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VCT

UNICORN AIM VCT PLC

Annual Report and Accounts
for the year ended 30 September 2003



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Investment Objective

The objective of the Fund is to provide shareholders with an attractive return from a diversified portfolio of investments predominantly in the shares of AIM-listed 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 net proceeds raised must be invested in qualifying investments within three years.

The Directors and Investment Manager believe that it is of the utmost importance to seek to safeguard the capital available for investment in qualifying investments during the initial three years and that this should be balanced with providing good short-term returns.

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Chairman's Statement

I am pleased by the Fund's performance compared to other VCTs launched in the 2001/02 tax year with Unicorn AIM VCT showing the greatest return in terms of the increase in net asset value together with cumulative dividends paid and proposed.

The progress of the Company's investment portfolio during the year has continued to be encouraging. The net asset value (NAV) at 30 September 2003 was 107.43 pence per share after providing for a final dividend of 0.45 pence per share. I am pleased by the Fund's performance compared to other VCTs launched in the 2001/02 tax year with Unicorn AIM VCT showing the greatest return in terms of the increase in net asset value together with cumulative dividends paid and proposed.

The Investment Manager had rightly been slow to invest in 2001/02 but took advantage of improved conditions in your Company's target market and invested a total of £5.07 million during the year in eight further qualifying stocks and one follow-on investment. All the investments are outlined in the *Investment Manager's Review*. At the balance sheet date, your Company had a portfolio of fourteen qualifying investments with a total cost of £8.97 million and a value of £12.18 million, covering a broad spectrum of business sectors at various stages of development. As qualifying investments have been made the cash on deposit has been utilised. The Board and the Investment Manager remain confident that the 70% qualifying target required by the Inland Revenue by September 2004 will be reached.

Net revenue attributable to shareholders for the period was £326,984, a significant improvement on the previous period, reflecting a full twelve months contribution since the original fundraising. A loss of £182,579 was realised upon the sale of investments from the non-qualifying portfolio following a shift towards higher growth opportunities.

The Board's policy is to pay out as high a level of dividends as is possible generated either from income received or capital profits realised on the sale of investments.

Income is derived from both interest received from cash on deposit and dividends from the investment portfolio. The Board is pleased to recommend a final dividend of 0.45 pence per share making 0.95 pence per share for the full year (2002 – 0.5 pence per share). The final dividend will be paid on 27 January 2004 to shareholders on the Register at close of business on 5 January 2004.

The Company purchased an aggregate of 40,500 ordinary shares for cancellation at an average price of 68.78 pence per share (net of costs). This has reduced the number of shares in issue to 34,959,234. Since these purchases were made at a discount to the underlying asset value of the Company, the NAV per share has been enhanced by 0.04 pence per share, based on the year-end NAV.

In the interim statement I commented on the fact that during the period under review UK equities yielded more than gilts. I am pleased to report that this unwarranted degree of risk aversion has again proven to be a clear buying signal. The Board continues to believe that the selected portfolio of smaller companies offer income and capital growth opportunities especially at this stage in the cycle.

Following the success achieved to date the Board is pleased to announce the launch of an Offer for Subscription for the 2003/2004 tax year of up to 20,000,000 'S2' shares. The 'S2' issue will offer existing and new investors substantial tax reliefs and access to the successful range of Unicorn Investment Funds whilst applying the Unicorn style to create a diversified portfolio of smaller companies at an attractive stage in the stock market cycle.



Peter Dicks
Chairman

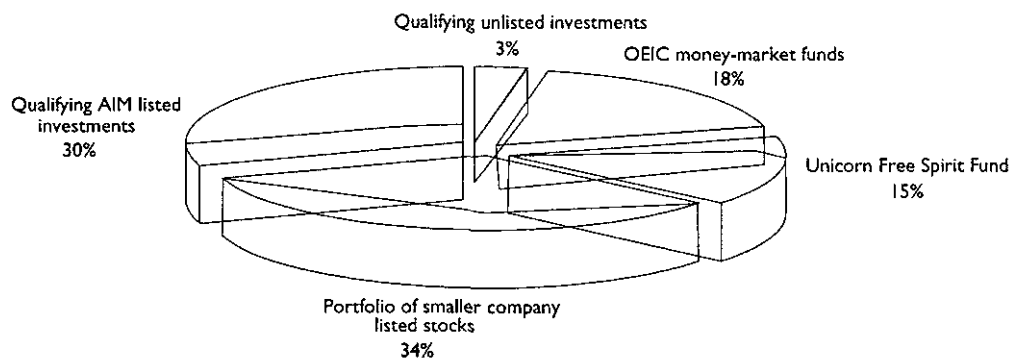
13 November 2003

Key Data

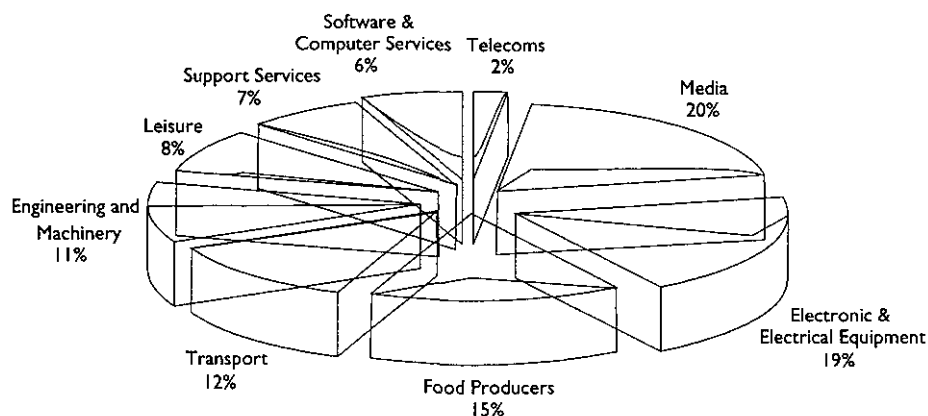
Initial net asset value per share 94.5 pence
 Initial net assets £33,088,657

	30 September 2003	30 September 2002
Net asset value per share	107.43 pence	83.36 pence
Net assets	£37,558,017	£29,176,056
Proposed dividend per share (including interim dividend of 0.5 pence)	0.95 pence	0.5 pence
Total return to shareholders since launch (assuming all dividends are re-invested)	109.2 pence	83.86 pence

Investments by current value at 30 September 2003



Investments by asset class



Qualifying investments by market sector

Investment Manager's Review

The appearance of new issues has gathered momentum over recent months. Sentiment has improved allowing investors to view the glass as half full rather than half empty.

Investment policy

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

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

Introduction

The net asset value at 30 September 2003 was 107.43 pence per share representing an increase of 28.9% over the previous year. In contrast the FTSE All-Share and FTSE AIM indices have increased by 10.7% and 24.8% respectively. Since launch the initial net asset value has increased by 13.7% from 94.50 pence to 107.43 pence at 30 September 2003. This compares favourably with the performance of the FTSE All-Share and FTSE AIM indices, which have declined by 11.4% and 8.1% respectively as the exuberance of the late 1990's and early 2000 has given way to more realism.

Investment strategy

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

AIM market review

Exploration companies and international listings have dominated the IPO market. Investors appear to be chasing fools' gold. In a similar manner to the 'dot com' era the exploration sector has enjoyed mouth-watering valuations on the basis of projected earnings whilst disregarding the low probability of success. Once again it seems likely that the only real winner of adopting the latest fashion will be the stylists in the guise of advisors and brokers. Furthermore, we fail to understand the logic behind the London Stock Exchange's attempt to internationalise AIM or indeed investors' appetite for additional political, economic and currency risk.

There has also been a growing trend for companies on the Official List to transfer to AIM. In some instances this has been in order to exploit a lighter regulatory framework. Whilst welcoming legislation designed to protect the interests of minority shareholders further regulation is required to improve the suitability criteria for companies seeking an AIM listing as approximately three-quarters of the current constituents are loss making and over one-third of the constituents have a market capitalisation of less than £5 million.

Qualifying investments

The performance of the qualifying investments made in the previous year has been largely positive. The highlight of the year was the record profit posted by Glisten following a widening of the product range and further operational efficiencies. In addition, Lloyds British Testing declared a maiden dividend reflecting the positive progress within the Engineering Services division. The only set-back has been the trading performance of Aludel, which has not met initial expectations and as a consequence a full provision has been made against cost.

During the period under review only two IPO investments, Centurion Electronics and Tellings Golden Miller Group, were made. Instead the Fund has exploited the need for existing AIM listed companies to seek additional funding to support the working capital demands associated with an increase in sales. Secondary fundraisings have a number of advantages over IPOs as the business is often more established, the management team have a track record in the public arena and the valuation is typically more attractive due to the pressing need to raise new money.

Centurion Electronics designs, markets and distributes in-car entertainment systems. This profitable, niche operator, listed on AIM in order to increase warehouse facilities and product development. The group has distribution agreements to sell Plug & Play, the retail range, with a number of high street retailers including Currys, Argos, Dixons and Halfords and agreements for the professional range with Fiat, Nissan & Toyota. Following rapid growth a further follow-on investment was made later in the year to support expansion across Continental Europe.

Tellings Golden Miller operates bus services under contract with Transport for London (TfL) and Surrey County Council and luxury coach hire throughout the UK and Europe. This highly cash generative business listed on AIM in order to expand the number

of Tfl contracts which provide further exposure to the growing London market and a visible, recurring, revenue stream in a regulated market.

The removal of hope from share price valuations has been a painful but necessary adjustment towards building a base for positive returns in the future. This 'process' has enabled your Company to invest in Staffing Ventures, Huveaux and Cobra Bio-Manufacturing at par or a discount to previous rounds.

Recognising the need for Staffing Ventures to establish critical mass and market presence a follow-on investment was made enabling the group to fund the acquisition of further bolt-on businesses, thereby increasing the payroll outsourcing capability and customer base. In October 2003 Staffing Ventures announced that they had entered Heads of Terms with a third party which may lead to an acquisition being made by the company. As the acquisition, if completed, would effectively constitute a reverse take-over the quote has been suspended.

Huveaux was formed as a cash shell with the objective of building a broadly based media group by means of acquisition and organic growth. To date the group has acquired four businesses focusing upon business publishing and education. All four businesses are cash generative, have the opportunity to expand the number of titles, enjoy healthy margins and provide 'must have' content direct to the customer.

Cobra Bio-Manufacturing is a niche contract manufacturer utilising specialist expertise and technology to genetically engineer DNA and bacteria for phase I and II clinical trials. In addition, the group seeks to secure royalties on the sale of FDA approved products. Barriers to entry are high due to significant up-front capital expenditure, a high fixed cost base and patented technology. As a result of the group's growing order book the current manufacturing facility is expected to become fully utilised and new money was raised to develop an additional facility.

The historical trading losses associated with the new investments in Screen, Intelliplus (since acquired by Eckoh Technologies) and Xpertise Group reflect either complacency under an old regime or the cyclical nature of the business and are not necessarily an indication of the future potential.

Screen serves the growing security & surveillance, emergency services and defence markets where its respected brands service

a high quality customer base. The entire executive board of Screen has changed since June 2002 and the new management team has stabilised the business, renegotiated banking facilities and introduced more prudent accounting policies. Consequently the restructuring charges and provisions are major contributors to the significant bottom line loss reported.

Intelliplus Group provided specialist telecom solutions and web-based services to SMEs. In August 2003 the group received a recommended all share offer from Eckoh Technologies. The complimentary businesses offer significant strategic, commercial and financial synergies enabling the enlarged group to sell a broader range of voice, internet and data services to a wider customer base.

Xpertise Group provides accredited technical IT training courses to both the private and public sectors. Recognising the need to consolidate a fragmented and poorly managed market, the board made a number of acquisitions designed to increase economies of scale whilst providing national geographic coverage and increasing the breadth of the training courses.

A pre-IPO investment was made in the Real Good Food Company, which was formed as a vehicle to build a major food and distribution business. Three under performing businesses have been acquired with combined sales in excess of £20m. Upon consolidation there is the opportunity for the proven management team to more fully utilise the current capacity by extending the product range, reducing distribution costs and cross selling the product range across the enlarged customer base. Shortly before the year-end the Real Good Food Company listed on AIM at a 10% premium to the earlier round and a follow-on investment was made to fund working capital and to support further opportunistic acquisitions.

Non-qualifying portfolio

There have only been minor amendments to the non-qualifying portfolio since it was first invested. We believe that the original portfolio continues to provide shareholders with exposure to companies serving a diverse range of sectors that offer significant potential for growth over the next 18 months. Overall, the underlying holdings have benefited from sound business models, strong balance sheets, sustainable yields and the general weakness of Sterling. We continue to remain confident in the focus upon industrial rather than consumer

Investment Manager's Review

related stocks as the hangover from record levels of personal indebtedness associated with mortgage refinancing and zero interest rate deals takes grip as general levels of taxation rise.

The investment in the Unicorn Free Spirit Fund (Free Spirit) was increased during the year. At the year end Free Spirit represented 14.8% of the portfolio in-line with the 15% target in the prospectus. It is pleasing to note that since launch on 31 December 2001 Free Spirit has been the best performing fund in the UK All Companies category, delivering a return of 56.2% in the period to 30 September 2003. This compares favourably to the FTSE All-Share Index which decreased by 14.7% over the comparative period. The out performance reflects a contrarian investment approach demonstrating that you cannot have great fund performance from a consensus driven approach.

In the current low interest rate environment there is an appetite for leveraged buy-outs and at 30 September 2003 there were 40 UK listed companies either subject to a bid or that have received an approach from a third party. Whilst recognising that private equity firms can play a useful role in correcting market inefficiencies, institutional investors need to act as long-term owners of businesses and recognise that a premium does not always reflect fair value. Moreover the management involved in such deals, who coincidentally should know the business better than anyone else, face a potential conflict between their fiduciary duties to investors who want the greatest value for their business and the potential returns of the new vehicle. It is worth asking what the incumbent management teams can do differently working for venture capitalists that they could not do as a quoted plc.

Revised BVCA valuation methodologies

The British Venture Capital Association (BVCA) published new reporting guidelines and recommendations, effective from 1 August 2003, which are intended to represent best practice and a useful reference.

The two main recommendations are that listed investments are valued at the bid price rather than the widely accepted and adopted mid market price and that a marketability discount is applied to reflect the lack of liquidity.

Whilst discounts have been considered where appropriate the bid market price has not been adopted as it is at odds with generally accepted accounting practice. Accordingly the mid market price has been adopted in accordance with the Investment Trust Companies SORP.

It is accepted that the nature of listed investments is such that prices can be volatile and that realisation may not achieve current book level, especially when a holding represents a significant proportion of a company's market capital. Nevertheless, on the grounds that the investments are not intended for immediate realisation the mid-market price is the most objective and appropriate method of valuation.

Prospects

The appearance of new issues has gathered momentum over recent months. Sentiment has improved allowing investors to view the glass as half full rather than half empty. Increased market confidence should enable your Company to achieve its investment objectives over the next 12 months.

Investment Portfolio Summary

Qualifying investments	Book cost £'000	Valuation £'000	% of net assets by value
AIM listed investments			
Huveaux plc	1,000	2,340	6.23%
Centurion Electronics plc	650	1,867	4.97%
Tellings Golden Miller Group plc	1,000	1,493	3.98%
Glisten plc	650	1,397	3.72%
Lloyds British Testing plc	1,000	951	2.53%
Xpertise Group plc	400	747	1.99%
Staffing Ventures plc	750	570	1.52%
Screen plc	430	430	1.14%
Real Good Food Company plc	377	429	1.14%
Cobra Bio-Manufacturing plc	310	406	1.08%
Spring Grove Property Maintenance plc	250	297	0.79%
Eckoh Technologies plc (Intelliplus Group plc)	400	250	0.67%
	7,217	11,177	29.76%
Unlisted investments			
Nectar Taverns plc	1,000	1,000	2.66%
Afudel Limited	750	0	0.00%
	1,750	1,000	2.66%
Total qualifying investments	8,967	12,177	32.42%

Non-qualifying investments	Book cost £'000	Valuation £'000	% of net assets by value
AIM listed investments	1,967	2,564	6.83%
Listed UK equities	9,087	10,834	28.85%
Unicorn Free Spirit Fund	3,933	5,555	14.79%
Money-market funds	6,612	6,612	17.60%
Total non-qualifying investments	21,599	25,565	68.07%

Total investments	30,566	37,742	100.49%
Other assets		166	0.44%
Current liabilities		(350)	(0.93)%
Net assets		37,558	100.00%

10 Largest non-qualifying investments (excluding money-market funds)	Book cost £'000	Valuation £'000	% of net assets by value
Unicorn Free Spirit Fund	3,933	5,555	14.79%
McBride plc	452	950	2.53%
Robert Walters plc	736	914	2.43%
Pendragon plc	405	769	2.05%
Eurodis Electron plc	774	685	1.82%
BSS Group plc	471	658	1.75%
Wyndeham Press plc	523	651	1.73%
Spring Group	425	603	1.61%
Ultimate Leisure plc*	454	602	1.60%
Alpha Airports plc	439	587	1.56%

* Listed on AIM

VCT Qualifying Investments

Huveaux plc

First investment:	March 2003	Year ended: 31 December 2002	
Equity held:	5.6%		£'000
Cost: (£'000)	1,000	Turnover:	1,055
Valuation: (£'000)	2,340	Profit before tax:	368
Valuation basis:	Mid market price	Net assets:	6,095
Type of security:	Ordinary shares		

Huveaux was formed in 2001 with the objective of building a broadly based media group. After reviewing over 40 possible acquisition targets the group acquired Vacher Dod Publishing, a specialist parliamentary reference guide, for £4.5 million in July 2002 funded by a placing at 35 pence per share. In March 2003 Unicorn AIM VCT invested £1 million at 25 pence per share to fund the acquisition of Lonsdale, an educational publisher, as part of a £7.6 million fundraising. The group has since made 2 further acquisitions.

Centurion Electronics plc

First investment:	December 2002	Year ended: 30 September 2002	
Equity held:	8.3%		£'000
Cost: (£'000)	650	Turnover:	4,138
Valuation: (£'000)	1,867	Profit before tax:	435
Valuation basis:	Mid market price	Net assets:	942
Type of security:	Ordinary shares		

Centurion Electronics designs, markets and distributes audio-visual in car entertainment systems. Unicorn AIM VCT invested £500,000, as part of a £2.3 million placing on AIM, in order to extend the warehouse facilities, increase product development and provide additional working capital. A further £150,000 investment was made in August 2003 to support expansion in Western Europe.

Tellings Golden Miller Group plc

First investment:	August 2003	Year ended: 31 December 2002	
Equity held:	6.5%		£'000
Cost: (£'000)	1,000	Turnover:	21,309
Valuation: (£'000)	1,493	Profit before tax:	1,509
Valuation basis:	Mid market price	Net assets:	973
Type of security:	Ordinary shares		

Tellings Golden Miller Group operates bus services in South West London & Surrey and luxury coach hire throughout the UK and Europe. Unicorn AIM VCT invested £1 million when the group joined AIM to support the growth in the number of tendered bus routes providing further exposure to the growing London market.

Glisten plc

First investment:	June 2002	Year ended: 30 June 2003	
Equity held:	9.1%		£'000
Cost: (£'000)	650	Turnover:	15,591
Valuation: (£'000)	1,397	Profit before tax:	1,055
Valuation basis:	Mid market price	Net assets:	6,030
Type of security:	Ordinary shares		

Glisten is a Blackburn based manufacturer of chocolate confectionery, sugar based sweets and edible decorations. Unicorn AIM VCT invested £650,000, as part of a £5.7 million placing on AIM, funding the MBO of the niche manufacturer and providing the new management team with the opportunity to cross sell the diverse product range.

Nectar Taverns plc

First investment:	August 2002	Year ended: 27 April 2003	
Equity held:	24.7%		£'000
Cost: (£'000)	1,000	Turnover:	258
Valuation: (£'000)	1,000	Loss before tax:	59
Valuation basis:	Initial cost	Net assets:	3,625
Type of security:	Ordinary & preference shares		

Nectar Taverns is an unlisted venture designed to create a chain of unbranded, managed, freehold, public houses. The enterprise will leverage the buying power and proven operating systems of Honeycombe Leisure plc, an AIM listed pub operator. The investment comprises 30% ordinary shares and 70% preference shares with an 8% bullet coupon payable when the business is either wound-up or sold.

Lloyds British Testing plc

First investment:	July 2002	Year ended: 31 December 2002	
Equity held:	15.4%		£'000
Cost: (£'000)	1,000	Turnover:	16,707
Valuation: (£'000)	951	Profit before tax:	350
Valuation basis:	Mid market price	Net assets:	6,163
Type of security:	Ordinary shares		

Lloyds British Testing is a well-established engineering services company providing testing and certification, maintenance and repair and training services. Unicorn AIM VCT committed £1 million as part of a £4.5 million AIM placing in order to repay the exiting venture capitalist and to strengthen the balance sheet.

Xpertise Group plc

First investment:	July 2003	Year ended: 2 January 2003	
Equity held:	12.7%		£'000
Cost: (£'000)	400	Turnover:	4,602
Valuation: (£'000)	747	Loss before tax:	1,148
Valuation basis:	Mid market price	Net assets:	5,644
Type of security:	Ordinary shares		

Xpertise provides accredited technical IT training courses to both the private and public sectors. Recognising the need to consolidate a fragmented and poorly managed market the board made a number of acquisitions designed to increase economies of scale whilst providing national geographic coverage and increasing the breadth of the training courses.

Staffing Ventures plc

First investment:	January 2002	Year ended: 31 March 2003	
Equity held:	19.5%		£'000
Cost: (£'000)	750	Turnover:	9,434
Valuation: (£'000)	570	Loss before tax:	340
Valuation basis:	Suspension price	Net assets:	2,656
Type of security:	Ordinary shares		

Staffing Ventures listed on AIM in February 2001 as a newly formed company to invest in early stage companies involved in recruitment and the provision of payroll services. In January 2002 Unicorn AIM VCT invested £250,000 to fund the acquisition of the Eagle group of companies. Recognising the need to establish critical mass and market presence Unicorn AIM VCT invested a further £500,000 in March 2003 enabling the group to fund potential acquisitions of bolt-on businesses increasing the payroll outsourcing capability and customer base. In October 2003 Staffing Ventures announced that they had entered Heads of Terms with a third party which may lead to an acquisition being made by the company. As the acquisition, if completed, would effectively constitute a reverse take-over the quote was suspended.

Screen plc

First investment:	May 2003	Year ended: 31 December 2002	
Equity held:	5.4%		£'000
Cost: (£'000)	430	Turnover:	18,686
Valuation: (£'000)	430	Loss before tax:	15,149
Valuation basis:	Mid market price	Net assets:	3,028
Type of security:	Ordinary shares		

Screen serves the growing security and surveillance, emergency services and defence markets. The entire executive board of Screen has changed since June 2002 and the new management team has stabilised the business, renegotiated banking facilities and introduced more prudent accounting policies. Unicorn AIM VCT invested £430,000 as part of an £875,000 institutional placing to fund the working capital associated with the increase in sales.

The Real Good Food Company plc

First investment:	July 2003	No audited accounts have been produced by the company since its incorporation in February 2003	
Equity held:	6.7%		
Cost: (£'000)	377		
Valuation: (£'000)	429		
Valuation basis:	Mid market price		
Type of security:	Ordinary shares		

The Real Good Food Company was created as an unquoted company to build a major food and distribution business. Unicorn AIM VCT initially invested £100,000 as part of a £1.6 million fundraising to fund the acquisition of three under performing businesses. In September 2003 Unicorn AIM VCT invested a further £277,200 when the group successfully listed on AIM.

Cobra Bio-Manufacturing plc

First investment:	June 2003	Year ended: 30 September 2002	
Equity held:	2.0%		£'000
Cost: (£'000)	310	Turnover:	2,540
Valuation: (£'000)	406	Loss before tax:	937
Valuation basis:	Mid market price	Net assets:	4,822
Type of security:	Ordinary shares		

Cobra is a niche contract manufacturer utilising specialist expertise and technology to genetically engineer DNA and bacteria for phase I and II clinical trials. In June 2002 Cobra demerged from ML Laboratories and listed as a separate entity on AIM. As a result of the group's growing order book the current manufacturing facility is expected to become fully utilised. In order to fund the development of a new site Unicorn AIM VCT participated in a £5.2 million placing at 80 pence in June 2003.

Spring Grove Property Maintenance plc

First investment:	December 2001	Year ended: 31 January 2003	
Equity held:	5.0%		£'000
Cost: (£'000)	250	Turnover:	10,793
Valuation: (£'000)	297	Profit before tax:	395
Valuation basis:	Mid market price	Net assets:	3,251
Type of security:	Ordinary shares		

Spring Grove provides day-to-day repair and maintenance services for registered social landlords and local authorities within the Greater London and South East region. Unicorn AIM VCT invested £250,000 as part of a £2.4 million placing when the group graduated from OFEX to AIM funding the growth in the number of operational units.

Eckoh Technologies plc (Intelliplus Group plc)

First investment:	January 2003	Year ended: 31 March 2003	
Equity held:	0.8%		£'000
Cost: (£'000)	400	Turnover:	55,085
Valuation: (£'000)	250	Loss before tax:	9,082
Valuation basis:	Mid market price	Net assets:	11,599
Type of security:	Ordinary shares		

Intelliplus provided a specialist telecom solutions and web based services to SMEs. In January 2003 Unicorn AIM VCT invested £400,000 and in August 2003 the group received a recommended share offer from Eckoh Technologies.

Directors' Report

The Directors present the second Annual Report and Accounts of the Company for the year ended 30 September 2003.

Business and principal activities

The principal activity of the Company during the period under review was investment in AIM-listed companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Manager's Review on pages 3 to 9 of this Report. A review of the Company's business during the period is contained in the Chairman's Statement.

The Ordinary Shares of 1p each in the capital of the Company were first admitted to the Official List of the UK Listing Authority (formerly the Official List of the London Stock Exchange) and to trading on 5 November 2001. The Company is an investment company as defined in section 266 of the Companies Act 1985 and has been granted provisional approval by the Inland Revenue under section 842AA of the Income and Corporation Taxes Act 1988 (ICTA) as a Venture Capital Trust. 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.

Future developments

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

Issue and buy-back of shares

The Company has not issued any 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 Ordinary Shares to seek both to enhance net asset value and to reduce to a degree any prevailing discount to net asset value in the current market price. During the year under review the Company bought back 40,500 Ordinary Shares of 1 pence each (being 0.12% of the closing issued share capital) at a total cost of £28,063 (including costs of £212). The issued Ordinary Share capital of the Company as at 30 September 2003 was £349,592. The number of Ordinary Shares in issue at this date was 34,959,234.

Results and dividend

The revenue return attributable to equity shareholders for the period was £326,984 after taxation. The Directors will be proposing a dividend to equity shareholders of 0.45 pence per

share making, with the interim dividend of 0.5 pence per share already paid, a total dividend for the year of 0.95 pence per share at the Annual General Meeting to be held on 13 January 2004 to shareholders on the register on 5 January 2004 payable on 27 January 2004. £5,179 has been transferred from reserves.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 11 of this Annual Report. The current Directors were all appointed to the Board on 1 October 2001.

The Directors' interests in the issued Ordinary Shares of the Company as at 30 September 2003 were:

Director	Ordinary Shares held on	
	30 Sept 2003	30 Sept 2002
Peter Dicks	50,000	50,000
Robert Holt	10,000	10,000
David Royds	20,000	20,000
Peter Webb	205,250	205,250

No options over the share capital of the Company have been granted to the Directors. There have been no changes in the holdings of the Directors since 30 September 2003.

No Director has a service contract with the Company. The Company does not have any employees.

Management

Unicorn Asset Management Limited has been appointed as Investment Manager to the Company. The principal terms of the Company's Investment Management Agreement with the manager are set out in note 3 to the financial statements.

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

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP to advise on its compliance with the legislative requirements

relating to VCTs. PricewaterhouseCoopers review new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Auditors

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

Substantial interests

As at 13 November 2003 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 2003 the average credit period for trade creditors was 9 days.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Matrix-Securities Limited at 11.00 am on 13 January 2004. The Notice of the Meeting is contained in the enclosure circulated to Members with this Annual Report on the Creation and Offer for Subscription of Series 2 ('S2') Ordinary Shares at 100p each.

By order of the Board



for **Matrix-Securities Limited**
Secretary

13 November 2003

Board of Directors

Peter Dicks (aged 61), Chairman

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 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.

Robert Holt (aged 49)

Robert Holt has been Chairman and Chief Executive of Mears Group PLC since 1996 and is Chairman of Wyatt Group PLC and Staffing Ventures plc. He has a background of managing and growing service businesses by acquisition, including a subsidiary of MITIE Group plc (1992-96).

David Royds (aged 43)

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

Peter Webb (aged 43)

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

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 13 January 2004. The Company's auditors are required to give their opinion on the information provided on Directors' emoluments below and this is explained further in their report to Members on pages 16 to 17.

Remuneration Committee

The remuneration of individual directors is determined by the Nominations and Remuneration Committee. The Committee comprises the full Board and is chaired by David Royds. It meets at least once a year and is responsible for reviewing the remuneration of the Directors and making recommendations to the Board. 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. It is not considered appropriate at the current time to relate any portion of the fees paid to Directors to performance. The Company's Articles of Association limit the total amount that can be paid to the Directors in fees to £35,000 per annum. The Board believes that it is in the best interests of the Company to increase this limit to £60,000 to provide greater flexibility should additional directors be appointed in the future. A resolution to amend the Articles to this effect will be proposed at the forthcoming Annual General Meeting. With this exception, it is intended that this policy will continue for the year ended 30 September 2004 and subsequent years.

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

Terms of appointment

The articles of association provide that Directors may be

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

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated on three month's notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receives pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company and does not operate any long-term incentive plans for the Directors.

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 2003 £	Period to 30 Sept 2002 £
Peter Dicks	15,000	15,000
Robert Holt	10,000	10,000
David Royds	10,000	10,000
Peter Webb	—	—

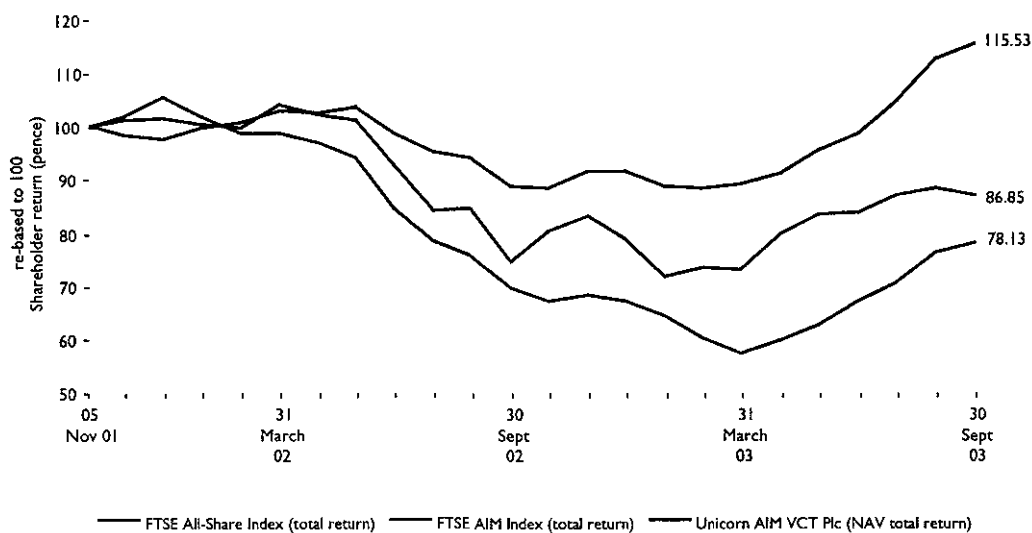
Peter Webb has waived his directors' fees. The Directors received no further emoluments in respect of their services and made no claims for expenses during the year. Aggregate fees in respect of qualifying services for all directors amounted to £35,000 (2002: £35,000).

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company based on net asset value per share (NAV) since the shares were first admitted to the Official List of the UK Listing Authority on 5 November 2001 (assuming all dividends are re-invested) compared to the total cumulative shareholder

return of both the FTSE All-Share and the FTSE AIM Indices. These indices represent widely understood, broad equity market indices against which investors can measure the performance of the Company and are appropriate indices against which to measure the Company's performance. An explanation of the performance of the Company is given in the Chairman's Statement and the Investment Manager's Review.

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

For **Matrix-Securities Limited**
Secretary
 13 November 2003

Corporate Governance Statement

The Directors of Unicorn AIM VCT have considered the principles detailed in the Combined Code of Corporate Governance (1998) and believe that, insofar as they are relevant to the Company's business, the Company has complied with the provisions of the Code throughout the financial year ended 30 September 2003, with the following exceptions:

- A senior non-executive Director, other than the Chairman has not been appointed; and
- The Directors are not appointed for specific terms.

The Board is reviewing the requirements of the new Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 which it is intending to adopt for the year ended 30 September 2004.

The Board

The Board comprises four non-executive Directors. Each brings a range of relevant expertise, experience and independent judgement to the Board. The Company does not employ a Chief Executive or a senior non-executive Director.

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 and a procedure 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.

All Directors are subject to retirement by rotation.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect or could appear to affect, the Director's judgement. A majority of the

Directors, with the exception of Peter Webb, are independent from the Investment Manager. The Board has satisfied itself of the independence of the remaining directors except in respect of the contracts and investments in which they have declared an interest. These are detailed in full in Note 21 to the Accounts on related party transactions. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments.

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. The Company's external auditors are invited to attend meetings as appropriate.

The Management Engagement Committee comprises three Directors, Peter Dicks (Chairman), Robert Holt and David Royds. The Committee has written terms of reference which deal with its responsibilities and duties. 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. It has written terms of reference which deal with its responsibilities and duties.

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 making business 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 13 November 2003. The Board has identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

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

Relations with shareholders

Communication with shareholders is given a high priority. All shareholders receive a copy of the annual report and interim statement. There is an opportunity to question the Directors 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 Notice of the Annual General Meeting accompanies this Annual Report.

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 16 of this Annual Report.

The Report of the Auditors is set out on pages 16 to 17 of this Annual 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.

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 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, the 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 2003 which comprise the Statement of Total Return, 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 seven provisions of the Combined Code 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 2003 and of its total return 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

Registered Auditors, London, UK

13 November 2003

Statement of Total Return

(incorporating the revenue account of the Company) for the year ended 30 September 2003

	Notes	Year ended 30 September 2003			Period ended 30 September 2002		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
<i>Unrealised gains and losses on investments</i>		-	9,090,625	9,090,625	-	(3,699,372)	(3,699,372)
<i>Realised gains and losses on investments</i>		-	(182,579)	(182,579)	-	131,785	131,785
Income	2	835,402	-	835,402	627,729	-	627,729
Investment management fee	3	(164,281)	(492,843)	(657,124)	(120,162)	(360,487)	(480,649)
Other expenses	4	(344,137)	-	(344,137)	(317,095)	-	(317,095)
<i>Net return on ordinary activities before taxation</i>		326,984	8,415,203	8,742,187	190,472	(3,928,074)	(3,737,602)
Tax on ordinary activities	6	-	-	-	-	-	-
<i>Return on ordinary activities after taxation</i>		326,984	8,415,203	8,742,187	190,472	(3,928,074)	(3,737,602)
Dividend	7	(332,163)	-	(332,163)	(174,999)	-	(174,999)
Transfer to/(from) reserves		(5,179)	8,415,203	8,410,024	15,473	(3,928,074)	(3,912,601)
Return per Ordinary share	8	0.93p	24.06p	24.99p	0.79p	(16.21)p	(15.42)p

The revenue column is the profit and loss account of the Company

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 21 to 30 form part of these financial statements.

Balance Sheet

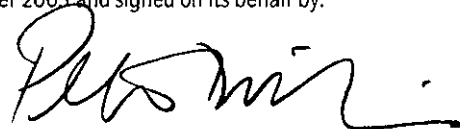
as at 30 September 2003

	Notes	as at 30 September 2003			as at 30 September 2002		
		£	£	£	£	£	£
Fixed Assets							
Investments	9		31,129,757			16,336,801	
Current Assets							
Debtors and prepayments	10	109,327		61,163			
Current investments	11	6,612,308		13,034,936			
Cash at bank and short term deposits	19	56,883		94,055			
			6,778,518			13,190,154	
Creditors: amounts falling due within one year	12		(350,258)			(350,899)	
Net current assets			6,428,260			12,839,255	
Net assets			37,558,017			29,176,056	
Capital and reserves							
Called up share capital	14		349,592			349,997	
Capital redemption reserve	15		405			-	
Special reserve	15		32,710,597			32,738,660	
Capital reserve - realised	15		(2,689,415)			(228,702)	
Capital reserve - unrealised	15		7,176,544			(3,699,372)	
Revenue reserve	15		10,294			15,473	
Total Shareholders' funds			37,558,017			29,176,056	
Net asset value per Ordinary Share	17		107.43p			83.36p	

The notes on pages 21 to 30 form part of these financial statements.

The financial statements on pages 18 to 20 form part of these financial statements and were approved by the Board of Directors on 13 November 2003 and signed on its behalf by:

Peter Dicks
Director



Cash Flow Statement

for the year ended 30 September 2003

	Notes	Year ended 30 September 2003		Period ended 30 September 2002	
		£	£	£	£
Operating activities					
Net investment income		349,597		293,791	
Dividend income		430,738		280,215	
Investment management fees paid		(657,124)		(480,649)	
Other cash payments		(320,193)		(148,635)	
Net cash outflow from operating activities	18		(196,982)		(55,278)
Investing activities					
Acquisition of investments	9	(9,576,526)		(20,436,956)	
Disposal of investments	9	3,691,616		532,568	
			(5,884,910)		(19,904,388)
Dividends					
Payment of dividends			(349,845)		-
Cash outflow before financing and liquid resource management			(6,431,737)		(19,959,666)
Financing					
Issue of ordinary shares		-		33,088,657	
Purchase of own shares		(28,063)		-	
			(28,063)		33,088,657
Management of liquid resources					
Decrease/(Increase) in monies held pending investment	19		6,422,628		(13,034,936)
(Decrease)/increase in cash for the year/period	19		(37,172)		94,055

Notes to the Accounts

for the year ended 30 September 2003

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 with the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies'.

b) Investments

In respect of quoted investments the British Venture Capital Association (BVCA) have stated that VCTs should have regard to generally accepted accounting practice and marketing 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. The Directors consider the need for discounts 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 in their development in (ii) above, the shares may be valued by applying a suitable price-earnings ratio to that company's historic 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.

Unquoted 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.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

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 rights 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 Manager are charged against capital. This is in line with the Board's 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.

e) Liquid resources

Liquid resources are the current investments disclosed in note 11, regarded as available for investment, rather than to meet the Company's running expenses, as at the year-end.

f) Comparatives

Comparative figures are for the period from 7 August 2001 to 30 September 2002.

Notes to the Accounts

for the year ended 30 September 2003

2 Income

	2003 £	2002 £
Interest receivable		
– from bank deposits	140,958	295,689
Investment income receivable		
– from equities	457,637	324,676
– from OEIC money-market funds	236,807	–
– from fixed interest securities	–	7,364
	694,444	332,040
Total Income	835,402	627,729
Total Income Comprises		
Dividends	694,444	324,676
Interest	140,958	303,053
	835,402	627,729
Income from investments comprises		
Listed UK securities	392,725	305,028
Listed Overseas securities	236,807	–
Unlisted UK securities	64,912	27,012
	694,444	332,040

3 Investment Manager's fees

	Revenue 2003 £	Capital 2003 £	Total 2003 £	Revenue 2002 £	Capital 2002 £	Total 2002 £
Unicorn Asset Management Limited	164,281	492,843	657,124	120,162	360,487	480,649

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 investment in the Unicorn Free Spirit Fund, which is 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 £97,870.

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 over the initial net asset value per share of 94.5 pence (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 return, 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

	2003 £	2002 £
Directors' remuneration (including NIC)	37,535	36,673
IFA trail commission	104,391	90,000
Administration services	104,934	72,306
Broker's fees	14,100	12,690
Custody fees	10,110	8,887
Auditors' fees – audit	12,866	10,575
–tax services	1,763	2,350
Tax monitoring fees	9,059	12,197
Professional fees	266	23,272
Registrar's fees	11,964	8,375
Printing	8,670	16,338
Sundry	28,479	23,432
	344,137	317,095

5 Directors' remuneration

	2003 £	2002 £
Directors' emoluments		
Peter Dicks	15,000	15,000
Robert Holt	10,000	10,000
David Royds	10,000	10,000
Peter Webb	-	-
	35,000	35,000
Employer's NIC	2,535	1,673
	37,535	36,673

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 2003

6 Taxation on ordinary activities

	2003 £	2002 £
Profit on ordinary activities before tax	326,984	190,472
Profit on ordinary activities multiplied by standard small company rate of corporation tax in the UK of 19%	62,127	36,190
Effect of:		
Non-taxable UK dividend income	(131,944)	(61,688)
Losses carried forward	69,817	25,498
Actual current tax charge – revenue		
Impact of allowable expenditure credited to capital reserve	(93,640)	(68,493)
Additional losses carried forward to future periods	93,640	68,493
Current tax charge for period	–	–

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

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

No deferred tax asset has been recognised on surplus management expenses carried forward. At present it is not envisaged that any tax will be recovered in the foreseeable future. The amount not recognised is £257,448 (2002: £93,991).

7 Dividends and other appropriations

	2003 £	2002 £
Dividends on equity shares		
Ordinary – interim paid of 0.5p (2002: nil) per share:	174,846	–
Ordinary – final proposed of 0.45p (2002: 0.5p) per share:	157,317	174,999
	332,163	174,999

8 Return per Ordinary Share

The revenue return per Ordinary Share is based on the net revenue from ordinary activities after taxation of £326,984 (2002: £190,472) and on 34,981,287 (2002: 24,243,506) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The capital return per Ordinary Share is based on net realised capital losses of £182,579 (2002: gains of £131,785), on net unrealised capital gains of £9,090,625 (2002: losses of £3,699,372), capital expenses of £492,843 (2002: £360,487) and on 34,981,287 (2002: 24,243,506) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

9 Investments

Movements in investments during the period are summarised as follows:

	Traded on AIM £	Fully Listed £	Unlisted ordinary shares £	Unlisted preference shares £	Unicorn Free Spirit Fund £	Total £
Cost at						
30 September 2002	3,902,475	13,182,698	1,050,000	700,000	1,201,000	20,036,173
Unrealised gains/(losses)	112,520	(3,252,186)	(375,000)	-	(184,706)	(3,699,372)
Valuation at						
30 September 2002	4,014,995	9,930,512	675,000	700,000	1,016,294	16,336,801
Re-classified in year	150,000	(150,000)	-	-	-	-
Purchases at cost	5,079,374	1,765,427	-	-	2,731,725	9,576,526
Sale proceeds	-	(3,691,616)	-	-	-	(3,691,616)
Realised loss	-	(182,579)	-	-	-	(182,579)
Unrealised (losses)brought forward now realised	-	(1,785,291)	-	-	-	(1,785,291)
Increase in unrealised appreciation	4,496,122	4,948,161	(375,000)	-	1,806,633	10,875,916
Closing/valuation at						
30 September 2003	13,740,491	10,834,614	300,000	700,000	5,554,652	31,129,757
Book cost at						
30 September 2003	9,183,450	9,087,038	1,050,000	700,000	3,932,725	23,953,213
Unrealised gains/(losses)at 30 September 2003	4,557,041	1,747,576	(750,000)	-	1,621,927	7,176,544
	13,740,491	10,834,614	300,000	700,000	5,554,652	31,129,757

The Company holds 41% of the B shares issued by the Unicorn Free Spirit Fund at the year-end. The Unicorn Free Spirit Fund is a sub-fund of the Unicorn Investment Funds ICVC, managed by Unicorn Asset Management Limited.

10 Debtors

	2003 £	2002 £
Amounts due within one year		
Prepayments and accrued income	109,327	61,163

11 Current investments

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

Notes to the Accounts

for the year ended 30 September 2003

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	2,509	23,135
Other creditors	4,072	3,999
Accruals	186,360	148,766
Proposed dividend	157,317	174,999
	350,258	350,899

13 Significant interests

At 30 September 2003 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (ordinary shares) £	Investment in loan stock and preference shares £	Total investment £	Percentage of investee company's total equity £
Aludel Limited	750,000	–	750,000	19.6%
Centurion Electronics plc	652,825	–	652,825	8.3%
Glisten plc	652,276	–	652,276	9.1%
Huveaux plc	1,001,361	–	1,001,361	5.6%
Lloyds British Testing plc	1,002,137	–	1,002,137	15.4%
Nectar Taverns plc	300,000	700,000	1,000,000	24.7%
Screen plc	430,820	–	430,820	5.4%
Spring Grove Property Maintenance plc	261,388	–	261,388	5.2%
Staffing Ventures plc	750,000	–	750,000	19.5%
Tellings Golden Miller plc	1,000,861	–	1,000,861	6.5%
The Real Good Food Company plc	377,200	–	377,200	6.7%
Xpertise Group plc	400,784	–	400,784	12.7%

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

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

14 Called up share capital

	2003 £	2002 £
Authorised		
Ordinary Shares of 1p each: 40,000,000	400,000	400,000
	400,000	400,000

	2003 £	2002 £
Issued		
Ordinary Shares of 1p each: 34,959,234 (2002: 34,999,734)	349,592	349,997

During the year the Company purchased 40,500 (£405 nominal value) of its own shares for cash at the prevailing market price for a total cost of £28,063.

15 Reserves

	Capital redemption reserve £	Special reserve £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £
At beginning of period	-	32,738,660	(228,702)	(3,699,372)	15,473
Loss on disposal of investments	-	-	(182,579)	-	-
Increase in unrealised appreciation	-	-	-	9,090,625	-
Realisation of previously unrealised diminution	-	-	(1,785,291)	1,785,291	-
Other expenses net of taxation	-	-	(492,843)	-	-
Own shares purchased during the year	405	(28,063)	-	-	-
Retained net deficit for the period	-	-	-	-	(5,179)
At 30 September 2003	405	32,710,597	(2,689,415)	7,176,544	10,294

The cancellation of the Company's share premium account (as approved at the Extraordinary General Meeting held on 26 September 2001 and by the order of the Court dated 12 June 2002) has provided the Company with a special distributable reserve. At the Annual General Meeting held on 21 January 2003, the shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. This authority is limited to a maximum number of Ordinary Shares equivalent to 10 per cent of the issued share capital of the Company from time to time. The maximum price that may be paid for an Ordinary 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 that Ordinary Share is purchased. The minimum price which may be paid for an Ordinary Share is 1p. The authority provides that the Company may make a contract or contracts to purchase Ordinary 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 Shares in pursuance of any such contract or contracts as if the authority conferred had not expired. A resolution to re-new this authority will be proposed at the Annual General meeting to be held on 13 January 2004.

Notes to the Accounts

for the year ended 30 September 2003

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Net finance raised		
At beginning of period	29,176,056	-
Issues of Ordinary Shares	-	34,999,734
Expenses of issue	-	(1,911,077)
Redemption of shares	(28,063)	-
Total recognised gains and losses for the period	8,742,187	(3,737,602)
Dividends on equity shares	(332,163)	(174,999)
	37,558,017	29,176,056

17 Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets at the end of the period, and on 34,959,234 (2002: 34,999,734) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

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

	2003 £	2002 £
Net revenue before taxation	326,984	190,472
Investment management fees charged to capital	(492,843)	(360,487)
Increase in debtors	(48,164)	(61,163)
Increase in creditors and accruals	17,041	175,900
Net cash outflow from operating activities	(196,982)	(55,278)

19 Analysis of changes in net funds

At 30 September 2002	94,055	13,034,936	13,128,991	-	-	-
Cash flows	(37,172)	(6,422,628)	(6,459,800)	94,055	13,034,936	13,128,991
At 30 September 2003	56,883	6,612,308	6,669,191	94,055	13,034,936	13,128,991

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 period under review, the Company's policy that no trading in financial instruments shall be undertaken.

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

Risk

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

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

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

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

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

Management of risk

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

Stock Specific Price: 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 2003

Financial assets

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

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	24,875,105	–	–	24,875,105		
Unicorn Free Spirit Fund	5,554,652	–	–	5,554,652		
Preference shares	–	700,000	–	700,000	8.00	3.9
OEIC money-market funds	–	–	6,612,308	6,612,308	3.46	
Cash	–	–	56,883	56,883		
Total	30,429,757	700,000	6,669,191	37,798,948		

The interest rate profile of the Company's financial assets (excluding short-term debtors and creditors) at 30 September 2002 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	14,620,507	–	–	14,620,507		
Unicorn Free Spirit Fund	1,016,294	–	–	1,016,294		
Preference shares	–	700,000	–	700,000	8.00	4.9
Cash	–	–	13,128,991	13,128,991		
Total	15,636,801	700,000	13,128,991	29,465,792		

Floating rate cash earns interest based on LIBOR rates.

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

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

21 Related party transactions

Under the terms of the arrangement dated 1 October 2001, the Trust has appointed Unicorn Asset Management Limited (of which Peter Webb is a shareholder and director) to be the Investment Manager. The fee arrangements for these services and the fees payable are set out in note 3. David Royds is a director and shareholder of Matrix-Securities Limited, who acted as Promoter to the Company for a fee of £nil (2002: £1,658,205) and provide administration services to the Company, disclosed in note 4 to these accounts. Robert Holt is a director and shareholder of both Staffing Ventures plc and Mears Group plc in which the Company has invested £750,000 (carrying value £570,000) (2002: £250,000 (carrying value £250,000)) and £353,043 (carrying value £493,540) (2002: £353,043 (carrying value £277,551)) respectively. He owns 2.5% (2002: 2.5%) of the equity of Staffing Ventures plc and 9% (2002: 9%) of the equity of Mears Group plc. The interests of the Directors in the shares of the Company are set out on page 10.

22 Segmental analysis

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

Shareholder Information

The Company's ordinary 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 net asset value (NAV) per share as at 31 October 2003 was 113.65 pence (excluding current year income). The Company announces its unaudited NAV on a monthly basis.

Dividend

The directors will be proposing a final dividend to shareholders of 0.45 pence per ordinary share at the Annual General Meeting to be held on 13 January 2004. The dividend will be paid on 27 January 2004 to shareholders on the Register on 5 January 2004.

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 by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Financial calendar

Early December 2003	Annual Report for the period ended 30 September 2003 to be circulated to shareholders
5 January 2004	Record date for shareholders to be eligible for a final dividend
13 January 2004	Annual General Meeting
27 January 2004	Final dividend for the period to 30 September 2003 to be paid to shareholders
Mid May 2004	Preliminary Announcement of Interim Results
Late May 2004	Interim Report for the six months ended 31 March 2004 to be circulated to shareholders
30 September 2004	Year-end
Late November 2004	Preliminary announcement of final results for the year ended 30 September 2004

Annual General Meeting

The second Annual General Meeting of the Company will be held on Tuesday, 13 January 2004 at 11.00 am at Gossard House, 7-8 Savile Row, London W1S 3PE. The Notice of the Meeting is contained in the enclosure circulated to Members with this Annual Report on the Creation and Offer for Subscription of Series 2 ("S2") Ordinary Shares at 100p each. 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 11 January 2004.

Shareholder enquires:

For general shareholder enquiries, please contact Sarah Penfold of Matrix-Securities Limited (the Company Secretary) on 020 7292 0800 or by e-mail on spenfold@matrix-securities.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.

Corporate Information

Directors

Peter Dicks (Chairman)
Robert Holt
David Royds
Peter Webb

All of whom are non-executive and of:

Gossard House
7-8 Savile Row
London
W1S 3PE

Secretary

Matrix-Securities Limited
Gossard House
7-8 Savile Row
London
W1S 3PE

Investment Manager

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

Promoter

Matrix-Securities Limited
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London W1S 3PE

Auditors

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20 Farringdon Road
London EC1M 3AP

Solicitors

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Hillgate House
26 Old Bailey
London
EC4M 7HW

Bankers

National Westminster Bank plc
City of London Office
PO Box 12264
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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 IRC 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-Data Limited
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London
W1S 3PE

Company Registration Number: 4266437