

Unicorn AIM VCT plc

ANNUAL REPORT

For the year ended 30 September 2004

Unicorn AIM VCT plc

Company Registration Number: 4266437



Investment Objective

The objective of the Company is to provide Shareholders with an attractive return from a diversified portfolio of investments predominantly in the shares of AIM companies. This will be achieved by maximising the stream of dividend distributions to Shareholders from the income and capital gains generated by the portfolio.

To achieve VCT qualifying status, 70% of the Company's total investments must be invested in qualifying investments within three years of each share issue.

The Directors and Investment Manager will seek to safeguard the capital available for investment in qualifying investments whilst looking to provide good short-term returns.

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Chairman's Statement

The Board's policy is to pay out as high a level of dividend as is possible and in order to make a capital distribution from realised profits investment company status was revoked. This enabled payment of an interim dividend of 10 pence per share to Ordinary Fund Shareholders.

The Company continued to make encouraging progress during the year. The net asset value (NAV) for the Ordinary Share Fund at 30 September 2004 was 103.5 pence per share after providing for the interim dividend of 10 pence per share. The NAV for the Series 2 ("S2") Share Fund at 30 September 2004 was 94.4 pence per share. The Board is pleased to recommend a final dividend of 0.75 pence per share payable to the S2 Fund Shareholders.

The Board's policy is to pay out as high a level of dividend as is possible and in order to make a capital distribution from realised profits investment company status was revoked on 17 August 2004. This enabled the payment of an interim dividend of 10 pence per share to Ordinary Fund Shareholders on 20 September 2004. The Board hopes to make further capital distributions dependent upon capital profits generated from investment realisations. The Company is now legally obliged to include a Profit and Loss Account and Statement of Total Recognised Gains and Losses and these are set out on page 24. In order to provide some continuity of financial reporting the Statement of Total Return has been retained. For further information on the revocation of investment company status, including the technical details surrounding the implications that this has for the way in which the Company presents its accounts, please see Note 1 to the Accounts on page 27.

The Company continues to conduct its affairs as a venture capital trust for taxation purposes under section 842AA of the Income and Corporation Taxes Act 1988.

During the year your Investment Manager made 14 new qualifying investments for the Ordinary Share Fund. Seven of the qualifying investments were in existing AIM listed companies and seven were new admissions to AIM. The S2 Share Fund participated alongside the Ordinary Share Fund investing in five of the qualifying investments. All the qualifying investments are outlined in the Investment Manager's Review.

The Ordinary Share Fund is now three years old and has exceeded the minimum required level of 70% of its funds invested in qualifying investments. Other Inland Revenue tests have been complied with and your Board has been advised that

the Ordinary Share Fund has maintained its venture capital trust status. The 70% qualifying target for the S2 Share Fund has to be met by 30 September 2006.

Many original subscribers for the Ordinary Shares will have now held their investment for the minimum three-year term under the VCT regulations and are now able to sell their holding without losing the Income Tax relief received at the time they invested. Any Shareholder considering selling shares, should be aware that a disposal will crystallise any capital gains that they may have deferred in making this investment. Shareholders are therefore advised to consult their financial adviser before making a decision.

During the period under review 190,000 Ordinary Shares were bought back for cancellation at an average price of 98.5 pence per share and 10,225 S2 Shares at an average price of 90 pence per share (net of expenses). The Company will closely monitor the market in the Company's shares and make market purchases as appropriate.

The S2 Share issue was launched in January 2004 to provide existing and new Shareholders with an opportunity to invest in a new portfolio of assets. In the period to 2 April 2004 £7.6 million was raised under the Offer. Following the Chancellor's decision to increase the initial income tax relief from 20% to 40% the Offer was extended until 14 May 2004 and in total £15.8 million was raised with 24% subscribed by existing Shareholders. This is an excellent outcome and I would like to thank both existing and new Shareholders for their support.



Peter Dicks
Chairman

25 November 2004

Key Data

	Ordinary Share Fund		S2 Share Fund
	30 September 2003	30 September 2004	30 September 2004
Net asset value per share	107.4 pence	103.5 pence	94.4 pence
Dividend per share	0.95 pence	10.0 pence	0.75 pence
Cumulative dividends paid	1.45 pence	11.45 pence	0.75 pence
Total return per share	108.9 pence	115.0 pence	95.2 pence
Total return since launch	8.9%	15.0%	(4.8) %
Total return of FTSE All-Share Index since launch	(11.6) %	0.4 %	5.6 %
Total return of FTSE AIM Index since launch	(12.0) %	8.2 %	2.4 %

Ordinary Share Fund

	30 September 2002	30 September 2003	30 September 2004
Net asset value per share	83.4 pence	107.4 pence	103.5 pence
Net assets	£29,176,056	£37,558,017	£35,983,315
Dividend per share	0.5 pence	0.95 pence	10.0 pence
Total return to Shareholders since launch	83.9 pence	108.9 pence	115.0 pence

Investment Manager's Review

The performance of the majority of qualifying investments made in previous years for the Ordinary Share Fund continues to be encouraging.

Investment policy

It is the aim of the Investment Manager to identify and invest in a diversified portfolio of companies that display a majority of the following characteristics:

- experienced and well-motivated management;
- products and services supplying growing markets;
- sound operational and financial controls;
- good cash generation to finance ongoing development allied with a progressive dividend policy.

Introduction

The net asset value of the Ordinary Share Fund at 30 September 2004 was 113.5 pence per share before providing for the interim dividend of 10 pence per share, representing an increase of 5.7% over the previous year. In contrast the FTSE AIM and FTSE All-Share indices have increased by 21.2% and 12.0% respectively on a total return basis over the equivalent period. Since the first allotment on the 5 November 2001 the initial net asset value of the Ordinary Share Fund has increased by 21.7% after adding back dividends paid. This compares favourably with the performance of the FTSE AIM Index which has increased by 8.2% and the FTSE All-Share Index which has increased by 0.4% on a total return basis.

Since the first allotment on 5 February 2004 the net asset value of the S2 Share Fund has increased to 95.15 pence per share at 30 September 2004 before providing for a final dividend of 0.75 pence per share, representing an increase of 0.7% from the initial value of 94.5 pence. In contrast the FTSE AIM Index has increased by 2.4% and the FTSE All-Share Index has increased by 5.6% over the equivalent period.

Investment strategy

The adopted investment policy has avoided over-ambitious start-ups in new markets, which require a leap of faith and have often been priced as though they had already succeeded. The Investment Manager has focused on the strength of companies' balance sheets and the inherent ability to pay progressive dividends, thereby safeguarding capital and maximising the tax-free income stream available to Shareholders.

AIM market review

The year was marked by a return to the market of speculative pre-revenue businesses (formerly called blue-sky concepts) as

investors lost their aversion for early stage enterprises. Investors seem to have ignored the painful lessons of the dot com era with many Initial Public Offerings (IPOs) long on promise but short on delivery. Such irrationality and infectious greed can only continue until the investment community runs out of fools prepared to part with their money. Entrepreneurs, advisors and investors seem to have forgotten that it is profits that ultimately drive share prices rather than hope value. Whilst there are a number of AIM companies that have created significant shareholder value, such as International Greetings, Majestic Wine and Mears Group investors should remember that wealth is neither grown on trees nor manufactured overnight.

Shareholders should be aware that the AIM Index has many constituents which do not fall within the definition of a VCT qualifying investment, including the Mining and Oil & Gas sectors which have performed particularly strongly during the period. The Resources sector now represents over 30% of the FTSE AIM Index and has a major impact upon the performance of the Index.

Qualifying investments

The performance of the majority of qualifying investments made in previous years for the Ordinary Share Fund continues to be encouraging. Inevitably we have experienced some disappointments during the year, in particular Cobra Bio-Manufacturing, Ingenta and Screen. Cobra has suffered from a deferral of orders due to funding concerns in the biotech industry coupled with the weakness of the US dollar. The turnaround at Ingenta and Screen has taken longer than initially expected. On a more positive note we have witnessed excellent performances from Huveaux, Centurion Electronics, Glisten, Tellings Golden Miller Group and Nectar Taverns. Shortly before the year-end Spring Grove Property Maintenance received a recommended cash offer at a modest premium to the price initially subscribed.

Huveaux has gained recognition for creating a high margin, cash generative business supplying "must have" content direct to the end user in legislation driven markets. Centurion Electronics has continued to benefit from an innovative product range combined with a rise in the number of sales channels with mainstream retail outlets and Original Equipment Manufacturer supply agreements with leading car manufacturers. Glisten has successfully acquired and integrated a number of niche confectionery businesses, widening the product range and achieving further operational

Investment Manager's Review

efficiencies. Tellings Golden Miller has expanded the number of Transport for London bus contracts providing further exposure to a visible, recurring revenue stream in a regulated market. Nectar Taverns' conservative site acquisition policy has created a quality estate of managed freehold public houses in the north west of England. Based upon current trading the valuation of Nectar Taverns has been increased from £1.0 million to £1.7 million in line with BVCA guidelines.

During the period under review the Company made seven investments (excluding Augean and Urban Dining) in new admissions to AIM from a total of 55 potential VCT qualifying IPOs which were reviewed. The new money raised for Asfare Group, AttentiV Systems Group, Polaron, Printing.com, Prologic, Public Recruitment Group and TRL Electronics upon admission to AIM was to provide finance for future expansion. In the cases of Augean and Urban Dining the listing on AIM was to provide a currency for future acquisitions.

Asfare is a long established manufacturer of an extensive range of ladders and ancillary equipment to the emergency services. The group is highly cash generative and has a strong market position supplying all UK based fire authorities and many of the UK's largest commercial airports. The group proposes to continue to expand by entering new markets such as defence and marine and by pursuing a more aggressive sales and marketing campaign.

AttentiV Systems Group provides credit management software solutions to the financial services sector. The business was sold by the parent company in order to reduce debt following a highly leveraged MBO and with over 25 years' trading history benefits from a strong market position.

Polaron is a broadly based engineering technology group with exposure to the nanotechnology market through the development of a 3D probe enabling the analysis of materials on an atomic scale. The fund raising provided the working capital for the commercially driven management team to continue to develop the rapidly growing nanotechnology business.

Printing.com combines a franchised high street presence with a centralised printing hub to provide high quality and low cost printing solutions. The group raised a modest sum of new money upon graduating from OFEX to AIM in order to support the accelerating roll-out of franchised stores.

Prologic provides software to meet the operational, reporting and business intelligence needs of fashion retailers. The group

has a well-established customer base and is seeking to expand into new vertical markets.

Public Recruitment Group is a public sector recruitment business that specialises in supplying temporary placements of doctors and teachers. The group has grown to become the third largest provider of locum doctors in the UK and through acquisition has expanded to cover other social service professionals as well as gaining market share in its core markets.

TRL Electronics is a specialist defence electronics group focused upon satellite and communications surveillance and monitoring. The group has a strong market position and is benefiting from growing international demand in response to the perceived increase in terrorist activities.

Augean and **Urban Dining** are newly created cash shells and offered the ability to invest at par with experienced and proven management teams which over a sustained period have generated significant shareholder value. Augean was established to acquire and manage businesses in the UK water and waste sectors and Urban Dining was formed to build a substantial quoted restaurant group by acquiring branded concepts. Both cash shells will become qualifying once a trading activity has been acquired. Shortly after the year-end Urban Dining became qualifying following the acquisition of Tootsies Restaurants, a well-established burger bar concept with significant roll-out potential.

Improved business confidence and market sentiment encouraged a number of existing AIM listed companies to reconsider deals and investments previously put on hold. Secondary fundraisings by Fountains, Invox, Pilat Media Global and Strategic Retail were supported to finance the consolidation of their respective markets and realise the benefits of scale. Follow-on investments were also made in the Real Good Food Company and Supporta to fund the acquisition of much larger and more established businesses.

Fountains is a leading provider of a range of environmental services, such as grounds maintenance, to corporate organisations and local authorities. The group has an impressive track record of double-digit earnings and dividend growth and benefits from a £70 million order book extending until 2010. To accelerate the scalability of the business new money was raised to consolidate the fragmented market.

Invox is a marketing company focused on operating telephone response based promotions. The company distributes excess

capacity goods and services of well-known brands to over 3.5 million customers that are accessed through direct mail, mobile phone texts and promotional inserts. This highly cash generative business acquired an established Internet Service Provider in order to cross-sell an enhanced product offering to an enlarged customer base.

Pilat Media develops and supports proprietary TV programme and commercial scheduling software designed to maximise the return from an increasing number of digital channels. From a low base Pilat Media has successfully increased turnover and gained market share by replacing legacy systems and incumbent operators. The new money raised will enable the group to adapt the technology for radio and when demand requires, open an office in the Far East.

Strategic Retail operates a chain of retail outlets specialising in home décor and furnishings under the FADS banner in towns where major DIY retailers are not present. Since Strategic Retail disposed of a tranche of unprofitable stores in 2003 the group has traded profitably and has increased like-for-like sales by expanding the product range and by focusing upon high margin furniture products.

Recognising the cyclical nature of a number of existing AIM listed companies new investments were made via secondary placings in AFA Systems, Ingenta and Longbridge International in anticipation of a recovery in demand.

AFA Systems provides software solutions to financial institutions. Applications include portfolio measurement, client reporting and risk control. In August 2004 the group received a recommended share offer from Microgen. Microgen is a much larger IT specialist that has been active in leading the consolidation of the IT industry and the enlarged entity is expected to benefit from greater scale and a stronger balance sheet.

Ingenta is the market leader in the creation and operation of websites for professional publishers enabling the online delivery of journal and reference publications to libraries and research groups. The group continues to gain market share and with a high gross margin has the potential to move into profitability in the short term.

Longbridge International is a recruitment consultant specialising in legal and finance search and selection. The group

is benefiting from a sustained recovery in key market sectors, combined with a realigned cost base.

The initial investment phase of the Ordinary Share Fund is largely complete with a portfolio of 27 (excluding Augean and Urban Dining) qualifying investments. It is pleasing that new investments have secured strong institutional interest and the performance achieved to date has been broadly based. The average market capitalisation of the qualifying investments in the Ordinary Share Fund at the financial year-end was £20 million. In the current financial year 22 of the qualifying investments are forecast to report a profit and 11 are expected to pay a dividend. The S2 Share Fund participated alongside the Ordinary Share Fund investing in five qualifying investments on a pro rata basis in accordance with the prospectus.

Non-qualifying portfolio

Despite the decline in the wider equity market the non-qualifying portfolio has served investors well since launch. In order to maximise the stream of dividend distributions £3.5 million of gains, the equivalent of 10 pence per share, were realised and paid to Shareholders in the form of an interim dividend. The Ordinary Share Fund continues to hold substantial reserves in the form of cash on deposit, the Unicorn Free Spirit Fund and listed equities to fund further qualifying investments.

In accordance with the prospectus the S2 Share Fund invested approximately 45% of the initial proceeds in three sub-funds of the Unicorn Investment Funds ICVC comprising the Unicorn Free Spirit Fund, the Unicorn Mastertrust Fund and the Unicorn UK Smaller Companies Fund. All three funds remain geared towards a recovery in business investment whilst avoiding stocks exposed to consumer spending.

Prospects

Revenue growth has again become a feature of the market and AIM has become recognised as the market of choice for smaller growing companies. We are confident that the portfolio has significant upside potential, as cash generation becomes the fundamental driver of share prices. We believe that the Company has made encouraging progress since inception and were particularly pleased to be able to pay our first significant dividend of 10 pence per share in September. Accordingly, we look forward to the current year with optimism.

Investment Portfolio Summary

Ordinary Share Fund

	Date of first investment	Book cost £'000	Valuation £'000	Valuation basis	Type of security
Qualifying investments					
AIM listed investments					
Supporta plc <i>Provision of back office support and domiciliary care to the public and private sectors</i>	Jan 2002	2,550	2,619	Mid market price	Ordinary shares
Huveaux plc <i>Broadly based media group focusing upon political publishing, education and training.</i>	Mar 2003	1,000	2,080	Mid market price	Ordinary shares
Glisten plc <i>Manufacturer of chocolate confectionery, sugar based sweets and edible decorations.</i>	Jun 2002	650	2,044	Mid market price	Ordinary shares
Tellings Golden Miller Group plc <i>Operation of local bus services and luxury coach hire throughout the UK and Europe</i>	Aug 2003	1,000	1,857	Mid market price	Ordinary shares
Centurion Electronics plc <i>Design and distribution of in-car audio-visual entertainment systems</i>	Dec 2002	650	1,474	Mid market price	Ordinary shares
Real Good Food Company plc <i>Manufacturer and supplier of a range of chilled, frozen and ambient food products</i>	Jul 2003	997	1,143	Mid market price	Ordinary shares
Public Recruitment Group plc <i>Public sector recruitment and services specialising in the education, healthcare and social work sectors</i>	Apr 2004	1,000	1,055	Mid market price	Ordinary shares
AttentiV Systems Group plc <i>Development, installation and support of credit management software solutions for retail banking and asset finance</i>	Mar 2004	770	889	Mid market price	Ordinary shares
TRL Electronics plc <i>Design and manufacturer of specialist electronic products focused on military and counter terrorist applications</i>	Jul 2004	702	867	Mid market price	Ordinary shares
Invox plc <i>Marketing company focused on operating telephone response based promotions</i>	Aug 2004	730	742	Mid market price	Ordinary shares
Lloyds British Testing plc <i>Provision of engineering services including testing, certification, maintenance & repair and training</i>	Jul 2002	1,000	634	Mid market price	Ordinary shares
Prologic plc <i>Development and maintenance of software to meet the operational, reporting and business intelligence needs of fashion businesses.</i>	Jul 2004	589	620	Mid market price	Ordinary shares
Asfare Group plc <i>Provision of ladders and ancillary equipment to the emergency services</i>	Dec 2003	470	517	Mid market price	Ordinary shares
Xpertise Group plc <i>Provision of accredited technical IT training courses</i>	Jul 2003	400	467	Mid market price	Ordinary shares
Strategic Retail plc <i>Operation of retail outlets specialising in the home décor and furnishings market</i>	Sep 2004	426	426	Cost	Ordinary shares
Fountains plc <i>Environmental services and grounds maintenance to utility companies and local authorities</i>	Jul 2004	365	399	Mid market price	Ordinary shares
Polaron plc <i>Broadly based engineering technology group with exposure to the rapidly growing nanotechnology market</i>	Apr 2004	350	394	Mid market price	Ordinary shares
Pilat Media Global plc <i>Development and support of scheduling software for digital TV</i>	Apr 2004	480	364	Mid market price	Ordinary shares

% of equity held	% of net assets by value	Date of latest accounts	Turnover £'000	Profit/(loss) before tax £'000	Net assets/(liabilities) £'000	Website address
15.2%	7.3%	31-Mar-04	9,878	(1,167)	7,131	www.supporta.co.uk
3.8%	5.8%	31-Dec-03	4,575	1,205	21,585	www.huveauxplc.com
8.3%	5.7%	30-Jun-04	20,755	1,331	9,577	www.glisten.plc.uk
6.4%	5.2%	31-Dec-03	27,565	2,852	6,822	www.tellingsgoldenmiller.co.uk
7.9%	4.1%	30-Sep-03	6,249	1,180	4,318	www.centurionsystems.co.uk
5.8%	3.2%	The Company's first audited accounts will be produced for the period to 31 December 2004.				
3.1%	2.9%	31-Dec-03	27,950	(904)	15,157	www.publicrecruitmentgroup.com
2.3%	2.5%	30-Sep-03	25,655	1,133	143	www.attentiv.co.uk
2.2%	2.4%	31-Mar-04	16,043	1,555	4,009	www.trltech.co.uk
1.1%	2.1%	30-Jun-04	14,656	5,725	15,054	
15.4%	1.8%	31-Dec-03	16,847	386	6,345	www.lloydsgruop.co.uk
7.8%	1.7%	31-Mar-04	7,542	676	1,175	www.prologic.net
11.2%	1.4%	31-Mar-04	4,389	(401)	2,885	www.as-fire.co.uk
12.7%	1.3%	31-Dec-03	10,767	(2,140)	4,971	www.xpertise.co.uk
6.8%	1.2%	28-Feb-04	3,404	(86)	1,704	
2.0%	1.1%	30-Sep-03	35,606	1,202	6,404	www.fountainsplc.com
1.7%	1.1%	30-Jun-04	12,902	757	7,678	www.polaron-group.co.uk
1.7%	1.0%	31-Dec-03	9,423	595	4,526	www.pilatmedia.com

	Date of first investment	Book cost £'000	Valuation £'000	Valuation basis	Type of security
Ingenta plc Creation and operation of web sites for professional publishers	Mar 2004	870	294	Mid market price	Ordinary shares
Printing.com plc Franchised high street printing	Aug 2004	292	287	Mid market price	Ordinary shares
Longbridge International plc Recruitment consultant specialising in legal and financial search and selection	Feb 2004	260	239	Mid market price	Ordinary shares
Eckoh Technologies plc Specialist provider of telecom solutions and web-based services	Jan 2003	400	166	Mid market price	Ordinary shares
Screen plc Design and maintenance of security systems.	May 2003	430	125	Mid market price	Ordinary shares
Cobra Bio-Manufacturing plc Niche contract manufacturer of DNA and bacteria for phase I and II clinical trials	Jun 2003	310	92	Mid market price	Ordinary shares
		16,691	19,794		
Fully listed investments					
Microgen plc IT consultancy and managed services provider	Dec 2003	180	138	Mid market price	Ordinary shares
		180	138		
Unlisted investments					
Nectar Taverns plc Development of a chain of unbranded, managed, freehold public houses in the North West of England	Aug 2002	1,000	1,700	Directors' valuation	Ordinary & preference shares
Aludel Limited	Feb 2002	750	0	Full provision	Ordinary Shares
		1,750	1,700		
Total qualifying investments		18,621	21,632		
Non-qualifying investments					
Fully listed equities	N/A	2,553	4,240	N/A	N/A
Unicorn Free Spirit Fund (OEIC)	N/A	2,588	4,027	N/A	N/A
AIM listed equities	N/A	2,266	3,353	N/A	N/A
Total non-qualifying investments		7,407	11,620		
Total investments		26,028	33,252		
Other assets			2,911		
Current liabilities			(180)		
Net assets			35,983		
10 Largest non-qualifying investments					
Unicorn Free Spirit Fund (OEIC)	Dec 2001	2,588	4,027	Mid market price	B shares
McBride plc	Nov 2001	452	1,337	Mid market price	Ordinary shares
Robert Walters plc	Jan 2002	736	1,065	Mid market price	Ordinary shares
James Halstead plc*	Dec 2001	425	907	Mid market price	Ordinary shares
Mears Group plc*	Nov 2001	353	779	Mid market price	Ordinary shares
Spring Group plc	Feb 2002	425	749	Mid market price	Ordinary shares
Urban Dining plc*	May 2004	575	696	Mid market price	Ordinary shares
Augean plc*	Sep 2004	416	509	Mid market price	Ordinary shares
Lorien plc	Mar 2002	516	471	Mid market price	Ordinary shares
Wellington Holdings plc	Feb 2002	263	413	Mid market price	Ordinary shares

* Listed on AIM

% of equity held	% of net assets by value	Date of latest accounts	Turnover	Profit/(loss) before tax	Net assets/(liabilities)	Website address
£'000			£'000	£'000	£'000	
5.1%	0.8%	30-Sep-03	8,457	(2,882)	(3,097)	www.ingenta.co.uk
2.2%	0.8%	31-Mar-04	9,328	940	2,718	www.printing.com
4.2%	0.6%	31-Dec-03	5,252	415	(128)	www.longbridge.com
0.8%	0.4%	31-Mar-04	60,189	(1,097)	18,407	www.eckoh.com
5.4%	0.3%	31-Dec-03	18,499	(1,958)	2,212	www.screenplc.com
2.0%	0.3%	30-Sep-03	6,020	817	10,549	www.cobrabio.com
	55.0%					
0.3%	0.4%	31-Dec-03	26,416	2,356	54,363	www.microgen.co.uk
24.7%	2-May-04	3,470	253	3,670		
20.1%	0.0%	28-Dec-02	7,293	(4,801)	(2,053)	
	4.7%					
	60.1%					
N/A	11.8%					
N/A	11.2%					
N/A	9.3%					
	32.3%					
	92.4%					
	8.1%					
	(0.5)%					
	100.0%					
15.9%	11.2%					
N/A	3.7%					
N/A	3.0%					
N/A	2.5%					
N/A	2.2%					
N/A	2.1%					
N/A	1.9%					
N/A	1.4%					
N/A	1.3%					
N/A	1.1%					

S2 Share Fund

	Date of first investment	Book cost	Valuation	Valuation basis	Type of security
		£'000	£'000		
Qualifying investments					
AIM listed investments					
Invox plc Marketing company focused on operating telephone response based promotions	Aug 2004	270	275	Mid market price	Ordinary shares
Prologic plc Development and maintenance of software to meet the operational, reporting and business intelligence needs of fashion businesses.	Jul 2004	218	229	Mid market price	Ordinary shares
Strategic Retail plc Operation of retail outlets specialising in the home décor and furnishings market	Sep 2004	174	174	Cost	Ordinary shares
Fountains plc Environmental services and grounds maintenance to utility companies and local authorities	Jul 2004	135	147	Mid market price	Ordinary shares
Printing.com plc Franchised high street printing	Aug 2004	108	106	Mid market price	Ordinary shares
Total qualifying investments		905	931		
Non-qualifying investments					
Money Market Funds*	Feb 2004	7,607	7,607	Mid market price	Participating shares
Unicorn Mastertrust Fund (OEIC)	Jun 2004	2,072	2,168	Mid market price	B shares
Unicorn UK Smaller Companies Fund (OEIC)	Jun 2004	2,071	2,050	Mid market price	B shares
Unicorn Free Spirit Fund (OEIC)	Jun 2004	2,077	2,010	Mid market price	B shares
AIM listed equities	Sep 2004	178	218	Mid market price	Ordinary shares
Total non-qualifying investments		14,005	14,053		
Total investments		14,910	14,984		
Other assets			89		
Current liabilities			(198)		
Net assets			14,875		

* Disclosed within Current Asset Investments in the Balance Sheet

% of equity held	% of net assets by value	Date of latest accounts	Turnover £'000	Profit/(loss) before tax £'000	Net assets/(liabilities) £'000	Website address
0.4%	1.8%	30-Jun- 04	14,656	5,725	15,054	
2.9%	1.5%	31-Mar- 04	7,542	676	1,175	www.prologic.net
2.8%	1.2%	28-Feb- 04	3,404	(86)	1,704	
0.7%	1.0%	30-Sep- 03	35,606	1,202	6,404	www.fountainsplc.com
0.8%	0.7%	31-Mar- 04	9,328	940	2,718	www.printing.com
	6.2%					
N/A	51.1%					
78.1%	14.6%					
23.8%	13.8%					
7.9%	13.5%					
N/A	1.5%					
	94.5%					
	100.7%					
	0.6%					
	(1.3)%					
	100.0%					

Board of Directors

Peter Dicks

Status: *Independent, non-executive Chairman.*

Age: 62.

Experience: Peter Dicks was a founder director, in 1973, of Abingworth plc, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Polar Capital Technology Trust PLC, Graphite Enterprise Trust PLC, Daniel Stewart Securities plc, Enterprise Capital PLC, Gartmore Fledging Trust PLC, Private Equity Investor PLC, Second London American Trust PLC, Sportingbet plc, and Standard Microsystems Inc, a US-NASDAQ quoted company. In addition, he has been Chairman of Foresight Technology VCT plc since its launch in October 1997 and was appointed to the Boards of Foresight 2 VCT plc, Foresight 3 VCT plc, Foresight 4 VCT plc during 2004.

Length of service as at 30 September 2004: Three years

Last re-elected to the Board: January 2003.

Committee memberships: Management Engagement Committee (Chairman), Audit Committee, Nominations and Remuneration Committee.

Number of Board and Committee meetings attended 2003/04: 11/12

Remuneration 2003/04: £15,000.

Relevant relationships with the Investment Manager or other service providers: None.

Relevant relationships with investee companies: None.

Shareholding in the Company: 50,000 Ordinary Shares; 25,625 S2 Shares.

Robert Holt

Status: *Independent, non-executive Director.*

Age: 50.

Experience: Robert Holt has been Chairman and Chief Executive of Mears Group PLC since 1996 and is Chairman of Wyatt Group PLC and a non-executive director of Supporta plc and Sportingbet plc. He has a background of managing and growing service businesses by acquisition.

Length of service as at 30 September 2004: Three years

Last re-elected to the Board: January 2003.

Committee memberships: Audit Committee (Chairman), Management Engagement Committee, Nominations and Remuneration Committee.

Number of Board and Committee meetings attended 2003/04: 6/12

Remuneration 2003/04: £10,000.

Relevant relationships with the Investment Manager or other service providers: None

Relevant relationships with investee companies: Director and shareholder of Mears Group PLC and Supporta plc.

Shareholding in the Company: 10,000 Ordinary Shares; 10,250 S2 Shares.

David Royds

Status: *Independent, non-executive Director.*

Age: 44.

Experience: David Royds is Chairman and Chief Executive of Matrix Group Limited (a broadly spread financial services company) and a non-executive director of Foresight Technology VCT plc and Foresight 2 VCT plc. He is also a director of a number of other unquoted companies involved in shipping, property development, direct marketing and database services.

Length of service as at 30 September 2004: Three years

Last re-elected to the Board: January 2003.

Committee memberships: Nominations and Remuneration Committee (Chairman), Audit Committee, Management Engagement Committee.

Number of Board and Committee meetings attended 2003/04: 11/12

Remuneration 2003/04: £10,000.

Relevant relationships with the Investment Manager or other service providers: Chairman, Chief Executive and shareholder of Matrix-Securities Limited (Promoter, Company Secretary, Administrator and Receiving Agent).

Relevant relationships with investee companies: None.

Shareholding in the Company: 20,000 Ordinary Shares; 25,562 S2 Shares.

Peter Webb

Status: *Non-executive Director.*

Age: 44.

Experience: Peter Webb is Chief Executive of Unicorn Asset Management Limited. He has specialised in investing in UK smaller companies for over 16 years. He is a director of Eaglet Investment Trust plc and Falcon Investment Trust plc.

Length of service as at 30 September 2004: Three years

Last re-elected to the Board: January 2003.

Committee memberships: None.

Number of Board and Committee meetings attended 2003/04: 4/6

Remuneration 2003/04: Waived.

Relevant relationships with the Investment Manager or other service providers: Chief Executive and shareholder of Unicorn Asset Management Limited (Investment Manager).

Relevant relationships with investee companies: None.

Shareholding in the Company: 205,250 Ordinary Shares, 41,000 S2 Shares.

Directors' Report

The Directors present the third Annual Report and Accounts of the Company for the year ended 30 September 2004.

Business and principal activities

The principal activity of the Company during the year under review was investment in AIM-listed companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Manager's Review and Investment Portfolio Summary on pages 3–11 of this Report. A review of the Company's business during the period is contained in the Chairman's Statement.

The Ordinary Shares of 1p each in the capital of the Company were first admitted to the Official List of the UK Listing Authority (formerly the Official List of the London Stock Exchange) and to trading on 5 November 2001.

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 842AA of the Income and Corporation Taxes Act 1988 (ICTA) with effect from 30 September 2004. It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 842AA of the ICTA.

The Company revoked its status as an investment company as defined in section 266 of the Companies Act 1985 on 17 August 2004. This change was undertaken to allow the Company to distribute to Shareholders capital gains made by the Company. As a consequence the format of the financial statements has changed. This is explained in more detail in Note 1 to the Accounts on page 27.

Future developments

The Company will continue to pursue its investment objective as set out at the beginning of this Annual Report.

Series 2 Ordinary Shares

The Company issued an Offer for Subscription on 20 January 2004 for 20,000,000 Series 2 Ordinary Shares of 1 pence each ("S2 Shares") in the capital of the Company. The shares were first admitted to the Official List of the UK Listing Authority and to trading on 9 February 2004.

Share premium account – S2 Share Fund

The cancellation of the S2 Share Fund share premium account as approved at the Annual General Meeting held on 13 January 2004 was sanctioned by the Court on 15 September 2004 and registered at Companies House on 17 September 2004.

Issue and buy-back of shares

Between 5 February and 2 June 2004, the Company issued 15,763,314 S2 Shares pursuant to the Offer for Subscription dated 20 January 2004. It has not issued any Ordinary Shares during the year under review.

The Board believes that it is in the best interests of the Company and its Shareholders to make occasional market purchases of its shares to seek both to enhance net asset value and to reduce to a degree any prevailing discount to net asset value in the current market price. During the year under review the Company bought back 190,000 Ordinary Fund Shares of 1 pence each (being 0.55% of the closing issued share capital of that class) at a cost of £187,200 (net of expenses) and 10,225 S2 Shares of 1 pence each (being 0.06% of the closing issued share capital of that class) at a cost of £9,202 (net of expenses).

As at 30 September 2004 the issued Ordinary share capital of the Company was £347,692 and the issued S2 share capital of the Company was £157,531. The number of shares in issue at this date was 34,769,234 Ordinary Shares and 15,753,089 S2 Shares.

Results and dividend

The revenue return attributable to Ordinary Fund Shareholders for the year was £68,377 after taxation. An interim dividend of 10 pence per share was paid to Ordinary Fund Shareholders on 20 September 2004 and the Directors will not be recommending a final dividend. £68,377 has therefore been transferred to reserves.

The revenue return attributable to S2 Fund Shareholders for the year was £111,146 after taxation. The Directors will be proposing a dividend to S2 Fund Shareholders of 0.75 pence per share at the Annual General Meeting to be held on 19 January 2005 to Shareholders on the register on 7 January 2005 payable on 3 February 2005. £7,002 has been transferred from reserves.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 12 of this Annual Report. The current Directors were all appointed to the Board on 1 October 2001.

The Directors' interests in the issued capital of the Company as at 30 September 2004 were:

Director	30 September 2004		30 September 2003	
	Ordinary Shares	S2 Shares	Ordinary Shares	S2 Shares
Peter Dicks	50,000	25,625	50,000	–
Robert Holt	10,000	10,250	10,000	–
David Royds	20,000	25,562	20,000	–
Peter Webb	205,250	41,000	205,250	–

Directors' Report

On 8 October 2004, Robert Holt transferred his holding of 10,000 Ordinary Fund Shares to James Hay Pension Trustees Limited at a price of 92.5 pence per share. These shares represent 0.03% of the issued Ordinary Fund share capital. Robert Holt remains the beneficial owner of the shares. There have been no further changes in the holdings of the Directors since 30 September 2004.

No options over the share capital of the Company have been granted to the Directors. No Director has a service contract with the Company. The Company does not have any employees.

Management

Unicorn Asset Management Limited has been appointed as Investment Manager to the Company. The principal terms of the Company's Investment Management Agreement with the Investment Manager are set out in Note 3 to the accounts on page 28.

Matrix-Securities Limited acts as both Company Administrator and Company Secretary to the Company.

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP to advise on its compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers review new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Auditors

PKF were re-appointed as auditors of the Company during the year and have expressed their willingness to continue in office. Resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Substantial interests

As at 25 November 2004 the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 30 September 2004 the average credit period for trade creditors was 22 days (2003:9 days).

Annual General Meeting

A Notice and Proxy Form for the Annual General Meeting of the Company to be held at 11.00 am on Wednesday, 19 January 2005 at One Jermyn Street, London SW1Y 4UH is set out on pages 40-43 of this Annual Report.

The Notice of the meeting includes a resolution to re-appoint Peter Webb as a Director of the Company. Brief biographical details of Peter Webb are published on page 12 of this Annual Report. The Board regularly reviews and appraises the performance of the Investment Manager and unanimously recommends that Shareholders vote in favour of this resolution.

The following describes the Special Business to be transacted at the Meeting.

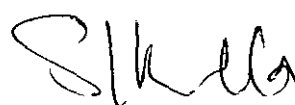
Authority to purchase own shares (Resolution 9)

This resolution authorises the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum number of Ordinary Shares and S2 Shares equal to 14.99% of the issued share capital of each class at the date of the resolution and will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2006 and the date which is eighteen months after the date on which this resolution is passed. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share or an S2 Share will be the amount equal to 105% of the average of the middle market quotations for the Company's shares of that class as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase. The minimum price which may be paid is one pence per share, ie the nominal value of the shares.

As a consequence of the tax reliefs available to investors who purchase new VCT shares, market liquidity is restricted. The passing of this resolution will provide a mechanism to enable the Company to fund purchases of its own shares should they trade at a discount to the Net Asset Value (NAV) thus increasing the NAV per share of the remaining outstanding Ordinary Shares and S2 Shares.

Shareholders should note that the Directors will not exercise this authority unless to do so would result in an increase in net assets per share and would be in the interests of Shareholders generally. This resolution is proposed as a special resolution.

By order of the Board



For Matrix-Securities Limited

Secretary

25 November 2004

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 19 January 2005. The Company's auditors are required to give their opinion on the specified information provided on Directors' emoluments and this is explained further in their report to Shareholders on page 23.

Remuneration Committee

The remuneration of individual directors is determined by the Nominations and Remuneration Committee. The Committee comprises three Directors, David Royds (Chairman), Peter Dicks and Robert Holt all of whom are independent from the Manager. It meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for reviewing the remuneration of the Directors and the appropriateness and relevance of the remuneration policy. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review.

Remuneration policy

The remuneration policy is set by the Board. When considering the level of Directors' fees, the Nominations and Remuneration Committee is directed to take account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. However, under an Incentive Agreement dated 1 October 2001 the Company will pay an incentive fee to the Investment Manager of which Peter Webb is a Director. (For further information, please see Note 3 of the Notes to the Accounts on page 28). The Directors do not have any plans to introduce any further incentive schemes at the present time and will seek Shareholder approval for any such schemes should they be proposed in the future. The Company's Articles of Association limit the total amount that can be paid to the Directors in fees to £60,000 per annum. It is intended that this policy will continue for the year ended 30 September 2005 and subsequent years.

Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. All Directors are required to retire by rotation at the third Annual General Meeting following their last re-election. Directors retiring by rotation are then eligible for re-election.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the fees pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment and Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receives pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company.

Directors' emoluments (audited information)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

	Total Directors' fees	
	Year to 30 Sept 2004 £	Year to 30 Sept 2003 £
Peter Dicks	15,000	15,000
Robert Holt	10,000	10,000
David Royds	10,000	10,000
Peter Webb	—	—

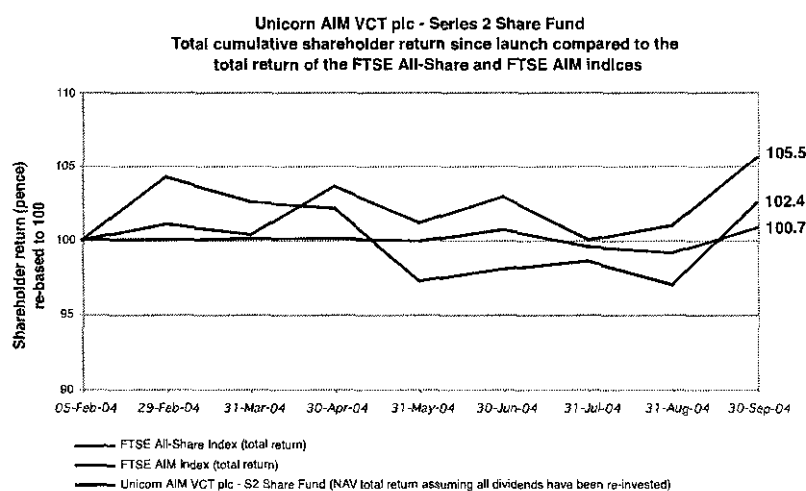
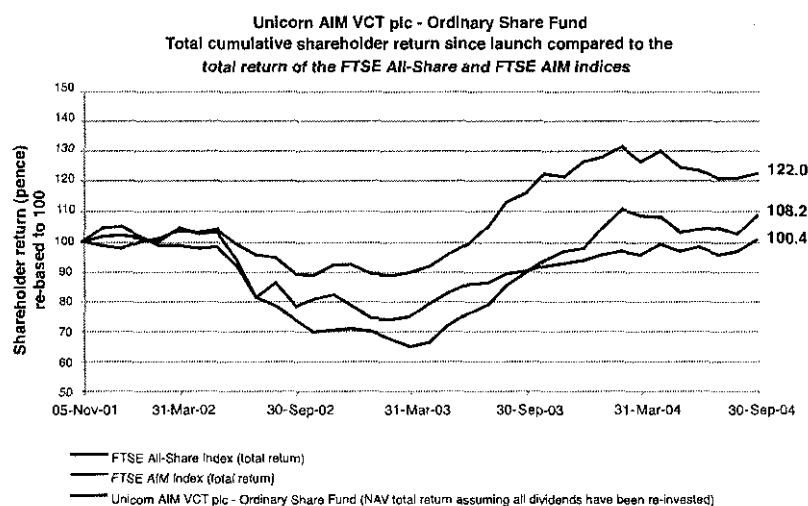
Directors' Remuneration Report

Peter Webb has waived his directors' fees. The Directors received no further emoluments in respect of their services and made no claims for expenses during the year. Aggregate fees in respect of qualifying services for all directors amounted to £35,000 (2003: £35,000).

Total shareholder return

The following graphs chart the total cumulative shareholder return of the Company (based on the initial NAV) since the Ordinary Shares and the S2 Shares were first admitted to the

Official List of the UK Listing Authority on 5 November 2001 and 9 February 2004 respectively (assuming all dividends are re-invested) compared to the total cumulative shareholder return of both the FTSE All-Share and the FTSE AIM Indices. These indices represent broad equity market indices against which investors can measure the performance of the Company and are appropriate indices against which to measure the Company's performance. An explanation of the performance of the Company is given in the Chairman's Statement and the Investment Manager's Review.



By order of the Board

Matrix-Securities Limited
Secretary
25 November 2004

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Corporate Governance Statement

The Directors of Unicorn AIM VCT have adopted the New Combined Code on Corporate Governance (2003) ("the New Code") in respect of the year ended 30 September 2004. They have considered the principles detailed in the New Code and believe that, insofar as they are relevant to the Company's business, and except as disclosed below, the Company has complied with the provisions of the Code throughout the year.

The Board

The Board comprises four non-executive Directors. Each brings a range of relevant expertise, experience and judgement to the Board. The Company has not appointed a senior independent Director as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. *The Directors believe that this structure is the most appropriate for the Company given its current size and the nature of its business.*

The Chairman's other significant commitments are disclosed on page 12.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

At least four formal Board meetings are scheduled every year and other meetings are held as necessary. Matters specifically reserved for decision by the Board have been defined. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where Directors have concerns, which cannot be resolved about the running of the company or a proposed action, they are asked to ensure that

their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board. The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties.

All Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation every three years in accordance with the Articles of Association as follows:

	Date of appointment	Last retirement by rotation/re-election	Next Retirement by rotation/re-election due
Peter Dicks	01-Oct 2001	AGM 21-Jan 2003	AGM 2006
Robert Holt	01-Oct 2001	AGM 21-Jan 2003	AGM 2006
David Royds	01-Oct 2001	AGM 21-Jan 2003	AGM 2006
Peter Webb	01-Oct 2001	AGM 21-Jan 2003	AGM 2005

Peter Webb will offer himself for re-election annually in accordance with the recommendations of the AITC Code of Corporate Governance.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. A majority of the Directors, with the exception of Peter Webb, are independent of the Investment Manager. The Board has satisfied itself of the independence of the remaining directors except in respect of the contracts and investments in which they have declared an interest. These are detailed in full in Note 21 of the Notes to the Accounts on page 38 on related party transactions. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. The Chairman fully meets the independence criteria as set out in paragraph A.3.1 of the New Code.

The Board aims to include a balance of skills, experience, ages and length of service that the Directors believe to be appropriate to the management of the Company. No new appointments have been made to the Board since the Company was launched. The Board has plans to review and implement an induction procedure when such an appointment is made. The effectiveness of the Board and the Chairman is regularly reviewed as part of the internal control process led by the Audit Committee. The Board does not therefore believe that a formal system of

Corporate Governance Statement

performance evaluation of the Board and the Chairman is appropriate to the Company at the current time.

The Company does not have a chief executive. Board members meet as required without Peter Webb, who is the only Director with an executive function as Chief Executive of the Investment Manager, being present.

Board committees

The Audit Committee comprises three Directors, Robert Holt (Chairman), Peter Dicks and David Royds. It meets at least twice a year to review the internal financial and non-financial controls, accounting policies and contents of the Interim and Annual Reports to Shareholders. It has primary responsibility for making recommendations on the appointment and removal of the external auditors. The Company's external auditors are invited to attend meetings as appropriate. The Board is satisfied that Robert Holt has recent and relevant financial experience.

The Management Engagement Committee comprises three Directors, Peter Dicks (Chairman), Robert Holt and David Royds. The Committee meets annually to review the Company's contracts with its services providers and at other times as and when necessary.

The Nominations and Remuneration Committee comprises three Directors, David Royds (Chairman), Peter Dicks and Robert Holt. The Committee meets at least once a year to review the remuneration of Directors and is also responsible for proposing candidates for appointment to the Board. No vacancies have arisen during the year and the Committee has not advised on any new Board appointments.

The Board members who comprise the above committees of the Board are all independent from the Investment Manager. All of the above Committees have written terms of reference, which deal with their responsibilities and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary.

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors are responsible for the internal control systems of the Company and for reviewing their effectiveness. These aim to

ensure the maintenance of proper accounting records, the reliability of published financial information and the information used for business making decisions and that the assets of the Company are safeguarded.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers and controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating.

The Board has delegated contractually to third parties the management of the investment portfolio, the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board. The annual review includes a consideration of the risks associated with the Company's contractual arrangements with third party suppliers.

This procedure for the review of control systems has been in place and operational throughout the period under review. The last review took place on 25 November 2004. The Board has identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

Under the London Stock Exchange's listing Rule 26.9(d), where a Venture Capital Trust company has no executive directors the Code principles relating to directors' remuneration do not apply. The remuneration of the Directors is determined by the Nominations and Remuneration Committee, in accordance with the Company's Articles of Association.

Relations with Shareholders

Communication with Shareholders is given a high priority. All Shareholders receive a copy of the Annual and Interim Reports. There is an opportunity to question the Directors and the Chairmen of the Committees of the Board at the Annual General Meeting to which all Shareholders are invited.

The Board as a whole approves the contents of the Chairman's

Statement and Investment Manager's Review which form part of the Annual and Interim Reports to Shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

The Company counts all proxy votes and indicates to Shareholders at each General Meeting the balance for and against each resolution and the number of abstentions, after it has been dealt with on a show of hands.

The Notice of the Annual General Meeting is included in this Annual Report and is sent to Shareholders at least 20 working days before the meeting.

Going concern

After making enquiries, the Directors have a reasonable expectation that 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.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 22 of this report.

The Report of the Auditors is set out on page 23 of this report.

Internal audit

The Board has reviewed the need for an internal audit function. It has concluded that the systems and procedures employed by the Investment Manager provide sufficient assurance that a *sound system of internal financial control, which safeguards Shareholders' investment and Company assets, is maintained.* An internal audit function, specific to the Company, is therefore considered unnecessary.

Non-Statutory Analysis between the Ordinary Share and S2 Share Funds

Statement of Total Return for the year ended 30 September 2004

	Notes	Ordinary Share Fund			S2 Share Fund		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Gains and losses on investments	1 (b)	–	2,630,204	2,630,204	–	75,456	75,456
Income	2	607,366	–	607,366	246,982	–	246,982
Investment management fees	3	(197,782)	(593,345)	(791,127)	(34,154)	(102,463)	(136,617)
Other expenses	4	(357,541)	–	(357,541)	(85,348)	–	(85,348)
Return on ordinary activities before taxation		52,043	2,036,859	2,088,902	127,480	(27,007)	100,473
Tax on ordinary activities	6	16,334	(14,607)	1,727	(16,334)	14,607	(1,727)
Return attributable to equity shareholders		68,377	2,022,252	2,090,629	111,146	(12,400)	98,746
Dividends in respect of equity shares	7	–	(3,476,923)	(3,476,923)	(118,148)	–	(118,148)
Transfer to/(from) reserves		68,377	(1,454,671)	(1,386,294)	(7,002)	(12,400)	(19,402)
Return per ordinary share	8	0.20p	5.80p	6.00p	0.96p	(0.11)p	0.85p
Average number of shares in issue			34,847,936				11,564,057

Balance Sheets as at 30 September 2004

	Notes	Ordinary Share Fund		S2 Share Fund	
		£	£	£	£
Fixed Assets					
Investments	9		33,252,677		7,377,295
Current Assets					
Debtors and prepayments		78,487		62,512	
Current investments		–		7,606,909	
Cash at bank		2,835,160		26,142	
		2,913,647		7,695,563	
Creditors: amounts falling due within one year		(183,009)		(197,757)	
Net current assets			2,730,638		7,497,806
Net assets			35,983,315		14,875,101
Capital					
Called up share capital	14		347,692		157,531
Share premium account	15		–		–
Revaluation reserve	15		7,975,071		75,456
Capital redemption reserve	15		2,305		102
Special distributable reserve	15		27,513,350		14,634,406
Profit and Loss account	15		144,897		7,606
Equity Shareholders' funds			35,983,315		14,875,101
Number of shares in issue:			34,769,234		15,753,089
Net asset value per share of 1 pence each	17		103.49p		94.43p

Adjustments (see note below)		Total of both funds (per Statutory Profit and Loss account)		
Ordinary Share Capital £	S2 Share Capital £	Revenue £	Capital £	Total £
(1,688,240)	(75,456)	-	941,964	941,964
		854,348	-	854,348
		(231,936)	(695,808)	(927,744)
		(442,889)	-	(442,889)
(1,688,240)	(75,456)	179,523	246,156	425,679
		-	-	-
(1,688,240)	(75,456)	179,523	246,156	425,679
		(118,148)	(3,476,923)	(3,595,071)
(1,688,240)	(75,456)	61,375	(3,230,767)	(3,169,392)

- Note: The adjustment columns represent unrealised gains in the year, which are part of the capital component of the total shareholder return for the year. However they are not reported in the Profit and Loss account, shown on page 24 to which the "Total of both funds" columns reconcile to. These unrealised gains (total being £1,763,696) are however reported as part of the Statement of Total Recognised Gains and Losses, shown on page 24.

Adjustments (see note below) £	Total of both funds (per Statutory Balance Sheet) £
	40,629,972
(14,922)	126,077
	7,606,909
	2,861,302
(14,922)	10,594,288
14,922	(365,844)
	10,228,444
-	50,858,416
	505,223
	-
	8,050,527
	2,407
	42,147,756
	152,503
	50,858,416

Note: The adjustment above nets off the inter-fund debtor and creditor balances, so that the "Total of both funds" balance sheet agrees to the Statutory balance sheet on page 25.

Statement of Directors' Responsibilities

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 and of the profit or loss for that period. In preparing those statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Directors' Remuneration Report and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Independent Auditors' Report to the Members of Unicorn AIM VCT plc

We have audited the financial statements of Unicorn AIM VCT plc for the year ended 30 September 2004, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the provisions of the New Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance

procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and the Investment Manager's Review including the review of the VCT Qualifying Investments and the Investment Portfolio Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate in the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2004 and of its profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

PKF

PKF

Registered Auditors, London, UK

25 November 2004

Profit and Loss Account

for the year ended 30 September 2004

	Notes	30 September 2004			30 September 2003		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Gains/(losses) on realisation of investments		–	941,964	941,964	–	(182,579)	(182,579)
Income	2	854,348	–	854,348	835,402	–	835,402
Investment management fees	3	(231,936)	(695,808)	(927,744)	(164,281)	(492,843)	(657,124)
Other expenses	4	(442,889)	–	(442,889)	(344,137)	–	(344,137)
Profit/(Loss) on ordinary activities before taxation		179,523	246,156	425,679	326,984	(675,422)	(348,438)
Tax on ordinary activities	6	–	–	–	–	–	–
Profit/(Loss) on ordinary activities after taxation for the financial year		179,523	246,156	425,679	326,984	(675,422)	(348,438)
Dividends in respect of equity shares	7	(118,148)	(3,476,923)	(3,595,071)	(332,163)	–	(332,163)
Retained profit/(loss) for the year transferred to/(from) reserves		61,375	(3,230,767)	(3,169,392)	(5,179)	(675,422)	(680,601)
Earnings per share:							
Ordinary Shares	8			1.15p			(1.00)p
S2 Shares	8			0.20p			N/A

All the items in the above statement derive from continuing operations

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2004

	Notes	30 September 2004			30 September 2003		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Profit/(loss) on ordinary activities after taxation		179,523	246,156	425,679	326,984	(675,422)	(348,438)
Unrealised gains on revaluation of investments		–	1,763,696	1,763,696	–	9,090,625	9,090,625
Total recognised gains during the year		179,523	2,009,852	2,189,375	326,984	8,415,203	8,742,187
Return per share:							
Ordinary Shares	8	0.20p	5.80p	6.00p	0.93p	24.06p	24.99p
S2 Shares	8	0.96p	(0.11)p	0.85p			

Note of Historical Cost Profits and Losses

for the year ended 30 September 2004

	30 September 2004 £	30 September 2003 £
Profit/(loss) on ordinary activities before taxation	425,679	(348,438)
Realisation of revaluation gains/(losses) of previous years	1,639,713	(1,785,291)
Historical cost profit/(loss) on ordinary activities before taxation	2,065,392	(2,133,729)
Historical cost profit/(loss) for the year after taxation and dividends	(1,529,679)	(2,465,892)

The notes on pages 27 to 38 form part of these financial statements.

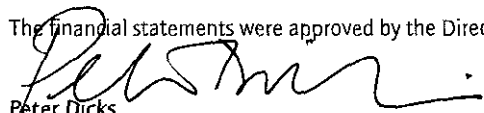
Balance Sheet

as at 30 September 2004

	Notes	30 September 2004		30 September 2003	
		£	£	£	£
Fixed Assets					
Investments	9		40,629,972		31,129,757
Current Assets					
Debtors and prepayments	11	126,077		109,327	
Current investments	12	7,606,909		6,612,308	
Cash at bank	19	2,861,302		56,883	
		10,594,288		6,778,518	
Creditors: amounts falling due within one year	13	(365,844)		(350,258)	
Net current assets			10,228,444		6,428,260
Net assets			50,858,416		37,558,017
Capital and reserves					
Called up share capital	14		505,223		349,592
Share premium account	15		-		-
Revaluation reserve	15		8,050,527		(7,176,544)
Capital redemption reserve	15		2,407		405
Special distributable reserve	15		42,147,756		32,710,597
Profit and loss account	15		152,503		(2,679,121)
Equity Shareholders' funds	16		50,858,416		37,558,017
Net asset value per share of 1 pence each:			Basic		Basic
Ordinary Shares	17		103.49p		107.43p
S2 Shares	17		94.43p		N/A

The notes on pages 27 to 38 form part of these financial statements.

The financial statements were approved by the Directors on 25 November 2004 and are signed on their behalf:


Peter Dicks

Director

Cash Flow Statement

for the year ended 30 September 2004

	Notes	Year ended 30 September 2004 £	Year ended 30 September 2003 £
Operating activities			
Dividends received		477,923	430,738
Deposit and similiar interest		378,865	349,597
Investment management fees paid		(927,744)	(657,124)
Other cash payments		(397,951)	(320,193)
Net cash outflow from operating activities	18	(468,907)	(196,982)
Investing activities			
Purchase of investments	9	(19,522,977)	(9,576,526)
Sale of investments	9	12,709,837	3,691,616
		(6,813,140)	(5,884,910)
Equity dividends			
Payment of dividends		(3,634,240)	(349,845)
Net cash outflow before financing and management of liquid resources		(10,916,287)	(6,431,737)
Financing			
Issue of S2 Shares		15,763,314	-
Issue costs of S2 Shares		(859,599)	-
Purchase of own shares		(188,408)	(28,063)
		14,715,307	(28,063)
Management of liquid resources			
(Increase)/decrease in current investments	12,19	(994,601)	6,422,628
Net increase/(decrease) in cash	19	2,804,419	(37,172)

Notes to the Accounts

for the year ended 30 September 2004

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable accounting standards and, to the extent that it does not conflict with the Companies Act 1985, the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies'.

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 266 (3) of the Companies Act 1985, on 17 August 2004.

Consequently, the financial statements have been drawn up to include a statutory profit and loss account and a statement of total recognised gains and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 "Reporting Financial Performance" and the comparatives have been presented on a consistent basis. This has no effect on total returns or net assets per share. These statements, however, differ from the Statement of Total Return presented previously as follows:

- (i) profits/(losses) on realisation of investments are now included in the profit and loss account;
- (ii) unrealised gains and losses on investments are included in the statement of total recognised gains and losses; and
- (iii) all investment management fees are charged to the profit and loss account.

b) Investments

In respect of quoted investments the British Venture Capital Association (BVCA) have stated that VCTs should have regard to generally accepted accounting practice and market practice in the valuation of the investments and accordingly these are valued at mid market price, in accordance with the Investment Trust Companies SORP 2003. As part of the valuation process, the Directors consider the need for discounts by reviewing the earnings multiple, the likelihood of selling the investment in the foreseeable future and any updated information available upon each investment, as appropriate.

Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the BVCA guidelines:

- (i) Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors.
- (ii) Investments in companies at an early stage of their development are also valued at cost in the absence of overriding factors.
- (iii) Where investments have gone beyond the stage of their development in (ii) above, the shares may be valued by applying a suitable price-earnings ratio to that company's post-tax earnings (the ratio used being based on a comparable listed company or sector but discounted to reflect lack of marketability);
- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of a company, this value will be used.

Unlisted investments will not normally be re-valued upwards for a period of at least twelve months from the date of acquisition for early stage investments where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate.

c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield.

d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and with the further exception that 75% of the fees payable to the Investment Managers are charged against capital. This is in line with the Board's expected long-term split of returns from the investment portfolio of the company. IFA trail commission is expensed in the period in which it is incurred.

Notes to the Accounts

for the year ended 30 September 2004

Where expenses relate specifically to the Ordinary Share Fund or the S2 Share Fund, they have been allocated to those respective Funds. Of other expenses which do not relate specifically to either Fund, 66.67% have been attributed to the Ordinary Share Fund and 33.33% to the S2 Share Fund, with effect from 1 June 2004.

e) Liquid resources

Liquid resources are the current investments disclosed in note 12, regarded as available for investment, rather than to meet the company's running expenses, as at the year-end.

2 Income

	2004 £	2003 £
Interest receivable		
– from bank deposits	28,343	140,958
	28,343	140,958
Investment income receivable		
– from equities	442,308	457,637
– from OEIC money-market funds	383,697	236,807
	826,005	694,444
Total Income	854,348	835,402
Total Income Comprises		
Dividends	826,005	694,444
Interest	28,343	140,958
	854,348	835,402
Income from investments comprises		
Listed UK securities	254,975	392,725
Listed Overseas securities	383,697	236,807
Unlisted UK securities	187,333	64,912
	826,005	694,444

3 Investment Manager's fees

	Revenue 2004 £	Capital 2004 £	Total 2004 £	Revenue 2003 £	Capital 2003 £	Total 2003 £
Unicorn Asset Management Limited	231,936	695,808	927,744	164,281	492,843	657,124

Unicorn Asset Management Limited advises the Company on investments in qualifying and non-qualifying companies under an agreement dated 1 October 2001. The agreement is for an initial period of three years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

Unicorn Asset Management Limited received an annual management fee of 2% of the net asset value of the Company, excluding the value of the investments in the OEICs, which are also managed by Unicorn Asset Management Limited. The annual management fee is calculated and payable quarterly in advance together with any applicable VAT. The management fee will be reduced where there is an excess of expenses over 3.6% of the closing net assets of the Company.

Included in the above is irrecoverable VAT of £138,175.

Under an Incentive Agreement dated 1 October 2001, the Investment Manager and the Promoter (Matrix Securities Limited) will receive an annual performance related incentive, once a total return of 80 pence per share (of which 60 pence shall be in the form of dividends, whether from revenue or capital) has been achieved. The incentive fee is calculated as 20% of the amount by which the growth in net asset value in any accounting year on a cumulative basis exceeds the target returns, being the base rate of National Westminster Bank plc averaged out over the same period. Of this fee, 85% will be paid to the Investment Manager, and 15% to the Promoter.

The incentive fee will be paid after deducting any incentive fees paid previously. The incentive fee cannot exceed 5% of the net asset value of the Company, but any amount unpaid can be carried forward to the next accounting period. Where the target return is not achieved, any shortfall is also carried forward, and an incentive fee will only be paid once previous and current target returns have been met.

4 Other expenses

	2004 £	2003 £
<i>Directors' remuneration (including NIC)</i>	37,663	37,535
IFA trail commission	144,109	104,391
Administration services	129,180	104,934
Broker's fees	13,807	14,100
Custody fees	10,161	10,110
Auditors' fees – audit	14,687	12,866
– other services	4,485	1,763
Tax monitoring fees	12,396	9,059
Professional fees	17,455	266
Registrar's fees	18,891	11,964
Printing	10,109	8,670
Sundry	29,946	28,479
	442,889	344,137

Charges for non audit services provided by the auditors in the year ended 30 September 2004 relate to the provision of tax compliance work. The Directors consider the auditors were best placed to provide these services. The Audit Committee reviews the nature and extent of non audit services to ensure that independence is maintained.

5 Directors' remuneration

	2004 £	2003 £
Directors' emoluments		
<i>Peter Dicks</i>	15,000	15,000
Robert Holt	10,000	10,000
David Royds	10,000	10,000
Peter Webb	–	–
	35,000	35,000
Employer's NIC	2,663	2,535
	37,663	37,535

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable.

The Company has no employees other than Directors. Peter Webb only received emoluments from his employer, Unicorn Asset Management Limited.

Notes to the Accounts

for the year ended 30 September 2004

6 Taxation on ordinary activities

a) Analysis of charge in the year

	2004 £	2003 £
Current tax charge in the year	–	–

b) Factors affecting tax charge for the year

	2004 £	2003 £
Profit/(loss) on ordinary activities before tax	425,679	(348,438)
Profit/(loss) on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19%	80,879	(66,203)
Non-taxable UK dividend income	(84,039)	(131,944)
Realised gains/(losses) which are (not taxable)/allowable	(178,973)	34,690
Allowable expense not charged to revenue	132,204	93,640
Losses carried forward	49,929	69,817
Actual current tax charge – revenue	–	–
Impact of allowable expenditure credited to capital reserve	(132,204)	(93,640)
Additional losses carried forward to future years	132,204	93,640
Current tax charge for year	–	–

Tax relief relating to investment management fees is allocated between Revenue and Capital in the same proportion as such fees.

There is no taxation in relation to capital gains or losses. Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

No deferred tax asset has been recognised on surplus management expenses carried forward. At present it is not envisaged that any tax will be recovered in the foreseeable future. The amount not recognised is £390,167 (2003: £257,448).

7 Dividends and other appropriations

	2004 £	2003 £
Dividends on equity shares		
Ordinary Share Fund – interim paid of 10p (2003: 0.5p) per share:	3,476,923	174,846
Ordinary Share Fund – final proposed of 0.0p (2003: 0.45p) per share:	–	157,317
	3,476,923	332,163
S2 Share Fund – final proposed of 0.75p (2003: 0.00p) per share:	118,148	–

8 Earnings and return per share

Total earnings after taxation for the year were £425,679 (2003: loss of £348,438), comprising a profit on the Ordinary Share Fund after taxation of £402,389 (2003: loss of £348,438), and a profit after taxation on the S2 Share Fund of £23,290 (2003: £nil). The basic earnings per Ordinary Share is based on the net profit from ordinary activities and on 34,847,936 (2003: 34,981,287) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. The basic earnings per S2 Share is based on the net profit from ordinary activities and on 11,564,057 (2003: nil) S2 Shares, being the weighted average number of S2 Shares in issue during the year.

The revenue return per Ordinary Share is based on the net revenue from ordinary activities after taxation of £68,377 (2003: £326,984) and on 34,847,936 (2003: 34,981,287) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. The revenue return per S2 Share is based on the net revenue from ordinary activities after taxation of £111,146 (2003: £ nil) and on 11,564,057 (2003: nil) S2 Shares, being the weighted average number of S2 Shares in issue during the year.

The capital return per Ordinary Share is based on net realised capital gains of £941,964 (2003: losses of £182,579), on net unrealised capital gains of £1,688,240 (2003: £9,090,625), capital expenses of £607,952 (2003: £492,843) and on 34,847,936 (2003: 34,981,287) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. The capital return per S2 Share is based on net realised capital gains of £nil (2003: £nil), on net unrealised capital gains of £75,456 (2003: £nil), capital expenses of £87,856 (2003: £nil) and on 11,564,057 (2003: nil) S2 Shares, being the weighted average number of S2 Shares in issue during the year.

9 Investments

Movements in investments during the period are summarised as follows:

Company	Traded on AIM £	Fully Listed £	Unlisted ordinary shares £	Unlisted preference shares £	Unicorn OEIC Fund £	Total £
Book cost at 30 September 2003	9,183,450	9,087,038	1,050,000	700,000	3,932,725	23,953,213
Unrealised gains/(losses) at 30 September 2003	4,557,041	1,747,576	(750,000)	—	1,621,927	7,176,544
Valuation at 30 September 2003	13,740,491	10,834,614	300,000	700,000	5,554,652	31,129,757
Purchases at cost	12,165,950	1,299,776	—	—	6,219,360	19,685,086
Sale proceeds	(1,398,877)	(9,424,748)	—	—	(2,066,906)	(12,890,531)
Realised gain	24,974	750,209	—	—	166,781	941,964
Unrealised gains/(losses) brought forward now realised	243,745	841,177	(750,000)	—	554,791	889,713
Increase in unrealised appreciation	(341,639)	(60,565)	1,449,990	—	(173,803)	873,983
Closing valuation at 30 September 2004	24,434,644	4,240,463	999,990	700,000	10,254,875	40,629,972
Book cost at 30 September 2004	20,219,242	2,553,452	1,050,000	700,000	8,806,751	33,329,445
Unrealised gains/(losses) at 30 September 2004	4,215,402	1,687,011	699,990	—	1,448,124	8,050,527
Brought forward temporary impairment now deemed permanent	—	—	(750,000)	—	—	(750,000)
	24,434,644	4,240,463	999,990	700,000	10,254,875	40,629,972

Notes to the Accounts

for the year ended 30 September 2004

9 Investments (continued)

Ordinary Share Fund	Traded on AIM £	Fully Listed £	Unlisted ordinary shares £	Unlisted preference shares £	Unicorn OEIC Fund £	Total £
Book cost at 30 September 2003	9,183,450	9,087,038	1,050,000	700,000	3,932,725	23,953,213
Unrealised gains/(losses) at 30 September 2003	4,557,041	1,747,576	(750,000)	–	1,621,927	7,176,544
Valuation at 30 September 2003	13,740,491	10,834,614	300,000	700,000	5,554,652	31,129,757
Purchases at cost	11,083,137	1,299,776	–	–	334	12,383,247
Sale proceeds	(1,398,877)	(9,424,748)	–	–	(2,066,906)	(12,890,531)
Realised gain	24,974	750,209	–	–	166,781	941,964
Unrealised gains/(losses) brought forward now realised	243,745	841,177	–	–	554,791	1,639,713
Increase in unrealised appreciation	(408,269)	(60,565)	699,990	–	(182,629)	45,527
Closing valuation at 30 September 2004	23,285,201	4,240,463	999,990	700,000	4,027,023	33,252,677
Book cost at 30 September 2004	19,136,429	2,553,452	1,050,000	700,000	2,587,725	26,027,606
Unrealised gains/(losses) at 30 September 2004	4,148,772	1,687,011	699,990	–	1,439,298	7,975,071
Brought forward temporary impairment now deemed permanent	–	–	(750,000)	–	–	(750,000)
	23,285,201	4,240,463	999,990	700,000	4,027,023	33,252,677
S2 Share Fund	Traded on AIM £	Fully Listed £	Unlisted ordinary shares £	Unlisted preference shares £	Unicorn OEIC Fund £	Total £
Valuation at 30 September 2003	–	–	–	–	–	–
Purchases at cost	1,082,813	–	–	–	6,219,026	7,301,839
Sale proceeds	–	–	–	–	–	–
Increase/(decrease) in unrealised gains/(losses)	66,630	–	–	–	8,826	75,456
Closing valuation at 30 September 2004	1,149,443	–	–	–	6,227,852	7,377,295
Book cost at 30 September 2004	1,082,813	–	–	–	6,219,026	7,301,839
Unrealised gains/(losses) at 30 September 2004	66,630	–	–	–	8,826	75,456
	1,149,443	–	–	–	6,227,852	7,377,295

Non cash movements in investment transactions

The Company exchanged its holding in AFA Systems plc for shares in Microgen plc, at a cost of £180,694. Deducting this sum from purchases, but adding back the costs of equalisations within the purchases of OEICs above of £18,646 and deducting £61 for an unsettled trade at the year-end gives purchases of £19,522,977 as shown in the cash flow statement.

Deducting this sum of £180,694 from sale proceeds above leaves sale proceeds of £12,709,837 as shown in the cash flow statement.

10 Significant interests

At 30 September 2004 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (ordinary shares) £	Investment in loan stock and preference shares £	Total investment £	Percentage of investee company's total equity
Nectar Taverns plc	999,990	700,000	1,699,990	24.7%
Aludel Limited	–	–	–	20.1%
Lloyds British Testing plc	635,186	–	635,186	15.4%
Supporta plc	2,619,809	–	2,619,809	15.2%
Xpertise Group plc	467,091	–	467,091	12.7%
Asfare Group plc	517,220	–	517,220	11.2%
Prologic plc	849,330	–	849,330	10.7%
Strategic Retail plc	600,040	–	600,040	9.6%
Glisten plc	2,051,514	–	2,051,514	8.3%
Centurion Electronics plc	1,479,944	–	1,479,944	7.9%
Tellings Golden Miller plc	1,859,222	–	1,859,222	6.4%
The Real Good Food Company plc	1,142,963	–	1,142,963	5.8%
Screen plc	125,549	–	125,549	5.4%
Ingenta plc	294,391	–	294,391	5.1%
Longbridge International plc	238,875	–	238,875	4.2%
Huveaux plc	2,082,298	–	2,082,298	3.8%
Public Recruitment Group plc	1,055,291	–	1,055,291	3.1%
Printing.com plc	393,333	–	393,333	3.0%

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represent investments in associated undertakings.

All of the above companies are incorporated in the United Kingdom.

The Company holds 36.1% of the B shares issued by the Unicorn Free Spirit Fund at the year-end, 23.8% of the B shares issued by Unicorn Smaller Companies Fund and 78.1% of the Unicorn Mastertrust Fund. Unicorn Free Spirit Fund, Unicorn Smaller Companies Fund and Unicorn Mastertrust Fund are sub-funds of the Unicorn Investment Funds ICVC, managed by Unicorn Asset Management Limited.

11 Debtors

	2004 £	2003 £
Amounts due within one year		
Prepayments and accrued income	126,077	109,327

Notes to the Accounts

for the year ended 30 September 2004

12 Current investments

These comprise investments in three Dublin based OEIC money markets funds, managed by Royal Bank of Scotland and Merrill Lynch. £3,331,220 (2003: £1,871,856) of this sum is subject to same day access while £4,275,689 (2003: £4,740,452) is subject to two day access. These sums are regarded as monies held pending investment.

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	19,835	2,509
Other creditors	4,006	4,072
Accruals	223,855	186,360
Proposed dividend	118,148	157,317
	365,844	350,258

14 Called up share capital

	2004 £	2003 £
Authorised		
Ordinary Shares of 1p each: 40,000,000	400,000	400,000
S2 Shares of 1p each: 25,000,000	250,000	—
	650,000	400,000

	2004 £	2003 £
Issued		
Ordinary Shares of 1p each: 34,769,234 (2003: 34,959,234)	347,692	349,592
S2 Shares of 1p each: 15,753,089	157,531	—
	505,223	349,592

During the year the Company purchased 190,000 - £1,900 nominal value (2003: 40,590 - £405 nominal value) of its own Ordinary Shares for cash at the prevailing market price for a total cost of £188,408 (2003: £28,063), and 10,225 - £102 nominal value (2003:nil) of its S2 Shares for cash at the prevailing market price for a total cost of £9,212 (2003: £nil).

15 Reserves

	Called up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Special distributable reserve £	Profit and loss account £	Total £
Total							
At 30 September 2003	349,592	–	7,176,544	405	32,710,597	(2,679,121)	37,558,017
Shares issued	157,633	15,605,681	–	–	–	–	15,763,314
Shares bought back	(2,002)	–	–	2,002	(197,620)	–	(197,620)
Expenses of share issue	–	(859,599)	–	–	–	–	(859,599)
Transfer to special reserve	–	(14,746,082)	–	–	14,746,082	–	–
Write off to special reserve	–	–	–	–	(5,111,303)	5,111,303	–
Brought forward temporary impairment now deemed permanent	–	–	750,000	–	–	(750,000)	–
Realisation of previously unrealised appreciation	–	–	(1,639,713)	–	–	1,639,713	–
Net increase in unrealised appreciation in the year	–	–	1,763,696	–	–	–	1,763,696
Retained net revenue for the year	–	–	–	–	–	(3,169,392)	(3,169,392)
At 30 September 2004	505,223	–	8,050,527	2,407	42,147,756	152,503	50,858,416
Ordinary Share Fund							
At 30 September 2003	349,592	–	7,176,544	405	32,710,597	(2,679,121)	37,558,017
Shares bought back	(1,900)	–	–	1,900	(188,408)	–	(188,408)
Write off to special reserve	–	–	–	–	(5,008,839)	5,008,839	–
Brought forward temporary impairment now deemed permanent	–	–	750,000	–	–	(750,000)	–
Realisation of previously unrealised appreciation	–	–	(1,639,713)	–	–	1,639,713	–
Net increase in unrealised appreciation in the year	–	–	1,688,240	–	–	–	1,688,240
Retained net revenue for the year	–	–	–	–	–	(3,074,534)	(3,074,534)
At 30 September 2004	347,692	–	7,975,071	2,305	27,513,350	144,897	35,983,315
S2 Share Fund							
At 30 September 2003	–	–	–	–	–	–	–
Shares issued	157,633	15,605,681	–	–	–	–	15,763,314
Shares bought back	(102)	–	–	102	(9,212)	–	(9,212)
Expenses of share issue	–	(859,599)	–	–	–	–	(859,599)
Transfer to special reserve	–	(14,746,082)	–	–	14,746,082	–	–
Write off to special reserve	–	–	–	–	(102,464)	102,464	–
Net increase in unrealised appreciation in the year	–	–	75,456	–	–	–	75,456
Retained net revenue for the year	–	–	–	–	–	(94,858)	(94,858)
At 30 September 2004	157,531	–	75,456	102	14,634,406	7,606	14,875,101

The cancellation of the Company's S2 Share Fund's share premium account (as approved at the Annual General Meeting held on 13 January 2004 and by the order of the Court dated 15 September 2004) has provided the Company with a special distributable reserve for the S2 Share Fund. The purpose of the reserve for both the Ordinary and S2 Share Funds is to fund market purchases of each Fund's shares, and to write off existing and future losses now that the Company has revoked its investment company status and is obliged to take into account capital losses in determining distributable reserves. The transfer to the profit and loss account from the special distributable reserve is the transfer of realised losses to date.

Notes to the Accounts

for the year ended 30 September 2004

At Annual General Meetings held on 21 January 2003 and 13 January 2004, the Shareholders authorised the Company to purchase respectively its Ordinary Shares and S2 Shares pursuant to section 166 of the Companies Act 1985. These authorities are limited to a maximum number of Ordinary or S2 Shares equivalent to 10 per cent of the issued share capital of the Company from time to time. The maximum price that may be paid for an Ordinary or S2 Share will be an amount that is equal to 105 per cent of the average of the middle market prices shown in quotations for an Ordinary Share or an S2 Share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased. The minimum price which may be paid for an Ordinary Share or an S2 Share is 1p. The authorities provide that the Company may make a contract or contracts to purchase Ordinary or S2 Shares before the expiry of the relevant authority which will or may be executed in whole or part after the expiry of such authority, and may make a purchase of Ordinary or S2 Shares in pursuance of any such contract or contracts as if the authority conferred had not expired. A resolution to renew these authorities to a maximum number of Ordinary or S2 Shares equivalent to 14.99% of the issued share capital at the company will be proposed at the Annual General Meeting to be held on 19 January 2005.

16 Reconciliation of movements in Shareholders' funds

	2004 £	2003 £
<i>Net finance raised</i>		
At beginning of year	37,558,017	29,176,056
Issue of S2 Shares	15,763,314	–
Expenses of issue	(859,599)	–
Redemption of shares	(197,620)	(28,063)
Total recognised gains and losses for the year	2,189,375	8,742,187
Dividends on equity shares	(3,595,071)	(332,163)
	50,858,416	37,558,017

17 Net asset value per Ordinary Share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 34,769,234 (2003: 34,959,734) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

Net asset value per S2 Share is based on net assets at the end of the year, and on 15,753,089 (2003: nil) S2 Shares, being the number of S2 Shares in issue on that date.

18 Reconciliation of net revenue before taxation to net cash outflow from operating activities

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	425,679	(348,438)
(Gains)/losses on realisation of investments	(941,964)	182,579
Decrease/(Increase) in debtors	1,896	(48,164)
Increase in creditors and accruals	45,482	17,041
Net cash outflow from operating activities	(468,907)	(196,982)

19 Analysis of changes in net funds

	Cash 2004 £	Liquid resources 2004 £	Total 2004 £	Cash 2003 £	Liquid resources 2003 £	Total 2003 £
At 30 September 2003	56,883	6,612,308	6,669,191	94,055	13,034,936	13,128,991
Cash flows	2,804,419	994,601	3,799,020	(37,172)	(6,422,628)	(6,459,800)
At 30 September 2004	2,861,302	7,606,909	10,468,211	56,883	6,612,308	6,669,191

20 Financial instruments

The Company's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities that are held in accordance with the Company's investment objective as set out in the Investment Managers' Review.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

Risk

Credit Risk: Failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered.

Market Risk: Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The investments in equity and fixed interest stocks of unlisted and AIM listed companies the Company holds are thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

Interest Rate Risk: The company's fixed interest securities, its equity and non-equity investments and net revenue may be affected by interest rate movements. Investments are often in start-up businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the company's fixed rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

Currency risk: All assets and liabilities are denominated in sterling and therefore there is no currency risk.

Management of risk

Credit Risk: All transactions are settled on the basis of delivery against payment.

Stock Specific Risk: The Board manages the stock specific risk inherent in the Company's portfolio by maintaining an appropriate spread of equities, and by ensuring full and timely access to relevant information from the Investment Manager. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise. The company does not use derivative instruments to hedge against market risk.

Interest Rate Risk: The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board, as referred to above.

Notes to the Accounts

for the year ended 30 September 2004

Financial assets

The interest rate profile of the Company's financial assets (excluding short-term debtors and creditors) at 30 September 2004 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	29,675,097	–	–	29,675,097		
Unicorn OEICs	10,254,875	–	–	10,254,875		
Preference shares	–	700,000	–	700,000	8.00	2.9
Money market funds	–	–	7,606,909	7,606,909	4.64	
Cash	2,821,731	–	39,571	2,861,302		
Total	42,751,703	700,000	7,646,480	51,098,183		

The interest rate profile of the Company's financial assets (excluding short-term debtors and creditors) at 30 September 2003 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	24,875,105	–	–	24,875,105		
Unicorn OEICs	5,554,652	–	–	5,554,652		
Preference shares	–	700,000	–	700,000	8.00	4.9
Money market funds	–	–	6,612,308	6,612,308	3.46	
Cash	–	–	56,883	56,883		
Total	30,429,757	700,000	6,669,191	37,798,948		

Floating rate cash earns interest based on LIBOR rates.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

The carrying value of financial assets and liabilities approximates their fair value.

21 Related party transactions

Under the terms of the arrangement dated 1 October 2001, the Trust has appointed Unicorn Asset Management Limited (of which Peter Webb is a shareholder and director) to be the Investment Manager. The fee arrangements for these services and the fees payable are set out in note 3. David Royds is a director and shareholder of Matrix-Securities Limited, who acted as Promoter to the Company for a fee of £721,807 (2003: £nil) and provides administration services to the Company, disclosed in note 4 to these accounts. Robert Holt is a director and shareholder of both Supporta plc (formerly Staffing Ventures plc) and Mears Group plc in which the Company has invested £2,550,403 (carrying value £2,619,809) (2003: £750,000 (carrying value £570,000)) and £353,043 (carrying value £779,021) (2003: £353,043 (carrying value £493,540)) respectively. He owns 0.62% (2003: 2.5%) of the equity of Supporta plc and 9% (2003: 9%) of the equity of Mears Group plc. The interests of the Directors in the shares of the Company are set out on page 13.

22 Post balance sheet events

Since the year-end, the Ordinary Share Fund has invested a further £2,773,786 in six qualifying investments, and the S2 Share Fund has invested a further £1,650,300 in six qualifying investments.

23 Segmental analysis

The operations of the Company are wholly in the United Kingdom.

Shareholder Information

The Company's Ordinary Shares and S2 Shares are listed on the London Stock Exchange. Shareholders wishing to follow the Fund's progress can visit the TrustNet website at www.trustnet.com. This contains publicly available information about our largest investments, the latest NAV and the share price. The share price is also quoted in the Financial Times.

Net asset value per share

The Company's net asset value (NAV) per share as at 31 October 2004 was 106.8 pence for the Ordinary Share Fund and 96.7 pence for the S2 Share Fund. The Company announces its unaudited NAV to the London Stock Exchange on a monthly basis.

Dividend

The directors will be proposing a final dividend to S2 Fund Shareholders of 0.75 pence per share at the Annual General Meeting to be held on 19 January 2005. The dividend will be paid on 3 February 2005 to Shareholders on the Register on 7 January 2005.

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by telephoning the Company's Registrars, Capita IRG Plc on 0870 162 3100, or write to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Financial calendar

Mid December 2004	Annual Report for the period ended 30 September 2004 to be circulated to Shareholders
7 January 2005	Record date for S2 Fund Shareholders to be eligible for a final dividend
19 January 2005	Annual General Meeting
3 February 2005	Final dividend for the period to 30 September 2004 to be paid to S2 Fund Shareholders
Early May 2005	Preliminary Announcement of Interim Results
Late May 2005	Interim Report for the six months ended 31 March 2005 to be circulated to Shareholders
30 September 2005	Year-end
Early December 2005	Preliminary announcement of final results for the year ended 30 September 2005

Annual General Meeting

The third Annual General Meeting of the Company will be held on Wednesday, 19 January 2005 at 11.00 am at One Jermyn Street, London SW1Y 4UH. The meeting will take place on the sixth floor at the offices of Matrix Group Limited. Please try to arrive 15 minutes before the meeting starts when tea and coffee will be served to Shareholders. A short presentation will be given by the Investment Manager and one of the investee companies following the AGM. The Notice of the meeting, together with a proxy form, is included on pages 40 to 43 of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita IRG Plc, to arrive no later than 11.00 am on 17 January 2004.

Shareholder enquires:

For general Shareholder enquiries, please contact Sarah Penfold of Matrix-Securities Limited (the Company Secretary) on 020 7925 3300 or by e-mail on sarah.penfold@matrixgroup.co.uk.

For enquiries concerning the performance of the Fund, please contact the Investment Manager, Sean O'Flanagan at Unicorn Asset Management Limited, on 020 7253 0889 or by e-mail on sean.oflanagan@unicornam.com.

Change of Address

To notify the Company of a change of address please contact the Company's Registrars at the address given above.

UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the Company will be held at 11.00 am on Wednesday, 19 January 2005 at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 30 September 2004, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2004 as set out in the Annual Report and Accounts of the Company for the year ended 30 September 2004.
3. To re-appoint PKF of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as Auditors.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Peter Webb as a Director of the Company.
6. To declare a final dividend for the year ended 30 September 2004 of 0.75 pence per share, payable on 3 February 2005 to S2 Fund Shareholders registered at close of business on 7 January 2005.
7. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act"):
 - (i) The Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the Act) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine. The authority hereby conferred shall expire on the fifth anniversary of the date of the passing of this resolution, unless previously renewed, varied or revoked by the Company in general meeting and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be £7,578,348 being approximately 15 per cent of the issued share capital of the Company at the date hereof.
 - (ii) The Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly.

To consider and, if thought fit, to pass the following as a Special Resolution:

8. THAT in substitution for any existing authorities pursuant to section 95 (1) of the Act the Directors be and they are hereby empowered to allot equity securities (as defined in section 94 (2) of the Act) for cash pursuant to the authority conferred upon them by resolution 7 above as if Section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities in connection with:
 - (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary share capital and the issued S2 share capital of the Company where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares and/or S2 Shares in the market;
 - (ii) a rights issue where the Ordinary Shares or S2 Shares offered to all Shareholders in that class are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares or S2 Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas Shareholders, fractional entitlements or directions from any holders of equity securities to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;
 - (iii) any dividend reinvestment or similar scheme as may be introduced by the Company from time to time; and
 - (iv) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) of Ordinary Shares or S2 Shares up to an aggregate nominal amount of 10 per cent of the issued Ordinary Share capital or S2 Share capital of the Company at the date hereof.

NOTICE of the ANNUAL GENERAL MEETING

and shall expire on the earlier of the Annual General Meeting of the Company to be held in 2006 or the date which is eighteen months after the date on which this resolution is passed (unless previously renewed, varied or revoked by the Company in General Meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities as aforesaid to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as a Special Resolution:

9. **THAT** the Company be authorised to make one or more market purchases (within the meaning of section 166 of the Companies Act 1985 (as defined in Section 163 (3) of the Act) of Ordinary Shares and S2 Shares in the capital of the Company provided that:
 - 9.1 the maximum aggregate number of Ordinary Shares and S2 Shares hereby authorised to be purchased is an amount equal to 14.99 per cent of the issued Ordinary Share capital and the issued S2 Share capital of the Company immediately following the passing of this resolution;
 - 9.2 the minimum price which may be paid for such Ordinary Shares and/or S2 Shares is 1 penny per share, the nominal amount thereof;
 - 9.3 the maximum price (exclusive of expenses) which may be paid for an Ordinary Share or an S2 Share shall be an amount equal to 105 per cent of the average of the middle market prices as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share or S2 Share, as the case may be, is purchased;
 - 9.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the Annual General Meeting of the Company to be held in 2006 or the date which is eighteen months after the date on which this resolution is passed; and
 - 9.5 the Company may make a contract or contracts to purchase its own Ordinary Shares or S2 Shares under this authority prior to the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own Ordinary Shares or S2 Shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

BY ORDER OF THE BOARD

Registered Office
One Jermyn Street
London SW1Y 4UH

Matrix-Securities Limited
Secretary

25 November 2004

NOTICE of the ANNUAL GENERAL MEETING

NOTES:

- (i) A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his place. A proxy need not be a member of the Company.
- (ii) To be valid the enclosed form of proxy for the Annual General Meeting, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited no less than 48 hours prior to the time fixed for the holding of the meeting or any adjournment of the said meeting at the offices of the Company's registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- (iii) Completion and return of the form of proxy will not prevent you from attending and voting in person at the Annual General Meeting.
- (iv) The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at midnight on 17 January 2005 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the Register of Members after midnight on 17 January 2005 or, in the event that the meeting is adjourned, in the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (v) The Register of Directors' Interests shall be available for inspection at the place of the Annual General Meeting for a least fifteen minutes prior to and during the meeting.

PROXY FOR ANNUAL GENERAL MEETING FOR UNICORN AIM VCT PLC

I/We

of

being a member/members of the Company hereby appoint the Chairman of the Meeting, or

of

as my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 am on 19 January 2005 at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH and at any adjournment thereof.

Please indicate with an 'x' in the boxes below how you wish your vote to be cast. Should this form of proxy be returned signed but without a specific direction, the proxy may vote or abstain as he/she thinks fit. On any other business at the Annual General Meeting (including any motion to amend any resolution or adjourn the meeting) the proxy will vote or abstain from voting at his or her discretion.

The proxy is directed to vote on the resolutions set out in the notice convening the Annual General Meeting, of which resolutions 1 to 7 are proposed as ordinary resolutions and resolutions 8 and 9 are proposed as special resolutions, as follows:

ORDINARY BUSINESS		For	Against
Resolution 1	To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 30 September 2004.		
Resolution 2	To approve the Directors' Remuneration Report for the year ended 30 September 2004.		
Resolution 3	To re-appoint PKF as auditors.		
Resolution 4	To authorise the Directors to determine the remuneration of the Auditors.		
Resolution 5	To re-elect Peter Webb as a Director of the Company.		
Resolution 6	To declare a final dividend for the year ended 30 September 2004 of 0.75 pence per share for S2 Fund Shareholders.		
Resolution 7	To authorise the Directors to allot Ordinary Shares and S2 Shares.		
Resolution 8	To authorise the Directors to disapply pre-emption rights of members. (Special Resolution)		
SPECIAL BUSINESS			
Resolution 9	To authorise the Company to make market purchases of Ordinary Shares and S2 Shares. (Special Resolution)		

Signed Dated

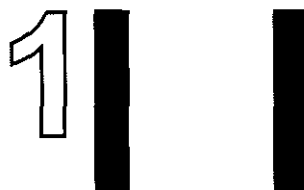
NOTES AND INSTRUCTIONS

1. A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote, on a poll, in his place. A proxy need not be a member of the Company.
2. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the Meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his/her discretion as to whether, and if so how, he votes. Any alterations to the Form of Proxy should be initialled.
3. In the case of a Corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
4. To be effective, this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be completed and deposited at the office of the Company's registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no less than 48 hours prior to the time fixed for the holding of the Meeting.
5. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
6. The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.

First Fold

Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
LICENCE No. MB122



Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Second Fold

First Fold

Corporate Information

Directors

Peter Dicks (Chairman)
Robert Holt
David Royds
Peter Webb

All of whom are non-executive and of:

One Jermyn Street
London SW1Y 4UH

Secretary

Matrix-Securities Limited
One Jermyn Street
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Investment Manager

Unicorn Asset Management Limited
First Floor Office
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The Charterhouse
Charterhouse Square
London EC1M 6AU

Promoter

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Auditors

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Solicitors

Martineau Johnson
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Birmingham
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Bankers

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City of London Office
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Stockbroker and Sponsor

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Beaufort House
15 St Botolph Street
London EC3A 7QR

VCT Tax Advisor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrar

Capita IRG Plc
The Registry
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Custodian

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Receiving Agent

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