6,687	6,925	0.13	0.29
Merchant House	19,448	14,000	0.37	0.58
Sportingbet	9,614	9,300	0.19	0.39
	<b>501,386</b>	<b>194,574</b>	<b>9.66</b>	<b>8.09</b>
<b>UK listed</b>				
Investec	443,821	158,100	8.54	6.56
4Imprint Group	20,024	29,640	0.39	1.23
British American Tobacco	22,104	30,550	0.43	1.27
China Food	12,629	5,750	0.24	0.24
Hansard Global	16,486	15,100	0.32	0.63
Astrazeneca	21,440	20,825	0.41	0.86
Greggs plc	10,228	10,120	0.20	0.42
Chemring Group	26,254	15,960	0.51	0.66
Cineworld Group	31,432	30,600	0.60	1.27
HSBC Holdings	18,881	14,700	0.36	0.61
Networkers Int	12,443	12,250	0.24	0.51
Microsaic Systems	24,951	26,600	0.48	1.10
Renew Holdings	11,379	13,600	0.22	0.56
Tullett Prebon	14,407	10,760	0.28	0.45
William Hill	11,350	10,100	0.22	0.42
Imperial Tobacco	23,759	24,350	0.46	1.01
	<b>721,588</b>	<b>429,005</b>	<b>13.9</b>	<b>17.80</b>

## Investment Portfolio

### Unlisted Investments

DCD Media loan notes 2012	30,868	16,500	0.59	0.68
Environ Group plc	40,200	30,000	0.77	1.25
Merchant House Loan notes	45,228	59,850	0.87	2.48
Merchant House CULS	45,228	35,100	0.87	1.46
	<u>161,524</u>	<u>141,450</u>	<u>3.10</u>	<u>5.87</u>

<b>Total non-qualifying investments</b>	<b>1,384,498</b>	<b>765,029</b>	<b>26.64</b>	<b>31.76</b>
---	------------------	----------------	--------------	--------------

## Top Ten Investments

Security	Cost	Valuation	%
Advanced Computer Software	102,510	282,000	11.71
Sinclair Pharma	288,020	242,000	10.05
Tristel plc	204,303	188,100	7.81
Investec plc	443,821	158,100	6.56
Angel Biotech	125,506	103,500	4.30
HML Holdings plc	271,350	100,000	4.15
Corac Group	160,062	82,274	3.42
M Winkworth plc	72,360	75,600	3.14
Boomerang Plus plc	238,185	72,000	2.99
Cyan Holdings plc	204,219	67,322	2.79

The investments tabulated above are expressed as a percentage by valuation of the company's investment portfolio including uninvested cash

## Directors' Report

The directors present their report and the audited financial statements for the year to 31 December 2011

### Activities and status

The principal activity of the company during the year was the making of long-term equity and loan investments in unquoted and AIM traded companies in the United Kingdom. The company has been listed on the London Stock Exchange since 4 April 2007 and has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on page 2 and the Investment Manager's Review on page 6 give a review of developments during the year and of future prospects.

The directors have managed the affairs of the company with the intention that it will qualify for approval by the Inland Revenue as a Venture Capital Trust for the purposes of Section 842AA of the Income and Corporation Taxes Act 1988 ('the Act'). The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Section 414 of the Act.

### Principal risks and uncertainties

The company invests its funds primarily in unlisted companies and companies traded on AIM, which entail a higher degree of risk than investments in large listed companies. The main risk, therefore, arising from the company's activities is market price risk, representing the uncertain realisable values of the company's investments. Please refer to note 20 to these accounts which gives a detailed review of the company's risk management.

### Results and dividend

	Year to 31 December 2011		Year to 31 December 2010	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Return on ordinary activities after taxation	(8)	(499)	(10)	(142)
Appropriated as follows				
<i>Interim dividend paid</i>				
Revenue – nil p	-	-	-	-
Capital – nil p	-	-	-	-
<i>Final dividend paid in respect of prior year</i>				
Revenue – 0.00p (0.00p) per share	-	-	-	-
Capital – nil p per share	-	-	-	-
Transfers to reserves	(8)	(499)	(10)	(142)

## Directors' Report

### Directors

The directors of the company who served throughout the year and their interests in the issued ordinary shares of 10p of the company are as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Michael David Barnard	606,854	200,000
Geoffrey Gamble	176,000	176,000
Peter William Riley	3,000	3,000
Ian Cameron-Mowat	100,000	100,000

All of the directors' share interests shown above are held beneficially. There have been no changes in the directors' share interests between 31 December 2011 and the date of this report.

Brief biographical notes on the directors are given on page 3. The director, retiring in accordance with the Company's Articles of Association, Ian Cameron-Mowat, who being eligible will offer himself for re-election at the forthcoming annual general meeting. The directors believe his experience in small companies is a great benefit to the Board and recommend his re-election.

None of the directors have a contract of service with the company and, except as mentioned below under the heading "Management", there were no contracts that subsisted during the year in which a director was materially interested and which was significant in relation to the company's business.

### Management

M D Barnard & Co Limited has acted as investment manager to the company since inception. The principal terms of the Investment Management Agreement are set out in Note 3 to the Financial Statements.

### VCT status monitoring

The company has engaged UHY Hacker Young LLP to advise it on compliance with the VCT legislation. UHY Hacker Young LLP reviews the company's investment portfolio to monitor ongoing VCT compliance. UHY Hacker Young LLP works closely with the investment manager, but reports directly to the Board of the company.

### Substantial shareholdings

The company has been notified, in accordance with Chapter 5 of FSA's Disclosure and Transparency Rules, of the under noted interests as at 31 December 2011 of 3 per cent shareholders and above.

MD Barnard	606,854
DM Trotman	200,000
RS Like	200,000
JR Atkinson	200,000
J Beddoe	200,000
T Phanos	200,000
IA Houston	200,000
A Lanza	200,000
P Sterne	200,000
G Gamble	176,000

## **Directors' Report**

### **Creditor payment policy**

The company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The company's principal expenses such as investment management fees and administration fees are paid quarterly in arrears in accordance with the respective agreements. Accordingly the company had no material trade creditors at the year end.

### **Post balance sheet events**

Details of the post balance sheet events are set out in note 24.

### **Annual general meeting**

Notice of the annual general meeting is set out on page 34.

### **Auditors**

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that UHY Hacker Young LLP be reappointed as auditors of the Company and that the Directors be authorised to determine their remuneration will be put to the next Annual General Meeting.

### **Statement of disclosure to auditors**

So far as the directors are aware

- 1 there is no relevant audit information of which the Company's auditors are unaware, and
- 2 the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

*By Order of the Board*



Michael Barnard

26 April 2012

## **Directors' Remuneration Report**

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 1 June 2012.

### **Directors' remuneration policy**

The company does not have any executive directors and, as permitted under the Listing Rules, has not, therefore, established a remuneration committee. Directors do not receive any remuneration or fees.

The directors shall be paid by the company all travel, hotel and other expenses they may incur in attending meetings of the directors or general meetings or otherwise in connection with the discharge of their duties. Any director who, by request of the directors, performs special services may be paid such extra remuneration as the directors may determine.

### **Directors' remuneration (audited)**

None of the Directors received any remuneration from the company during the year under review.

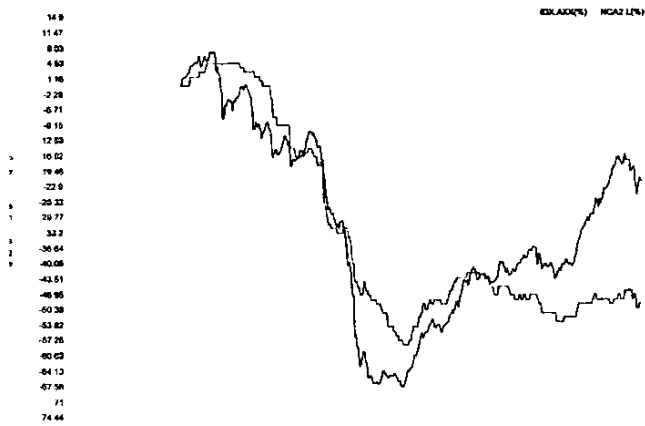
No other emoluments or pension contributions were paid by the company to, or on behalf of, any director. None of the directors has a service contract with the company. It is expected that the directors will continue not to receive any remuneration for their services in the forthcoming years.

### **Performance**

The directors consider that the most appropriate measure of the company's performance is its Cumulative Value of Shareholder Investment (net asset value plus cumulative dividends). The company's Cumulative Value of Shareholder Investment at 31 December 2010 and 31 December 2011 is set out in the Financial Summary on page 1.

## Directors' Remuneration Report

### Total shareholder return



The above graph shows the company's total shareholder return compared to that of the FTSE AIM All Index total return for the period since listing on the London Stock Exchange

By Order of the Board

Michael Barnard

## Corporate Governance

The directors support the relevant principles of the Combined Code issued in June 2008 by the Financial Reporting Council, being the principles of good governance and the code of best practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority

### Going Concern

Bearing in mind that the assets of the company consist mainly of marketable securities, the directors are of the opinion that at the time of approving the financial statements, the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

### The Board

The company is led and controlled by a Board of directors who are all non-executives and who have had relevant experience with quoted companies prior to their appointment. The Chairman is Geoffrey Gamble. Biographical details of all Board members are shown on page 3.

One third of the Directors are subject to re-election at each AGM by rotation.

During the year the following were held

5 full board meetings	2 Audit Committee meetings
All directors attended all meetings with the exception of Mr Riley on two occasions and Mr Cameron—Mowat on five occasions	All members attended with the exception of Mr Cameron-Mowat on two occasions

All directors had relevant experience with quoted companies prior to their appointment and it was therefore not thought necessary to provide further training in respect of their obligations and duties.

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.

The Board believes that it presents a balanced and understandable assessment of the company's position and prospects. The Audit Committee meets at least once a year. Under the chairmanship of a non-executive director, its membership comprises all the non-executive directors with the exception of the representative of the investment manager. During the year the Audit Committee was chaired by Mr Gamble. The Audit Committee reviews the financial statements and is reported to by the external auditors. Further, the Audit Committee keeps under review the cost effectiveness, independence and objectivity of the auditors. A formal statement of independence is received from the external auditors each year. The terms of reference of the audit committee are available for inspection at the company's registered office.

The investment manager is authorised and regulated by the Financial Services Authority and the directors have an opportunity to review their own auditors' review of their financial controls.

### Relations with shareholders

The Chairman is the company's principal spokesman with investors, fund managers, the press and other interested parties.

Shareholders will 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 year, or to meet with major shareholders if so requested.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any shareholder queries.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company.

## Corporate Governance

Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes will be 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 next AGM and proxy form can be found at the end of these financial statements.

### Financial Reporting

The directors' statement of responsibilities for preparing the accounts is set out on page 18, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 19.

### Internal control

The directors are responsible for the company's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The directors have conducted a review of the effectiveness of the system of internal control for the year covered by the financial statements. This accords with the Turnbull guidance.

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 to M D Barnard & Co Limited.

### Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. The preamble to the Combined Code does however acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 December 2011 with the provisions set out in Section 1 of the Combined Code.

- 1 The Board has not appointed a nominations committee as they consider the Board to be small and it comprises wholly non-executive directors. Appointments of new directors are dealt with by the full Board.
- 2 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.
- 3 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.
- 4 The company has three independent directors, as defined by the Combined Code issued in June 2008. The board consider that Messrs Gamble, Riley and Cameron-Mowat are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect the directors' judgement. The Board considers that all directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.
- 5 The company does not have a chief executive officer or senior independent director. The Board does not consider this to be necessary for the size of the company.
- 6 The company does not conduct a formal review as to whether there is a need for an internal audit function. The directors do not consider that an internal audit would be an appropriate control for a venture capital trust.

## Corporate Governance

- 7 The Audit Committee is chaired by John Geoffrey Gamble, Chairman of the Board of directors, whom the board regard as independent despite recommendations to the contrary in the Combined Code due to his being Chairman of the Board of directors
- 8 The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts
- 9 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 annual general meeting

### Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the revenue of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, 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 ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the company, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the company's system of internal control, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Responsibility statement

The directors confirm that to the best of their knowledge

- 1 the financial statements, prepared in accordance United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and
- 2 the Directors' report includes a fair review of the development and performance and position of the company, together with a description of the principal risks and uncertainties that it faces

## **Independent Auditors' Report to the members of New Century AIM VCT2 plc**

We have audited the financial statements of New Century AIM VCT 2 plc for the year ended 31 December 2011 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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 31 December 2011 and of the company's loss for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the company financial statements, Article 4 of the IAS Regulation.

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

In our opinion

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

## Independent Auditors' Report to the members of New Century AIM VCT2 plc

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

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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' statement, set out on page 16, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to the shareholders by the Board on directors' remuneration



**Michael Egan (Senior statutory auditor)**  
for and on behalf of UHY Hacker Young

Chartered Accountants  
Statutory Auditors

UHY Hacker Young  
Quadrant House  
4 Thomas More Square  
London, E1W 1YW

26 April 2012

**Income Statement (incorporating the revenue account)  
for the year to 31 December 2011**

	Notes	Year ended 31 December 2011			Year ended 31 December 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments							
- realised		-	110	110	-	(299)	(299)
- unrealised		-	(589)	(589)	-	177	177
Income	2	34	-	34	36	-	36
Investment management fee	3	(7)	(20)	(27)	(7)	(21)	(28)
Other expenses	4	(35)	-	(35)	(38)	-	(38)
<b>Return on ordinary activities before taxation</b>		(8)	(499)	(507)	(9)	(143)	(152)
Tax (charge)/credit on ordinary activities	6	-	-	-	-	-	-
<b>Return on ordinary activities after taxation</b>		(8)	(499)	(507)	(9)	(143)	(152)
		=====	=====	=====	=====	=====	=====
Return per ordinary share (pence)	8	(0.12)	(8.30)	(8.42)	(0.17)	(2.48)	(2.65)
		=====	=====	=====	=====	=====	=====

The notes on pages 24 to 33 form an integral part of these financial statements

All revenue and capital items in the above statement are from continuing operations in the current year. No operations were acquired or discontinued in the current year. Other than that shown above, the company had no recognised gains or losses. Accordingly no statement of total recognised gains and losses has been prepared.

**Balance Sheet  
at 31 December 2011**

	Note	As at 31 December 2011 £'000	As at 31 December 2010 £'000
<b>Fixed assets</b>			
Investments	9	2,251	2,648
<b>Current assets</b>			
Debtors	12	158	81
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	13	(8)	(13)
		<u>2,401</u>	<u>2,716</u>
<b>Capital and reserves</b>			
Called up share capital	14	615	574
Share premium	15	5,251	5,100
Capital reserve – realised	15	(586)	(485)
Capital reserve – unrealised	15	(2,852)	(2,454)
Revenue reserve	15	(27)	(19)
		<u>2,401</u>	<u>2,716</u>
<b>Total equity shareholders' funds</b>	16	<u>2,401</u>	<u>2,716</u>
<b>Net asset value per ordinary share</b>	17	<u>40p</u>	<u>47p</u>

The financial statements on pages 21 to 32 were approved by the Board of directors on 26 April 2012 and were signed on its behalf by

*M Barnard*

Michael Barnard  
Director

The notes on pages 24 to 33 form an integral part of these financial statements

Company Reg No. 06054576

## Cash Flow Statement for the year to 31 December 2011

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<b>Net cash outflow from operating activities</b>	19	(67)	(61)
<b>Returns on investments</b>			
Interest received		4	1
Investment income		<u>30</u>	<u>35</u>
		34	36
<b>UK Corporation Tax paid</b>		-	-
<b>Dividend paid</b>		-	(13)
<b>Capital expenditure &amp; financial investment</b>			
Sale of investments		748	593
Purchase of investments		<u>(830)</u>	<u>(425)</u>
<b>Net cash (outflow)/inflow for capital expenditure &amp; financial investment</b>		(82)	168
<b>Additional Share Capital net of expenses</b>		192	-
<b>Net cash (outflow)/inflow</b>		<u>(115)</u>	<u>130</u>
<b>Increase in uninvested funds with broker</b>		<u>77</u>	<u>130</u>

The notes on pages 24 to 33 form an integral part of these financial statements

# Notes to the Financial Statements

## for the year to 31 December 2011

### 1 Accounting policies

#### General

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". The accounts have been prepared under the historical cost convention, as modified to include the revaluation of fixed asset investments.

#### Investments

Listed or AIM traded investments are stated at market value, which is based upon market bid prices at the balance sheet date. In the event that the shares held by the company are subject to certain restrictions, or the holding is significant in relation to the traded issued share capital of the investee company then the directors may apply a discount to the relevant market price.

Investments in unquoted companies are valued by the directors in accordance with British Venture Capital Association ("BVCA") guidelines.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to realised capital reserves. Unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves. Costs incurred relating to acquisitions and disposals are charged to capital reserves as a deduction from proceeds or an addition to costs.

It is not the company's policy to exercise controlling or significant influence over investee companies, although it may hold a significant interest in some companies. Accordingly, the results of these companies are not incorporated into the revenue account except to the extent of any income earned or received.

#### Income

Dividend income receivable from quoted securities is recognised on the ex-dividend date. Income from unquoted equity and non-equity securities is recognised on an accruals basis except that a full provision is made until the receipt of the income is certain.

Interest from cash and deposits and fixed returns on debt securities are recognised on an accruals basis.

#### Expenses

All expenses are accounted for on an accruals basis. One quarter of the investment management fee is charged to the revenue account and the remaining three quarters is charged to capital reserves, net of corporation tax relief, and inclusive of any irrecoverable value added tax. The allocation of the management fee reflects the directors' estimate of the source of the long-term returns in the portfolio from revenue and capital.

**Notes to the Financial Statements  
for the year to 31 December 2011**

**1 Accounting policies (continued)**

**Taxation**

Deferred taxation 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 financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**2 Income**

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<b>Interest receivable</b>		
- listed fixed interest securities	-	1
- unquoted investment portfolio	4	-
- bank deposits and liquid funds	-	-
	<u>4</u>	<u>1</u>
<b>Other income</b>		
Dividends receivable	30	35
	<u>34</u>	<u>36</u>

**3 Investment management fees**

	Year ended 31 December 2011		Year ended 31 December 2010	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Investment management fees	<u>7</u>	<u>20</u>	<u>7</u>	<u>21</u>

MD Barnard & Company Limited ("MDB") provides investment management services to the company in respect of the company's portfolio of venture capital investments under an investment management agreement dated 12 March 2007. Michael Barnard who is a non-executive director of the company is the owner and managing director of MDB.

Under the terms of the investment management agreement, MDB is entitled to a fee (exclusive of VAT) equal to 1% per annum of the net assets of the company. The fee is calculated quarterly in arrears based on the net assets at 31 March, 30 June, 30 September and 31 December. During the year ended 31 December 2011, the fee payable to MD Barnard & Company equated to 1% per annum of net assets. No performance fee is payable.

The investment management agreement is for a minimum period of three years from 12 March 2007 terminable by either party at any time thereafter by one year's prior written notice.

**Notes to the Financial  
Statements  
for the year to 31 December 2011**

**4 Other expenses**

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Administrative and secretarial services	11	12
Auditors' remuneration	10	8
-for tax services	4	7
Regulatory fees	10	9
Other expenses	-	2
	<u>35</u>	<u>38</u>

**5 Directors' remuneration**

No remuneration has been paid or is payable for year to 31 December 2011 or in respect of the prior year

**6 Tax charge/(credit) on ordinary activities**

	Year ended 31 December 2011		Year ended 31 December 2010	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
United Kingdom tax based on the taxable profit for the year				
- Current year	-	-	-	-
- Prior year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Factors affecting tax charge for the year</b>				
Return on ordinary activities before taxation	<u>(8)</u>	<u>(499)</u>	<u>(9)</u>	<u>(143)</u>
Tax on above at the small company rate of 20% (2010 21%)	(1)	(100)	(2)	(30)
UK dividends not subject to corporation tax	(6)	-	(8)	-
Non deductible losses / (Non taxable gains) on investment	-	95	-	25
Non allowable expenses	-	-	-	-
Unutilised losses	7	5	10	5
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current tax charge/(credit) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the Financial Statements  
for the year to 31 December 2011**

**7 Dividends**

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interim dividend paid	-	-
Final dividend paid in respect of previous year	-	13
	<u>-</u>	<u>13</u>

The directors do not propose a dividend in respect of the year ended 31 December 2011

**8 Return per ordinary share**

The revenue return, per ordinary share, is based on the net revenue on ordinary activities after taxation of -£7,473 (2010 -£9,515) and on 6,032,006 (2010 5,745,550) ordinary shares, being the weighted average number of ordinary shares in issue during the year

The total return per ordinary share is based on a net loss after taxation of £507,654 (2010 £152,101) and on 6,032,006 (2010 5,745,550) ordinary shares, being the weighted average number of ordinary shares in issue during the year

**9 Fixed asset investments**

	As at 31 December 2011 £'000	As at 31 December 2010 £'000
Gilts	-	-
UK listed	429	321
AIM	1,663	2,215
PLUS Markets	17	54
Unlisted	142	58
	<u>2,251</u>	<u>2,648</u>

Movements in investments, including realised and unrealised gains and losses, during the year are summarised as follows

	Year ended 31 December 2010					Total £'000
	Gilts £'000	UK Listed £'000	AIM £'000	Plus Mkts £'000	Un- listed £'000	
at 1 January 2010	-	731	4,338	404	31	5,504
Purchases	-	42	324	18	40	424
Transfers	-	-	-	-	-	-
	-	773	4,662	422	71	5,928
less Sales	-	122	463	-	8	593
	-	651	4,199	422	63	5,335
Realised gains/losses	-	(34)	(273)	-	8	(299)
Unrealised gains/losses	-	(295)	(1,713)	(367)	(13)	(2,388)
	-	322	2,213	55	58	2,648
Cost at 31 December 2010	-	617	3,928	422	71	5,038

**Notes to the Financial Statements  
for the year to 31 December 2011**

**9 Fixed asset investments (continued)**

	Year ended 31 December 2011					Total £'000
	Gilts £'000	UK £'000	AIM £'000	Plus Mkts £'000	Un- listed £'000	
at 1 January 2011	-	322	2,213	55	58	2,648
Purchases	-	304	437	-	90	831
Transfers	-	-	-	-	-	-
	-	626	2,650	55	148	3,479
less Sales	-	142	576	30	1	749
	-	484	2,074	25	147	2,730
Realised gains/losses	-	16	93	-	1	110
Unrealised gains/losses	-	(71)	(504)	(8)	(6)	(589)
	-	429	1,663	17	142	2,251
Cost at 31 December 2011	-	722	3,751	404	161	5,038

The overall gain/ (loss) on investments for the years shown in the Income Statement is as follows

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Net realised gain / (loss) on disposal	110	(299)
(Decrease)/increase in unrealised appreciation	(589)	177
	<u>(479)</u>	<u>(122)</u>

**10 Venture capital investments**

A full list of investments held is disclosed under Investment Portfolio

**11 Significant interests**

The Company did not hold more than 10% of the allotted equity share capital of any class of any investee company

**Notes to the Financial  
Statements  
for the year to 31 December 2011**

**12 Debtors**

	As at 31 December 2011 £'000	As at 31 December 2010 £'000
UK Corporation Tax	-	-
Uninvested funds with broker MD Barnard & Co Ltd	158	81
	<u>158</u>	<u>81</u>

**13 Creditors**

	As at 31 December 2011 £'000	As at 31 December 2010 £'000
Trade creditors and accruals	8	13
UK Corporation Tax	-	-
MD Barnard & Co Ltd	-	-
	<u>8</u>	<u>13</u>

**14 Share capital**

	As at 31 December 2011 £'000	As at 31 December 2010 £'000
<b>Authorised</b> 25,000,000 ordinary shares of 10p each	2,500	2,500
<b>Allotted, called up and fully paid</b> 6,152,384 ordinary shares of 10p each	615	574
	<u>615</u>	<u>574</u>

**15 Reserves**

	Share Premium account £'000	Capital realised £'000	Capital unrealised £'000	Revenue reserve £'000
As at 1 January 2011	5,100	(485)	(2,454)	(19)
Share Issue	151			
Realised gains/(losses) on disposals	-	110	-	-
Unrealised gains/(losses)	-	-	(589)	-
Transfer of unrealised loss to realised on disposal of investment	-	(191)	191	-
Net revenue before tax	-	-	-	(8)
Investment management fee	-	(20)	-	-
Corporate taxation	-	-	-	-
Dividends paid	-	-	-	-
<b>At 31 December 2011</b>	<u>5,251</u>	<u>(586)</u>	<u>(2,852)</u>	<u>(27)</u>

**Notes to the Financial Statements  
for the year to 31 December 2011**

**16 Reconciliation of movements in shareholders' funds**

	<b>£'000</b>
At 1 January 2011	2,716
Return on ordinary activities after tax	(507)
Issue of ordinary shares	192
	<hr/>
At 31 December 2011	<u>2,401</u>

**17 Net asset value per share**

Net asset value per share is based on net assets at 31 December 2011 of £2,400,798 (31 December 2010 of £2,716,500) and on 6,152,384 ordinary shares (5,745,550 ordinary shares) in issue at those dates

**18 Performance incentive arrangements**

The Investment Manager is not entitled to any performance incentive arrangements

**19 Net cash outflow from operating activities**

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<b>Operating activity</b>		
Operating loss	(507)	(152)
(Profit)/ Loss on sale of investments	(110)	299
Investment income	(34)	(37)
Unrealised losses/ (gains) on investments	589	(177)
Increase in creditors	(5)	6
	<hr/>	<hr/>
	(67)	(61)
	=====	=====

**20 Risk management and financial instruments**

A statement of the company's principal objectives is given on page 1. In order to achieve these objectives the company invests its funds primarily in qualifying holdings in unlisted companies and companies traded on AIM, which by their nature may entail a higher degree of risk than investments in large listed companies. The company has not entered into any derivative transactions, and does not expect to do so in the foreseeable future. As a venture capital trust, the company invests in securities for the long term, and it is the company's policy that no trading in investments or other financial instruments shall be undertaken.

**Notes to the Financial Statements  
for the year to 31 December 2011**

**20 Risk management and financial instruments (continued)**

**Market price risk**

The main risks arising from the company's investing activities are market price risk, representing the uncertain realisable values of the company's investments. The directors aim to limit the risk attaching to the portfolio as a whole by careful selection of investments and by maintaining a wide spread of investments in terms of financing stage, industry sector and geographical location.

**Interest rate risk**

The company finances its activities through retained profits including realisable capital profits, and through the issue of equity shares. It has not entered into any borrowings. The company's investment portfolio includes investments in interest bearing securities in investee companies and in other fixed interest securities. Details of interest bearing assets are given below under Financial assets.

**Liquidity risk**

There is liquidity risk associated with unquoted investments, which are not readily realisable.

**Credit risk**

Credit risk is the risk of a borrower defaulting on either an interest payment or the capital sum of a loan. The company has not made any loans to investee companies.

**Currency risk**

The company's assets and liabilities are denominated in sterling.

**Financial assets**

The interest rate profile of the company's financial assets is set out below.

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Fixed rate	141	57
Non-interest bearing	2,110	2,591
	<u>2,251</u>	<u>2,648</u>

**Notes to the Financial Statements  
for the year to 31 December 2011**

**20 Risk management and financial instruments (continued)**

<b>Fixed rate assets</b>	<b>Year ended 31 December 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Weighted average interest rate	10.9%	8%
Weighted average years to maturity	2.6	5.8

Non-interest bearing financial assets comprise equity share and non-equity share investments in investee companies, cash held on non-interest bearing deposit and debtors

**Fair values**

The investments of the company are valued by the directors in accordance with the guidelines issued by the British Venture Capital Association, and the carrying values are considered to approximate the fair value of the investments

**21 Related party transactions**

New Century AIM VCT2 plc is managed by M D Barnard & Co Limited. On 12 April 2011 the Company allotted 406,834 ordinary shares to Michael Barnard for consideration of £200,000

**22 Capital commitments**

There were no investments which were approved at the year end but which had not completed

**23 Control**

New Century AIM VCT2 plc is not under the control of any one party or individual

**24 Post balance sheet events**

On 19 March 2012 167,166 ordinary shares were issued for a consideration of 44.19 pence per share raising £73,870 before share issue costs

## Shareholder Information for the year to 31 December 2011

### The Company

New Century AIM VCT2 PLC was incorporated on 16 January 2007. On 4 April 2007, the company obtained a listing on the London Stock Exchange. A total of £5.745 million was raised (before expenses) through an offer for subscription of new ordinary shares at 100p. The company has been provisionally approved as a Venture Capital Trust by the Inland Revenue.

### The Investment Manager

New Century AIM VCT2 PLC is managed by M D Barnard & Company Limited, an independent fund management company based in Laindon, Essex. M D Barnard & Company currently manages or advises private client funds and venture capital funds totalling approximately £25 million including New Century AIM VCT2 PLC.

### Venture Capital Trusts

Venture Capital Trusts (VCTs) were introduced in the Finance Act 1995 and are intended to provide a means whereby individual investors can invest in small unquoted trading companies in the UK, with incentives in the form of a number of tax benefits. From 6 April 2005, investors subscribing for new shares in a VCT have been entitled to claim income tax relief of 30% on their investment, irrespective of their marginal tax rate (up to a maximum investment of £200,000 per tax year). The tax relief cannot exceed the amount which reduces an investor's income tax liability to nil. In addition all dividends paid by VCTs are tax free and disposals of VCT shares are not subject to capital gains tax.

New Century AIM VCT2 has been provisionally approved as a VCT by the Inland Revenue. In order to maintain its approval the company must comply with certain requirements on a continuing basis, in particular, within three years from the date of provisional approval at least 70% by value of the company's investments must comprise "qualifying holdings", of which at least 30% by value must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. For the purposes of these criteria, unquoted companies include companies whose shares are traded on the Alternative Investment Market ("AIM").

As with investment trusts, capital gains accruing to VCTs are not chargeable gains for UK Corporation Tax purposes.

### Financial calendar

Annual General Meeting	21 June 2012
Interim report for six months to 30 June 2012 published	August 2012
Preliminary announcement of results for the year to 31 December 2012	April 2013
Annual General Meeting 2012	May 2013

### Share price

The mid-market price of shares in New Century AIM VCT2 PLC is available daily on the London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)).