

New
Century
AIM
VCT2
plc

31st December

2017

Audited Report and Accounts for
the year to 31st December 2017

THURSDAY



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31/05/2018
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Financial Summary

	Year ended 31 December 2017	Year ended 31 December 2016
Revenue return per share (pence) for the year	(0.50)	(0.02)
Total return per share (pence) for the year	10.38	(0.58)
Proposed dividends per share (pence)	3.30	3.00
Net asset value per share (pence)	68.29	60.90
Cumulative value of shareholder investment (net asset value plus cumulative dividends per share) (pence)	78.55	68.16
Shareholders' funds (£'000)	3,146	2,805

Chairman's Statement

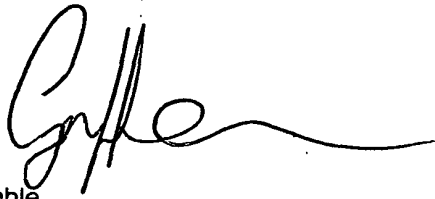
I am pleased to report another positive increase in the value of your fund. The net asset value per share rose from 60.90p to 68.29p per share, a gain of 12.14%, and the net asset value plus cumulative dividends rose from 68.16p to 78.55p per share being a rise of 15.24%. This is compared to an increase in the FTSE All Share AIM index of 24.3%.

This index encompasses all sectors and includes many mining, oil and gas companies that have performed well in the year. Your fund is constrained from investing in these types of businesses as part of the VCT rules.

We realise the importance of income for our shareholders, and have therefore agreed subject to shareholder approval, to increase the dividend by 10% to 3.3p per share, at the current offer price of 62p the yield is 5.3%.

The level of qualifying investments at 85.72% is still comfortably above the 70% required level. The current year has seen increased volatility across most indices and has led to the FTSE All Share AIM index declining by 3.36% from the start of the year to 29th March 2018. Your funds net asset value is published on a monthly basis and as at 29th March 2018 it was 69.52p.

The portfolio is well diversified and comprises a number of established companies that we feel are well placed to prosper despite the current political uncertainties and we are therefore cautiously optimistic for the future.



Geoffrey Gamble

27 April 2018

Details of Directors

Michael Barnard (Aged 67)

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, MD Barnard & Company Limited. 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. Michael has now sold MD Barnard & Company Limited, however is still a director of New Century AIM VCT 2 plc.

Geoffrey Gamble (Aged 59)

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 73)

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 67)

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

Registered Office

4th Floor,
50 Mark Lane
London EC3R 7QR

Company Secretary

Tricor Secretaries Limited
4th Floor,
50 Mark Lane
London EC3R 7QR

Registrar

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands B63 3DA

Solicitors

Dundas & Wilson
5th Floor, Northwest Wing
Bush House
Aldwych
London WC2B 4EZ

Investment Manager and Broker

MD Barnard & Company Ltd
17-21 New Century Road
Laindon, Essex SS15 6AG

Auditor

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

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

Strategic Report

Activities and status

The principal activity of the company during the year was the making of long-term equity and loan investments in UK Listed, AIM traded and unquoted companies in the United Kingdom. The company has been listed on the London Stock Exchange since 4 April 2007 and has been granted approval by Her Majesty's Customs & Revenue as a Venture Capital Trust. The Chairman's Statement on page 2 and the Investment Manager's Review below 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 Her Majesty's Customs & 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.

Investment Manager's Review

2017 was a strong year for the AIM index which saw it rise by 24.3%. Although your fund did not match this, it did still increase the net asset value by 12.14%. The AIM index benefitted from some strong gains in the oil, mining and gas sector, but due to VCT rules, these types of companies are not deemed qualifying investments.

We made nine qualifying investments, purchasing shares in Anglo African Oil and Gas, Audioboom, Escape Hunt, Fusion Antibodies, Infrastrata, Modern Water, Pelatro, TEK Capital and Velocity Composites.

We top sliced or exited 9 shares.

We remain cautiously optimistic for another good showing in the current year although we will no doubt have more volatility in the months ahead. Political events continue to create headlines whether this be the US and China trade embargo's or the on-going negotiations on the UK's BREXIT terms. These may cause uncertainty in the Markets and could possibly result in companies seeing short term decisions on contracts and capital spend being delayed. We do however have a well-diversified portfolio of shares from many different types of industry, that we feel can still grow.

Investment Objective

New Century AIM VCT 2 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 its prospectus are to achieve long term capital growth through investment in a diversified portfolio of Qualifying Companies primarily quoted on AIM.

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 22 to these accounts which gives a detailed review of the company's risk management.

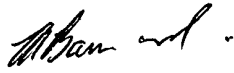
Environmental matters

Discussion in respect of environmental matters is not considered relevant or material to an understanding of the performance of the company. The company does not consider that Greenhouse Gas Emissions disclosure is relevant to the company on the grounds of immateriality due to it not having its own premises or employees.

Strategic Report

Key performance indicators

The financial key performance indicators are set out in the financial summary on page 1.



Michael Bamard

27 April 2018

Investment Portfolio

Security	Cost	Valuation 31/12/2017	% Cost	% Valuation
Qualifying Investments	2,495,915	2,786,781	85.72	88.07
Non-qualifying Investments	378,924	340,456	13.01	10.76
Uninvested funds	36,958	36,958	1.27	1.17
	2,911,797	3,164,195	100.00	100.00

Qualifying Investments

AIM Quoted

Marechale Capital plc	75,752	18,750	2.61	0.59
HML Holdings plc	108,540	112,000	3.73	3.54
TP Group plc	160,062	43,007	5.50	1.36
Tristel plc	20,843	123,725	0.72	3.91
Cyanconnode Holdngs plc	204,219	17,241	7.02	0.55
M.Winkworth plc	56,280	70,000	1.94	2.22
Inspired Energy plc	47,258	280,249	1.62	8.87
Microsaic Systems plc	92,002	25,700	3.16	0.82
Venn Life Sciences Holdings plc	155,184	67,780	5.33	2.14
DP Poland plc	25,631	69,700	0.88	2.20
Modern Water plc	75,385	24,545	2.59	0.78
Quixant plc	8,091	69,125	0.28	2.18
Blur Group plc	6,785	259	0.23	0.01
Keywords Studios plc	18,979	245,600	0.65	7.76
Sanderson Group plc	15,203	22,550	0.52	0.71
Cloudbuy plc	41,896	2,363	1.44	0.07
PHSC plc	50,256	24,000	1.73	0.76
EU Supply plc	19,422	8,550	0.67	0.27
Plastics Capital plc	33,168	38,280	1.14	1.21
Sysgroup plc	45,232	25,500	1.55	0.81
Brighton Pier Group plc	35,379	22,440	1.22	0.71
Property Franchise Group plc	50,253	67,000	1.73	2.12
Solid State plc	35,248	63,036	1.21	1.99
Audioboom Group plc	72,868	96,250	2.50	3.04
Scholium Group plc	40,203	20,000	1.38	0.63
Rossllyn Data Technologies plc	23,219	3,500	0.80	0.11
Coral Products plc	25,104	22,200	0.86	0.70
SRT Marine Systems plc	18,093	35,000	0.62	1.11
ULS Technology plc	18,091	66,150	0.62	2.09
Premier Technical Services Group plc	52,420	185,555	1.80	5.86
Angle plc	75,128	62,100	2.58	1.96
Bilby plc	52,465	96,300	1.80	3.04
Hunters Property plc	50,253	43,000	1.73	1.36
Satellite Solutions Worldwide Group plc	55,027	91,250	1.89	2.88
Tekcapital plc	82,292	72,500	2.83	2.29
Falanx Group Ltd	23,923	8,500	0.82	0.27
Premaittha Health plc	40,204	10,000	1.38	0.32

Investment Portfolio

Security	Cost	Valuation 31/12/2017	% Cost	% Valuation
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Qualifying Investments

AIM Quoted

Photonstar LED Group plc	15,079	4,500	0.52	0.14
Yu Group plc	20,504	88,208	0.70	2.79
Scancell Holdings plc	20,506	15,000	0.70	0.47
Medaphor Group plc	25,129	8,333	0.86	0.26
Imaginatik plc	20,104	8,000	0.69	0.25
Loopup Group plc	20,104	70,000	0.69	2.21
Faron Pharmaceuticals Ltd	20,103	62,400	0.69	1.97
Cloudcall Group plc	20,230	50,050	0.69	1.58
Creo Medical Group plc	37,691	33,553	1.29	1.06
Anglo African Oil & Gas plc	65,329	39,000	2.24	1.23
Escape Hunt plc	31,006	29,934	1.06	0.95
Velocity Composites plc	9,425	11,360	0.32	0.36
Proxima plc	27,410	24,543	0.94	0.78
Fusion Antibodies plc	22,113	55,804	0.76	1.76
Pelatro plc	25,128	26,000	0.86	0.82
	2,390,219	2,780,392	82.09	87.87

Unlisted Investments

Litebulb Group Ltd	51,008	-	1.75	0.00
Outsourcing plc	28,143	-	0.97	0.00
Syqic plc	26,546	6,390	0.91	0.20
	105,697	6,390	3.63	0.20

Total qualifying investments

2,495,915	2,786,781	85.72	88.07
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Non-qualifying Investments

AIM Quoted

Sanderson Group plc	10,398	20,500	0.36	0.65
Rotala plc	27,683	36,400	0.95	1.15
Tristel plc	60	245	0.00	0.01
TLA Worldwide plc	26,975	15,000	0.93	0.48
Audioboom Group plc	1,163	275	0.04	0.01
Be Heard Group plc	10,040	7,420	0.34	0.23
EVR Holdings plc	27,995	124,800	0.96	3.95
Yolo Leisure & Technology plc	12,799	3,750	0.44	0.12
	117,113	208,390	4.02	6.60

Investment Portfolio

Security	Cost	Valuation 31/12/2017	% Cost	% Valuation
UK listed				
Investec plc	169,416	94,963	5.82	3.00
British American Tobacco plc	8,841	20,072	0.30	0.63
Twentyfour Income Fund Ltd	9,852	9,950	0.34	0.31
	188,109	124,985	6.46	3.94
Unlisted Investments				
China Food Co plc	31,547	1,100	1.08	0.03
Litebulb Group Ltd	21,897	-	0.75	0.00
Sorbic International plc	10,205	1,450	0.35	0.05
Mar City plc	10,053	4,531	0.35	0.14
	73,702	7,081	2.53	0.22
Total non-qualifying investments	378,924	340,456	13.01	10.76

Top Ten Investments

Security	Cost	Valuation	%
Inspired Energy plc	47,258	280,249	8.87
Keywords Studios plc	18,979	245,600	7.76
Premier Technical Services Group plc	52,420	185,555	5.86
EVR Holdings plc	27,995	124,800	3.95
Tristel plc	20,843	123,725	3.91
HML Holdings plc	108,540	112,000	3.54
Bilby plc	52,465	96,300	3.04
Audioboom Group plc	72,868	96,250	3.04
Investec plc	169,416	94,963	3.00
Satellite Solutions Worldwide Group plc	55,027	91,250	2.88

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 accounts for the year to 31 December 2017.

Results and dividend

	31 December 2017 Revenue £'000	Year to Capital £'000	31 December 2016 Revenue £'000	Year to Capital £'000
Return on ordinary activities after taxation	(23)	502	(1)	(26)
Appropriated as follows:				
<i>Final dividend paid in respect of prior year</i>				
Revenue – 0.00p (0.00p) per share	-	-	-	-
Capital – 3.00p (1.50p) per share	-	(138)	-	(81)
Transfers to reserves	(23)	364	(1)	(107)

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 2017	Year ended 31 December 2016
Michael David Barnard	396,611	362,795
Geoffrey Gamble	106,550	95,723
Peter William Riley	3,000	3,000
Ian Cameron-Mowat	67,065	32,172

All of the directors' share interests shown above are held beneficially. There have been no changes in the directors' share interests between 31 December 2017 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 has 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

MD Barnard & Company Ltd has acted as investment manager to the company since inception. The principal terms of the Investment Management Agreement are set out in Note 6 to the Accounts.

Substantial shareholdings

The company has been notified, in accordance with Chapter 5 of FCA's Disclosure and Transparency Rules, of the under noted interests as at 31 December 2017 of 3 per cent shareholders and above:

Directors' Report

MD Barnard	396,611
N Shanks	405,057
Rathbone Nominees Ltd	217,476
IA Houston	200,000
DM Trotman	180,000
Smith & Williamson Nominees Ltd	176,311
Platform Securities Nominees	172,065
JR Atkinson	152,365
RS Like	145,800

Acquisition of own shares

During the year the company did not make any acquisition of its own shares.

Structure of the company's capital

The company has only one class of ordinary share and each share has attached to it full voting rights, dividends and capital distribution rights (including on a winding up) and do not confer any rights of redemption.

Appointment of Directors

The Directors are subject to re-election with one third of the Directors being re-elected annually at the AGM.

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 27.

Auditors

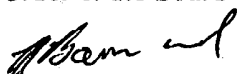
In accordance with Section 485 of the Companies Act 2006, a resolution proposing that UHY Hacker Young LLP be reappointed as auditors of the Company and that the Directors be authorised to determine their remuneration will be put to the next Annual General Meeting.

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

27 April 2018

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 Friday 22 June 2018.

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, with the exception of the chairman, 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)

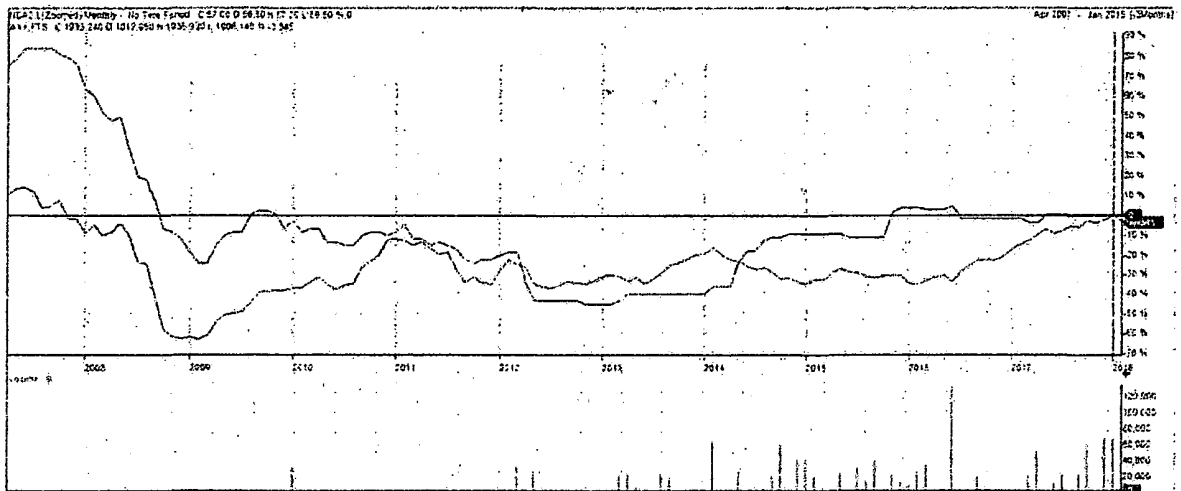
None of the Directors received any remuneration from the company during the year under review, with the exception of the chairman, who received a fee of £5,000 (2016: £1,250). No other emoluments or pension contributions were paid by the company to, or on behalf of, any director. None of the directors has a service contract with the company. It is expected that, with the exception of the chairman, 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 2016 and 31 December 2017 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 Share Index total return for the period since listing on the London Stock Exchange.

By Order of the Board

Michael Barnard

27 April 2018

Corporate Governance

The directors support the relevant principles of the UK Corporate Governance Code issued in April 2016 by the Financial Reporting Council, being the principles of good governance and the code of best practice as set out in the Main Principles of the Code annexed to the Listing Rules of the Financial Conduct Authority.

The UK Corporate Governance Code is available at the following location:
www.frc.org.uk/corporate/ukcgcode.cfm

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 accounts, 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 accounts.

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:

2 full board meeting	2 Audit Committee meeting
All members attended the meetings, with the exception of Messrs Riley and Cameron-Mowat on one occasion.	All members attended the meetings with the exception of Mr.Cameron-Mowat on one occasion

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. During the year the Audit Committee was chaired by Mr Gamble. The Audit Committee reviews the accounts and is reported to by the external auditors. The audit committee did not identify or consider any significant issues relating to the financial statements as substantially all the investments are valued by reference to publicly quoted prices. Further, the Audit Committee keeps under review the cost effectiveness, independence and objectivity of the auditors. There has also been a formal tender for the external auditors in 2017. 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 Conduct 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.

Corporate Governance

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 Secretary immediately prior to the AGM. In order to comply with the Governance 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 accounts.

Financial Reporting

The directors' statement of responsibilities for preparing the financial statements 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 21.

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 FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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 Governance Code provisions throughout the accounting year. The Comply or Explain directions of the Governance 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 2017 with the provisions set out in Sections A to E of the Governance 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 Governance Code issued in April 2016. 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 Governance 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.

Corporate Governance

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.
7. The Audit Committee is chaired by Geoffrey Gamble, Chairman of the Board of directors, whom the board regard as independent despite recommendations to the contrary in the Governance 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.

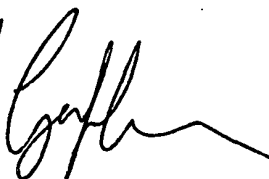
Responsibility statement

The directors confirm that to the best of their knowledge:

1. the financial statements, prepared in accordance with 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;
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;
3. the Directors consider that the annual report and financial statements are fair, balanced and understandable, providing appropriate information to shareholders to assess the performance, business model and strategy of the company.

By Order of the Board

Geoffrey Gamble



27 April 2018

Independent Auditors' Report to the members of New Century AIM VCT 2 plc

Opinion

We have audited the financial statements of New Century AIM VCT 2 plc for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the company's return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit;
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, 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 company will be able to continue in operation and meet its liabilities as they fall due over the

Independent Auditors' Report to the members of New Century AIM VCT 2 plc

period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our assessment of risks of material misstatements

We identified the following risks that we believe have had the greatest impact on our audit strategy and scope:

- The carrying value of the investments and the recognition of realised and unrealised gains and losses. The investment portfolio and associated realised and unrealised gains and losses is the key driver to the financial performance of the company and has the greatest impact on both the income statement and balance sheet.
- Compliance with the VCT rules is necessary to maintain the VCT status and associated tax benefits.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We define financial statement materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £47,500. In determining this we based our assessment on an average of three key indicators, being the return before tax, the net assets and gross assets of the company. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, being £35,625.

An overview of the scope of our audit

The approach we took to the assessed risks described above was as follows:

- We tested the value of the year-end investments by reference to market price information at the year-end. The purchase and sale of investments were agreed to contract notes and cash movements on a sample basis. The realised gains and losses on the sale of investments were re-calculated for both the individual transactions on a sample basis and for the total portfolio.

The movement in unrealised gains was checked for arithmetical accuracy and validated by reviewing the opening costs to prior year balances and purchases on a sample basis.

The portfolio is maintained by the investment advisor in accordance with the investment management agreement. We agreed the investment portfolio to a signed confirmation provided by the investment advisor detailing each investment, the cost and market price.

Independent Auditors' Report to the members of New Century AIM VCT 2 plc

- Our work in respect of the compliance with the VCT rules involved testing the eight conditions for maintaining approval as a VCT as set out by HMRC. Each of the conditions was tested in turn in order to assess whether it had been met as at the year-end.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement by the directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report 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 misstatements in the strategic report or the directors' report.

- We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Independent Auditors' Report to the members of New Century AIM VCT 2 plc

- 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi>. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by New Century Aim VCT2 Plc in 2008 and subsequently re-appointed following a tender process on 27 March 2018. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.



Daniel Hutson (Senior statutory auditor)
for and on behalf of
UHY Hacker Young
Chartered Accountants
Statutory Auditors

Quadrant House
4 Thomas More Square
London, E1W 1YW

27 April 2018

Statement of Comprehensive Income
(incorporating the revenue account)
for the year to 31 December 2017

		Year ended 31 December 2017			Year ended 31 December 2016		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments							
- realised		-	122	122	-	29	29
- unrealised		-	403	403	-	(34)	(34)
Income	5	37	-	37	50	-	50
Investment management fee	6	(8)	(23)	(31)	(7)	(21)	(28)
Other expenses	7	(52)	-	(52)	(44)	-	(44)
Return/(loss) on ordinary activities before taxation		(23)	502	479	(1)	(26)	(27)
Tax charge on ordinary activities	9	-	-	-	-	-	-
Return/(loss) on ordinary activities after taxation		(23)	502	479	(1)	(26)	(27)
		=====	=====	=====	=====	=====	=====
Return per ordinary share (pence)	11	(0.50)	10.88	10.38	(0.02)	(0.56)	(0.58)
		=====	=====	=====	=====	=====	=====

The notes on pages 27 to 36 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, the above represents the total comprehensive income for the year.

Balance Sheet at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Fixed assets			
Investments	12	3,127	2,725
Current assets			
Debtors	15	37	97
Current liabilities			
Creditors: amounts falling due within one year	16	(18)	(17)
		<u>3,146</u>	<u>2,805</u>
Capital and reserves			
Called up share capital	17	461	461
Share premium		57	57
Capital Redemption Reserve		171	171
Capital reserve-distributable		3,440	3,440
Capital reserve – realised		(1,537)	(1,725)
Capital reserve – unrealised		187	(127)
Revenue reserve		367	528
Total equity shareholders' funds		<u>3,146</u>	<u>2,805</u>
Net asset value per ordinary share	18	<u>68p</u>	<u>61p</u>

The financial statements on pages 23 to 36 were approved by the Board of directors on 27 April 2018 and were signed on its behalf by:



Michael Barnard
Director

The notes on pages 27 to 36 form an integral part of these financial statements.

Company's registered number: 06054576

Statement of Changes in Equity at 31 December 2017

	Called-up share capital	Share premium account	Capital redemption reserve	Capital distributable	Capital realised	Capital unrealised	Revenue reserve	Total
	£	£	£	£	£	£	£	£
As at 1 January 2017	461	57	171	3,440	(1,725)	(127)	528	2,805
Realised gains on disposals	-	-	-	-	122	-	-	122
Unrealised gains	-	-	-	-	-	403	-	403
Transfer of unrealised gain to realised on disposal of investment	-	-	-	-	89	(89)	-	-
Net revenue before tax	-	-	-	-	-	-	(23)	(23)
Capital element of investment management fee	-	-	-	-	(23)	-	-	(23)
Dividends paid	-	-	-	-	-	-	(138)	(138)
At 31 December 2017	461	57	171	3,440	(1,537)	187	367	3,146
As at 1 January 2016	461	57	171	-	(1,054)	2,668	610	2,913
Realised gains on disposals	-	-	-	-	29	-	-	29
Unrealised gains	-	-	-	-	-	(34)	-	(34)
Inter reserve transfer	-	-	-	3,440	(587)	(2,853)	-	-
Transfer of unrealised loss to realised on disposal of investment	-	-	-	-	(92)	92	-	-
Net revenue before tax	-	-	-	-	-	-	(1)	(1)
Capital element of investment management fee	-	-	-	-	(21)	-	-	(21)
Dividends paid	-	-	-	-	-	-	(81)	(81)
At 31 December 2016	461	57	171	3,440	(1,725)	(127)	528	2,805

The notes on pages 27 to 36 form an integral part of these financial statements.

Cash Flow Statement for the year to 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Cash flow from operating activities			
Cash outflow from operations	21	(82)	(72)
Net cash outflow from operating activities		<u>(82)</u>	<u>(72)</u>
Cash flows from investing activities			
Investment income		37	50
Net cash from investing activities		<u>37</u>	<u>50</u>
Cash flows from financing activities			
Sale of investments		426	413
Purchase of investments		(303)	(265)
Dividend paid		(138)	(81)
Net cash (used in)/from financing activities		<u>(15)</u>	<u>67</u>
Net (decrease)/increase in cash and cash equivalents		(60)	46
Cash and cash equivalents at the beginning of year		<u>97</u>	<u>51</u>
Cash and cash equivalents at the end of year (held by Investment Manager)		<u>37</u>	<u>97</u>

The notes on pages 27 to 36 form an integral part of these financial statements.

All cash is held on behalf of the VCT by MD Barnard as our Investment Manager, see note 21.

Notes to the Financial Statements for the year to 31 December 2017

1. Company information

New Century AIM VCT 2 PLC is a UK incorporated company whose registered office is:

4th Floor
50 Mark Lane
London EC3R 7QR

New Century AIM VCT 2 PLC is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The company's principal objective is to achieve long term capital growth through investment in a diversified portfolio of qualifying companies primarily quoted on AIM.

2. Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards and with the Financial Reporting Council's Financial Reporting Standard FRS 102 and with the Statement of Recommended Practice for Investment Companies re-issued by the Association of Investment Companies in November 2014 and updated in January 2017.

Going Concern basis – on the basis that the assets of the company consist mainly of marketable securities, the directors are of the opinion that at the time of approving the accounts, 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 accounts.

The financial statements are presented in Sterling.

3. Significant estimates and judgements

As the company's investment holdings, which comprise approximately 99% of its total assets, are stated at market value based on the closing prices of the London Stock Exchange, the directors do not believe that there is any inherent uncertainty in their presentation of these amounts, and that in their judgement, market value and fair value may be regarded as identical for the purpose of these accounts.

4. Accounting policies

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.

Notes to the Financial Statements for the year to 31 December 2017

4. Accounting policies (continued)

Investments (continued)

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.

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, 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.

Taxation

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes to the Financial Statements for the year to 31 December 2017

5. Income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Other income		
Dividends receivable	37	50

6. Investment management fees

	Year ended 31 December 2017		Year ended 31 December 2016	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Investment management fees	8	23	7	21

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.

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 2017, 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 2017

7. Other expenses

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Administrative and secretarial services	23	18
Auditors' remuneration	11	10
-for tax services	4	4
Regulatory fees	14	12
	<u>52</u>	<u>44</u>

8. Directors' remuneration

The chairman received £5,000 remuneration in the year (2016: £1,250). No other remuneration has been paid or is payable for the year to 31 December 2017 or in respect of the prior year.

9. Tax charge on ordinary activities

	Year ended 31 December 2017		Year ended 31 December 2016	
	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>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year				
Return on ordinary activities before taxation	(23)	501	(1)	(26)
	<u>(23)</u>	<u>501</u>	<u>(1)</u>	<u>(26)</u>
Tax on above at the standard company rate of 19.25% (2016: 20%)	(4)	(96)	-	(5)
UK dividends not subject to corporation tax	(7)	-	(10)	-
Non-deductible losses on investment	-	101	-	3
Non allowable expenses	-	-	-	-
Unutilised/(utilised) losses	11	(5)	10	2
	<u>11</u>	<u>(5)</u>	<u>10</u>	<u>2</u>
Current tax charge for the year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company has unrelieved losses amounting to approximately £728,000 (2016: £641,000) which are available to carry forward for tax purposes which it can set off against future profits. No deferred tax asset has been recognised in respect of these losses in view of the company's history of losses.

Notes to the Financial Statements for the year to 31 December 2017

10. Dividends

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Capital dividend paid	138	81
	<u>138</u>	<u>81</u>

On 23 April 2018 the directors proposed a dividend in respect of the year ended 31 December 2017 of £152,029 representing 3.30p per ordinary share.

11. Loss per ordinary share

The revenue loss, per ordinary share, is based on the net loss on ordinary activities after taxation of £23,016 (2016: £1,077) and on 4,606,953 (2016: 4,606,953) 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 profit after taxation of £478,357 (2016: loss of £27,027) and on 4,606,953 (2016: 4,606,953) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

12. Fixed asset investments

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
UK listed	125	115
AIM	2,989	2,606
Unlisted	13	4
	<u>3,127</u>	<u>2,725</u>

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

	Year ended 31 December 2017			Total
	UK Listed £'000	AIM £'000	Un- listed £'000	£'000
At 1 January 2017	115	2,606	4	2,725
Purchases	10	303	-	303
Transfers	-	(12)	12	-
	<u>115</u>	<u>2,897</u>	<u>16</u>	<u>3,028</u>
less: Sales	-	(426)	-	(426)
	<u>115</u>	<u>2,471</u>	<u>16</u>	<u>2,602</u>
Realised period gains and losses	-	125	(3)	122
Unrealised holding losses	10	393	-	403
	<u>125</u>	<u>2,989</u>	<u>13</u>	<u>3,127</u>
Cost at 31 December 2017	<u>188</u>	<u>2,507</u>	<u>180</u>	<u>2,875</u>

Notes to the Financial Statements for the year to 31 December 2017

12. Fixed asset investments (continued)

	Year ended 31 December 2016			
	UK Listed £'000	AIM £'000	Un- listed £'000	Total £'000
At 1 January 2016	139	2,735	4	2,878
Purchases	10	255	-	265
Transfers	-	(17)	17	-
	149	2,973	21	3,143
less: Sales	(38)	(375)	-	(413)
	111	2,598	21	2,730
Realised period gains	5	24	-	29
Unrealised holding gains	(1)	(16)	(17)	(34)
	115	2,606	4	2,725
Cost at 31 December 2016	188	2,467	131	2,786

The overall gain on investments for the years shown in the Income Statement is as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net realised gain on disposal	122	29
Increase/(decrease) in unrealised appreciation	403	(34)
	525	(5)

13. Venture capital investments

A full list of investments held is disclosed under Investment Portfolio.

14. Significant interests

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

15. Debtors

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Uninvested funds with broker: MD Barnard & Co Ltd	37	97

Notes to the Financial Statements for the year to 31 December 2017

16. Creditors

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Trade creditors and accruals	18	17
	<u>18</u>	<u>17</u>

17. Share capital

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Authorised		
25,000,000 ordinary shares of 10p each	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
Allotted, called up and fully paid		
4,606,953 (2016: 4,606,953) ordinary shares of 10p each	461	461
	<u>461</u>	<u>461</u>

18. Net asset value per share

Net asset value per share is based on net assets at 31 December 2017 of £3,145,881 (31 December 2016 of £2,805,735) and on 4,606,953 ordinary shares in issue at both those dates.

19. Performance incentive arrangements

The Investment Manager is not entitled to any performance incentive arrangements.

20. Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve relates to capital repurchased.

Capital reserve-distributable represents items of a capital nature legally available for distribution.

Capital reserve-realised represents surpluses or deficits on the disposal of investments and permanent impairment in the value of investments.

Capital reserve-unrealised represents surpluses and deficits on the revaluation of investments.

Revenue reserve includes all current and prior period retained profits and losses.

Notes to the Financial Statements for the year to 31 December 2017

21. Notes to the cash flow statement

Net cash outflow from operating activities

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating activity		
Return/(loss) on ordinary activities	479	(27)
Gains on sale of investments	(122)	(29)
Investment income	(37)	(50)
Unrealised (gains)/losses on investments	(403)	34
Decrease in creditors	1	-
	<u>(82)</u>	<u>(72)</u>

Cash and cash equivalents

Cash and cash equivalents comprise £36,958 (2016: £96,809) of uninvested funds, held in a bank account with the investment manager.

22. Risk management and financial instruments

A statement of the company's principal objectives is given within the Strategic Report on page 6. 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.

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.

The assets of the company are held for the most part as listed investments which carry market risk in the form of a single risk variable - market price movement. The directors do not consider that a risk analysis of that single risk variable will produce any useful information beyond the obvious that downward movement in share prices will result in a downward movement in the share values and vice versa. For this reason, the directors do not consider it appropriate to prepare a sensitivity analysis to market price movement.

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.

Liquidity risk

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

Notes to the Financial Statements for the year to 31 December 2017

22. Risk management and financial instruments (continued)

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.

Capital

The company's capital is provided in its entirety by its shareholders in the form of ordinary shares.

The company's purpose and objective is the investment of its capital funds in listed investments, primarily those quoted on the Alternative Investment Market with a view to securing capital appreciation over the long term.

There were no externally imposed capital requirements with which the company had to comply during the year to 31 December 2017.

Financial assets

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fixed rate	-	3
Non-interest bearing	3,127	2,722
	<u>3,127</u>	<u>2,725</u>

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fixed rate assets		
Weighted average interest rate	n/a	n/a
Weighted average years to maturity	n/a	n/a

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. The fair values have also been determined in line with the fair value hierarchy as set out in FRS 102 11.27.

Notes to the Financial Statements for the year to 31 December 2017

23. Financial assets and liabilities

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Financial assets measured at fair value	3,127	2,725
Financial assets measured at amortised cost	37	97
Financial liabilities measured at amortised cost	(18)	(17)

24. Related party transactions

New Century AIM VCT 2 plc is managed by M D Barnard & Co. Limited.

One amount was payable to key management personnel during the year for £5,000 (2016: £1,250).

25. Capital commitments

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

26. Control

New Century AIM VCT 2 plc is not under the control of any one party or individual.

27. Post balance sheet events

On 23 April 2018 the directors proposed a dividend in respect of the year ended 31 December 2017 of £152,029 representing 3.30p per ordinary share.