

**UNICORN
AIM VCT PLC**

Annual Report and Accounts
for the year ended 30 September 2005

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 is pleased with the progress achieved to date and is confident that your Investment Manager's focus on proven, profitable, established businesses will deliver attractive returns for Shareholders.

The Company continued to make encouraging progress during the year and its performance compares favourably with that of most other VCTs. The Net Asset Value (NAV) of the Ordinary Share Fund as at 30 September 2005 was 103.5 pence per share and 109.2 pence per share for the Series 2 ('S2') Share Fund. The Board is pleased to recommend a final dividend of 5 pence per share for the Ordinary Fund Shareholders making a total of 10 pence per share for the full year (10 pence share in 2004), and an increased dividend of 1 penny per share for S2 Shareholders (0.75 pence per share in 2004).

The Board's policy is to maximise the stream of dividend distributions to Shareholders from the income and capital gains generated by the portfolio. Whilst the latter objective is likely to take some time for the S2 Share Fund, the goal is to return realised gains to Shareholders whilst maintaining the NAV at around 100 pence per share.

Your Company continued to comply with the VCT legislative requirements in the period. The Ordinary Share Fund is now four years old and has exceeded the minimum required level of 70% of funds being invested in qualifying investments. Other HM Revenue & Customs 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 September 2006.

In the year to 30 September 2005 the Ordinary Share Fund made thirteen new qualifying investments and four follow-on investments at a total cost of £6.6 million. Three of the new qualifying investments were in existing Alternative Investment Market (AIM) quoted companies, eight were new admissions to the AIM and two were unquoted investments. The S2 Share Fund participated alongside the Ordinary Share Fund increasing the total invested by that Fund in qualifying investments to £6.0 million. At the year-end the Ordinary Share Fund had 36 qualifying investments and the S2 Share Fund had 20 qualifying investments. These figures include two qualifying investments for both Funds, Belgravium Technologies and Datong Electronics, which began trading shortly after the financial year-end.

Ordinary Fund Shareholders who have held their investment for the minimum three-year term under the VCT regulations, are

now able to sell their holding without losing the income tax relief received at the time of investment. Shareholders considering selling shares should be aware that a disposal could crystallise the capital gain that may have been deferred when making this investment. Shareholders are therefore advised to consult their financial adviser before making a decision.

During the period under review 1,425,000 Ordinary Shares and 20,000 S2 Shares were bought back for cancellation at a total cost of £1.4 million while 10,225 new S2 Shares were issued at 100 pence per share. The Company continues to hold substantial reserves and to date has distributed £9.3 million to Shareholders through a regular programme of share buy-backs and dividend distributions. The Board will continue to monitor the market in the Company's shares and make further market purchases as appropriate.

Shareholders may be aware that there have been some recent changes to UK accounting rules. These will apply to the Company for the first time in the current financial year and further details will be set out in the 2006 Interim Report. One change which will have a direct impact on the NAV of the Company is the requirement to value quoted investments at the bid price as opposed to using the mid-market price. Had bid prices been used for the year-end valuation, the NAV at 30 September 2005 would have reduced from 103.5 pence to 99.9 pence for the Ordinary Share Fund and from 109.2 pence to 108.0 pence for the S2 Share Fund. The Board intends to continue to use mid market prices when calculating net asset value for share buy-backs.

The Board is pleased with progress achieved to date and is confident that your Investment Manager's focus on proven, profitable, established businesses will deliver attractive returns for Shareholders.

Peter Dicks
Chairman

22 November 2005



Key Data

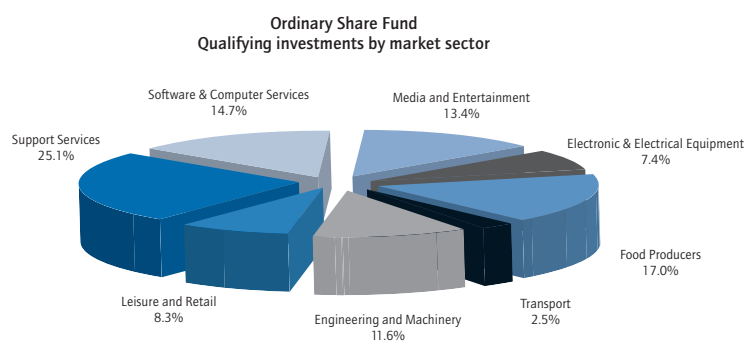
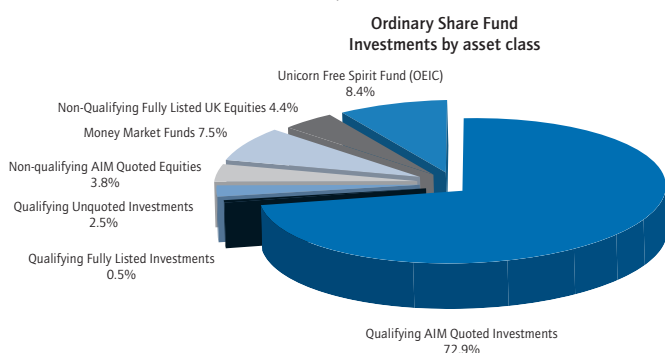
Ordinary Share Fund (listed on 5 November 2001)

Initial net asset value per share 94.5 pence

Initial net assets £33,088,657

| | 30 September 2002 | 30 September 2003 | 30 September 2004 | 30 September 2005 |
|---|-------------------|-------------------|-------------------|-------------------|
| Net assets | £29,176,056 | £37,558,017 | £35,983,315 | £34,500,528 |
| Net asset value per share | 83.4 pence | 107.4 pence | 103.5 pence | 103.5 pence |
| Dividend per share | 0.5 pence | 0.95 pence | 10.0 pence | 10.0 pence |
| Cumulative dividends paid since launch | 0.5 pence | 1.45 pence | 11.5 pence | 21.5 pence |
| Total return to shareholders since launch per share | 83.9 pence | 108.9 pence | 115.0 pence | 125.0 pence |
| Total return since launch* | (11.2)% | 15.2% | 21.7% | 32.3% |
| Total return of FTSE All-Share Index since launch | (25.4)% | (12.9)% | 0.8% | 25.9% |
| Total return of FTSE AIM Index since launch | (29.1)% | (10.9)% | 9.6% | 31.3% |

* based on initial net asset value per share



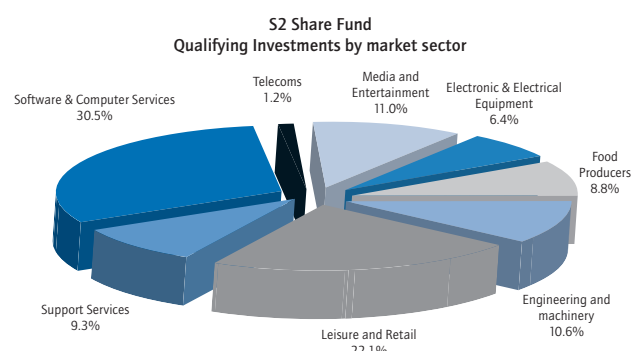
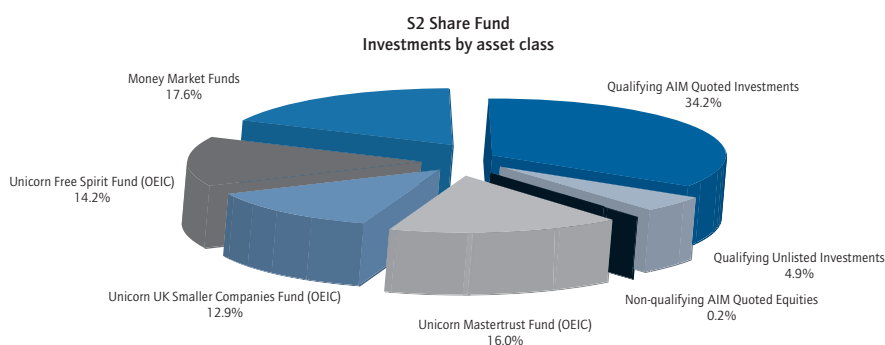
S2 Share Fund (listed on 5 February 2004)

Initial net asset value per share 94.5 pence

Initial net assets £14,896,332

| | 30 September 2004 | 30 September 2005 |
|---|-------------------|-------------------|
| Net assets | £14,875,101 | £17,196,346 |
| Net asset value per share | 94.4 pence | 109.2 pence |
| Dividend per share | 0.75 pence | 1.00 pence |
| Cumulative dividends paid since launch | 0.75 pence | 1.75 pence |
| Total return to shareholders since launch per share | 95.2 pence | 111.0 pence |
| Total return since launch* | 0.7% | 17.5% |
| Total return of FTSE All-Share Index since launch | 6.3% | 32.8% |
| Total return of FTSE AIM Index since launch | 2.4% | 22.6% |

* based on initial net asset value per share



Investment Manager's Review

We continue to believe that the pragmatic and conservative approach of focusing upon proven, established, cash generative business models will serve well over the coming years.

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; and
- good cash generation to finance ongoing development allied with a progressive dividend policy.

Performance

The NAV of the Ordinary Share Fund as at 30 September 2005 was 103.5 pence per share, representing an increase of 9.6% over the previous year after adding back dividends paid and proposed. Since the first allotment on 5 November 2001 the initial NAV of the Ordinary Share Fund has increased by 32.3% on a total return basis.

The NAV of the S2 Share Fund as at 30 September 2005 was 109.2 pence per share, representing an increase of 16.7% over the previous year after adding back dividends paid. Since the first allotment on 5 February 2004 the initial NAV of the S2 Fund has increased by 17.5% on a total return basis.

The AIM has grown significantly during recent years in the number of companies, the size of companies and the diversity of sectors they serve. The stringent criteria for AIM qualifying investments means that many constituent companies are not available to the Company for investment and therefore, comparison of performance versus the AIM indices has become less relevant.

Investment strategy

The adopted investment policy has avoided over-ambitious start-ups in new markets, which require a leap of faith and have been priced as though they have already succeeded. Instead, 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

Despite our concerns at certain sectors of the AIM, specifically the resource sector (which now represents over 30% of the AIM Index), we believe that the number and quality of companies that satisfy our investment criteria is increasing.

Qualifying investments

The performance of the qualifying investments made in previous years continues to be encouraging and the overall quality of the Ordinary Share Fund was enhanced following the sale of Cobra Bio-Manufacturing, Eckoh Technologies, Ingenta and Screen. Inevitably we have experienced some disappointments during the year in particular Centurion Electronics, Invox and Longbridge International. On a more positive note the Ordinary Share Fund received two cash offers and witnessed excellent results from Glisten, Printing.com and TRL Electronics.

In recognition of **AttentiV's** established market position in the credit management software market the group received a cash offer from a Nordic IT services company during the year providing a 55% return in just over 12 months. **Nectar Taverns** successfully created a chain of 29 freehold public houses and a 111% return was realised upon exit shortly before the year-end reflecting an uplift in property valuations and resilient trading. Following this success a similar unquoted vehicle, **Amber Taverns**, was created using the same structure and management team. In addition, **Tellings Golden Miller** returned 60 pence per share via a special dividend following the sale of the London bus division. This compares favourably with the 70 pence per share initially subscribed and reflects the increased focus upon the regional coach business.

Your Manager has sought to identify growth businesses that are easy to understand but which have significant barriers to entry. Two such examples are **eg solutions** and **Sanastro**.

eg solutions provides proprietary workflow management software designed to improve operational efficiencies to large back offices with a focus upon financial services. The group is currently operating in one of the fastest growing sub-sectors of the IT industry and the new money will provide the ambitious management team with additional sales and marketing resource to expand into the public sector and new geographic regions.

Sanastro is an unquoted publishing group with a number of established titles focusing upon financial services. Rather than seeking to maximise short-term profits the group has invested in increased editorial and marketing costs in order to increase brand recognition and contractual income. Although your Manager remains optimistic about the long-term prospects for the company the Board has prudently reduced the value of the Company's holding in **Sanastro** to reflect the impact of increased investment on the forecast results.

Investment Manager's Review

Buy and build models have proved very popular on the AIM. The new money raised for Access Intelligence, Avingtrans, Careforce Group, Lees Foods, Maxima Holdings, Sanderson Group and Urban Dining provides a currency for proven entrepreneurs with a track record of creating significant shareholder value to consolidate an industry or sector.

Access Intelligence provides a range of information and IT services to small and medium sized businesses and the public sector. The experienced board intends to build a business with a high element of recurring revenue through acquisition.

Avingtrans was established to create a specialist engineering company focusing on the manufacture of precision engineered components. The group is currently achieving record results reflecting the opportunistic nature of the acquisitions combined with a recovery in the underlying market.

Careforce Group provides domiciliary care services, primarily for the elderly in their own homes. New money was raised to accelerate the rate of growth in a market with an ageing UK population and the irreversible trend for local authorities to outsource services to private partners.

Lees Foods is a manufacturer of confectionery products which it supplies to major UK food retailers. Lees is a well-invested, cash generative, business seeking to replicate the success of similar vehicles such as Glisten, by expanding out of the group's core northern heartland, raising brand awareness and increasing product innovation.

Maxima Holdings and **Sanderson Group** have similar business models developing software modules designed to meet the operational needs of a broad range of UK based customers. Both businesses benefit from a high element of recurring revenue due to contracted support and maintenance income and a general improvement in business confidence has recently re-invigorated top-line growth. Maxima, has enjoyed a successful debut as a public company exceeding initial expectations. In order to enable the conservative management team to build a high quality business a follow-on investment was made to support an earnings-enhancing acquisition.

Urban Dining was supported as a newly created cash shell to build a substantial quoted restaurant group by acquiring branded concepts. To date the management team has

successfully completed the acquisition of Tootsies Restaurants, a well established and simple burger bar concept with significant roll-out potential.

Your Company has also supported four transactions advised by Marwyn Capital. This relatively new corporate finance boutique has focused upon businesses facing increased regulation and legislation and has proved effective at exploiting the price differential at which private vendors are willing to sell their businesses and the multiple the quoted market is willing to pay.

Augean acquired two hazardous waste landfill sites in anticipation of new legislation extending the definition of hazardous waste and restricting the methods of treatment. The group is expected to benefit from upward pressure on gate prices due to a lack of future potential landfill sites combined with an onerous planning and licensing application process.

Inspicio was formed as a cash shell to seek opportunities in the inspection and testing market. Shortly after the year end the group acquired Inspectorate, a global verification services business focusing upon the commodities and food safety markets.

Talarius acquired the Quicksilver high street chain of coin operated gaming centres. The group has a profitable, highly cash generative core business providing the opportunity to consolidate a fragmented industry and develop an online offering.

Zetar acquired Kinnerton, a well-invested niche manufacturer of chocolate confectionery specialising in childrens' and adult confectionery novelties. Kinnerton provides the experienced management team with the opportunity to build a pan-European food business.

The sale of AFA Systems, AttentiV Systems Group, Nectar Taverns and Spring Grove Property Maintenance to trade buyers reflects the increasing maturity of the portfolio. Corporate activity may well be an ongoing feature within the portfolio during the next 12 months.

The average market capitalisation of the qualifying investments at the financial year-end increased to over £25 million. In the current financial year 31 of the qualifying investments are forecast to report a profit and 17 are expected to pay a dividend. We continue to believe that the pragmatic and conservative

approach of focusing upon proven, established, cash generative business models will serve investors well over the coming years.

Non-qualifying portfolio

The performance record of the Unicorn Free Spirit Fund and Unicorn Mastertrust Fund remains excellent and both are amongst the top performing funds within their respective sectors from launch. Whilst the relative performance of the Unicorn UK Smaller Companies Fund has been disappointing, the Fund has nevertheless provided a positive absolute return. Moreover it is believed that the contrarian decisions taken by the Fund are likely to be rewarded with above average returns over the longer term as consumer spending slows and news from the industrial and business service sectors of the economy continues to improve.

Prospects

The Investment Manager is pleased with the progress achieved to date and is confident that the focus on identifying well-managed, entrepreneurial driven businesses will deliver attractive returns for Shareholders over the longer term.



Investment Portfolio Summary

Ordinary Share Fund

| | Date of first investment | Book cost £'000 | Valuation £'000 | Valuation basis | Type of security | Market sector |
|--|--------------------------|--------------------|--------------------|------------------|------------------|-----------------------------------|
| Qualifying investments | | | | | | |
| AIM quoted investments | | | | | | |
| Supporta plc Provision of back office support and domiciliary care to the public and private sectors | Jan 2002 | 2,141 | 4,163 | Mid market price | Ordinary shares | Support services |
| Glisten plc Manufacturer of chocolate confectionery, sugar based sweets and edible decorations | Jun 2002 | 650 | 2,539 | Mid market price | Ordinary shares | Food producers |
| Huveaux plc Broadly based media group focusing upon political publishing, education and training | Mar 2003 | 1,000 | 1,900 | Mid market price | Ordinary shares | Media & entertainment |
| Avingtrans plc Provision of precision engineering services | Oct 2004 | 708 | 1,829 | Mid market price | Ordinary shares | Engineering & machinery |
| Maxima Holdings plc Implementation and support of enterprise software solutions | Nov 2004 | 1,200 | 1,568 | Mid market price | Ordinary shares | Software & computer services |
| TRL Electronics plc Design and manufacturer of specialist electronic products for military and counter terrorist applications | Jul 2004 | 702 | 1,121 | Mid market price | Ordinary shares | Electronic & electrical equipment |
| Public Recruitment Group plc Public sector recruitment and services specialising in education, healthcare and social work | Apr 2004 | 1,000 | 982 | Mid market price | Ordinary shares | Support services |
| Real Good Food Company plc Manufacturer and supplier of a range of chilled, frozen and ambient food products | Jul 2003 | 997 | 934 | Mid market price | Ordinary shares | Food producers |
| Careforce Group plc Domiciliary home care services for local authorities | Nov 2004 | 588 | 746 | Mid market price | Ordinary shares | Support services |
| Tellings Golden Miller Group plc Operation of local bus services and luxury coach hire throughout the UK and Europe | Aug 2003 | 1,000 | 664 | Mid market price | Ordinary shares | Transport |
| Talarius plc Management of coin operated betting centres | Apr 2005 | 500 | 658 | Mid market price | Ordinary shares | Leisure & retail |
| Zetar plc Niche manufacturer of chocolate confectionery | Apr 2005 | 406 | 619 | Mid market price | Ordinary shares | Food producers |
| Printing.com plc Franchised high street printing | Aug 2004 | 292 | 618 | Mid market price | Ordinary shares | Media & entertainment |
| Urban Dining plc Operation of branded restaurant chains | May 2004 | 699 | 603 | Mid market price | Ordinary shares | Leisure & retail |
| Sanderson Group plc Implementation and support of proprietary enterprise software solutions | Dec 2004 | 385 | 585 | Mid market price | Ordinary shares | Software & computer services |
| Xpertise Group plc Provision of accredited technical IT training courses | Jul 2003 | 400 | 576 | Mid market price | Ordinary shares | Software & computer services |
| Prologic plc Development and maintenance of software for fashion businesses | Jul 2004 | 589 | 538 | Mid market price | Ordinary shares | Software & computer services |
| Lloyds British Testing plc Provision of engineering services including testing, certification, maintenance & repair and training | Jul 2002 | 1,000 | 512 | Mid market price | Ordinary shares | Engineering & machinery |
| Asfare Group plc Provision of ladders and ancillary equipment to the emergency services | Dec 2003 | 470 | 470 | Mid market price | Ordinary shares | Engineering & machinery |

| % of equity held | % of net assets by value | Date of latest accounts | Turnover £'000 | Profit/(loss) before tax £'000 | Net assets £'000 | % of equity held by funds managed by Unicorn Asset Management Limited | Website address |
|-------------------------|---------------------------------|--|---------------------------|---|-----------------------------|--|--------------------------------|
| 9.8% | 12.1% | 31-Mar-05 | 20,471 | (872) | 12,307 | 9.8% | www.supporta.co.uk |
| 6.1% | 7.4% | 30-Jun-05 | 41,219 | 1,622 | 17,954 | 9.9% | www.glisten.plc.uk |
| 2.9% | 5.5% | 31-Dec-04 | 14,433 | 2,128 | 39,120 | 2.9% | www.huveauxplc.com |
| 8.3% | 5.3% | 31-May-05 | 24,329 | 1,969 | 10,169 | 11.6% | www.avingtrans.plc.uk |
| 7.8% | 4.5% | 31-May-05 | 8,076 | 1,038 | 13,516 | 15.0% | www.maximaholdings.com |
| 2.2% | 3.2% | 31-Mar-05 | 22,140 | (980) | 13,004 | 2.2% | www.trltech.co.uk |
| 3.0% | 2.8% | 31-Dec-04 | 53,825 | 853 | 14,434 | 3.0% | www.publicrecruitmentgroup.com |
| 1.3% | 2.7% | 31-Dec-04 | 44,608 | (1,531) | 12,995 | 1.3% | |
| 4.1% | 2.2% | 31 Jul 05 | 16,390 | (42) | 6,936 | 6.5% | www.careforcegroup.co.uk |
| 6.2% | 1.9% | 31-Dec-04 | 35,260 | 2,881 | 9,823 | 6.2% | www.tellingsgoldenmiller.co.uk |
| 1.5% | 1.9% | First audited accounts due for the period ended 31 December 2005 | | | | 4.4% | www.talarius.com |
| 3.0% | 1.8% | First audited accounts due for the period ended 30 April 2006 | | | | 6.0% | www.kinnerton.com |
| 2.2% | 1.8% | 31-Mar-05 | 10,717 | 1,508 | 4,602 | 3.0% | www.printing.com |
| 2.4% | 1.7% | 31-Jan-05 | 4,138 | (135) | 32,098 | 3.2% | www.urbandiningplc.com |
| 1.9% | 1.7% | 30-Sep-04 | 15,430 | (932) | 72 | 3.8% | www.sanderson.co.uk |
| 12.7% | 1.7% | 31-Dec-04 | 13,170 | (668) | 4,303 | 12.7% | www.xpertise.co.uk |
| 7.8% | 1.6% | 31-Mar-05 | 6,928 | 421 | 7,008 | 10.8% | www.prologic.net |
| 15.4% | 1.5% | 31-Dec-04 | 17,377 | (2,962) | 3,579 | 15.4% | www.lloydsgroup.co.uk |
| 11.2% | 1.4% | 31-Mar-05 | 3,925 | 109 | 2,962 | 11.2% | www.as-fire.co.uk |

| | Date of first investment | Book cost £'000 | Valuation £'000 | Valuation basis | Type of security | Market sector |
|--|--------------------------|--------------------|--------------------|---------------------|------------------------------|-----------------------------------|
| Strategic Retail plc Operation of retail outlets specialising in the home décor and furnishings market | Sep 2004 | 426 | 405 | Mid market price | Ordinary shares | Leisure & retail |
| Pilat Media Global plc Development and support of scheduling software for digital TV | Apr 2004 | 480 | 393 | Mid market price | Ordinary shares | Software & computer services |
| Access Intelligence Plc Subscription based sales and marketing support | Dec 2004 | 490 | 380 | Mid market price | Ordinary shares | Media & entertainment |
| Centurion Electronics plc Design and distribution of in car audio-visual entertainment systems | Dec 2002 | 575 | 371 | Mid market price | Ordinary shares | Electronic & electrical |
| Fountains plc Environmental services and grounds maintenance to utility companies and local authorities | Jul 2004 | 365 | 350 | Mid market price | Ordinary shares | Support services |
| Datong Electronics plc Development of a range of advanced covert tracking and location systems | Sep 2005 | 333 | 333 | Placing price | Ordinary shares | Electronic & electrical equipment |
| Augean plc Operation of hazardous waste landfill sites | Dec 2004 | 350 | 323 | Mid market price | Ordinary shares | Support services |
| Lees Foods plc Manufacturer of confectionery products and wafers | Jun 2005 | 260 | 304 | Mid market price | Ordinary shares | Food producers |
| Polaron plc Broadly based engineering technology group with exposure to the nanotechnology market | Apr 2004 | 350 | 236 | Mid market price | Ordinary shares | Engineering & machinery |
| Invox plc Marketing company focused on operating telephone response based promotions | Aug 2004 | 730 | 225 | Mid market price | Ordinary shares | Telecoms |
| Inspicio plc Global oil and minerals inspection and testing business | Apr 2005 | 144 | 144 | Placing price | Ordinary shares | Support services |
| Belgravium Technologies plc Development and supply of rugged, hand-held, battery powered, real time data capture devices | Sep 2005 | 117 | 117 | Placing price | Ordinary shares | Electronic & electrical equipment |
| Longbridge International plc Recruitment consultant specialising in legal and financial search and selection | Feb 2004 | 260 | 0 | Full provision | Ordinary shares | Support services |
| | | 19,607 | 25,206 | – | – | |
| Fully listed investments | | | | | | |
| Microgen plc IT consultancy and managed services provider | Dec 2003 | 180 | 180 | Mid market price | Ordinary shares | Software & computer services |
| | | 180 | 180 | – | – | |
| Unlisted investments | | | | | | |
| Amber Taverns Limited Development of a chain of unbranded, managed, freehold, public houses in the North of England | Apr 2005 | 500 | 500 | Cost | Ordinary & preference shares | Leisure & retail |
| Sanastro plc Specialist financial publisher | Dec 2004 | 500 | 375 | Cost less provision | Ordinary shares | Media & entertainment |
| Aludel Limited Ladies only fitness clubs | February 2002 | 750 | 0 | Full provision | Ordinary shares | Leisure & retail |
| | | 1,750 | 875 | | | |
| Total qualifying investments | | 21,537 | 26,261 | | | |

| % of equity held | % of net assets by value | Date of latest accounts | Turnover £'000 | Profit/(loss) before tax £'000 | Net assets £'000 | % of equity held by funds managed by Unicorn Asset Management Limited | Website address |
|-------------------------|---------------------------------|--|---------------------------|---|-----------------------------|--|----------------------------|
| 6.7% | 1.2% | 28-Feb-05 | 16,201 | 128 | 2,989 | 9.4% | |
| 1.7% | 1.1% | 31-Dec-04 | 12,052 | 1,835 | 9,151 | 1.7% | www.pilatmedia.com |
| 8.4% | 1.1% | 30-Nov-04 | 543 | (340) | 2,179 | 12.0% | www.accessintelligence.com |
| 6.8% | 1.1% | 30-Sep-04 | 15,744 | 2,327 | 6,915 | 6.8% | www.centurionsystems.co.uk |
| 2.0% | 1.0% | 30-Sep-04 | 36,090 | 1,440 | 12,169 | 2.7% | www.fountainsplc.com |
| 1.9% | 1.0% | 31-Mar-05 | 6,485 | 1,555 | 3,559 | 5.7% | www.datong.co.uk |
| 0.3% | 0.9% | First audited accounts due for the period ended 31 December 2005 | | | | 2.5% | www.augeanplc.com |
| 6.5% | 0.9% | 31-Dec-04 | 12,792 | 505 | 3,586 | 5.0% | www.leesofscotland.co.uk |
| 1.7% | 0.7% | 30-Jun-05 | 18,764 | 1,261 | 9,036 | 1.7% | www.polaron-group.co.uk |
| 1.1% | 0.7% | 30-Jun-05 | 21,175 | (9,164) | 15,952 | 2.3% | |
| 4.8% | 0.4% | First audited accounts due for the period ended 31 December 2005 | | | | 10.0% | |
| 1.2% | 0.3% | 31-Dec-04 | 3,859 | 751 | 2,432 | 3.7% | www.belgravium.com |
| 3.7% | 0.0% | 31-Dec-04 | 4,225 | (1,250) | (186) | 3.7% | www.longbridge.com |
| 73.1% | | | | | | | |
| 0.3% | 0.5% | 31-Dec-04 | 42,444 | 1,118 | 62,287 | 6.8% | www.microgen.co.uk |
| 0.5% | | | | | | | |
| 11.0% | 1.4% | First audited accounts due for the period ended 30 April 2006 | | | | 32.9% | www.ambertaverns.co.uk |
| 6.4% | 1.1% | First audited accounts due for the period ended 30 November 2005 | | | | 12.7% | www.sanastro.co.uk |
| 20.1% | 0.0% | In receivership | | | | | |
| 2.5% | | | | | | | |
| 76.1% | | | | | | | |

| | Date of first investment | Book cost £'000 | Valuation £'000 | Valuation basis | Type of security | Market sector |
|---|--------------------------|--------------------|--------------------|------------------|----------------------|---------------|
| Non-qualifying investments | | | | | | |
| Unicorn Free Spirit Fund (OEIC) | Dec 2001 | 1,472 | 2,886 | Mid market price | B shares | |
| Money Market Funds+ | Dec 2002 | 2,604 | 2,604 | Mid market price | Participating shares | |
| Fully listed equities | N/A | 1,252 | 1,502 | N/A | N/A | |
| AIM quoted equities | N/A | 505 | 1,308 | N/A | N/A | |
| Total non-qualifying investments | | 5,833 | 8,300 | | | |
| Total investments | | 27,370 | 34,561 | | | |
| Other assets | | | 2,304 | | | |
| Current liabilities | | | (2,364) | | | |
| Net assets | | | 34,501 | | | |
| 5 largest non-qualifying investments | | | | | | |
| Unicorn Free Spirit Fund (OEIC) | Dec 2001 | 1,472 | 2,886 | Mid market price | B shares | |
| Money Market Funds+ | Dec 2002 | 2,604 | 2,604 | Mid market price | Participating shares | |
| Robert Walters plc | Jan 2002 | 736 | 1,282 | Mid market price | Ordinary shares | |
| Mears Group plc* | Nov 2001 | 353 | 1,114 | Mid market price | Ordinary shares | |
| Lorien plc | Mar 2002 | 516 | 219 | Mid market price | Ordinary shares | |
| * Quoted on AIM | | | | | | |
| + Disclosed within current investments in the Balance Sheet | | | | | | |

S2 Share Fund

| | Date of first investment | Book cost £'000 | Valuation £'000 | Valuation basis | Type of security | Market sector |
|---|--------------------------|--------------------|--------------------|------------------|------------------|-----------------------------------|
| Qualifying investments | | | | | | |
| AIM quoted investments | | | | | | |
| Maxima Holdings plc Implementation and support of enterprise software solutions | Nov 2004 | 800 | 962 | Mid market price | Ordinary shares | Software & computer services |
| Avingtrans plc Provision of precision engineering services | Oct 2004 | 288 | 744 | Mid market price | Ordinary shares | Engineering & machinery |
| Talarius plc Management of coin operated betting centres | Apr 2005 | 500 | 658 | Mid market price | Ordinary shares | Leisure & retail |
| Zetar plc Niche manufacturer of chocolate confectionery | Apr 2005 | 406 | 619 | Mid market price | Ordinary shares | Food producers |
| Sanderson Group plc Implementation and support of proprietary enterprise software solutions | Dec 2004 | 385 | 585 | Mid market price | Ordinary shares | Software & computer services |
| eg solutions plc Provisions of proprietary workflow management tools designed to improve operational efficiencies | Jun 2005 | 250 | 390 | Mid market price | Ordinary shares | Software & computer services |
| Datong Electronics plc Development of a range of advanced covert tracking and location systems | Sep 2005 | 333 | 333 | Placing price | Ordinary shares | Electronic & electrical equipment |

| % of equity held | % of net assets by value | Date of latest accounts | Turnover £'000 | Profit/(loss) before tax £'000 | Net assets £'000 | % of equity held by funds managed by Unicorn Asset Management Limited | Website address |
|------------------|--------------------------|-------------------------|-------------------|-----------------------------------|---------------------|---|-----------------|
| 13.3% | 8.4% | | | | | | |
| N/A | 7.5% | | | | | | |
| N/A | 4.4% | | | | | | |
| N/A | 3.8% | | | | | | |
| | 24.1% | | | | | | |
| | 100.2% | | | | | | |
| | 6.7% (6.9)% | | | | | | |
| | 100.0% | | | | | | |
| 15.9% | 8.4% | | | | | | |
| N/A | 7.5% | | | | | | |
| N/A | 3.7% | | | | | | |
| N/A | 3.2% | | | | | | |
| N/A | 0.6% | | | | | | |

| % of equity held | % of net assets by value | Date of latest accounts | Turnover £'000 | Profit/(loss) before tax £'000 | Net assets £'000 | % of equity held by funds managed by Unicorn Asset Management Limited | Website address |
|------------------|--------------------------|--|-------------------|-----------------------------------|---------------------|---|------------------------|
| 4.8% | 5.6% | 31-May-05 | 8,076 | 1,038 | 13,516 | 15.0% | www.maximaholdings.com |
| 3.4% | 4.3% | 31-May-05 | 24,329 | 1,969 | 10,169 | 11.6% | www.avingtrans.plc.uk |
| 1.5% | 3.8% | First audited accounts due for the period ended 31 December 2005 | | | | 4.4% | www.talarius.com |
| 3.0% | 3.6% | First audited accounts due for the period ended 30 April 2006 | | | | 6.0% | www.kinnerton.com |
| 1.9% | 3.4% | 30-Sep-04 | 15,430 | (932) | 72 | 3.8% | www.sanderson.co.uk |
| 2.1% | 2.3% | 31-Jan-05 | 4,103 | 91 | 8 | 4.1% | www.eguk.co.uk |
| 1.9% | 1.9% | 31-Mar-05 | 6,485 | 1,555 | 3,559 | 5.7% | www.datong.co.uk |

S2 Share Fund

| | Date of first investment | Book cost £'000 | Valuation £'000 | Valuation basis | Type of security | Market sector |
|--|--------------------------|--------------------|--------------------|---------------------|------------------------------|-----------------------------------|
| Careforce Group plc Domiciliary home care services for local authorities | Nov 2004 | 252 | 320 | Mid market price | Ordinary shares | Support services |
| Printing.com plc Franchised high street printing | Aug 2004 | 108 | 229 | Mid market price | Ordinary shares | Media & entertainment |
| Urban Dining plc Operation of branded restaurant chains | Oct 2004 | 300 | 222 | Mid market price | Ordinary shares | Leisure & retail |
| Prologic plc Development and maintenance of software for fashion businesses. | Jul 2004 | 218 | 199 | Mid market price | Ordinary shares | Software & computer services |
| Strategic Retail plc Operation of retail outlets specialising in the home décor and furnishings market | Sep 2004 | 174 | 165 | Mid market price | Ordinary shares | Leisure & retail |
| Access Intelligence plc Subscription based sales and marketing support | Dec 2004 | 210 | 163 | Mid market price | Ordinary shares | Media & entertainment |
| Augean plc Operation of hazardous waste of landfill sites | Dec 2004 | 150 | 138 | Mid market price | Ordinary shares | Support services |
| Fountains plc Environmental services and grounds maintenance to utility companies and local authorities | Jul 2004 | 135 | 130 | Mid market price | Ordinary shares | Support services |
| Belgravium Technologies plc Development and supply of rugged, hand-held, battery powered, real time data capture devices | Sep 2005 | 117 | 117 | Placing price | Ordinary shares | Electronic & electrical equipment |
| Invox plc Marketing company focused on operating telephone response based promotions | Aug 2004 | 270 | 83 | Mid market price | Ordinary shares | Telecoms |
| Inspicio plc Global oil and minerals inspection and testing business | Apr 2005 | 66 | 66 | Placing price | Ordinary shares | Support services |
| | | 4,962 | 6,123 | | | |
| Unlisted investments | | | | | | |
| Amber Taverns Limited Development of a chain of unbranded, managed, freehold, public houses in the North of England | Apr 2005 | 500 | 500 | Cost | Ordinary & preference shares | Leisure & retail |
| Sanastro plc Specialist financial publisher | Dec 2004 | 500 | 375 | Cost less provision | Ordinary shares | Media & entertainment |
| | | 1,000 | 875 | | | |
| Total qualifying investments | | 5,962 | 6,998 | | | |
| Non-qualifying investments (also the five largest) | | | | | | |
| Money Market Funds* | Feb 2004 | 3,161 | 3,161 | Mid market price | Participating shares | |
| Unicorn Mastertrust Fund (OEIC) | Jun 2004 | 2,077 | 2,871 | Mid market price | B shares | |
| Unicorn Free Spirit Fund (OEIC) | Jun 2004 | 2,085 | 2,549 | Mid market price | B shares | |
| Unicorn UK Smaller Companies Fund (OEIC) | Jun 2004 | 2,088 | 2,315 | Mid market price | B shares | |
| Augean plc | Sep 2004 | 26 | 34 | Mid market price | Ordinary shares | |
| Total non-qualifying investments | | 9,437 | 10,930 | | | |
| Total investments | | 15,399 | 17,928 | | | |
| Other assets | | | 71 | | | |
| Current liabilities | | | (803) | | | |
| Net assets | | | 17,196 | | | |

* Disclosed within current 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 £'000 | % of equity held by funds managed by Unicorn Asset Management Limited | Website address |
|-------------------------|---------------------------------|--|---------------------------|---|-----------------------------|--|----------------------------|
| 1.7% | 1.9% | 31 Jul 05 | 16,390 | (42) | 6,936 | 6.5% | www.careforcegroup.co.uk |
| 0.8% | 1.3% | 31-Mar-05 | 10,717 | 1,508 | 4,602 | 3.0% | www.printing.com |
| 0.9% | 1.3% | 31-Jan-05 | 4,138 | (135) | 32,098 | 3.2% | www.urbandiningplc.com |
| 2.9% | 1.2% | 31-Mar-05 | 6,928 | 42 | 7,008 | 10.8% | www.prologic.net |
| 2.7% | 1.0% | 28-Feb-05 | 16,201 | 128 | 2,989 | 9.4% | |
| 3.6% | 0.9% | 30-Nov-04 | 543 | (340) | 2,179 | 12.0% | www.accessintelligence.com |
| 0.1% | 0.8% | First audited accounts due for the period ended 31 December 2005 | | | | 2.5% | www.augeanplc.com |
| 0.7% | 0.8% | 30-Sep-04 | 36,090 | 1,440 | 12,169 | 2.7% | www.fountainsplc.com |
| 1.2% | 0.7% | 31-Dec-04 | 3,859 | 751 | 2,434 | 3.7% | www.belgravium.com |
| 0.4% | 0.5% | 30-Jun-05 | 21,175 | 9,164 | 15,952 | 2.3% | |
| 2.2% | 0.4% | First audited accounts due for the period ended 31 December 2005 | | | | 10.0% | |
| 35.7% | | | | | | | |
| 11.0% | 2.9% | First audited accounts due for the period ended 30 April 2006 | | | | 32.9% | www.ambertaverns.co.uk |
| 6.4% | 2.1% | First audited accounts due for the period ended 30 November 2005 | | | | | www.sanastro.co.uk |
| 5.0% | | | | | | 12.7% | |
| 40.7% | | | | | | | |
| N/A | 18.4% | | | | | | |
| 42.3% | 16.7% | | | | | | |
| 11.8% | 14.8% | | | | | | |
| 24.9% | 13.5% | | | | | | |
| N/A | 0.2% | | | | | | |
| 63.6% | | | | | | | |
| 104.3% | | | | | | | |
| 0.4% | | | | | | | |
| (4.7)% | | | | | | | |
| 100.0% | | | | | | | |

Board of Directors

Peter Dicks

Status: *Independent, non-executive Chairman.*

Age: 63.

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, 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 and Foresight 4 VCT plc during 2004.

Length of service as at 30 September 2005: Four 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 2004/05: 10/11

Remuneration 2004/05: £18,000.

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: 51.

Experience: Robert Holt has been Chairman 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 2005: Four 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 2004/05: 11/11

Remuneration 2004/05: £15,000.

Relevant relationships with the Investment Manager or other service providers: Shareholder (2%) of Unicorn Asset Management Limited

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: 45.

Experience: David Royds is Chairman and Chief Executive of Matrix Group Limited 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 companies involved in shipping, property development, direct marketing and database services.

Length of service as at 30 September 2005: Four 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 2004/05: 10/11

Remuneration 2004/05: £12,000.

Relevant relationships with the Investment Manager or other service providers: Director of Matrix-Securities Limited (Promoter, Company Secretary and Administrator) and Matrix Registrars Limited (Receiving Agent), wholly owned subsidiaries of Matrix Group Limited of which David is Chairman, Chief Executive and a shareholder (37.2%).

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: 45.

Experience: Peter Webb is Chief Executive of Unicorn Asset Management Limited. He has specialised in investing in UK smaller companies for over 18 years. He is a director of Eaglet Investment Trust plc and Falcon Investment Trust plc.

Length of service as at 30 September 2005: Four years

Last re-elected to the Board: January 2003.

Committee memberships: None.

Number of Board and Committee meetings attended 2004/05: 3/5

Remuneration 2004/05: Waived.

Relevant relationships with the Investment Manager or other service providers: Chief Executive and shareholder (28.7%) 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 fourth Annual Report and Accounts of the Company for the year ended 30 September 2005.

Business and principal activities

The principal activity of the Company during the year under review was investment in AIM quoted 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 3-13 of this Report. A review of the Company's business during the year is contained in the Chairman's Statement.

The Ordinary Shares of 1p each and the S2 Shares of 1p each in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on 5 November 2001 and 5 February 2004 respectively.

The Company has satisfied the requirements for approval as a Venture Capital Trust under section 842AA of the Income and Corporation Taxes Act 1988 (ICTA). 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 to facilitate the ability to pay dividends from capital in common with other VCTs.

Future developments

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

Issue and buy-back of shares

During the year, the Company allotted and issued 10,225 new S2 Shares of 1p each in the capital of the Company. 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 NAV and to reduce to a degree any prevailing discount to NAV in the current market price. During the year under review the Company bought back 1,425,000 Ordinary Shares (being 4.27% of the closing issued share capital of that class) at a cost of £1,368,825 (net of expenses) and 20,000 S2 Shares (being 0.13% of the closing issued share capital of that class) at a cost of £20,200 (net of expenses).

As at 30 September 2005 the issued Ordinary share capital was £333,442 and the issued S2 share capital of the Company was £157,433. The number of shares in issue at this date was 33,344,234 Ordinary Shares and 15,743,314 S2 Shares.

Results and dividend

The revenue return attributable to Ordinary Shareholders for the year was £96,838 after taxation, while the capital return was £3,191,759. The Directors will be recommending a final dividend of 5 pence per share comprising 0.5 pence per share from revenue and 4.5 pence per share from capital. An interim dividend of 5 pence per share was paid from capital to Ordinary Fund Shareholders on 8 March 2005.

The revenue return attributable to S2 Shareholders for the year was £62,635 after taxation, while the capital return was £2,426,226. The Directors will be recommending a final dividend to S2 Shareholders of 1 penny per share comprising 0.35 pence per share from revenue and 0.65 pence per share from capital.

The final dividends will be proposed to Shareholders at the Annual General Meeting to be held on 20 January 2006 and will be payable on 30 January 2006 to Shareholders who are on the Register on 6 January 2006.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 14 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 2005 were:

| Director | 30 September 2005 | | 30 September 2004 | |
|-------------|-------------------|-----------|-------------------|-----------|
| | Ordinary Shares | S2 Shares | Ordinary Shares | S2 Shares |
| Peter Dicks | 50,000 | 25,625 | 50,000 | 25,625 |
| Robert Holt | 10,000 | 10,250 | 10,000 | 10,250 |
| David Royds | 20,000 | 25,562 | 20,000 | 25,562 |
| Peter Webb | 205,250 | 41,000 | 205,250 | 41,000 |

On 8 October 2004, Robert Holt transferred his holding of 10,250 S2 Shares to James Hay Pension Trustees Limited at a price of 92.5 pence per share. These shares represent 0.06% of the issued S2 Shares of the Company. Robert Holt remains the beneficial owner of the shares. There have been no changes in the holdings of the Directors since 30 September 2005.

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 was appointed as Investment Manager to the Company on 1 October 2001.

Matrix-Securities Limited acts as both Company Administrator and Company Secretary to the Company following their appointment on 1 October 2000.

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.

Directors' Report

Auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership under section 26(5) of the Companies Act 1989 and the Company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and resolutions to re-appoint PKF (UK) LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Substantial interests

As at 22 November 2005 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 2005 the average credit period for trade creditors was 16 days (2004:22 days).

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at 11.00 am on 20 January 2006 at One Jermyn Street, London SW1Y 4UH is set out on pages 42-44 of this Annual Report. A proxy form is set out on page 47.

The notice of the meeting includes resolutions to re-appoint each of the Directors and brief biographical details of the Directors are published on page 14 of this Annual Report.

In addition to the ordinary business, the following describes the special business to be transacted at the meeting.

Resolution 11 - Authority to Allot Shares

Resolution 11 will authorise the Directors to allot relevant securities generally in accordance with section 80 of the Companies Act 1985 ("the Act") up to a nominal amount of £171,806, this being approximately 35 per cent of the issued share capital of the Company at the date hereof.

Resolution 12 - Dis-application of Pre-emption Rights

Resolution 12 will sanction, in a limited manner, the disapplication of section 89 of the Act in respect of the authorised but unissued share capital of the Company and will give the Directors power to (i) allot equity securities wholly for cash for the purposes of any dividend investment scheme up to an aggregate nominal amount of 10% of the issued Ordinary Share capital and/or the S2 Share capital (ii) allot equity securities wholly for cash for the purposes of rights issues of Ordinary Shares and/or S2 Shares up to an aggregate nominal amount of 10% of the issued Ordinary Share capital and/or the S2 Share capital (iii) allot equity securities with an aggregate nominal value of 10% of the issued Ordinary Share capital and/or the S2 Share capital where the proceeds may be used to purchase Ordinary Shares or, as the case may be, S2 Shares in the market and (iv) allot equity securities generally from time to time

with an aggregate nominal value of 5% of the issued Ordinary Share capital and/or the S2 Share capital. The authority conferred by this resolution will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2007 and the date which is eighteen months after the date on which this resolution is passed.

Resolution 13 –

Authority to purchase Ordinary Shares and Shares S2

This resolution authorises the Company to purchase its own Ordinary Shares and S2 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 2007 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 Ordinary Share or S2 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 NAV thus enhancing 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.

Separate Meetings of the Ordinary Fund Shareholders and the S2 Fund Shareholders

The Annual General Meeting on 20 January 2006 will be followed by separate class meetings of the Ordinary Fund Shareholders and the S2 Fund Shareholders and formal notices convening these meetings can be found on pages 45 and 46. The extraordinary resolutions at these meetings, if passed will approve the passing of Resolutions 11 to 13 proposed at the Annual General Meeting and will sanction any modification of the rights of Ordinary Fund Shareholders and S2 Fund Shareholders resulting therefrom.

By order of the Board

Matrix-Securities Limited

Secretary

22 November 2005

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 20 January 2006. 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 25.

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 and shareholder and Robert Holt is a shareholder and to the Promoter of which David Royds is a Director and shareholder of the parent company, Matrix Group Limited. (For further information, please see Note 3 of the Notes to the Accounts on page 30). 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 2006 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. As Investment Manager Peter Webb offers himself for re-election annually in accordance with the AITC code of Corporate Governance.

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 receive 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 2005 £ | Year to 30 Sept 2004 £ |
| Peter Dicks | 18,000 | 15,000 |
| Robert Holt | 15,000 | 10,000 |
| David Royds | 12,000 | 10,000 |
| Peter Webb | — | — |

Directors' Remuneration Report

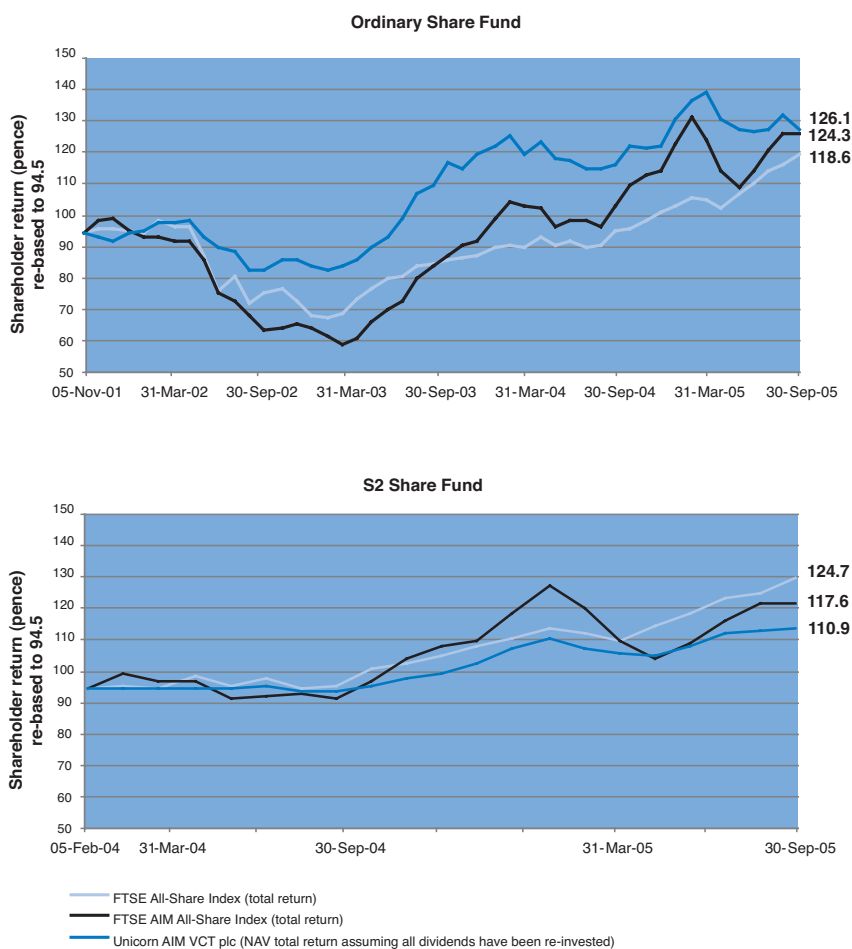
Peter Webb has waived his Directors' fees. The Directors received no further emoluments in respect of their services and made no claims for expenses during the year. Aggregate fees in respect of qualifying services for all Directors amounted to £45,000 (2004: £35,000).

Total shareholder return

The following graphs chart the total cumulative shareholder return of the Company 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 5 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 All-Share 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. The total shareholder return has been re-based to 94.5 pence which is equivalent to the opening NAV per share of both Funds. An explanation of the performance of the Company is given in the Chairman's Statement and the Investment Manager's Review.

Total cumulative shareholder return since launch compared to the total return of the FTSE All-Share and FTSE AIM indices



By order of the Board

Matrix-Securities Limited

Secretary

22 November 2005

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 2005. 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 non-executive 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 time commitments are disclosed on page 14.

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; and 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 2005 | AGM 2006 |

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 and has concluded that a majority of the Directors, with the exception of Peter Webb, are independent. 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 40 on related party transactions. In particular, the Board believes that Robert Holt's holding of 2% in the capital of Unicorn Asset Management does not materially affect his independence. 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. Peter Webb will offer himself for re-election annually in accordance with the recommendations of the AITC Code of Corporate Governance.

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

Corporate Governance Statement

Board does not therefore believe that a formal system of 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 visiting the Company Secretary's web site www.matrixgroup.co.uk.

The Investment Manager

Under the terms of the Company's Investment Management Agreement with the Unicorn Asset Management Limited, the Investment Manager is empowered to give instructions in relation to the disposition of investments and other assets including subscribing, purchasing, selling and otherwise dealing in qualifying and non-qualifying investments and to enter into and perform contracts, agreements and other undertakings that

are necessary to the carrying out of their duties under the Agreement in accordance with specific written arrangements laid down by the Board. The Board regularly reviews the performance of the Investment Manager. For a summary of the performance of the two Funds please see the Investment Manager's Review and the Investment Portfolio Summary on pages 3-13 and the Key Data on page 2. Details of the management fee and incentive fee payable to the Investment Manager are set out in Note 3 to the accounts on page 30.

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 22 November 2005. The Board has

identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

Under Listing Rule 16.3.5 of the UK Listing Authority, where a Venture Capital Trust company has no executive directors the New Code's 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 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 24 of this report.

The Report of the Auditors is set out on page 25 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 2005

| | Notes | Ordinary Share Fund | | | S2 Share Fund | | |
|--|-------|---------------------|--------------|-------------|---------------|--------------|------------|
| | | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Gains and losses on investments | | – | 2,916,084 | 2,916,084 | – | 2,581,729 | 2,581,729 |
| Income | | 643,894 | 858,103 | 1,501,997 | 287,897 | – | 287,897 |
| Investment management fees | 3 | (194,143) | (582,428) | (776,571) | (53,966) | (161,899) | (215,865) |
| Other expenses | 4 | (352,913) | – | (352,913) | (164,900) | – | (164,900) |
| Return on ordinary activities before taxation | | 96,838 | 3,191,759 | 3,288,597 | 69,031 | 2,419,830 | 2,488,861 |
| Tax on ordinary activities | | – | – | – | (6,396) | 6,396 | – |
| Return attributable to equity shareholders | | 96,838 | 3,191,759 | 3,288,597 | 62,635 | 2,426,226 | 2,488,861 |
| Dividends in respect of equity shares | 7 | (166,721) | (3,228,953) | (3,395,674) | (55,179) | (102,331) | (157,510) |
| Transfer to/(from) reserves | | (69,883) | (37,194) | (107,077) | 7,456 | 2,323,895 | 2,331,351 |
| Return per ordinary share | 8 | 0.28p | 9.34p | 9.62p | 0.40p | 15.39p | 15.79p |
| Average number of shares in issue | | | | 34,190,165 | | | 15,761,353 |

Balance Sheets as at 30 September 2005

| | Notes | Ordinary Share Fund | | S2 Share Fund | |
|---|-------|---------------------|-------------|---------------|------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 9 | | 31,956,779 | | 14,767,779 |
| Current assets | | | | | |
| Debtors and prepayments | | | 2,254,446 | | 41,956 |
| Current investments | | | 2,603,792 | | 3,160,792 |
| Cash at bank | | | 49,897 | | 29,131 |
| | | | 4,908,135 | | 3,231,879 |
| Creditors: amounts falling due within one year | | | (2,364,386) | | (803,312) |
| Net current assets | | | 2,543,749 | | 2,428,567 |
| Net assets | | | 34,500,528 | | 17,196,346 |
| Capital | | | | | |
| Called up share capital | 14 | | 333,442 | | 157,433 |
| Share premium account | 15 | | – | | 10,148 |
| Revaluation reserve | 15 | | 8,252,144 | | 2,529,528 |
| Capital redemption reserve | 15 | | 16,555 | | 302 |
| Special distributable reserve | 15 | | 23,944,613 | | 14,458,547 |
| Profit and Loss account | 15 | | 1,953,774 | | 40,388 |
| Equity Shareholders' funds | | | 34,500,528 | | 17,196,346 |
| Number of shares in issue: | | | 33,344,234 | | 15,743,314 |
| Net Asset Value per 1p share: | 17 | | 103.47p | | 109.23p |

| | Adjustments (see note below) | | Total of both funds (per Statutory Profit and Loss account) | | |
|--|--------------------------------|--------------------------|--|--------------|-------------|
| | Ordinary Share Capital £ | S2 Share Capital £ | Revenue £ | Capital £ | Total £ |
| | (1,128,894) | (2,488,232) | – | 1,880,687 | 1,880,687 |
| | | | 931,791 | 858,103 | 1,789,894 |
| | | | (248,109) | (744,327) | (992,436) |
| | | | (517,813) | – | (517,813) |
| | (1,128,894) | (2,488,232) | 165,869 | 1,994,463 | 2,160,332 |
| | – | – | (6,396) | 6,396 | – |
| | (1,128,894) | (2,488,232) | 159,473 | 2,000,859 | 2,160,332 |
| | – | – | (221,900) | (3,331,284) | (3,553,184) |
| | (1,128,894) | (2,488,232) | (62,427) | (1,330,425) | (1,392,852) |
| | | | | | |
| | | | | | |

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 26 to which the "Total of both funds" columns reconcile. These unrealised gains (total being £3,617,126) are however reported as part of the Statement of Total Recognised Gains and Losses, shown on page 26.

| | Adjustments (see note below) | | Total of both funds (per Statutory Balance Sheet) | |
|--|---------------------------------|----------|--|------------|
| | £ | £ | £ | £ |
| | | | | 46,724,558 |
| | | (93,280) | 2,203,122 | |
| | | | 5,764,584 | |
| | | | 79,028 | |
| | | (93,280) | 8,046,734 | |
| | | 93,280 | (3,074,418) | |
| | | | | 4,972,316 |
| | | – | | 51,696,874 |
| | | | | 490,875 |
| | | | | 10,148 |
| | | | | 10,781,672 |
| | | | | 16,857 |
| | | | | 38,403,160 |
| | | | | 1,994,162 |
| | | | | 51,696,874 |
| | | | | |

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 27.

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 2005, 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

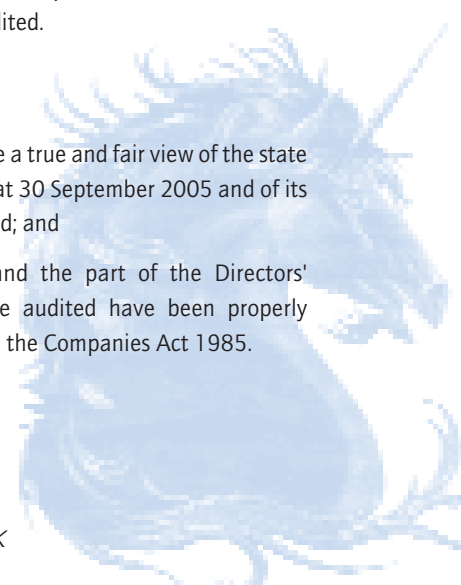
In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2005 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 (UK) LLP

Registered Auditors, London, UK

22 November 2005



Profit and Loss Account

for the year ended 30 September 2005

| | Notes | 30 September 2005 | | | 30 September 2004 | | |
|--|-------|-------------------|--------------|-------------|-------------------|--------------|-------------|
| | | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Gains on realisation of investments | | – | 1,880,687 | 1,880,687 | – | 941,964 | 941,964 |
| Income | 2 | 931,791 | 858,103 | 1,789,894 | 854,348 | – | 854,348 |
| Investment management fees | 3 | (248,109) | (744,327) | (992,436) | (231,936) | (695,808) | (927,744) |
| Other expenses | 4 | (517,813) | – | (517,813) | (442,889) | – | (442,889) |
| Profit on ordinary activities before taxation | | 165,869 | 1,994,463 | 2,160,332 | 179,523 | 246,156 | 425,679 |
| Tax on ordinary activities | 6 | (6,396) | 6,396 | – | – | – | – |
| Profit on ordinary activities after taxation for the financial year | | 159,473 | 2,000,859 | 2,160,332 | 179,523 | 246,156 | 425,679 |
| Dividends in respect of equity shares | 7 | (221,900) | (3,331,284) | (3,553,184) | (118,148) | (3,476,923) | (3,595,071) |
| Retained profit/(loss) for the year transferred to/(from) reserves | | (62,427) | (1,330,425) | (1,392,852) | 61,375 | (3,230,767) | (3,169,392) |
| Earnings per share: | | | | | | | |
| Ordinary Shares | 8 | | | 6.32p | | | 1.15p |
| S2 Shares | 8 | | | 0.00p | | | 0.20p |

All the items in the above statement derive from continuing operations

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2005

| | Notes | 30 September 2005 | | | 30 September 2004 | | |
|--|-------|-------------------|--------------|------------|-------------------|--------------|------------|
| | | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Profit for the year | | 159,473 | 2,000,859 | 2,160,332 | 179,523 | 246,156 | 425,679 |
| Unrealised gains on revaluation of investments | | – | 3,617,126 | 3,617,126 | – | 1,763,696 | 1,763,696 |
| Total recognised gains during the year | | 159,473 | 5,617,985 | 5,777,458 | 179,523 | 2,009,852 | 2,189,375 |
| Return per share: | | | | | | | |
| Ordinary Shares | 8 | 0.28p | 9.34p | 9.62p | 0.20p | 5.80p | 6.00p |
| S2 Shares | 8 | 0.40p | 15.39p | 15.79p | 0.96p | (0.11)p | 0.85p |

Note of Historical Cost Profits and Losses

for the year ended 30 September 2005

| | 30 September 2005 £ | 30 September 2004 £ |
|--|------------------------|------------------------|
| Profit on ordinary activities before taxation | 2,160,332 | 425,679 |
| Realisation of revaluation gains of previous years | 885,981 | 1,639,713 |
| Historical cost profit on ordinary activities before taxation | 3,046,313 | 2,065,392 |
| Historical cost loss for the year after taxation and dividends | (506,871) | (1,529,679) |

The notes on pages 29 to 40 form part of these financial statements.

Balance Sheet

as at 30 September 2005

| | Notes | 30 September 2005 | | 30 September 2004 | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 9 | | 46,724,558 | | 40,629,972 |
| Current assets | | | | | |
| Debtors and prepayments | 11 | 2,203,122 | | 126,077 | |
| Current investments | 12,19 | 5,764,584 | | 7,606,909 | |
| Cash at bank | 19 | 79,028 | | 2,861,302 | |
| | | 8,046,734 | | 10,594,288 | |
| Creditors: amounts falling due within one year | 13 | (3,074,418) | | (365,844) | |
| Net current assets | | | 4,972,316 | | 10,228,444 |
| Net assets | | | 51,696,874 | | 50,858,416 |
| Capital | | | | | |
| Called up share capital | 14 | | 490,875 | | 505,223 |
| Share premium account | 15 | | 10,148 | | - |
| Revaluation reserve | 15 | | 10,781,672 | | 8,050,527 |
| Capital redemption reserve | 15 | | 16,857 | | 2,407 |
| Special distributable reserve | 15 | | 38,403,160 | | 42,147,756 |
| Profit and loss account | 15 | | 1,994,162 | | 152,503 |
| Equity Shareholders' funds | 16 | | 51,696,874 | | 50,858,416 |
| Net asset value per share of 1 pence each: | | | Basic | | Basic |
| Ordinary Shares | 17 | | 103.47p | | 103.49p |
| S2 Shares | 17 | | 109.23p | | 94.43p |

The notes on pages 29 to 40 form part of these financial statements.

The financial statements were approved by the Directors on 22 November 2005 and are signed on their behalf by:

Peter Dicks
Director

Cash Flow Statement

for the year ended 30 September 2005

| | Notes | Year ended 30 September 2005 | | Year ended 30 September 2004 | |
|---|-------|---------------------------------|-------------|---------------------------------|--------------|
| | | £ | £ | £ | £ |
| Operating activities | | | | | |
| Dividends received | | 1,575,700 | | 477,923 | |
| Deposit and similar interest | | 11,245 | | 378,865 | |
| Investment management fees paid | | (992,436) | | (927,744) | |
| Other cash payments | | (487,777) | | (397,951) | |
| Net cash inflow/(outflow) from operating activities | 18 | | 106,732 | | (468,907) |
| Investing activities | | | | | |
| Purchase of investments | 9 | (10,765,279) | | (19,522,977) | |
| Sale of investments | 9 | 9,196,261 | | 12,709,837 | |
| | | | (1,569,018) | | (6,813,140) |
| Equity dividends | | | | | |
| Payment of dividends | | | (1,846,688) | | (3,634,240) |
| Net cash outflow before financing and liquid resource management | | | (3,308,974) | | (10,916,287) |
| Financing | | | | | |
| Issue of S2 shares (net of expenses) | | 10,250 | | 14,903,715 | |
| Purchase of own shares | | (1,325,875) | | (188,408) | |
| | | | (1,315,625) | | 14,715,307 |
| Management of liquid resources | | | | | |
| Decrease/(increase) in current investments | 12,19 | | 1,842,325 | | (994,601) |
| Net (decrease)/increase in cash | 19 | | (2,782,274) | | 2,804,419 |

Notes to the Accounts

for the year ended 30 September 2005

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 dividends, 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) has 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.

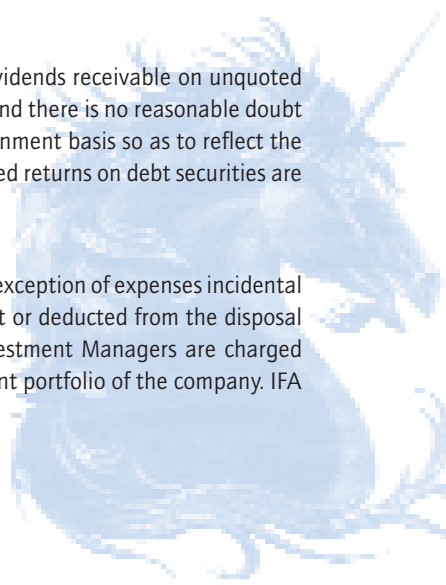
Unlisted investments will not normally be re-valued upwards for a period of at least twelve months from the date of acquisition for early stage investments. Where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate.

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 2005

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.

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

| | 2005 £ | 2004 £ |
|---|------------------|----------------|
| Interest receivable | | |
| – from bank deposits | 11,245 | 28,343 |
| | 11,245 | 28,343 |
| Investment income receivable | | |
| – from equities | 1,455,081 | 442,308 |
| – from money-market funds and Unicorn managed OEICs | 323,568 | 383,697 |
| | 1,778,649 | 826,005 |
| Total Income | 1,789,894 | 854,348 |
| Total income comprises | | |
| Dividends | 1,778,649 | 826,005 |
| Interest | 11,245 | 28,343 |
| | 1,789,894 | 854,348 |
| Income from investments comprises | | |
| Listed UK securities | 67,846 | 254,975 |
| Listed overseas securities | 287,053 | 383,697 |
| Unlisted UK securities | 1,423,750 | 187,333 |
| | 1,778,649 | 826,005 |

3 Investment Manager's fees

| | Revenue 2005 £ | Capital 2005 £ | Total 2005 £ | Revenue 2004 £ | Capital 2004 £ | Total 2004 £ |
|----------------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
| Unicorn Asset Management Limited | 248,109 | 744,327 | 992,436 | 231,936 | 695,808 | 927,744 |

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 £147,810 (2004: £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 plus 2% 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

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Directors' remuneration (including NIC) | 48,630 | 37,663 |
| IFA trail commission | 180,823 | 144,109 |
| Administration services | 159,906 | 129,180 |
| Broker's fees | 14,982 | 13,807 |
| Custody fees | 12,062 | 10,161 |
| Auditors' fees – audit | 16,173 | 14,687 |
| – other services | 4,407 | 4,485 |
| Tax monitoring fees | 15,063 | 12,396 |
| Professional fees | 503 | 17,455 |
| Registrar's fees | 12,911 | 18,891 |
| Printing | 11,329 | 10,109 |
| Sundry | 41,024 | 29,946 |
| | 517,813 | 442,889 |

Charges for non audit services provided by the auditors in the year ended 30 September 2005 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

| | 2005 £ | 2004 £ |
|------------------------------|-----------|-----------|
| Directors' emoluments | | |
| Peter Dicks | 18,000 | 15,000 |
| Robert Holt | 15,000 | 10,000 |
| David Royds | 12,000 | 10,000 |
| Peter Webb | – | – |
| | 45,000 | 35,000 |
| Employer's NIC | 3,630 | 2,663 |
| | 48,630 | 37,663 |

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 2005

6 Taxation on ordinary activities

a) Analysis of charge in the year

| | 2005 £ | 2004 £ |
|--------------------------------|-----------|-----------|
| Current tax charge in the year | – | – |

b) Factors affecting tax charge for the year

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Profit on ordinary activities before tax | 2,160,332 | 425,679 |
| Profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19% | 410,463 | 80,879 |
| Non-taxable UK dividend income | (276,465) | (84,039) |
| Realised gains which are not taxable | (357,330) | (178,973) |
| Allowable expense not charged to revenue | 141,422 | 132,204 |
| Losses carried forward | 81,910 | 49,929 |
| Actual current tax charge – revenue | – | – |
| Impact of allowable expenditure credited to capital reserve | (141,422) | (132,204) |
| Additional losses carried forward to future years | 141,422 | 132,204 |
| 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 deferred tax amount not recognised is £610,930 (2004: £390,167).

7 Dividends and other appropriations

| | 2005 £ | 2004 £ |
|--|------------------|------------------|
| Dividends on equity shares | | |
| Ordinary Share Fund – interim paid of 5p (2004: 10p) per share: | 1,728,462 | 3,476,923 |
| Ordinary Share Fund – final proposed of 5p (2004: 0p) per share: | 1,667,212 | – |
| | 3,395,674 | 3,476,923 |
| S2 Share Fund – final proposed of 1p (2004: 0.75p) per share: | 157,433 | 118,148 |
| – underprovision re prior year | 77 | – |
| | 157,510 | 118,148 |
| Total | 3,553,184 | 3,595,071 |

Included in the above proposed dividend are income dividends of 0.5p per share (Ordinary Share Fund) and 0.35p per share (S2 Share Fund).

8 Earnings and return per share

| | 2005 Ordinary Fund £ | 2005 S2 Fund £ | 2005 Total £ | 2004 Ordinary Fund £ | 2004 S2 Fund £ | 2004 Total £ |
|--|-------------------------------|----------------------|--------------------|-------------------------------|----------------------|--------------------|
| Total earnings after taxation: | 2,159,703 | 629 | 2,160,332 | 402,389 | 23,290 | 425,679 |
| Basic earnings per share (note a) | 6.32p | 0.00p | | 1.15p | 0.20p | |
| Net revenue from ordinary activities after taxation | 96,838 | 62,635 | | 68,377 | 111,146 | |
| Revenue return per share (note b) | 0.28p | 0.40p | | 0.20p | 0.96p | |
| Net realised capital gains | 1,787,190 | 93,497 | | 941,964 | – | |
| Net unrealised capital gains | 1,128,894 | 2,488,232 | | 1,688,240 | 75,456 | |
| Capital income | 858,103 | – | | – | – | |
| Capital expenses | (582,428) | (155,503) | | (607,952) | (87,856) | |
| Total capital return | 3,191,759 | 2,426,226 | | 2,022,252 | (12,400) | |
| Capital return per share (note c) | 9.34p | 15.39p | | 5.80p | (0.11)p | |
| Weighted average number of shares in issue in the year | 34,190,165 | 15,761,353 | | 34,847,936 | 11,564,057 | |

Notes

- a) Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.
- b) Revenue return per share is net revenue from ordinary activities after taxation divided by the weighted average number of shares in issue.
- c) Capital return per share is total capital return divided by the weighted average number of shares in issue.

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 2004 | 20,039,042 | 2,733,652 | 1,050,000 | 700,000 | 8,806,751 | 33,329,445 |
| Unrealised gains/(losses) at 30 September 2004 | 4,257,773 | 1,644,640 | 699,990 | – | 1,448,124 | 8,050,527 |
| Permanent impairment of investments | – | – | (750,000) | – | – | (750,000) |
| Valuation at 30 September 2004 | 24,296,815 | 4,378,292 | 999,990 | 700,000 | 10,254,875 | 40,629,972 |
| Purchases at cost | 9,665,726 | – | 1,300,000 | 700,000 | 49,189 | 11,714,915 |
| Sale proceeds | (4,465,519) | (2,718,219) | (1,221,881) | (700,000) | (2,012,523) | (11,118,142) |
| Realised gain | 302,347 | 13,886 | 221,891 | – | 1,342,563 | 1,880,687 |
| Unrealised gains/(losses) brought forward now realised | (754,023) | 1,403,161 | 699,990 | – | (463,147) | 885,981 |
| Permanent impairment in year | 311,712 | – | – | – | – | 311,712 |
| Increase/(decrease) in unrealised appreciation | 3,313,304 | (1,394,975) | (949,990) | – | 1,451,094 | 2,419,433 |
| Closing valuation at 30 September 2005 | 32,670,362 | 1,682,145 | 1,050,000 | 700,000 | 10,622,051 | 46,724,558 |
| Book cost at 30 September 2005 | 25,099,285 | 1,432,480 | 2,050,000 | 700,000 | 7,722,833 | 37,004,598 |
| Unrealised gains/(losses) at 30 September 2005 | 7,882,789 | 249,665 | (250,000) | – | 2,899,218 | 10,781,672 |
| Permanent impairment of investments | (311,712) | – | (750,000) | – | – | (1,061,712) |
| | 32,670,362 | 1,682,145 | 1,050,000 | 700,000 | 10,622,051 | 46,724,558 |

Notes to the Accounts

for the year ended 30 September 2005

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 2004 | 18,956,229 | 2,733,652 | 1,050,000 | 700,000 | 2,587,725 | 26,027,606 |
| Unrealised gains/(losses) at 30 September 2004 | 4,191,143 | 1,644,640 | 699,990 | – | 1,439,298 | 7,975,071 |
| Permanent impairment of investments | – | – | (750,000) | – | – | (750,000) |
| Valuation at 30 September 2004 | 23,147,372 | 4,378,292 | 999,990 | 700,000 | 4,027,023 | 33,252,677 |
| Purchases at cost | 5,608,315 | – | 650,000 | 350,000 | 17,688 | 6,626,003 |
| Sale proceeds | (4,185,362) | (2,718,219) | (1,221,881) | (700,000) | (2,012,523) | (10,837,985) |
| Realised gain/(loss) | 208,850 | 13,886 | 221,891 | – | 1,342,563 | 1,787,190 |
| Unrealised gains/(losses) brought forward now realised | (788,183) | 1,403,161 | 699,990 | – | (463,147) | 851,821 |
| Permanent impairment in year | 311,712 | – | – | – | – | 311,712 |
| Increase/(decrease) in unrealised appreciation | 2,210,446 | (1,394,975) | (824,990) | – | (25,120) | (34,639) |
| Closing valuation at 30 September 2005 | 26,513,150 | 1,682,145 | 525,000 | 350,000 | 2,886,484 | 31,956,779 |
| Book cost at 30 September 2005 | 20,111,561 | 1,432,480 | 1,400,000 | 350,000 | 1,472,306 | 24,766,347 |
| Unrealised gains/(losses) at 30 September 2005 | 6,713,301 | 249,665 | (125,000) | – | 1,414,178 | 8,252,144 |
| Permanent impairment of investments | (311,712) | – | (750,000) | – | – | (1,061,712) |
| | 26,513,150 | 1,682,145 | 525,000 | 350,000 | 2,886,484 | 31,956,779 |

| S2 Share Fund | Traded on AIM £ | Fully Listed £ | Unlisted ordinary shares £ | Unlisted preference shares £ | Unicorn OEIC Fund £ | Total £ |
|--|--------------------|-------------------|-------------------------------|---------------------------------|------------------------|------------|
| Book cost at 30 September 2004 | 1,082,813 | – | – | – | 6,219,026 | 7,301,839 |
| Unrealised gains at 30 September 2004 | 66,630 | – | – | – | 8,826 | 75,456 |
| Valuation at 30 September 2004 | 1,149,443 | – | – | – | 6,227,852 | 7,377,295 |
| Purchases at cost | 4,057,411 | – | 650,000 | 350,000 | 31,501 | 5,088,912 |
| Sale proceeds | (280,157) | – | – | – | – | (280,157) |
| Realised gain | 93,497 | – | – | – | – | 93,497 |
| Unrealised gains/(losses) brought forward now realised | 34,160 | – | – | – | – | 34,160 |
| Increase/(decrease) in unrealised appreciation | 1,102,858 | – | (125,000) | – | 1,476,214 | 2,454,072 |
| Closing valuation at 30 September 2005 | 6,157,212 | – | 525,000 | 350,000 | 7,735,567 | 14,767,779 |
| Book cost at 30 September 2005 | 4,987,724 | – | 650,000 | 350,000 | 6,250,527 | 12,238,251 |
| Unrealised gains/(losses) at 30 September 2005 | 1,169,488 | – | (125,000) | – | 1,485,040 | 2,529,528 |
| | 6,157,212 | – | 525,000 | 350,000 | 7,735,567 | 14,767,779 |

Reconciliation of cash movements in investment transactions

Deducting the movement in unsettled trades of £900,447 and £49,189 of OIEC dividends re-invested in further OEIC investments from purchases above of £11,714,915 leaves purchases of £10,765,279 as shown in the cash flow statement.

Deducting unsettled sales of £1,921,881 from sales proceeds above of £11,118,142 leaves sales proceeds of £9,196,261 as shown in the cash flow statement.

The amounts provided at the end of the year or written off against unlisted investments were as follows:

| Financial Year | Total provisions at end of year £ | Write-offs in year £ |
|----------------|--------------------------------------|-------------------------|
| 2005 | 125,000 | 0 |
| 2004 | 0 | 750,000 |
| 2003 | 750,000 | 0 |

10 Significant interests

At 30 September 2005 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

| | Equity valuation (ordinary shares) £ | Investment in loan stock and preference shares £ | Total valuation £ | Percentage of investee company's total equity |
|------------------------------|---|---|----------------------|---|
| Amber Taverns Limited | 300,000 | 700,000 | 1,000,000 | 22.0% |
| Lloyds British Testing plc | 513,035 | – | 513,035 | 15.4% |
| Sanastro plc | 750,000 | – | 750,000 | 12.8% |
| Xpertise Group plc | 576,524 | – | 576,524 | 12.7% |
| Maxima Holdings plc | 2,530,483 | – | 2,530,483 | 12.6% |
| Access Intelligence plc | 542,508 | – | 542,508 | 12.0% |
| Avingtrans plc | 2,573,930 | – | 2,573,930 | 11.7% |
| Asfare Group plc | 470,200 | – | 470,200 | 11.2% |
| Prologic plc | 736,443 | – | 736,443 | 10.7% |
| Supporta plc | 4,164,481 | – | 4,164,481 | 9.8% |
| Strategic Retail plc | 570,038 | – | 570,038 | 9.4% |
| Inspicio plc | 210,000 | – | 210,000 | 7.0% |
| Centurion Electronics plc | 372,444 | – | 372,444 | 6.8% |
| Lees Foods plc | 304,200 | – | 304,200 | 6.5% |
| Tellings Golden Miller plc | 665,030 | – | 665,030 | 6.2% |
| Glisten plc | 2,548,194 | – | 2,548,194 | 6.1% |
| Zetar plc | 1,238,595 | – | 1,238,595 | 6.0% |
| Careforce Group plc | 1,065,981 | – | 1,065,981 | 5.8% |
| Sanderson Group plc | 1,170,552 | – | 1,170,552 | 3.8% |
| Datong Electronics plc | 666,663 | – | 666,663 | 3.8% |
| Longbridge International plc | – | – | – | 3.7% |
| Urban Dining plc | 826,010 | – | 826,010 | 3.3% |
| Printing.com plc | 846,794 | – | 846,794 | 3.1% |
| Public Recruitment Group plc | 981,751 | – | 981,751 | 3.0% |
| Talarius plc | 1,316,367 | – | 1,316,367 | 3.0% |

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

The Company holds 25.1% of the B shares issued by the Unicorn Free Spirit Fund at the year-end, 24.9% of the B shares issued by Unicorn Smaller Companies Fund and 42.3% 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.

As the overall shareholding in the Unicorn Investment Funds ICVC is less than 50% and the company does not exert control over the individual sub funds, no consolidated accounts have been prepared.

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.

Notes to the Accounts

for the year ended 30 September 2005

11 Debtors

| | 2005 £ | 2004 £ |
|------------------------------------|-----------|-----------|
| Amounts due within one year | | |
| Other debtors | 1,921,881 | – |
| Prepayments and accrued income | 281,241 | 126,077 |
| | 2,203,122 | 126,077 |

12 Current investments

These comprise investments in three Dublin based OEIC money markets funds, managed by Royal Bank of Scotland and Merrill Lynch. £5,347,070 (2004: £3,331,220) of this sum is subject to same day access while £417,514 (2004: £4,275,689) is subject to two day access. These sums are regarded as monies held pending investment.

13 Creditors: amounts falling due within one year

| | 2005 £ | 2004 £ |
|--------------------|-----------|-----------|
| Trade creditors | 119,632 | 19,835 |
| Other creditors | 905,376 | 4,006 |
| Accruals | 224,765 | 223,855 |
| Proposed dividends | 1,824,645 | 118,148 |
| | 3,074,418 | 365,844 |

14 Called up share capital

| | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Authorised: | | |
| Ordinary Shares of 1p each: 40,000,000 | 400,000 | 400,000 |
| S2 Shares of 1p each: 25,000,000 | 250,000 | 250,000 |
| | 650,000 | 650,000 |

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Issued: | | |
| Ordinary Shares of 1p each: 33,344,234 (2004: 34,769,234) | 333,442 | 347,692 |
| S2 Shares of 1p each: 15,743,314 (2004: 15,753,089) | 157,433 | 157,531 |
| | 490,875 | 505,223 |

During the year the Company purchased 1,425,000 - £14,250 nominal value (2004: 190,000 - £1,900 nominal value) of its own Ordinary Shares for cash at the prevailing market price for a total cost of £1,375,710 (2004: £188,408), and 20,000 - £200 nominal value (2004: 10,225 - £102 nominal value) of its S2 Shares for cash at the prevailing market price for a total cost of £20,356 (2004: £9,212).

During the year, the Company allotted 10,225 - £102 nominal value (2004: 15,753,089 - £157,531 nominal value) of its S2 Shares.

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 2004 | 505,223 | – | 8,050,527 | 2,407 | 42,147,756 | 152,503 | 50,858,416 |
| Shares issued/(bought back) | (14,348) | 10,148 | – | 14,450 | (1,396,066) | – | (1,385,816) |
| Write off to special reserve | – | – | – | – | (2,348,530) | 2,348,530 | – |
| Realisation of previously unrealised appreciation | – | – | (885,981) | – | – | 885,981 | – |
| Net increase in unrealised appreciation in the year | – | – | 3,617,126 | – | – | – | 3,617,126 |
| Retained net profit for the year | – | – | – | – | – | (1,392,852) | (1,392,852) |
| At 30 September 2005 | 490,875 | 10,148 | 10,781,672 | 16,857 | 38,403,160 | 1,994,162 | 51,696,874 |
| Ordinary Share Fund | | | | | | | |
| At 30 September 2004 | 347,692 | – | 7,975,071 | 2,305 | 27,513,350 | 144,897 | 35,983,315 |
| Shares issued/(bought back) | (14,250) | – | – | 14,250 | (1,375,710) | – | (1,375,710) |
| Write off to special reserve | – | – | – | – | (2,193,027) | 2,193,027 | – |
| Realisation of previously unrealised appreciation | – | – | (851,821) | – | – | 851,821 | – |
| Net increase in unrealised appreciation in the year | – | – | 1,128,894 | – | – | – | 1,128,894 |
| Retained net profit for the year | – | – | – | – | – | (1,235,971) | (1,235,971) |
| At 30 September 2005 | 333,442 | – | 8,252,144 | 16,555 | 23,944,613 | 1,953,774 | 34,500,528 |
| S2 Share Fund | | | | | | | |
| At 30 September 2004 | 157,531 | – | 75,456 | 102 | 14,634,406 | 7,606 | 14,875,101 |
| Shares issued/(bought back) | (98) | 10,148 | – | 200 | (20,356) | – | (10,106) |
| Write off to special reserve | – | – | – | – | (155,503) | 155,503 | – |
| Realisation of previously unrealised depreciation | – | – | (34,160) | – | – | 34,160 | – |
| Net increase in unrealised appreciation in the year | – | – | 2,488,232 | – | – | – | 2,488,232 |
| Retained net profit for the year | – | – | – | – | – | (156,881) | (156,881) |
| At 30 September 2005 | 157,433 | 10,148 | 2,529,528 | 302 | 14,458,547 | 40,388 | 17,196,346 |

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 now 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 for the year.

At the Annual General Meeting held on 19 January 2005, the shareholders authorised the Company to purchase its shares pursuant to section 166 of the Companies Act 1985. This authority is limited to a maximum number of Ordinary or S2 Shares equivalent to 14.99 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 in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which

Notes to the Accounts

for the year ended 30 September 2005

that Ordinary Share is purchased. The minimum price which may be paid for an Ordinary Share or an S2 Share is 1p. The authority provides that the Company may make a contract or contracts to purchase Ordinary or S2 Shares under this authority before the expiry of the 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 this authority will be proposed at the Annual General Meeting to be held on 20 January 2006.

16 Reconciliation of movements in Shareholders' funds

| | 2005 £ | 2004 £ |
|--|-------------|-------------|
| Net finance raised | | |
| At beginning of year | 50,858,416 | 37,558,017 |
| Issues of S2 Shares | 10,250 | 15,763,314 |
| Expenses of issue | – | (859,599) |
| Redemption of shares | (1,396,066) | (197,620) |
| Total recognised gains and losses for the year | 5,777,458 | 2,189,375 |
| Dividends on equity shares | (3,553,184) | (3,595,071) |
| | 51,696,874 | 50,858,416 |

17 Net asset value per Share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 33,344,234 (2004: 34,769,234) 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 15,743,314 (2004: 15,753,089) S2 Shares, being the number of S2 Shares in issue on that date.

18 Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities

| | 2005 £ | 2004 £ |
|---|-------------|-----------|
| Profit on ordinary activities before taxation | 2,160,332 | 425,679 |
| Gains on realisation of investments | (1,880,687) | (941,964) |
| (Increase)/decrease in debtors | (155,164) | 1,896 |
| Increase in creditors and accruals | 31,440 | 45,482 |
| Dividend receivable converted into an investment | (49,189) | – |
| Net cash inflow/(outflow) from operating activities | 106,732 | (468,907) |

19 Analysis of changes in net funds

| | Cash 2005 £ | Liquid resources 2005 £ | Total 2005 £ |
|----------------------|-------------------|----------------------------------|--------------------|
| At 30 September 2004 | 2,861,302 | 7,606,909 | 10,468,211 |
| Cash flows | (2,782,274) | (1,842,325) | (4,624,599) |
| At 30 September 2005 | 79,028 | 5,764,584 | 5,843,612 |

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 Manager's 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 unquoted and AIM quoted 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 2005

Financial assets

The interest rate profile of the Company's financial assets (excluding short-term debtors and creditors) at 30 September 2005 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 | 35,402,507 | – | – | 35,402,507 | | |
| Unicorn OEICs | 10,622,051 | – | – | 10,622,051 | | |
| Preference shares | – | 700,000 | – | 700,000 | 8.00 | 4.5 |
| Money market funds | – | – | 5,764,584 | 5,764,584 | 4.38 | |
| Cash | – | – | 79,028 | 79,028 | | |
| Total | 46,024,558 | 700,000 | 5,843,612 | 52,568,170 | | |

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 | | |

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 (28.7%) and director and Robert Holt is a shareholder (2%)) 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 Group Limited (37.2%) which owns 100% of the equity of Matrix-Securities Limited, who acted as Promoter to the Company for a fee of £nil (2004: £721,807) 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 £2,142,001 (carrying value £4,164,481) (2004: £2,550,403 (carrying value £2,619,809)) and £353,043 (carrying value £1,114,378) (2004: £353,043 (carrying value £779,021)) respectively. He owns 1% (2004: 0.6%) of the equity of Supporta plc and 5.5% (2004: 9%) of the equity of Mears Group plc. The interests of the Directors in the shares of the Company are set out on page 15.

22 Post balance sheet events

Since the year-end, the Ordinary Share Fund has invested a further £950,000 in two qualifying investments (2004: £2,773,786 in six qualifying investments), and the S2 Share Fund has invested a further £950,000 in two qualifying investments (2004: £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 keep in touch with 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 NAV per share as at 31 October 2005 was 102.0 pence (bid price valuation: 100.0 pence) for the Ordinary Share Fund and 104.7 pence (bid price valuation: 103.8 pence) for the S2 Share Fund. The Company announces its unaudited NAV on a monthly basis.

Dividend

The directors will be proposing a final dividend to Ordinary Shareholders of 5 pence per Ordinary Share and to S2 Shareholders of 1 penny per S2 Share at the Annual General Meeting to be held on 20 January 2006. The dividends will be paid on 30 January 2006 to Shareholders on the Register on 6 January 2006.

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 2005 | Annual Report for the period ended 30 September 2005 to be circulated to Shareholders |
| 6 January 2006 | Record date for Shareholders to be eligible for a final dividend |
| 20 January 2006 | Annual General Meeting |
| 30 January 2006 | Final dividends for the year ended 30 September 2005 to be paid to Ordinary Fund Shareholders and S2 Fund Shareholders. |
| Early May 2006 | Preliminary Announcement of Interim Results |
| Late May 2006 | Interim Report for the six months ended 31 March 2006 to be circulated to Shareholders |
| 30 September 2006 | Year-end |
| Early December 2006 | Preliminary announcement of final results for the year ended 30 September 2006 |

Annual General Meeting

The fourth Annual General Meeting of the Company will be held on 20 January 2006 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 10 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 meeting will be followed by separate class meetings of the Ordinary Fund Shareholders and the S2 Fund Shareholders. The notices of the meetings, together with appropriate proxy forms, are included on pages 42-52 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 18 January 2006.

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 unicorn@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 fourth Annual General Meeting of the Company will be held at 11.00 am on 20 January 2006 at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions:-

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 2005, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2005 as set out in the Annual Report and Accounts of the Company for the year ended 30 September 2005.
3. To re-appoint PKF (UK) LLP 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 Dicks as a Director of the Company.
6. To re-elect Robert Holt as a Director of the Company.
7. To re-elect David Royds as a Director of the Company.
8. To re-elect Peter Webb as a Director of the Company.
9. To declare a final dividend for the year ended 30 September 2005 of 5 pence per ordinary share of 1p each ("Ordinary Shares").
10. To declare a final dividend for the year ended 30 September 2005 of 1 penny per share, Series 2 of 1p each Share ("S2 Shares").

SPECIAL BUSINESS

11. THAT (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of Ordinary Shares and the separate meeting of the holders of S2 Shares convened for 11.30am and 11.40am respectively on 20 January 2006 and (ii) 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 £171,806.
 - (ii) the Directors shall be entitled under the authority conferred by paragraph (i) of this resolution 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.
12. THAT (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of Ordinary Shares and the separate meeting of the holders of S2 Shares convened for 10.30am and 11.40am respectively on 20 January 2006 and (ii) 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 11 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:
 - (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/or the issued S2 Share Capital of the Company in connection with a rights issue where the Ordinary Shares or S2 Shares offered to all holders of shares in the relevant class are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares or, as the case may be, 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;

- (ii) 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/or the issued S2 Share Capital of the Company in connection with any dividend reinvestment or similar scheme as may be introduced by the Company from time to time; and
- (iii) 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/or 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 or, as the case may be, S2 Shares in the market;
- (iv) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5 per cent of the issued Ordinary Share capital and/or the issued S2 share capital of the Company.

and provided further that the authority conferred by this resolution shall expire on the earlier of the annual general meeting of the Company to be held in 2007 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.

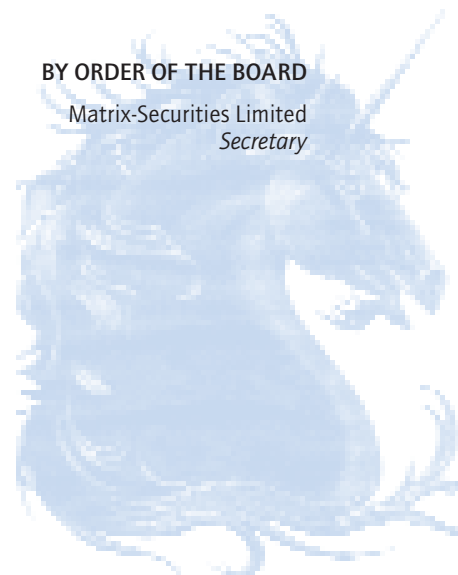
13. THAT (i) subject to the passing of the resolutions to be proposed at the separate meeting of the holders of Ordinary Shares and the separate meeting of the holders of S2 Shares convened for 10.30 am and 11.40 am respectively on 20 January 2006 and (ii) the Company be authorised to make one or more market purchase (within the meaning of section 166 of the Companies Act 1985 (as defined in Section 163 (3) of the Act) of its Ordinary Shares and S2 Shares provided that:-

- 13.1 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 or, as the case may be, S2 Share capital of the Company immediately following the passing of this resolution;
- 13.2 the minimum price which may be paid for such Ordinary Shares or, as the case may be, S2 Shares is 1 pence per share, the nominal amount thereof;
- 13.3 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, as the case may be, S2 Share is purchased;
- 13.4 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 2007 or the date which is eighteen months after the date on which this resolution is passed; and
- 13.5 the Company may make a contract or contracts to purchase its own Ordinary Shares and/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, as the case may be, S2 Shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

Registered Office
One Jermyn Street
London SW1Y 4UH

22 November 2005

BY ORDER OF THE BOARD
Matrix-Securities Limited
Secretary



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 IRC 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 18 January 2006 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 18 January 2006 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 at least fifteen minutes prior to and during the meeting.

UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

NOTICE of a SEPARATE MEETING OF ORDINARY FUND SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of Ordinary Shares of 1 pence each in the capital of the Company will be held at 11.30 am on 20 January 2006 (or as soon thereafter as the Annual General Meeting of the Company convened for 11.00 am on that day has been concluded or adjourned) at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an extraordinary resolution:-

Extraordinary Resolution

The holders of the Ordinary Shares of 1 pence each in the capital of the Company ("Ordinary Shares") hereby sanction, approve and consent to:

- (1) the passing and carrying into effect, as special resolutions of the Company, Resolutions 11 to 13 set out in the notice of the Annual General Meeting convened for 11.00 am on 20 January 2006 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
- (2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the Ordinary Shares which will, or may result from the passing and carrying into effect of the said resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to the Ordinary Shares.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

22 November 2005

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 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 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 Ordinary Fund Shareholders as at midnight on 18 January 2006 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 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 18 January 2006 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 meeting for at least fifteen minutes prior to and during the meeting.
- (vi) Notice is hereby further given that the necessary quorum for the above meeting shall be Ordinary Fund Shareholders present in person or by proxy holding not less than one third of the paid up Ordinary Share capital and that if within half an hour from the time appointed for the above meeting a quorum is present it shall be adjourned to 9.30 am on 21 January 2006 to be held at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH, or as soon thereafter as may be arranged, and at such adjourned meeting the Ordinary Shareholders present in person or by proxy shall be a quorum regardless of the number of Ordinary Shares held.

UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

NOTICE of a SEPARATE MEETING OF SERIES 2 ("S2") FUND SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate meeting of the holders of Series 2 Shares of 1 pence each in the capital of the Company will be held at 11.40 am on 20 January 2006 (or as soon thereafter as the separate meeting of Ordinary Fund Shareholders of the Company convened for 11.30 am on that day has been concluded or adjourned) at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:-

Extraordinary Resolution

The holders of the Series 2 Shares of 1 pence each in the capital of the Company ("S2 Shares") hereby sanction, approve and consent to:

- (1) the passing and carrying into effect, as special resolutions of the Company, Resolutions 11 to 13 set out in the notice of the Annual General Meeting convened for 11.00 am on 20 January 2006 (a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification); and
- (2) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the S2 Shares which will, or may result from the passing and carrying into effect of the said resolutions and notwithstanding that the passing and carrying into effect of such resolutions may affect the rights and privileges attached to the S2 Shares.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

22 November 2005

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 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 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 S2 Fund Shareholders as at midnight on 18 January 2006 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 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 18 January 2006 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 meeting for at least fifteen minutes prior to and during the meeting.
- (vi) Notice is hereby further given that the necessary quorum for the above meeting shall be S2 Fund Shareholders present in person or by proxy holding not less than one third of the paid up S2 Share capital and that if within half an hour from the time appointed for the above meeting a quorum is present it shall be adjourned to 9.30 am on 21 January 2006 to be held at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH, or as soon thereafter as may be arranged, and at such adjourned meeting the S2 Shareholders present in person or by proxy shall be a quorum regardless of the number of S2 Shares held.

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 20 January 2006 at the offices of 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 10 are proposed as ordinary resolutions and resolutions 11 to 13 are proposed as special resolutions, as follows:

ORDINARY BUSINESS

| | Resolution | 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 2005. | | |
| Resolution 2 | To approve the Directors' Remuneration Report for the year ended 30 September 2005. | | |
| Resolution 3 | To re-appoint PKF (UK) LLP as Auditors. | | |
| Resolution 4 | To authorise the Directors to determine the remuneration of the Auditors. | | |
| Resolution 5 | To re-elect Peter Dicks as a Director of the Company. | | |
| Resolution 6 | To re-elect Robert Holt as a Director of the Company. | | |
| Resolution 7 | To re-elect David Royds as a Director of the Company. | | |
| Resolution 8 | To re-elect Peter Webb as a Director of the Company. | | |
| Resolution 9 | To declare a final dividend of 5 pence per Ordinary Share. | | |
| Resolution 10 | To declare a final dividend of 1 penny per S2 Share. | | |

SPECIAL BUSINESS

| | | | |
|---------------|---|--|--|
| Resolution 11 | To authorise the Directors to allot Ordinary Shares and S2 Shares. | | |
| Resolution 12 | To authorise the Directors to disapply pre-emption rights of members. | | |
| Resolution 13 | To authorise the Company to make market purchases of Ordinary Shares and S2 Shares. | | |

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.



Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
LICENCE No. MB122

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



First Fold

Second Fold

First Fold

PROXY FOR SEPARATE MEETING OF ORDINARY FUND SHAREHOLDERS 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 Separate Meeting of Ordinary Fund Shareholders of the Company to be held at 11.30 am (or as soon thereafter as the Annual General Meeting of the Company convened for 11.00 am on that day has been concluded or adjourned) on 20 January 2006 at the offices of 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 on the resolution in the event of a poll. 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 Meeting of Ordinary Fund Shareholders (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 extraordinary resolution set out in the notice convening the meeting, as follows:

| Extraordinary Resolution | Type of Resolution | For | Against |
|---|--------------------|-----|---------|
| Approval of AGM resolutions 11-13 and consent to variation of class rights. | Extraordinary | | |

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.



Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
LICENCE No. MB122

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



First Fold

Second Fold

First Fold

PROXY FOR SEPARATE MEETING OF SERIES 2 ("S2") FUND SHAREHOLDERS 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 Separate Meeting of S2 Fund Shareholders of the Company to be held at 11.40 am (or as soon thereafter as the Separate Meeting of Ordinary Fund Shareholders of the Company convened for 11.30 am on that day has been concluded or adjourned) on 20 January 2006 at the offices of 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 on the resolution in the event of a poll. 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 Meeting of S2 Fund Shareholders (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 extraordinary resolution set out in the notice convening the meeting, as follows:

| Extraordinary Resolution | Type of Resolution | For | Against |
|---|--------------------|-----|---------|
| Approval of AGM resolutions 11-13 and consent to variation of class rights. | Extraordinary | | |

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.



Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
LICENCE No. MB122

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



First Fold

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
London SW1Y 4UH

Investment Manager

Unicorn Asset Management Limited
First Floor Office
Preacher's Court
The Charterhouse
Charterhouse Square
London EC1M 6AU

Promoter

Matrix-Securities Limited
One Jermyn Street
London SW1Y 4UH

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Solicitors

Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

Bankers

National Westminster Bank plc
City of London Office
PO Box 12264
1 Princes Street
London EC2R 8PB

Stockbroker and Sponsor

Teather & Greenwood Limited
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
34 Beckenham Road
Beckenham
Kent BR3 4TU

Custodian

The Bank of New York
One Canada Square
London E14 5AL

Receiving Agent

Matrix Registrars Limited
One Jermyn Street
London SW1Y 4UH

Company Registration Number : 4266437

