



Renaissance US Growth Investment Trust PLC

Annual Report

for the year ended 31 March 2010

FINDING VALUE / ADDING VALUE / REALISING VALUE

Company summary

Management company	RENN Capital Group, Inc. See page 14 for further details.
Total net assets and shareholders' funds	£68,198,000 as at 31 March 2010.
Market capitalisation	£50,659,000 as at 31 March 2010.
Capital structure	18,659,008 Ordinary 25p shares.
Total voting rights	18,659,008
Wind-up date	The Company has been holding annual continuation votes since 1998, following a change to the Articles in that year. It is proposed that the Articles be amended at the 2010 AGM to require a continuation vote every three years (see page 25 for details).
Management fee	The Manager receives a fee calculated at a rate of 0.125% of the total net assets of the Company per month, payable quarterly in arrears. No fee is payable on cash or near cash investments. A performance fee is also payable as described in the Report of the Directors on page 18 and note 3 to the accounts.
Secretarial fee	The Company Secretary receives an annual fee of £70,000, which will be subject to an RPI adjustment in July 2012.
ISA status	The Company is fully eligible for inclusion in ISAs.
AIC	The Company is a member of the Association of Investment Companies.

Summary of results and financial highlights

	Year ended 31 March 2010	Year ended 31 March 2009	% change	
Total net assets	£68,198,000	£47,471,000	43.66	
Net asset value ("NAV") per Ordinary share – pence	365.50	248.42	47.13	
– US cents	554.42	356.08	55.70	
Mid-market price per Ordinary share	271.50p	178.75p	51.89	
Discount to NAV	25.72%	28.05%	2.33	
Net revenue deficit after taxation	£630,000	£781,000	(19.33)	
Revenue loss per Ordinary share	3.30p	4.09p	(19.32)	
Costs of running the Company				
– Manager's fee	£791,000	£766,000	3.26	
– Other expenses	£491,000	£409,000	20.05	
As a percentage of average net assets				
– Manager's fee	1.45%	1.51%	(0.06)	
– Other expenses	0.90%	0.81%	0.09	
Exchange rate – US\$/£	1.51690	1.43335	5.83	
S&P 500 Index (Total Return)	1,936.48	1,292.98	49.77	
S&P 500 Index (Total Return) – Sterling adjusted	1,274.75	902.04	41.32	
Russell 2000 Index (Total Return)	3,003.36	1,845.21	62.77	
Russell 2000 Index (Total Return) – Sterling adjusted	1,977.07	1,287.30	53.58	
	High	Date	Low	Date
Mid-market price per Ordinary share	271.50p	31/03/10	182.75p	09/04/09
NAV per Ordinary share – pence*	365.50p	31/03/10	245.96p	10/07/09
Discount to NAV*	28.97%	17/04/09	5.72%	19/08/09

* Including current period revenue.

Chairman's statement

The Company had a good year in absolute terms. Your Manager is focused on achieving superior long-term performance in challenging markets.

After two of the most difficult years in stock market history, financial markets rebounded for the year ended 31 March 2010. During this period, your Company's net asset value ('NAV') per share increased by 55.70% in Dollars and 47.13% in Sterling. This compares with a rise in the benchmark (Russell 2000) of 62.77% in Dollars and 53.58% in Sterling. Since inception in 1996 your Company's NAV per share is up 302.68% against the Russell 2000 return of 141.98% and the S&P 500 return of 121.54% in Sterling. Over this period the Russell 2000 has been the best performing major index in the United States beating the other indices by a wide margin. There is a blend of quoted and unquoted holdings in the portfolio together with a large exposure to China. The Board focuses more on the long term returns compared with the benchmark, as the shorter term data may be distorted by valuation and other factors unique to the Company.

On 5 May 2010, your Board announced a revaluation of certain unquoted assets as at 31 March 2010. The revaluation reflects the financial position of these holdings at that date, even though the work of verifying the relevant data was not completed until the date of the announcement. The effect was to increase the net asset value by 43.31 pence per share, or 13.52%.

Due to the material nature of this revaluation I want to explain our process in more detail.

For unquoted securities, your Board has an obligation to determine 'fair value' which requires a regular review of the valuation of the Company's unquoted holdings. In the announcement of 5 May 2010, the Company revalued its position in AnchorFree, one of the Company's private holdings, from \$2.12 million to \$16.26 million. By itself, this would have had a positive impact on the Company's NAV of 49.51 pence per share. In addition, the Board decided to write up another private holding, China Greenscape, and to write down three other private holdings HeySpace, Pipeline Data and PetroHunter by \$3.38 million in total. These movements were all less material than the change to AnchorFree and in aggregate had the effect of reducing the NAV as at 5 May 2010 by 6.20 pence per share, to give a net rise of 43.31 pence per share.

AnchorFree is a technology company whose primary product is its 'Hotspot Shield', which provides a free ad-supported virtual private network (VPN). Hotspot Shield enables its users to access websites and other online content anonymously and privately, even in countries where Internet access is otherwise restricted. AnchorFree derives revenue from the advertising delivered as part of the window through which users view the Internet.

This revaluation follows a period of strong growth. During 2009, sales have risen by more than 200% and the company has become profitable. Often, companies in this situation require additional capital which allows the establishment of an 'arms length' valuation. In this case, the company funds all its capital needs internally, so it has not had to access the capital markets.

The revaluation follows the commissioning by the Board of an independent valuation report from Grant Thornton. This was in addition to an earlier valuation provided by a Silicon Valley investment bank (Pagemill). Inevitably, these reports suggested a wide range of valuations for the company, principally determined by the methodology selected. Given that AnchorFree is a development-stage company and the inherent risk associated with that, the Board has decided to use a valuation at the lower end of those put forward in either report. This values the company at a level which translates into a figure of \$16.26 million now reflected in the NAV.

Establishing a fair value for a company like AnchorFree is not a straightforward exercise, and the Board feels that shareholders' interests are best served by full disclosure of the processes used. In this case the valuation reflected a combination of techniques using comparisons with companies in similar fields and income based methods.

The Board will provide regular updates on all its unquoted investments.

US and China – The Entrepreneurial Difference

This past year has highlighted the vast difference between economic regions where entrepreneurship is flourishing and where it is not. In those Western countries where the main government emphasis has been on the welfare state, economic progress has not been good. The recent problems in Greece are a good illustration of this. In our opinion, the strongest entrepreneurial countries in the world today are China and the United States. In recent years, your Manager has invested in a number of US-traded Chinese companies. These holdings now represent over 50% of net asset value. Your Company has no State Owned Enterprises in its portfolio.

The evidence of superior growth and share price appreciation in companies in which the executives are significant shareholders continues to mount. InsiderScore, a Princeton, New Jersey, statistical service that monitors ownership and trading in US publicly traded companies, found that the returns over the past 5 and 10 year period in companies which had chief executive officers owning over 10% of the company were vastly superior to the overall market. For the period ending 31 March 2010 the five year return was 332.12% and the ten year return was 183.02%. This is in contrast to two of the leading US Indices, the Russell 2000 and the S&P 500, which were up 18.00% and 9.91% for 5 years, respectively, and 44.10% and (6.33%) for 10 years, respectively.

The Growth Potential of China

In your Manager's judgment, China will remain among the fastest growing economies. For centuries prior to 1800, China made a significant contribution to the world's economic activity. This declined dramatically during the communist period in the twentieth century, but since that time China has begun to return to the historical place the country occupied for many centuries. We do not believe the growth of China will be in a straight line. There will be booms and busts in real estate and other areas similar to the West. China seems to us to be like the US in 1905 – 1910 and we expect the major trend will be up. It is important to note that the number of Chinese equities held in Western institutional accounts is still very small, perhaps as low as 2%. As China develops further, more and more investors may be attracted, thus possibly elevating valuations.

Last November, your Company's Board of Directors and Manager visited China to see firsthand the economic progress underway. We visited a number of portfolio companies. The plant tours were enlightening and instructive as to the productivity of Chinese manufacturing. Not only do Chinese firms make products more efficiently than in the past but the country is developing new technologies in many growth areas including alternative energy, telecommunications and electronics. China continues to be a world leader in the education of students in engineering and technology.

Managing the Portfolio

We use the analogy of tending the garden for portfolio management, i.e., finding new investments (planting), tending the portfolio (maintenance) and realising investments (harvesting). New investments totalled \$4.3 million. Details of investments that were reduced or sold during the year can be found within the Manager's review.

Your Manager has been working to resolve several legacy investments to help create more value. Among these are CaminoSoft, which is now a fully reporting 'shell' trading in the OTC market. Your Manager is searching for a profitable private company to merge with CaminoSoft to take advantage of its public status. Integrated Security Systems has hired an investment banker to seek strategic alternatives for the Company. Meanwhile a number of our long-term holdings have been reporting record results. Among these is Cover-All Technologies, Inc. which has become our third largest holding as of 31 March 2010.

Gearing

Your Board of Directors believes that a reasonable amount of gearing is useful in making new investments or for the opportunistic purchase of the Company's shares should they trade at an excessive discount. Although the Company held net cash at year end, a margin facility is maintained which allows borrowing of up to \$8.2 million. This account was partially drawn at year end as detailed in note 10 to the accounts. Borrowing rates remain very low at about 2.0% but could rise. We intend to maintain a conservative policy with gearing not to exceed 20% of assets.

Chairman's statement

(continued)

Discount to Net Asset Value and Share Repurchase

Markets continue to be volatile with extremes of optimism and pessimism among investors. This results in discounts to net asset value which are sometimes unjustifiably high. During the year the Company took the opportunity to purchase 450,000 shares at 240 pence per share, equivalent to a discount of 24.92%.

Your Company has continued to support an investor relations campaign in partnership with Lanson Communications, and this has resulted in a number of press articles. We have also continued to maintain our website with regular updates about your Company. In addition, your Manager travels to the UK to visit with the financial media, prospective new investors and existing shareholders. Your Board of Directors will continue to monitor the movement of the discount and to take action as necessary.

Private Holdings

As a private company becomes quoted, upward valuations often result. As stated earlier, our valuation methodology requires that the Directors determine a fair value for the investments in the portfolio. Ordinarily we value investments at cost or last sale if one occurred recently. However, if there is no recent activity we value investments based on the fundamentals of the business and comparables. Where appropriate, your Board will use an outside valuation expert to help to determine values, for example in the case of AnchorFree. During the last year Duoyuan Printing Inc. began trading publicly at a good uplift to the value carried in the portfolio. Further details are set out in the Manager's report. At 31 March 2010, private holdings made up 30% of the Company's portfolio.

Board Appointment

Mrs Alexandra Mackesy joined the Board in January 2010. Mrs Mackesy has spent her career specialising in Far East Investment, particularly in researching Chinese/Hong Kong equities, as is more fully described in the Director's Report. She is already making an important contribution to the Board's work and I strongly commend her election as a Director to you.

Conclusion

Your Company had a good year for the period ending 31 March 2010, only moderately underperforming the sharp rise in its benchmark. The long-term track record has also been very good, far outperforming our benchmark. Concentrating on investments with entrepreneurial management in both the United States and China is proving to be an excellent long-term strategy. This is why the Company offers a unique investment opportunity.

Ernest Fenton

Chairman

22 June 2010

Manager's review

Your Manager believes that its focus on domestic US and US traded Chinese companies with entrepreneurial management positions the portfolio for solid growth in the coming years.

Year-end Review

Calendar 2009 marked a year of recovery with the Morgan Stanley World Index posting a return of 35.27% in Dollars and 22.10% in Sterling. Your Company's portfolio contains a balanced mix of US and US listed Chinese securities. The US economy is in recovery and China is still doing better economically than the rest of the world.

Performance

During the year ended 31 March 2010, your Company's net asset value increased 47.13% in Sterling against the Russell 2000 return of 53.58% and the S&P 500 return of 41.32%. Since inception, your Company's net asset value has produced an annual equivalent return of 10.86% in Sterling against a return of 6.76% for the Russell 2000 and 6.07% for the S&P 500.

The Sterling holding period return for your Company was 302.68% against 141.98% for the Russell 2000 and 121.54% for the S&P 500 index, thus exceeding both indices by a wide margin. The table below compares these returns to our benchmark, the Russell 2000, and the S&P 500 index.

Annual Equivalent Total Return:

Renaissance US Growth Investment Trust PLC NAV versus the Russell 2000 index and S&P 500 Index:

	1 Year		Inception	
	USD	GBP	USD	GBP
RUSGIT NAV	55.70%	47.13%	10.86%	10.86%
Russell 2000	62.77%	53.58%	6.53%	6.76%
S&P 500	49.77%	41.32%	5.84%	6.07%

At 31 March 2010, the top ten holdings made up 68% of the portfolio.

Top Ten Holdings at 31 March 2010 and 31 March 2009

31 March 2010	% of net assets	31 March 2009	% of net assets
AnchorFree	15.7%	Bovie Medical Corporation	10.7%
Zhongpin, Inc.	8.0%	Zhongpin, Inc.	8.5%
Cover-All Technologies, Inc.	7.1%	Cover-All Technologies, Inc.	8.0%
Skystar Bio-Pharmaceutical	6.6%	Dynamic Green Energy Limited	5.9%
Fushi Copperweld, Inc.	6.0%	China Greenscape Company	4.8%
Bovie Medical Corporation	5.7%	China New Cities Development	4.4%
Hollysys Automation Technologies, Ltd	5.0%	SinoHub, Inc.	4.3%
China Greenscape Company	4.7%	Skystar Bio-Pharmaceutical	4.2%
SinoHub, Inc.	4.7%	Fushi Copperweld, Inc.	3.9%
Duoyuan Printing, Inc.	4.5%	Heyspace International	3.4%

Manager's review

(continued)

The primary characteristics of this portfolio are a large participation in the growth of China, as well as a significant participation in smaller entrepreneurial US based companies. At 31 March 2010, the value of the US quoted Chinese companies represented 50% of the portfolio, while the US quoted companies represented 24% of the portfolio. The unquoted companies represented the balance of 26%. Two of the new additions to the top ten holdings list, both due to price appreciation, are Hollysys Automation Technologies and Duoyuan Printing.

Hollysys Automation Technologies, Ltd. (NASDAQ: HOLI), formerly known as HLS Systems International, generated the second largest gain in the portfolio, up 255% during the year ended 31 March 2010. The company has a strong R&D culture running from the top down with founder, CEO, and 15% shareholder, Dr. Wang Changli, a well regarded pioneer in automation controls systems, setting the tone. Hollysys has branded products, placing the company in a prime position to benefit from China's massive infrastructure projects in the railway and nuclear power industries. Hollysys is the only certified domestic provider of automation control systems to the nuclear power plant industry in China. This company has formed a 50/50

exclusive joint venture with the largest nuclear station operator, China Guangdong Nuclear Power Holdings Corp., which should lock in significant revenues from this high growth sector.

During the December quarter, Hollysys successfully completed the testing, delivery, and installation of its high-speed railroad signalling systems for the Zhengzhou-Xian high-speed railroad line which became operational on 6 February 2010. The line has a maximum speed limit of 352 km/h. Hollysys' backlog as of 31 December 2009 was \$220 million against \$188 million at 30 September 2009. Given its strong backlog level and sales pipeline, the company confirmed its revenue and net income guidance for 2010 to be in the range of \$186 million to \$192 million and \$30 million to \$32 million respectively. Hollysys has \$139 million in cash giving it an approximate enterprise value of \$485 million. The stock currently has a relatively small following, though it does trade at a reasonably high price to earnings ratio given its strong market position and cash rich balance sheet.

Another addition to the top ten list is **Duoyuan Printing** (NYSE: DYP). On 6 November 2009, previously unquoted Duoyuan Printing Inc., formerly known as Asian Financial, sold 5.5 million shares in

an initial public offering ("IPO") underwritten by Piper Jaffray & Company. The proceeds of \$42.3 million will be used to build a factory, upgrade existing manufacturing facilities, and for general corporate purposes, including possible acquisitions. Your Company sold one-third of its holdings in the IPO for \$8.50 per share, compared with a cost of \$3.84. At 31 March 2010, Duoyuan had appreciated 281% for the year and from its cost basis. Duoyuan Printing designs and manufactures offset commercial printing equipment. Its products are primarily used by printing companies for the production of newspapers, magazines, books, packaging materials, and many other commercial and consumer needs. For its quarter ending December, sales were up 15% and earnings were up 10% over the same quarter last year. On 10 February 2010, the Company projected the March quarter to see revenue growth rates of between 15 to 20% partially due to the ongoing growth in sales of the Company's multicolour printing products. We believe Duoyuan Printing has much further to go as it continues to benefit from the general economic growth of China and its expanding market share.

New investments

Company	Sector	Amount \$	Instrument	Price	Shares
Orient Paper, Inc.	Paper products	\$800,000	Common Stock	\$2.40	333,333
PHC, Inc.	Health care	\$1,182,000	Common Stock	\$1.08	1,093,900
SearchMedia Holdings	Advertising	\$1,562,000	Common Stock	\$7.81	200,000
SkyPeople Fruit Juice, Inc.	Beverages	\$797,000	Common stock	\$3.00	265,701*
Total		\$4,341,000			

* Purchase amount. A small proportion sold in year resulting in lower holding at 31 March 2010.

Manager's review

(continued)

During the year ended 31 March 2010, your Company invested approximately \$4 million in four new companies. These companies, with a brief description of the businesses, are as follows:

In early October we invested \$800,000 in the common shares of Orient Paper, Inc. (AMEX: ONP). Founded in 1996, Orient Paper is engaged in the production and distribution of products such as corrugated medium paper, offset printing paper, writing paper and other paper and packaging-related products in China. Orient Paper uses recycled paper as its primary raw material. As one of the largest paper producers in Hebei Province, China, the company is strategically located in Baoding, a city in close proximity to Beijing where the majority of publishing houses are based. At 31 March 2010, the common stock of Orient Paper was quoted at \$8.35 up 248% from cost. On 6 April, Orient Paper sold 3 million shares at \$8.25. The funds will be used to purchase a corrugated medium paper production line with annual production capacity of 360,000 tons per year. The newly acquired production line will increase total production from 280,000 tons to 640,000 tons by 2011. We believe this added capacity will enable Orient Paper to better serve the rapidly growing demand for corrugated medium paper in the Beijing area.

Between mid October and mid December we made an open market purchase of \$1,182,000 of common stock in PHC, Inc., (AMEX: PHC) a national healthcare company providing behavioural health services in five US states, including substance abuse treatment facilities in Utah and Virginia and inpatient and outpatient psychiatric facilities in

Michigan, Pennsylvania and Nevada. The company also offers internet and telephonic-based referral services that includes employee assistance programmes and critical incident services. Contracted services with government agencies, national insurance companies and major transportation and gaming companies cover more than one million individuals. For the three months ended December, the company reported revenues up 16.7% and income from operations up from a loss during the same period a year ago. On 4 March the company announced the opening of a new facility in the Las Vegas area which is expected to generate \$2 million of revenue per year.

Your Company made a new \$1,562,000 investment in the common shares of SearchMedia (AMEX: IDI). SearchMedia currently operates a network of over 1,500 high-impact billboards with over 500,000 square feet of surface display area and one of China's largest networks of in-elevator advertisement panels consisting of approximately 125,000 frames in 50 cities throughout China. Additionally, SearchMedia operates a network of large-format light boxes in concourses of eleven subway lines in Shanghai. China's outdoor advertising industry is expected to grow by almost 25% over the next two years to \$4 billion.

To date the investment has been slow to reap rewards with the stock down 40% from cost. Quoting Rob Fried, Co-Chairman of the board of directors, in a press release dated 19 April, "we discovered operational and other issues primarily relating to the Shanghai Jingli Advertising Company Limited ("Jingli") in-elevator division of the company. In response, we quickly brought new,

reliable senior management to the company and worked to assess the depth and magnitude of the issues. The good news is it appears that management has been very active solving the problems and that the balance of this year and next should bring the company back to what we had expected." Paul Conway, Chief Executive Officer, remarked, "Importantly, we remain confident in our ability to further SearchMedia's growth. As of today, we are estimating revenue of approximately \$85 million in 2010 and net income of approximately \$18 million driven by continued organic growth across our media platforms, geographic expansion, and select potential new concessions and acquisitions."

In late October we invested \$797,000 in the common stock of SkyPeople Fruit Juice, Inc. (AMEX: SPU). SkyPeople engages in the production and sale of concentrated apple juice, concentrated pear juice, concentrated kiwifruit puree, fruit juice drinks, fresh fruits, fruit vinegar and organic fresh fruits. The company primarily exports its products to the United States, Europe, the Russian Federation and the Middle East. For the year ended 31 December 2009, the company reported revenues up 42% and earnings up 58% from 2008. At 31 March 2010 year-end the common stock of SkyPeople was quoted at \$5.99 per share up 100% against our cost basis of \$3.00 per share.

We would like to highlight again the progress in one of our private, unquoted companies. Your Company owns a substantial interest in Silicon Valley based AnchorFree Inc. AnchorFree was founded in 2005 by two entrepreneurs who wanted to put users in control of their own data online and to significantly impact user

Manager's review

(continued)

privacy on the internet. AnchorFree's 'Hotspot Shield' is the world's only free ad-supported virtual private network (VPN). Hotspot Shield enables users to access all online content anonymously and securely from any location in the world. Its technology enables the use of services such as Skype, Facebook, YouTube and Google which are often blocked by many telecom companies around the world. Usage of its virtual private network has increased dramatically with page views now reaching over one billion per month. Given that users are now in over 100 countries, revenues are growing rapidly and the company is experiencing expanding profit margins, we believe AnchorFree is increasingly becoming an attractive acquisition target. Your Board decided to write up this holding's value from approximately \$2.12 million to \$16.26 million due to the outstanding operational performance of the company and two third party valuations from Grant Thornton and specialist technology corporate valuer Pagemill Partners.

Tending the Garden

In recent years we have described our investment process as developing a garden. We plant, we harvest, and we continually tend the investment garden. Over the years we have realised significant gains in this portfolio and hope to continue that pattern. We continue to look actively for a home for CMSF Corp. which at this point is a shell company we intend to merge with a private operating company. This year we had sales that were both profitable and those which were sold at a loss.

During the year ended 31 March 2010, your Manager harvested the garden by taking partial profits on Duoyuan Printing

upon its initial public offering in November. Your Company sold one-third of its holdings for \$8.50 per share compared with a cost of \$3.84 per share. Also, between June and August, your Manager sold approximately 11% of its holdings in Bovie Medical thus raising \$1,323,734 of cash and recognising a capital gain of \$1,059,584. We also harvested approximately 38% of our holding in SkyPeople Fruit Juice, Inc. raising \$621,238 in cash and recognising a capital gain of \$319,738. We believe it was a prudent move to sell some of these holdings to free up funds for further new investments and retain partial holdings for future appreciation.

During the year ended 31 March 2010, your Company also did some weeding by writing-off e-Original and Heyspace International. We also rationalised the garden by making complete sales in companies that we believed did not add value to the future of the portfolio. These sales included A-Power Energy, China Biotics, China Fortune, Dejour Enterprises, Dyadic International, Hallmark Financial, Hanwei Energy, iLink Communications, Narrowstep, Omnivision, Riptide Worldwide and Symbolon Pharmaceuticals.

Net Asset Value Adjustment

As described more fully in the Chairman's Statement, on 5 May 2010, your Board accepted the recommendation of your Manager to make valuation adjustments to five portfolio holdings. The aggregate change resulted in a net increase of the Net Asset Value by approximately 13.5%. Three holdings were written down (Heyspace, Pipeline Data and PetroHunter) while two were written up in value (AnchorFree and China Greenscape).

Future Prospects

As always, we are focused on partnering with successful entrepreneurs. History has clearly shown that investment results are superior when investing through entrepreneurial CEOs as opposed to hired professional managers. We are concentrating our efforts on US and Chinese entrepreneurs who list their companies on US exchanges. As public markets are beginning to show some signs of new life, we are also working on listings for several private holdings which could appreciate in value. Your Manager will continue to focus on what it does best, which is bottom-up analysis on small individual companies. Your Manager will also continue to strive to find new opportunities, endeavour to add value to the existing portfolio companies, and finally aim to realise value at the appropriate time when investments have matured.

Russell Cleveland

RENN Capital Group, Inc.
Dallas, Texas
22 June 2010

Investment portfolio

as at 31 March 2010

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
Corporate investments					
<i>US unlisted convertible debentures</i>					
iLinc Communications	Technology	500	350	231	0.34
PetroHunter Energy	Oil and gas exploration	2,000	820	540	0.79
Pipeline Data	Business services	1,500	1,439	949	1.39
Total US unlisted convertible debentures		4,000	2,609	1,720	2.52
<i>US unlisted loan notes</i>					
Dynamic Green Energy	Solar Energy	4,000	4,000	2,637	3.87
Total US unlisted loan notes		4,000	4,000	2,637	3.87
<i>US unlisted convertible preference shares</i>					
AnchorFree	Wireless communications	2,500	16,261	10,720	15.72
ChinaGreenscape	Forestry development & cultivation	3,250	4,859	3,203	4.70
China New Cities Development	City planning	3,000	830	547	0.80
Healthaxis	Business services	2,500	152	100	0.15
iLinc Communications	Technology services	200	38	25	0.04
Integrated Security Systems	Security services	75	1	1	–
Ronco Corporation	Consumer products	1,061	4	3	–
Total US unlisted convertible preference shares[†]		12,586	22,145	14,599	21.41
<i>US unlisted equities</i>					
Business Process Outsourcing	Business services	20	79	52	0.08
Murdoch Security & Investigation	Security products	1,250	1,344	886	1.30
Total unlisted equities		1,270	1,423	938	1.38
<i>US unlisted warrants</i>					
AuraSound	Technology	–	165	109	0.16
Celsia Technologies	Technology	–	–	–	–
CMSF (CaminoSoft) Corporation	Network storage	–	–	–	–
Cover-All Technologies	Information technology	–	42	28	0.04
Duoyuan Printing (previously Asian Financial)	Industrial machinery	–	384	253	0.37
Murdoch Security & Investigations	Security products	–	32	21	0.03
Riptide	Software	–	–	–	–
Shengtai Pharmaceutical	Financial services	–	3	2	–
SinoHub	Electronic components	–	179	118	0.17
Terra Nova Financial Group	Financial services	–	–	–	–
Total US unlisted warrants^{**†}		–	805	531	0.77

Investment portfolio

as at 31 March 2010 (continued)

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
Corporate investments (continued)					
<i>US listed warrants</i>					
Hambrecht Asia	Electronic equipment	–	88	58	0.09
Total US listed warrants		–	88	58	0.09
<i>Canadian listed equities</i>					
Points International	Internet software	1,506	1,434	945	1.39
Total Canadian listed equities		1,506	1,434	945	1.39
		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<i>US listed equities</i>					
Access Plans USA	Consumer services	3,348	683	450	0.66
AuraSound	Technology	2,000	317	209	0.31
Bovie Medical Corporation	Healthcare services	2,036	5,937	3,914	5.74
CMSF (CaminoSoft) Corporation	Network storage	4,519	74	49	0.07
ChinaCast Education	e-Learning	998	2,807	1,851	2.71
Cogo	Information technology	1,083	2,097	1,382	2.03
Cover-All Technologies	Information technology	3,465	7,269	4,792	7.03
Duoyuan Printing (previously Asian Financial)	Industrial machinery	1,500	4,219	2,781	4.08
Fushi International	Industrial manufacturing	1,650	6,199	4,087	5.99
Geos Communication	Technology	761	102	67	0.10
Global Axxess	Commercial services	1,821	1,429	942	1.38
Global Sources	Commercial services	1,368	716	472	0.69
Hambrecht Asia	Electronic equipment	1,000	975	643	0.94
Hemobiotech	Biotechnology	1,971	1,020	672	0.99
Hollysys Automation Technologies (previously HLS Systems)	Electronic equipment	2,637	5,184	3,417	5.01
Integrated Security Systems	Security products	9,262	611	403	0.59
Merriman Curhan Ford	Financial services	1,922	303	200	0.29
Orient Paper	Manufacturing	800	2,783	1,835	2.69
PetroHunter Energy	Oil and gas exploration	202	66	44	0.06
PHC Inc	Healthcare	1,182	1,400	923	1.35
Riptide Worldwide	Software	1,148	5	3	–
SearchMedia Holdings	Media	1,562	942	621	0.91
Shengtai Pharmaceutical	Financial services	1,345	947	624	0.91

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
Corporate investments <i>(continued)</i>					
Silverleaf Resorts	Travel and Leisure	1,528	484	319	0.47
SinoHub	Business Services	2,632	4,676	3,083	4.52
SkyPeople Fruit Juice	Manufacturing	496	991	653	0.96
Skystar Bio-Pharmaceuticals	Pharmaceuticals & Biotechnology	2,277	6,808	4,488	6.58
Wonder Auto Technology	Financial Services	750	2,579	1,700	2.49
Zhongpin	Food processing	2,747	8,251	5,439	7.98
Total US listed equities		58,010	69,874	46,063	67.53
Total corporate investments		81,372	102,378	67,491	98.96
Net current assets			1,072	707	1.04
Net assets			103,450	68,198	100.00

† Unlisted convertible preference shares and warrants convert into unlisted common stocks.

** Unlisted warrant investments are valued at fair value using the Black Scholes methodology, which includes a time value which is calculated and added to the intrinsic value to arrive at a total valuation for each warrant.

The Black Scholes methodology requires certain assumptions to be made around the volatility of the underlying shares to which the warrants subscribe.

The valuation of unlisted warrants at 31 March 2010 of £531,000 is made up of the intrinsic value of £400,000 and a time value of £131,000.

Directors, Manager and Secretary

The Directors are:

Ernest John Fenton (Chairman), aged 71, appointed 8 May 1996, is a chartered accountant. He became a partner of W Greenwell & Co in 1972 and was chairman and chief executive of Greenwell Montagu Stockbrokers until 1993. He was director general of the Association of Investment Companies from 1993 to 1997.

Andrew Charles Barker, aged 65, appointed 10 March 2005, has spent his career in investment management after joining F & C Management Ltd in 1970. He was responsible for F & C Management Ltd's North American Investments from 1985 until his retirement in 2000. He is chairman of British Portfolio Trust plc, International Biotechnology Trust plc, JP Morgan Midcap plc and Morant Wright Japan Income Trust Ltd.

Steven Andrew Ralph Bates, aged 52, appointed 27 January 2005, was head of global emerging markets at JP Morgan Fleming until 2002. He is a director of Zephyr Management UK Ltd, an FSA regulated investment business investing in emerging markets, and an investment adviser to Cardiff & Vale of Glamorgan Pension Fund. He is chief investment officer of Salisbury Partners and he is a member of the governing body of Kosovo Pensions Savings Trust. His non-executive directorships include Baring Emerging Europe plc, Magna Umbrella Fund plc and British Empire Securities and General Trust plc. Steven chairs the Company's Audit Committee.

George Russell Cleveland, aged 71, appointed 24 April 1996, is president and chief executive of the Company's Manager, RENN Capital Group, Inc., which he founded in 1973. He is a director of a number of US public companies including Integrated Security Systems, Inc., Renaissance Capital Growth & Income Fund III, Inc., Digital Recorders, Inc., Cover-All Technologies, Inc., Tutogen Medical, Inc., CaminoSoft Corp., Access Plans USA, Inc., Precis Inc. and SIMTEK Corp.

Alexandra Jane Mackesy, aged 48, was appointed to the Board on 18 January 2010. She is a non-executive director of Henderson TR Pacific Investment Trust plc and The Scottish Oriental Smaller Companies Trust Plc. Since 2000, she has worked as a part-time consultant at Credit Suisse. Prior to this, she held posts in Hong Kong with Credit Suisse as director, head of Hong Kong and China Equity Research, JP Morgan as director, Asian Equity Research, and with SBC Warburg/SG Warburg as director, Hong Kong Equity Research.

William Weeks Vanderfelt, aged 67, appointed 2 August 1996, was a managing partner of Petercam SA, the largest independent member firm of the Brussels Stock Exchange until his retirement on 31 December 2001. He is also chairman of Vietnam Opportunity Fund and a director of USI Group Holdings AG and Apace Media PLC.

Manager

RENN Capital Group, Inc. is an investment management company based in Dallas, Texas with a thirty-seven year track record of investing principally in US smaller companies. It was founded in 1973 by Russell Cleveland, one of the Company's Directors. The firm concentrates on US smaller companies where it considers that potential earnings growth, attractive valuations and the availability of proportionately larger investment positions provide the opportunity for outperformance.

Secretary

Capita Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of other investment trusts. Capita Sinclair Henderson Limited is a subsidiary undertaking of The Capita Group Plc.

Report of the Directors

The Directors present their report and accounts for the year ended 31 March 2010. The Company was incorporated on 19 January 1996 and commenced trading on 29 May 1996.

Business review

The business of the Company

The principal activity of the Company is to conduct business as an investment trust. The Company is an investment company in accordance with the provisions of Section 833 of the Companies Act 2006. The Directors do not envisage any change in the Company's activity in the future.

The Company has received written approval from H.M. Revenue & Customs as an authorised investment trust, under Section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31 March 2009. It is the opinion of the Directors that the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval and the Company will continue to seek approval under Section 842 each year. The Company will distribute to its shareholders not less than 85% of eligible investment income.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments. Investment trusts offer a number of advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at low cost.

The Company's investment objective is to achieve capital growth and outperform its benchmark, the Russell 2000 Index. The Company invests primarily in securities issued by companies listed, quoted or domiciled in the US and Canada with market capitalisations below \$1 billion, although from time to time, the Company also invests in unlisted companies with similar characteristics. It is the Company's policy not to invest in UK listed investment companies, including listed investment trusts. Full details of the Company's investment policy can be found at the front of this report.

The Company's Manager, RENN Capital Group, is based in Dallas and has a thorough understanding of the US economic climate, plus a thirty-seven year track record in identifying growth opportunities in US smaller companies.

Results and dividend

The results for the year and the proposed transfer from revenue reserves are set out in the Income statement on page 30. The Directors do not recommend that a dividend be paid in respect of the year ended 31 March 2010 (2009: nil). No dividend has been paid since the Company's inception.

Analysis of performance and position

As stated previously, the Company's benchmark is the Russell 2000 and, therefore, this is the primary key performance indicator for the Company. However, this section of the business review will also consider the Company's performance in terms of other indices, its annual return, its discount to net asset value and gains and losses seen within the portfolio during the year.

For the year ended 31 March 2010, the net asset value return of the Company, measured in US Dollars, was 55.70% compared to 62.77% for the Russell 2000. The net asset value return of the Company, measured in Sterling, was 47.13% compared to 53.58% for the Russell 2000. Since inception, the annualised return measured in US Dollars was 10.86% against the Russell 2000 return of 6.53%. Since inception, the Sterling annualised return was 10.86% against the Russell 2000 annualised return of 6.76%.

This information is presented in tabular form on page 3.

The Company's share price outperformed its NAV because the underlying discount to that NAV fell modestly during the year. The discount ranged from a low of 5.72% on 19 August 2009 to a high of 28.97% on 17 April 2009, averaging 18.51% for the year. As at 31 March 2010 the Company traded at a 25.72% discount, compared to 28.05% as at 31 March 2009.

Report of the Directors

(continued)

During the year, the Company realised gains and losses in several portfolio companies. The result was a net realised loss of approximately £5.80 million. As at 31 March 2010 the Company had net gearing of 4.6%.

The Investment Manager employs a 'bottom-up' investment approach that focuses on individual companies rather than sectors. Thus, the Company's performance is tied more to an individual company's success than to sectors.

As of 31 March 2010 the Company's three largest holdings were AnchorFree, Zhongpin, Inc., and Cover-All Technologies representing approximately 15.7%, 8.0% and 7.1% of net assets respectively.

The majority of the portfolio is comprised of US companies headquartered in China representing approximately 50% of the securities held (45% quoted and 5% unquoted). The balance are companies that are based in the US and Canada.

Further details of the Manager's investment approach and the performance for the year are included in the Chairman's statement and the Manager's review.

Subsequent events and future developments

On 5 May 2010, the Board announced a revaluation of certain unquoted assets as at 31 March 2010. Details of these revaluations can be found within the Chairman's Statement. The revaluations have been incorporated into these accounts.

There were no other significant events subsequent to the year end, nor is the Board aware of any potential developments that are likely to have a significant impact on the Company.

Principal risks associated with the Company

Risks associated with investing in the Company include, but are not limited to, liquidity/marketability risk, interest rate risk, gearing risk, foreign currency risk, country risk, market price and discount volatility risk, risk associated with non compliance with Section 842 of the Income and Corporation Taxes Act, credit risk, risks associated with the engagement of third parties and the risk that shareholders will not vote in favour of the continuation of the Company.

Liquidity/marketability risk

The Company is exposed to the US equity markets and could therefore be affected by a decline in the US equity markets as a whole. Furthermore, a large proportion of the stocks in which the Company invests are, by their very nature, less readily marketable than, for example, blue-chip UK equities, and the Company may hold significant ownership stakes. Additionally, the returns associated with specific investment styles are cyclical and it is possible that the Manager's investment style could fall out of favour. The Manager is committed to investing in small and micro-cap companies and attempts to manage liquidity risk by monitoring the trading volume of the stocks in which the Company invests. The Board closely monitors the performance of the Company through quarterly Board meetings and the review of monthly management accounts. The Manager monitors the value of the Company's underlying securities on a daily basis.

Interest rate risk

Bond prices and interest rates are inversely correlated. Thus, when interest rates increase, the price of a bond with a fixed coupon will decline. Alternatively, when interest rates decline, the price of a

bond with a fixed coupon will increase. The Company is invested primarily in equities, but it does hold some fixed income securities, most of which are convertible to common stock (equity). The benefit of a convertible debenture is that, if a portfolio company becomes troubled, the Company is protected through its position as a creditor. Alternatively, if the portfolio company performs well, the Company can participate in the upside by converting to common stock. Nonetheless, the Manager monitors interest rate risk on a regular basis.

Gearing risk

The Company has a revolving credit facility with Salomon Smith Barney in order to facilitate the purchase of additional securities. The use of gearing can cause both gains and losses in the asset value of the Company to be magnified. Both the Board and the Manager understand and are mindful of the risks involved in gearing the portfolio.

Foreign currency risk

The Company invests in US stocks and its assets are therefore subject to fluctuations in the US Dollar: Sterling exchange rate. It is not the Company's policy to hedge the currency risk between the US Dollar and Sterling. Thus, the Manager does not manage currency risk.

Country risk

The Company has significant financial exposure to the Chinese economy. Although China is rapidly growing, it is still a volatile part of the world and therefore the Company is exposed to risks in this economy.

Market price risk and discount volatility

Since the Company invests in financial instruments, market price risk is inherent in these investments. The Company itself, being a closed-end fund, generally trades

at a discount to its net asset value. The magnitude of this discount fluctuates daily and can vary significantly. Thus, for a given period of time, it is possible that the market price could decrease despite an increase in the Company's net asset value. The Directors review the Company's discount levels on a twice weekly basis and can use the Company's powers to buy back shares should it be thought appropriate to do so.

During the year, the Company purchased 450,000 Ordinary shares of 25p each for cancellation, representing 2.35% of the shares in issue as at the date of the purchase. These shares were purchased at a price of 240 pence per share for a total consideration of £1,088,000 (including stamp duty and commission).

At the date of this report, the Directors have the authority to purchase a further 2,414,440 shares of the Company. This authority will expire at the 2010 Annual General Meeting.

The Directors also employ an investor relations firm to market the Company and retain a Corporate Broker that can be consulted, if necessary. Furthermore, the Company seeks to manage discount volatility through active communication with its shareholders.

Compliance with Section 842 of the Income and Corporation Taxes Act 1988
If the Company did not comply with the provisions of Section 842, it would lose its investment trust status. In order to minimise this risk, the Directors, the Manager and the Company Secretary monitor the Company's compliance with the key criteria of Section 842 on a monthly basis. On a quarterly basis, compliance with these provisions is discussed in detail between the Board and the Manager and, furthermore, the Manager provides the Board with a quarterly assurance that, to the best of its knowledge, the provisions of Section

842 relating to investments have been adhered to during the period.

Credit risk

The Company invests in debentures. It is possible that such investee companies might default on these debentures or wind-up prior to their repayment. The Board does not consider this to be a major risk to the Company, as a diversified portfolio is maintained. Nonetheless, the Manager monitors the credit risk of the Company's portfolio companies on an on-going basis.

Risks associated with the engagement of third parties

There are a number of potential operational risks associated with the fact that third parties undertake the Company's administration and custody of assets.

Most seriously, there is the risk that third parties could fail to ensure that statutory requirements, such as the Companies Act and the rules of the London Stock Exchange, are complied with.

Risks associated with the annual continuation vote

The Company has been holding annual continuation votes since 1998, following a change to the Articles in that year. It is now proposed that the Articles be amended at the 2010 AGM to require a continuation vote every three years (see page 25 for details). This year, the annual continuation vote will be held as usual. Although the Directors do not think it is likely, it is possible that the shareholders might vote against the continuation of the Company. Should the continuation vote not be passed, the illiquid nature of some of the Company's investments means that it is likely to take a considerable length of time to dispose of the portfolio in its entirety.

Through the Manager, the Company's Stockbroker, the website and its investor relations advisers, the Board ensures that regular communication regarding the Company's performance and long-term direction is maintained with major shareholders, whose opinions are duly considered by the Board.

Valuation risk

The Directors take responsibility for a number of holdings which are unlisted. The valuations are the result of a range of valuation techniques described in Note 1 to the accounts on pages 34 and 35 and do involve elements of judgement which may mean that the values recognised in the event of a sale might be significantly different from those used in the accounts.

Further information on risk

Further information regarding certain of these risks is included in note 16 to the accounts: Analysis of financial assets and liabilities. Information regarding the Company's risk review procedures may also be found under 'Internal control review'.

Further details of the Manager's investment approach and the performance for the year are included in the Chairman's statement and the Manager's review.

Information about securities carrying voting rights

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the FSA Disclosure and Transparency Rules:

- At the date of this report, the Company's capital structure was comprised of 18,659,008 Ordinary shares of 25p each, with each of these shares being entitled to one vote. There are no restrictions on the transfer of the Company's shares or voting rights.

Report of the Directors

(continued)

- Details of the substantial shareholders in the Company are set out on page 19.
- The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on pages 20 and 21.
- Amendment of the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares require an appropriate resolution to be passed by shareholders. Proposals for the renewal of the Board's powers to issue and buy back shares, and for the adoption of new Articles of Association are set out on pages 24 and 25.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Management agreement

The Company's investments are managed by RENN Capital Group, Inc. under an agreement dated 17 May 1996, as amended. The management fee is calculated at the rate of 0.125% per calendar month of the net asset value of the Company and is payable quarterly in arrears. No management fee is payable on any cash or near cash investments held by the Company. RENN Capital Group is also entitled to an annual performance fee equivalent to 20% of the amount by which the net asset value of the Company at the year end, together with gross dividends paid or distributions made, exceeds the net asset value of the

Company at the preceding financial year and as increased or decreased in line with the movement in the Russell 2000 Index over the same period. No performance fee will be payable in respect of any year where the net asset value is less than either the placing price or the net asset value at the end of the preceding financial year. This year no performance fee was payable.

Further details of the Manager's fees are given in note 3 to the accounts.

Appointment of RENN Capital Group, Inc. as Manager

Through the Management Engagement Committee, the independent Directors keep under review the performance of the Manager. In the opinion of the Directors, the continuing appointment of RENN Capital Group, Inc. as Manager, on the terms outlined in the Management Agreement dated 17 May 1996, as amended, is in the best interests of shareholders as a whole. The Company's net asset value performance since inception when compared to its benchmark, the Russell 2000 Index, has been excellent.

The agreement may be terminated by either party giving to the other not less than twelve months' notice in writing at any time. No additional compensation is payable to the Manager in the event of termination.

Secretarial agreement

Under an agreement dated 8 May 1996, company secretarial services and the general administration of the Company have been undertaken by Capita Sinclair Henderson Limited for a fee for the year to 31 March 2009 of £56,000, subject to an annual review based on the UK Retail Price Index. With effect from 1 August 2009, this fee was revised to a fixed fee of £70,000 per annum, which will be subject to an RPI adjustment in 2012. The Secretarial fees paid in respect of the year ended 31 March 2010 were £65,000

(2009: £56,000). The agreement may be terminated by either party giving to the other not less than twelve months' notice at any time.

Contractual arrangements essential to the business of the Company

Other than the Management Agreement and the Secretarial Agreement described above, there are no other contractual arrangements that are considered essential to the business of the Company.

Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by those terms. All supplier invoices received by 31 March 2010 had been paid (2009: none outstanding).

Corporate social responsibility

The Company does not have any employees and the Board is comprised solely of non-executive Directors. As an investment company, the Company does not have any direct impact on the environment. In carrying out its activities and in relationships with suppliers and stakeholders, the Company aims to conduct itself responsibly, ethically and fairly. The Company does not have anything further to report on environmental, employee, social or community matters.

Directors

The Directors in office during the year are as shown on page 14. Details of each Director's status as independent or non-independent and of forthcoming re-elections and retirements can be found on pages 20 and 21 in the corporate governance statement.

Directors' beneficial and family interests

The interests of the Directors in the Ordinary shares of the Company are set out below:

	Number of Ordinary shares at 31 March 2010	Number of Ordinary shares at 1 April 2009
E J Fenton	50,000	50,000
A C Barker	65,000	65,000
S A R Bates	12,500	12,500
G R Cleveland	180,004	180,004
A J Mackesy*	–	–
W W Vanderfelt	1,125,000	1,125,000

There have been no changes to any of the above holdings between 31 March 2010 and the date of this report.

* Appointed on 18 January 2010

Substantial shareholdings

In accordance with Chapter 5 of the FSA Disclosure and Transparency Rules, the Directors had been informed of the following notifiable interests in the Company's voting rights as at the date of this report:

	Number of voting rights held	% of total issued voting rights
East Riding of Yorkshire Council	2,300,000	12.33
Universities Superannuation Scheme Ltd	1,940,000	10.40
Lloyds Banking Group plc	1,751,973	9.39
Armstrong Investments Limited	1,445,000	7.74
New Star Asset Management Ltd	1,250,000	6.70
W W Vanderfelt	1,125,000	6.03
Reliance Mutual Insurance Society	800,000	4.29

Corporate governance statement

The Company is committed to the highest standards of corporate governance and to the principles of good governance set out in the 2008 Combined Code on Corporate Governance (the 'Combined Code'). The Board is accountable to shareholders for the governance of the Company's affairs.

As an investment trust, the Company has also taken into account the principles and recommendations of the published Code on Corporate Governance produced by the Association of Investment Companies (the 'AIC Code'), by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'), published in March 2009 which is intended as a framework of best practice specifically for AIC member companies.

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, and there are some areas where the AIC Code is more flexible than the Combined Code for investment trust companies. The Board has taken steps to adhere to its principles and follow the recommendations in the AIC Code where it believes they are appropriate.

This statement describes how the principles of the two Codes have been applied in the affairs of the Company. A copy of the AIC Code and the AIC Guide can be obtained via the AIC website, www.theaic.co.uk, and a copy of the Combined Code can be obtained at www.frc.org.uk.

The Company has complied with the recommendations of the AIC Code, by reference to the AIC Guide, and the relevant provisions of Section 1 of the Combined Code except as follows: the Board considers that the Combined Code's recommendations with respect to the role of the chief executive, the appointment of a senior independent director and executive directors' remuneration (there are no executive directors), as well as the need for an internal audit function, are not relevant to the Company's circumstances as an externally managed investment trust.

Report of the Directors

(continued)

The Board

The Board currently consists of six Directors, all of whom are non-executive and whose biographies appear on page 14. The terms and conditions of the appointment of the non-executive Directors are formalised in letters of appointment, copies of which are available for inspection from the Registered Office of the Company and will be available at the Annual General Meeting. None of the Directors had a service agreement with the Company as at 31 March 2010 or did so throughout the year.

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties and the Company has directors' and officers' liability insurance to cover legal defence costs.

The Board does not consider it appropriate that Directors be restricted to serving on the Board for a limited number of years and believe that the long-serving Directors of the Company bring extensive knowledge and experience to the Board. Therefore, the Company does not have a policy on tenure. Given the size and nature of the Company, it is not considered necessary to appoint a senior independent director. The Company does not have a chief executive officer, but in appointing a management company the roles of chairman and chief executive officer are effectively separated.

Board balance and independence

Mr Cleveland is president and chief executive of RENN Capital Group, Inc. and as such is interested in the Management Agreement. He is also a director of the following investee companies: CaminoSoft Corporation, Cover-All Technologies Inc, Integrated Security Systems Inc., and BPO Management Services, Inc.

None of the Directors, nor any persons connected with them, had a material interest in any of the Company's transactions, arrangements or agreements during the year.

For the reasons set out above, Mr Cleveland is not deemed to be an independent Director.

All of the other Board members are considered by the Board to be independent.

Mr Vanderfelt has a significant shareholding in the Company, which is deemed to align his interests with those of the shareholders and therefore does not compromise his independence.

Chairman

The Chairman, Mr Fenton, is deemed by his fellow Directors to be independent in character and judgement and free of conflicts of interest. He has no other significant commitments other than those disclosed in his biography on page 14.

Re-election and retirement of Directors

In accordance with the Company's Articles of Association one third of the Directors eligible to retire by rotation are required to do so at each Annual General Meeting. Andrew Barker will this year retire by rotation and, being eligible, will offer himself for re-election by shareholders at the forthcoming Annual General Meeting.

In accordance with the FSA Listing Rules, Russell Cleveland will offer himself for re-election, as he is required so to do on an annual basis, due to his connection with RENN Capital Group, Inc.

In accordance with the AIC Code of Corporate Governance, Ernest Fenton and William Vanderfelt will offer themselves for re-election (and do so on an annual basis) each having served on the Board for over nine years.

The Board strongly recommends that shareholders vote in favour of each of these Directors' re-elections for the following reasons:

Russell Cleveland has been a Director since the Company's launch and is president and chief executive of the Manager, RENN Capital Group, Inc. His fellow Directors believe that management representation enhances the quality and balance of skills, experience and knowledge present on the Board and ensures that management and shareholder interests are aligned through improved communication and, particularly, Mr Cleveland's direct experience of the US economy in which the Company invests. Mr Cleveland is not entitled to remuneration for his work as a Director.

Ernest Fenton has been a Director of the Company since its launch in 1996 and was appointed Chairman on 28 May 2004. He is a chartered accountant and has extensive experience within the investment trust sector. Mr Fenton commits considerable time to the affairs of the Company and also ensures that major shareholders and potential investors are given the opportunity to meet the Manager at least annually. In his role as Chairman, Mr Fenton provides effective leadership enabling a Board with a successful blend of knowledge and experience to be constructive in and out of Board meetings.

William Vanderfelt has a wide experience of investment matters having spent many years with Petercam SA, the largest independent firm on the Brussels Stock Exchange until he retired as managing partner in 2001. His detailed knowledge of the investment scene internationally is of great benefit to the Board and his support for the Company is also reflected in his substantial investment in its shares.

Mr Barker joined the Board in 2005. He has spent his entire career in investment with particular emphasis on the investment trust sector. He brings to your Company a wealth of experience gained not only on the boards of several other investment trusts, including the chairmanships of International Biotechnology Trust plc, British Portfolio Trust plc and JP Morgan Midcap plc, but also as the fund manager of Foreign and Colonial's North American portfolio. He is an important and valuable member of the Board.

Election of Director

Alexandra Mackesy will seek election at the forthcoming AGM, this being the first general meeting of the Company since her appointment to the Board in January 2010. The Board is pleased to recommend her appointment. Mrs Mackesy's career has focused on equity research in the Far East. She was a director of Hong Kong Equity Research at SBC Warburg, a director of Asian Research at JP Morgan and a director of Hong Kong/China Equity Research at Credit Suisse First Boston. Since leaving full time employment in 2000, Mrs Mackesy has been a consultant for Credit Suisse on Asian research, and has acted as strategic planning consultant for three major Chinese and Hong Kong companies. A Mandarin speaker, Alexandra is currently a non-executive director of The Scottish Oriental Smaller Companies Trust plc and Henderson TR Pacific Investment Trust plc. She brings to the Board a depth of experience in our major investment area, and a disciplined analytical approach to the decision making process.

Board operation

The Directors meet at regular Board meetings, at least once every quarter, and additional meetings and telephone meetings are arranged as necessary. During the year, three of the four quarterly meetings were held in the United Kingdom and one meeting was held in China to enable the Board to meet with the management teams of investee companies.

At their meetings the Directors follow a formal agenda to review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. The procedures are formalised in a schedule of matters specifically reserved for the Board's approval. These reserved matters include the following:

- Approval of annual and half-yearly results
- Appointment and removal of Auditors
- Significant changes in accounting policy and practices
- Board appointments and removals

During the year, four Board meetings were held. There was 100% attendance by all Directors appointed at the time of these meetings, either in person or by telephone conference link, which is considered cost-effective for Directors not resident in the UK. All Directors attended the Annual General Meeting held in July 2009 in person.

The Board is responsible for adherence to the investment policy and strategic and operational decisions of the Company. The Company's main functions are delegated to a number of service providers, each engaged under separate legal contracts. The management of the Company's portfolio is delegated to the Manager, which has discretion to manage the assets in accordance with the Company's objectives and policies. A

representative of the Manager attends each Board meeting to present written and verbal reports on its activities and portfolio performance. The Board regularly reviews its overall strategy and, as discussed in the business review, monitors the discount of the share price to net asset value, with a view to taking action if the discount reaches unacceptable levels.

Committees of the Board

The Board has appointed a number of Committees, as set out below, to assist its operations. Each Committee's delegated responsibilities are clearly defined in formal terms of reference, which are available from the Company's Registered Office. Mr Bates chairs the Audit Committee, with Mr Fenton chairing the remaining Committees. Both will be present at the Annual General Meeting.

Audit Committee

The Audit Committee is comprised of Mr Fenton, Mr Vanderfelt, Mr Barker, Mr Bates and Mrs Mackesy all of whom are deemed to be independent non-executive Directors.

The Committee provides a forum through which the Company's external Auditors report to the Board of Directors, makes recommendations to the Board on the remuneration and terms of appointment of the Auditors, and monitors the Auditors' independence, objectivity and effectiveness. The Audit Committee considers the appointment of the Company's Auditor on an annual basis prior to the commencement of the annual audit. When considering this appointment, the Committee takes the following factors into account:

- Performance of the Auditor during the previous year.
- The level of fees in relation to the previous year and those of comparable investment companies.

Report of the Directors

(continued)

- The resources available within the audit team
- The technical expertise of the firm in question.

These matters are discussed without the presence of the Auditor and the Committee's recommendations are then communicated for the Board's consideration and, if thought appropriate, ratification.

The Committee has considered the independence and objectivity of the Auditors and has conducted a review of non-audit services which the Auditors have provided. It is satisfied in these respects that KPMG has fulfilled its obligations to the Company and its Shareholders.

As KPMG provides tax advice to the Company in addition to audit services, the Committee receives an annual assurance from KPMG that its independence as an Auditor is not compromised by the practice of these services. The Committee met twice during the year. Each member of the Committee appointed at that time was present at these meetings.

Management Engagement Committee

The Management Engagement Committee is comprised of Mr Fenton, Mr Vanderfelt, Mr Barker, Mr Bates and Mrs Mackesy, all of whom are deemed to be independent non-executive Directors. The Committee is responsible for reviewing the terms of the Management Agreement and to assess the continuing appointment of the Manager. The Manager's continuing appointment is discussed by the Committee without RENN or any of its representatives being present. The Committee met once during the year. All members of the Committee appointed at that time attended this meeting.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of all independent Directors. The Committee monitors Board balance, considers new appointments with a view to making recommendations to the Board and keeps under review the policy for remuneration. Appointments to the Board are made according to a person's existing knowledge and expertise. This Committee met once during the year, with all members of the Committee appointed at that time present, to consider the recruitment of a new Director to the Board. An independent external non-executive director search agency was engaged by the Company to identify suitable candidates for consideration by the Committee. Following interviews with members of the Committee it was recommended to the Board, that Mrs Mackesy be appointed to the Board as a non-executive Director. The Board accepted this recommendation and Mrs Mackesy was appointed with effect from 18 January 2010.

This Committee met twice during the year. All members of the Committee appointed at that time attended these meetings.

Full details of the remuneration arrangements for Directors can be found in the Directors' remuneration report on pages 27 and 28.

Performance evaluation

An evaluation of the Board, its Committees, individual Directors and the Chairman was undertaken following the year end by verbal consultation. It was concluded that each Director continued to contribute effectively and that the Board as a whole continued to demonstrate a suitable balance of skill and expertise.

Dialogue with shareholders

The Directors are always available to enter into dialogue with shareholders. Communications from shareholders should be sent to the Company's registered office. All shareholders are encouraged to attend and vote at the Annual General Meeting during which the Board and the Manager will be available to discuss issues affecting the Company.

The Board receives regular updates from the Manager and its Brokers on the news of the Company's major shareholders and arranges direct meetings where appropriate.

The net asset value is released to the Stock Exchange on a bi-weekly basis and posted on the Manager's and the Company's websites at www.rencapital.com and www.renaissanceusgrowth.co.uk.

Going concern

As mentioned in the business review, the Company's Articles of Association require that a resolution proposing that the Company continues as an investment trust be put to shareholders annually. The Directors recommend that shareholders vote in favour of this resolution and believe that it will be passed due to the Company's track record over the last five years. The Manager maintains continual contact with the Company's major shareholders. The Directors are therefore of the opinion that it remains appropriate to presume that the Company will continue in business for the foreseeable future and accordingly have continued to adopt the going concern basis in preparing the accounts.

No provision has been made for the costs of winding up the Company or liquidating its investments in the event that the continuation vote is defeated. The value which would be generated from the realisation of the Company's assets on a winding up cannot currently be estimated since this would be determined by investment markets and any unitisation and re-organisation proposal that the Board might propose to shareholders at that time.

Conflicts of interest

On 1 October 2008 it became a statutory requirement that a Director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a 'situational conflict'). The Company's Articles of Association were amended at the Annual General Meeting in 2008 to give the Directors authority to approve such situations, where appropriate.

It is the responsibility of each individual Director to avoid an unauthorised conflict situation arising. He must request authorisation from the Board as soon as he becomes aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgment and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered

are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

Internal control review

The Board is responsible for establishing and maintaining the Company's system of internal control. An ongoing process, in accordance with the guidance supplied by the Financial Reporting Council: 'Internal Control: Revised Guidance for Directors on the Combined Code', has been established for identifying, evaluating and managing risks faced by the Group. This process has been in place throughout the year and up to the date the financial statements were approved. Key procedures established with a view to providing effective financial control over the Group's operations have been in place for the financial period and up to the date the financial statements were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the system of internal control, including financial, operational and compliance controls and risk

management. The key procedures which have been established to provide effective internal control are as follows:

- throughout the year under review and up until the time of writing, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with guidance in the document "Internal Controls: Guidance for Directors on the Combined Code". This process is reviewed on a regular basis by the whole Board. The process involves reports from the Company Secretary on risk control and compliance, in conjunction with the Manager's regular reports which cover investment performance and compliance issues. In addition, the Board receives internal control statements from all the parties to which it delegates functions as listed below:
- investment management is provided by RENN Capital Group, Inc. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular Board and investment meetings;
- Capita Sinclair Henderson Limited is responsible for the provision of administration and company secretarial duties for the Company;
- custody of the Company's assets is undertaken by Frost National Bank;
- registration services are provided by Capita Registrars Limited;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;

Report of the Directors

(continued)

- the Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements;
- mandates for the authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Manager and the administrator in detail on a regular basis.

In accordance with guidance issued to directors of listed companies in December 1994, the Directors have carried out a review of the effectiveness of the system of internal controls as it has operated since 1 April 2009.

International Accounting Standards

The Company is not required to produce consolidated accounts and therefore International Accounting Standards ("IAS") are not mandatory. The Board continues to monitor the developments of IAS and intends to continue to prepare accounts under UK Generally Accepted Accounting Principles ("UK GAAP").

Special business at the Annual General Meeting

Allotment of shares

At the Annual General Meeting held in 2009, the Directors were granted the authority to allot new shares or shares from treasury in accordance with statutory pre-emption rights up to an amount equal to one third of the issued share capital. This authority was not used during the year and will expire at this year's Annual General Meeting. Therefore, the Directors will seek to renew this authority at the forthcoming Annual General Meeting, as set out in Resolution 9 in the Notice of Meeting as an Ordinary Resolution. If passed, this authority will permit the Directors to issue shares up to an aggregate nominal amount of £1,554,917, being one-third of the issued share capital, in accordance with pre-emption rights. The Directors have no immediate intention to use this authority and will use this authority if it will be in the interests of all shareholders to do so.

At the Annual General Meeting held last year, the Directors were also granted the authority to allot new shares or shares from treasury free from statutory pre-emption rights. This authority was not used during the year but will expire at this year's Annual General Meeting. Therefore, the Directors will seek to renew this authority up to an aggregate nominal amount of £466,475, which is equivalent to 10% of the issued shares at the forthcoming Annual General Meeting; this is set out as Resolution 10 in the Notice of Meeting as a Special Resolution. The Directors have no immediate intention to use this authority and will use this authority if it is in the interests of all shareholders to do so.

Purchase of shares

The Directors will also be seeking the renewal of the authority to purchase up to 2,796,985 of the Company's own shares (representing 14.99% of the issued Ordinary shares) in the market for a further year, either for cancellation or for holding in treasury. This authority, set out as Resolution 11 as a Special Resolution, will be exercised only if, having taken account of the likely impact on the financial position of the Company, the Directors are satisfied that any such purchase will be in the interests of the Company and its shareholders. There is no facility to re-issue shares at a discount to net asset value. 450,000 shares were purchased during the year under the existing authority.

The authority, if given, will lapse at the AGM to be held in 2011 or fifteen months from the passing of this resolution, whichever is earlier.

The price paid for Ordinary shares will not be less than 10p and not more than the higher of (i) 5% above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) of the Ordinary shares for the five business days immediately preceding the date on which the Ordinary share is purchased, and (ii) the higher of the price of the last independent trade and the current highest independent bid on the London Stock Exchange.

Continuation vote

An Ordinary Resolution proposing that the Company continues as an investment trust will be put to shareholders at the Annual General Meeting. The Directors recommend that this resolution be adopted. This resolution is set out as Resolution 12. The Company has been holding annual continuation votes since 1998, following a change to the Articles at the AGM in that year. It is now proposed that the Articles be amended at the 2010 AGM to require a continuation vote every three years. The Directors consider that this amendment will be in the best interests of Shareholders, as it will provide the Manager with greater flexibility to take long-term positions in investee companies, as is consistent with the Company's investment policy.

Adoption of new Articles of Association

The Directors are proposing as resolution 13 that new Articles of Association be adopted. The new Articles will reflect the final implementation of the Companies Act 2006 and amend the continuation vote provision to require the Company to put this vote to shareholders every three years. A summary of the main changes is set out in an appendix to the Notice of Annual General Meeting at the back of this report.

The New Articles showing the changes to the Current Articles are available for inspection from the date of this report until the close of the AGM at the offices of Capita Company Secretarial Services Ltd, Ibex House, 42-47 Minories, London EC3N 1DX and at the AGM for at least 15 minutes before, and during, the meeting.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

KPMG Audit Plc has expressed its willingness to continue in office as Auditors and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Capita Sinclair Henderson Limited

Secretary

22 June 2010

Management report

UK Listed Companies are required by the FSA's Disclosure and Transparency Rules to include a management report within their annual financial report.

The information required by the management report, for the purpose of these rules, is comprised of that contained

in the Chairman's statement on pages 4 to 6, the Manager's review on pages 7 to 10 and the Report of the Directors on pages 15 to 25. Therefore no separate management report has been included.

The Financial Statements have been reviewed by the Company's Auditor.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and

enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Ernest Fenton

Chairman
22 June 210

Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. An Ordinary Resolution will be put to the members at the forthcoming Annual General Meeting to approve it.

The law requires your Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 29.

Remuneration Committee

The Company has six non-executive Directors. The Remuneration and Nomination Committee fulfils the function of a remuneration committee. This Committee is comprised of the independent non-executive Directors of the Company namely Messrs Barker, Bates, Fenton and Vanderfelt and Mrs Mackesy.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other similar companies of a similar size, having a similar capital structure (ordinary shares and potential bank borrowings) and a similar investment objective (capital growth).

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

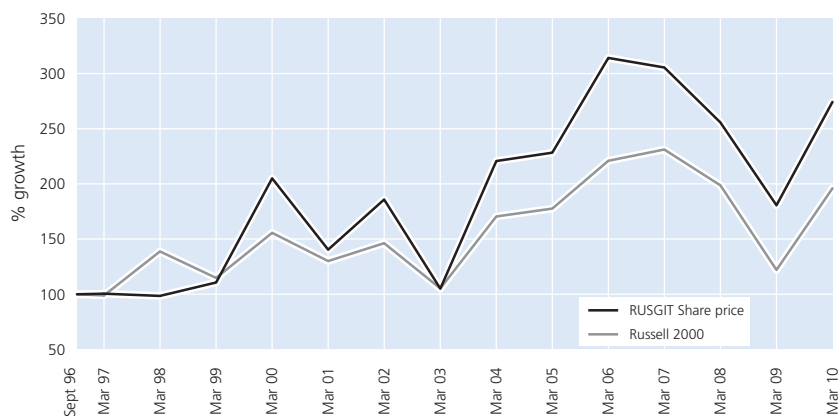
During the year, the Company engaged Trust Associates to conduct an independent review of the fees payable to the Board of Directors. Having considered the findings of this report, and the fact that the fees payable to the Directors have not been revised since 2007, the Board has agreed to increase the fees of each Board member by £2,000 per annum with effect from 1 April 2010. Mr Cleveland will continue to waive his rights to fees in respect of his appointment (see following page).

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his appointment, and at least every three years thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Your Company's performance

The graph below compares the total return to Ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the Russell 2000 Index is calculated. The index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Directors' remuneration report

(continued)

Directors' emoluments for the year*

The Directors who served in the year received the following emoluments in the form of fees:

	2010	2009
	£	£
E J Fenton	30,000	30,000
A C Barker	18,000	18,000
S A R Bates	23,000	23,000
G R Cleveland	–	–
A J Mackesy**	3,677	–
W W Vanderfelt	18,000	18,000

* This information has been audited.

** Appointed on 18 January 2010.

Mr Cleveland is not entitled to any remuneration due his connection with the Manager.

Approval

The Directors' remuneration report was approved by the Board of Directors on 22 June 2010.

Ernest Fenton

Chairman

Report of the independent Auditors

To the members of Renaissance US Growth Investment Trust PLC

Independent Auditors' report to the members of Renaissance US Growth Investment Trust PLC

We have audited the financial statements of Renaissance US Growth Investment Trust PLC for the period ended 31 March 2010 set out on pages 30 to 56. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 19 to 24 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance Statement on page 19 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Salim Tharani
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
100 Temple Street
Bristol BS1 6AG
22 June 2010

Income statement

for the year ended 31 March 2010

	Notes	2010			2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value through profit or loss	7	–	22,256	22,256	–	(7,225)	(7,225)
Exchange gains/(losses) on capital items	7	–	189	189	–	(784)	(784)
Income	2	697	–	697	485	–	485
Investment management fee	3	(791)	–	(791)	(766)	–	(766)
Other expenses	4	(491)	–	(491)	(409)	–	(409)
(Loss)/gain before finance costs and taxation		(585)	22,445	21,860	(690)	(8,009)	(8,699)
Interest payable		(20)	–	(20)	(91)	–	(91)
(Loss)/gain after finance costs and before taxation		(605)	22,445	21,840	(781)	(8,009)	(8,790)
Taxation on ordinary activities	5	(25)	–	(25)	–	–	–
(Loss)/gain on ordinary activities after taxation for the financial year		(630)	22,445	21,815	(781)	(8,009)	(8,790)
Return per Ordinary share	6	(3.30)	117.63	114.33	(4.09)	(41.91)	(46.00)

The total column of this statement is the profit and loss account of the Company. The supplementary revenue return and capital return columns have been prepared in accordance with the AIC's SORP. Revenue and capital return per share figures shown are also supplementary information.

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

There are no recognised gains and losses other than those reflected in the Income statement for the year, accordingly no statement of recognised gains and losses has been prepared.

The notes on pages 34 to 56 form part of these accounts.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2010

	Share capital	Share premium account	Capital redemption reserve	Special reserve*	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2009	4,777	5,995	554	6,296	33,320	(3,471)	47,471
Fair value movement of investments [†]	–	–	–	–	28,034	–	28,034
Net losses on sales of investments [†]	–	–	–	–	(5,778)	–	(5,778)
Exchange gains on currency and capital items [†]	–	–	–	–	189	–	189
Cost of Share repurchase	(112)	–	112	(1,088)	–	–	(1,088)
Retained revenue deficit for the year	–	–	–	–	–	(630)	(630)
As at 31 March 2010	4,665	5,995	666	5,208	55,765	(4,101)	68,198

	Share capital	Share premium account	Capital redemption reserve	Special reserve*	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2008	4,777	5,995	554	6,296	41,329	(2,690)	56,261
Fair value movement of investments [†]	–	–	–	–	(5,340)	–	(5,340)
Net losses on sales of investments [†]	–	–	–	–	(1,885)	–	(1,885)
Exchange losses on currency and capital items [†]	–	–	–	–	(784)	–	(784)
Retained revenue deficit for the year	–	–	–	–	–	(781)	(781)
As at 31 March 2009	4,777	5,995	554	6,296	33,320	(3,471)	47,471

* The special reserve was created in September 1998, following a transfer from the share premium account, to enable the Company to purchase its own shares.

† See note 7 for further details.

The notes on pages 34 to 56 form part of these accounts.

Balance sheet

as at 31 March 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments at fair value through profit or loss	7	67,491	48,693
Current assets			
Debtors	8	630	225
Cash at bank		3,510	164
		4,140	389
Creditors – amounts falling due within one year			
Creditors and accruals	9	(336)	(280)
Revolving credit facility	10	(3,097)	(1,331)
		(3,433)	(1,611)
Net current assets/(liabilities)		707	(1,222)
Total net assets		68,198	47,471
Share capital and reserves			
Called up share capital	11	4,665	4,777
Share premium account		5,995	5,995
Capital redemption reserve		666	554
Special reserve		5,208	6,296
Capital reserve		55,765	33,320
Revenue reserve		(4,101)	(3,471)
Equity shareholders' funds		68,198	47,471
Net asset value per Ordinary share	14	365.50p	248.42p

These accounts were approved by the Board of Directors on 22 June 2010.

Ernest Fenton

Chairman

Renaissance US Growth Investment Trust PLC

Company number: 3150876

The notes on pages 34 to 56 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Investment income received		307	208
Deposit interest received		2	45
Other income received		–	10
Investment management fees paid		(742)	(799)
Secretarial fees paid		(64)	(56)
Other cash payments		(430)	(349)
Net cash outflow from operating activities	12	(927)	(941)
Servicing of finance			
Loan interest paid		(20)	(91)
Taxation			
Irrecoverable overseas tax		(18)	(1)
Total taxation paid		(18)	(1)
Capital expenditure and financial investment			
Purchases of investments		(7,729)	(13,940)
Sales of investments		11,183	10,946
Purchases of treasury bills		–	(4,430)
Sales of treasury bills		–	4,742
Net cash inflow/(outflow) from capital expenditure and financial investment		3,454	(2,682)
Financing			
Repurchase of Ordinary shares for cancellation		(1,088)	(125)
Loan margin drawdown		3,097	4,347
Loan margin repayment		(1,331)	(3,016)
Net cash inflow from financing		678	1,206
Increase/(decrease) in cash	13	3,167	(2,509)

The notes on pages 34 to 56 form part of these accounts.

Notes to the accounts

for the year ended 31 March 2010

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of fixed asset investments, and in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice ("SORP") regarding the Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies ("AIC") in January 2009. All the Company's activities are continuing. The accounts are prepared on the going concern basis which assumes that the Ordinary Resolution for the continuation of the Company will be passed at the forthcoming Annual General Meeting.

Investments

Financial assets are designated by the Company as at fair value through profit or loss. Purchases and sales of financial assets are recognised on the trade date, which is when the Company commits to purchase, or sell the assets.

After initial recognition, the Company measures financial assets designated as at fair value through profit or loss, at fair values without any deduction for transaction costs it may incur on their disposal. The fair value of quoted financial assets is their last traded price at the balance sheet date.

Unlisted investments are valued by the Directors as follows:

- Where possible, unlisted equity investments are included at fair value based on the last arms length transaction that has taken place in the security held by the Company. This price is reviewed by the Directors at year end to ensure that there has not been a significant alteration in the market or stock specific conditions since the transaction date that would make the use of the transaction price insufficiently recent. Where there have been such alterations the investment is valued using an alternative valuation technique as more fully described below.
- Unlisted convertible debentures investments and unlisted convertible preferred stock of companies with a quoted common stock are valued by reference to the fair value of the underlying equity of the investments only if conversion terms are satisfied. When the conditions are satisfied the closing last traded price of the common stock is used to value the position. Otherwise the valuation is based on an alternative valuation technique as described below.
- For ordinary unlisted debentures an estimate of the fair value is derived based on a discounted cashflow analysis. In performing the analysis the Directors estimate the cashflows they expect to arise from holding the investment. The Directors also estimate an appropriate discount factor to apply to the investment. The Directors then estimate the fair value of the investment based on the expected cashflows and the discount factor they have identified.
- Alternative valuation techniques include peer based multiples. In performing a peer multiple based valuation the Directors identify quoted companies with similar characteristics to the security being valued. The peer group is selected by matching the geographical coverage of the company, its financial profile and nature of the sector in which it operates with publicly listed companies that exhibit similar characteristics. The last twelve months' financial information is used to derive valuation multiples (Revenue, EBIT, EBITDA and P/E) for each of the peer companies. A median multiple is calculated for each type of multiple. This is applied to the data point of the investee company (revenue, EBIT, EBITDA and EPS) to generate a value range. The Directors then select the value they consider the most appropriate within the range of possible valuations identified by the alternative valuation technique.

1 ACCOUNTING POLICIES *(continued)*

- Unlisted warrant investments are valued at fair value using the Black Scholes methodology which includes a time value which is calculated and added to the intrinsic value to arrive at a total valuation for each warrant. The Black Scholes pricing formula requires 5 inputs: (i) stock price (ii) exercise price, (iii) time to expiration, (iv) volatility and (v) interest rates. The stock price, exercise price and time to maturity are straightforward inputs. The interest rate is a risk free rate represented by the yield on a US Treasury security for a term that corresponds to the time to expiration of the subject warrant.

The application of the Black Scholes methodology requires certain assumptions to be made around the volatility of the underlying shares to which the warrants subscribe. The Directors have agreed that the Company use the 100 day volatility measure of the Russell 2000 Index to give the best reflection of fair value.

Investment transactions are recognised on the date that they are traded.

Realised gains and losses arising from the sale of investments, and gains and losses arising from changes in the fair value of financial assets held at fair value through profit or loss, are included in the Income statement in the period in which they arise. Gains and losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss include interest income.

Gains and losses arising from changes in the fair value of financial assets are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the balance sheet date. Fair value gains on unlisted investments are not considered to be readily convertible to cash and therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding.

There is a degree of uncertainty in determining the fair values ascribed in the unlisted investments held by the Company and the Directors have used their judgement in determining the most appropriate methodology and valuation for each unlisted investment. These estimates may differ significantly to the values that might have been used if an active market existed.

Where investments in a company have been valued at nil, the loss has been charged to the capital reserve. Other than as stated above, any unrealised profits and losses are taken directly to the capital reserve. Any realised profits and losses arising on the disposal of investments are also taken directly to the capital reserve.

Income recognition

Dividends receivable on quoted shares are included in the accounts when the investments concerned are quoted 'ex-dividend'. Dividends receivable on such shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Interest receivable is included on an accruals basis.

The ordinary element of stocks received in lieu of dividends is recognised as income of the Company. Any enhancement above the equivalent value of the cash dividend that would have been receivable is treated as a capital gain on the associated investment.

Management expenses and finance costs

Management expenses and finance costs are allocated in full to the revenue account. The investment management performance fee, which is based on capital performance, is charged to capital (see note 3).

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

1 ACCOUNTING POLICIES (*continued*)

Foreign currency

Transactions denominated in foreign currencies are converted to Sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

Taxation

No taxation liability arises on gains from sales of fixed asset investments made by the Company by reason of its investment trust status. However, the net revenue (excluding UK dividend income and overseas dividend income from 1 July 2009) accruing to the Company is liable to corporation tax at the prevailing rates.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard No.19: Deferred Tax.

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments*;
- changes in fair value of investments held which are readily convertible to cash, without accepting adverse terms*;
- realised exchange differences of a capital nature*;
- other capital charges and credits charged or credited to this account in accordance with the above policies*;
- changes in fair value investments held which are not readily convertible to cash, without accepting adverse terms;
- unrealised exchange differences of a capital nature.

* Items classified as distributable to shareholders for the purpose of purchasing the Company's own shares for cancellation.

2 INCOME	2010	2009
	£'000	£'000
Income from US investments		
Government stocks	–	1
Convertible debenture stocks – unlisted	412	205
Convertible debenture stocks – unlisted (reinvested)	148	176
Convertible preference shares – unlisted	17	60
Common Stock – listed	118	–
	695	442
Other income		
Bank interest receivable	2	33
Other income receivable	–	10
	697	485
Total income		
	697	485
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	135	60
Interest from financial assets designated at fair value through profit or loss	560	382
Deposit interest from financial assets not at fair value through profit or loss	2	33
Other income not from financial assets	–	10
	697	485

3 INVESTMENT MANAGEMENT FEE	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	791	–	791	766	–	766

Investment management services are provided by RENN Capital Group Inc., whose fees are calculated at 0.125% per calendar month of the total net assets of the Company as adjusted for any uninvested cash or 'near cash' investments. As at 31 March 2010, the Company held no investments in USA Treasury Bills (2009: nil), and cash at bank of £3,510,000 (2009: £164,000).

The Manager is also entitled to a performance fee in accordance with the provisions of the management agreement, the calculation of which is described in the Report of the Directors on page 18. No performance fee is due in respect of the year ended 31 March 2010 (2009: nil).

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

4 OTHER EXPENSES	2010	2009
	£'000	£'000
Secretarial services	65	56
Auditor's remuneration – for audit	36	34
– for other services to the Company	5	4
Directors' remuneration (see pages 27 and 28)	93	89
Other expenses	292	226
	491	409

Total fees paid to the auditors for the year, all of which were charged to revenue, comprised:

Audit services – statutory audit – current year	36	34
Tax services – compliance services	5	4
	41	38

The Directors do not consider that the provision of non-audit work to the Company affects the independence of the Auditor.

5 TAXATION ON ORDINARY ACTIVITIES

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
(a) Analysis of charge in year:						
Based on net return for the year						
Overseas tax suffered	25	–	25	–	–	–

(b) Factors affecting the current tax charge:

The tax assessed on the net return for the year is different to the standard rate of corporation tax of 28% (2009: 28%). The differences are reconciled below:

	2010	2009
	£'000	£'000
Return on ordinary activities before tax	21,840	(8,790)
Theoretical tax at UK corporation tax rate of 28% (2009: 28%)	6,115	(2,461)
Effects of:		
(Gains)/losses on investments and exchange (gains)/losses on capital items	(6,285)	2,243
Expenses not deductible for tax purposes	21	18
Irrecoverable overseas tax	25	2
Excess management expenses for tax purposes	151	214
US Scrip dividends not taxable	(1)	(14)
Dividends not taxable post 1 July 2009	(1)	–
Exchange rate gain on withholding tax debtor	–	(2)
Total current tax charge	25	–

5 TAXATION ON ORDINARY ACTIVITIES *(continued)*

The Company is subject to corporation tax at 28% (2009: 28%). However, the available tax deductible expenses (including substantial brought forward amounts) exceed the taxable income of the Company and, as a result, there is no UK tax charge (2009: £nil), other than withholding tax suffered on foreign dividends receipts.

At 31 March 2010, the Company had excess management expenses for tax purposes of £10,943,000 (2009: £10,069,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in future periods in excess of the deductible expenses of those future periods and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

After allowing for accrued taxable income at the year end, the Company has eligible unrelieved foreign tax of nil (2009: £20,000) that is available to offset against tax chargeable on future taxable overseas revenue. No deferred tax asset has been recognised in respect of these amounts as they will only be recoverable to the extent that there is sufficient future taxable overseas revenue, not relieved by future eligible foreign tax suffered.

6 RETURN PER ORDINARY SHARE

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence
Basic	(3.30)	117.63	114.33	(4.09)	(41.91)	(46.00)

Revenue return per Ordinary share is based on the net deficit on ordinary activities after taxation of £630,000 (2009: deficit of £781,000) and on 19,080,652 (2009: 19,109,008) Ordinary shares, being the average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on a net capital profit for the year of £22,445,000 (2009: £8,009,000 loss), and on 19,080,652 (2009: 19,109,008) Ordinary shares, being the average number of Ordinary shares in issue during the year.

7 INVESTMENTS

	2010	2009
	£'000	£'000
a) Investment portfolio summary		
Listed investments		
– Equities	47,008	31,386
– Warrants	58	–
Unlisted investments		
– Equities	938	2,549
– Convertible debenture stocks	1,720	2,560
– Loan notes	2,637	3,621
– Convertible preference shares	14,599	7,638
– Warrants	531	939
	67,491	48,693

Listed equity makes up 70% (2009: 65%) of the total portfolio and 69% (2009: 66%) of the net assets.

For the purpose of the investment policy section concerning the exposure to unlisted securities not being expected to exceed 25% the Manager excludes Convertible debenture stocks and Warrants as these investments are readily convertible into listed equity.

The Manager has procedures in place to ensure this exposure does not exceed 25% for any prolonged period, although the Manager's ability to bring the percentage down will depend on a number of circumstances many of which are beyond its control.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

7 INVESTMENTS (*continued*)

	2010		
	Listed	Unlisted	Total
	£'000	£'000	£'000
b) Analysis of investment portfolio movements			
Opening book cost	34,377	20,372	54,749
Opening fair value adjustment	(2,992)	(3,064)	(6,056)
Opening valuation	31,385	17,308	48,693
Movements in the year:			
Purchases at cost	6,067	1,811	7,878
Transfer between listed/unlisted	1,199	(1,199)	–
Sales			
– Proceeds	(7,121)	(4,215)	(11,336)
– Realised losses on sales	(1,042)	(4,736)	(5,778)
Changes in fair value	16,578	11,456	28,034
Closing valuation	47,066	20,425	67,491
Closing book cost	33,480	12,033	45,513
Closing fair value adjustment	13,586	8,392	21,978
	47,066	20,425	67,491

During the year, the Company incurred transaction costs of £17,000 on purchases of investments and £46,000 on sales of investments. These are included within losses on investments in the Income statement.

	2010	2009
	Total	Total
	£'000	£'000
c) Analysis of capital gains and losses		
Net gains/(losses) on investments designated at fair value through profit or loss on initial recognition		
Realised losses on sales	(5,778)	(1,885)
Changes in fair value	28,034	(5,340)
	22,256	(7,225)
Exchange gains/(losses) on capital items	189	(784)

7 INVESTMENTS (continued)

d) Fair value gains and losses

With effect from 1 April 2008, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, at the balance sheet date are considered to be realised. Fair value gains on unlisted investments are not treated as readily convertible to cash, whereas the treatment of fair value gains on listed investments depends on the individual circumstances of each investment.

During the year there were no material disposals of unlisted investments.

e) Unlisted securities

Details of material investments in unlisted securities are as follows:

	Total	Carrying value at 31 March 2010	Carrying value at 31 March 2009	Net income from investment	Latest accounts for year end	Aggregate capital and reserves	Profit/(loss) after tax for year
Investment	cost	2010	2009			and	
	£'000	£'000	£'000	£'000		US\$'000	US\$'000
AnchorFree – Convertible preference	1,287	10,720	1,112	–	31/12/2009	2,753	966
AuraSound – Warrants	–	110	–	–	31/12/2009	(5,326)	(2,325)
Business Process Outsourcing							
– Convertible preference	11	52	55	–	31/12/2009	12,769	5,281
CaminoSoft – Warrants	–	–	–	–	31/12/2009	–	122
CNC Development							
– Convertible preference	1,811	547	2,093	–	31/03/2009	18,368	3,560
China Greenscape – Convertible preference	1,650	3,203	2,267	–	31/12/2009	93,960	20,530
Cover-All Technologies – Warrants	–	28	21	–	31/12/2009	11,502	3,917
Duoyuan Printing (was Asian Financial)							
– Warrants	–	253	76	–	31/12/2009	188,360	29,365
Dynamic Green Energy	2,031	2,637	2,791	–	31/12/2009	17,337	(8,063)
BPO Management Services (Healthaxis)							
– Preference shares	1,733	100	96	–	30/09/2009	(2,070)	(24,302)
iLinc Communications							
– Convertible debenture	354	231	349	60	31/03/2009	1,970	(2,078)
– Convertible preference	124	25	22	10	31/03/2009	1,970	(2,078)
Integrated Security Systems							
– Preference shares	45	1	3	–	31/12/2009	1,539	6,376
– Warrants	–	–	–	–	31/12/2009	1,539	6,376
Murdoch Security & Investigations							
– Common stock	621	886	924	–	30/09/2009	1,214	(343)
– Warrants	–	20	318	–	30/09/2009	1,214	(343)
PetroHunter – Convertible debenture	961	540	502	171	31/12/2009	(65,110)	(116,136)
– Warrants	–	–	–	–	31/12/2009	(65,110)	(116,136)
Pipeline Data – Convertible debenture	825	949	1,191	172	31/03/2009	(11,269)	(36,499)
Ronco – Convertible preference	581	3	4	–	31/12/2006	4,264	(53,836)
Riptide Worldwide – Warrants	–	–	14	–	30/09/2008	(12,251)	(13,772)

Notes to the accounts

for the year ended 31 March 2010 (continued)

7 INVESTMENTS (continued)

Investment	Carrying value at		Carrying value at 31 March 2009	Net income from investment	Latest accounts for year end	Aggregate capital and reserves	Profit/(loss) after tax for year
	Total cost	31 March 2010					
	£'000	£'000	£'000	£'000		US\$m	US\$m
Shengtai Pharmaceuticals – Warrants	–	2	33	–	31/12/2009	47,168	(984)
SinoHub – Warrants	–	118	460	–	31/12/2009	41,652	12,364
Symbollon Pharmaceuticals – Warrants	–	–	–	–	31/12/2009	(335)	(692)
Terra Nova Financial Group – Warrants	–	–	8	–	31/12/2009	18,182	(13,211)

f) Significant interests

The following are investments in which the Company has an interest exceeding 20% of the nominal value of that class in the investee company.

Investment	Country of registration	Class of capital	% of class held
AnchorFree	US	Series B Convertible Preferred	42.0%
CaminoSoft Corporation	US	Common stock	38.2%
PetroHunter Energy Corporation	US	8.5% Convertible Debenture	28.6%
Cover-All Technologies Inc.	US	Common stock	24.5%
Integrated Security Systems Inc.	US	Common stock	21.3%
CNC Development Ltd.	US	Series C Preferred	20.6%

7 INVESTMENTS *(continued)*

The Company holds more than 20% of the common stock of Integrated Security Systems, Cover-All Technologies and CaminoSoft Corporation. The investments in these companies are not held on a long term basis and although they are greater than 20%, their value to the Company is their marketable value, as a part of the overall investment portfolio. Accordingly they have not been accounted for as associate companies.

In addition to the above, the Company has a holding of 3% or more that is material in the context of the accounts in the following investments:

Investment	Country of registration	Class of capital	% of class held
Murdoch Security & Investigations, Inc.	US	Common stock	17.4%
China Greenscape Co., Ltd.	US	Series C Preferred	13.0%
Dynamic Green Energy	US	7% Convertible Loan	11.4%
iLinc Communications, Inc.	US	Debenture – 12%	9.8%
BPO Management Services, Inc.	US	Series D-2 Preferred	8.9%
BPO Management Services, Inc.	US	Series D Preferred	8.9%
Hemobiotech Inc.	US	Common stock	8.7%
iLinc Communications, Inc.	US	Convertible Preferred – 8%	8.5%
Skystar Bio Pharmaceutical Company	US	Common stock	8.3%
Integrated Security Systems Inc.	US	Conv. Preferred, 9%	8.2%
AnchorFree	US	Series A Convertible 7% Preferred	8.0%
AuraSound, Inc.	US	Common stock	7.1%
Global Axxess Corp.	US	Common stock	7.1%
Bovie Medical Corp.	US	Common stock	5.6%
PHC, Inc.	US	Common stock	5.5%
SinoHub, Inc.	US	Common stock	5.2%
Riptide Worldwide, Inc.	US	Common stock	4.1%
Pipeline Data, Inc.	US	8% Convertible Debenture	4.0%
Access Plans USA, Inc.	US	Common stock	3.3%
Shengtai Pharmaceutical Inc.	US	Common stock	3.3%
Merriman Curhan Ford Group, Inc.	US	Common stock	3.2%

A full listing of the investment portfolio is provided on pages 11 to 13.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

8 DEBTORS – amounts falling due within one year	2010	2009
	£'000	£'000
Due from sales of investments	206	41
Accrued income	379	141
Prepayments and other debtors	45	43
	630	225

The carrying amount for prepayments, accrued income and dividends receivable disclosed above reasonably approximates to its fair value at the year end and is expected to be realised within a year from balance sheet date.

9 CREDITORS – amounts falling due within one year	2010	2009
	£'000	£'000
Accruals	333	280
Accrued margin interest	3	–
	336	280

At 31 March 2010, £5,800 was due for payment to the Company Secretary (2009: £4,700).

At 31 March 2010, £224,000 was due for payment to the Manager (2009: £176,000) in respect of investment management fees and nil (2009: nil) in respect of the performance fee.

The carrying amount for accruals and deferred income disclosed above reasonably approximates to its fair value at the year end and is expected to be realised within a year from the balance sheet date.

10 REVOLVING CREDIT FACILITY	2010	2009
	£'000	£'000
Falling due within one year	3,097	1,331
	3,097	1,331

The Company has a Revolving Credit Facility with Salomon Smith Barney.

As at 31 March 2010, \$4.7 million (2009: \$1.9 million) was drawn down which has an interest rate of 2.665%*. The Company was able to borrow a further \$3.5 million (31 March 2009: \$3.7 million).

* Including margin and mandatory costs.

11 CALLED UP SHARE CAPITAL	2010	2009
	£'000	£'000
Authorised:		
40,000,000 Ordinary shares of 25p each	10,000	10,000
Alotted, called up and fully paid:		
18,659,008 (2009: 19,109,008) Ordinary shares of 25p each	4,665	4,777

On 9 March 2010, the Company repurchased 450,000 Ordinary shares, for cancellation, at a cost of £2.40 per share and a total consideration of £1,088,000 (including stamp duty and commission).

The Company does not have any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective.

12 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2010	2009
	£'000	£'000
Net return before finance costs and taxation	21,860	(8,699)
Net capital return	(22,445)	8,009
Stock dividends/interest received	(150)	(226)
Increase/(decrease) in creditors and accruals	56	(29)
(Increase)/decrease in prepayments and accrued income	(248)	4
Net cash outflow from operating activities	(927)	(941)

13 RECONCILIATION OF NET CASH FLOW TO NET FUNDS	2010	2009
	£'000	£'000
Increase/(decrease) in cash in the year	3,167	(2,509)
Effect of exchange rate movements	179	(829)
Movement in net funds	3,346	(3,338)
Net funds at beginning of year	164	3,502
Net funds at end of year	3,510	164

Net funds are comprised as follows:

	2010	2009
	£'000	£'000
Cash at bank	3,510	164
Net funds at 31 March	3,510	164

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

14 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per Ordinary share is based on net assets of £68,198,000 (2009: £47,471,000) and on 18,659,008 (2009: 19,109,008) Ordinary shares, being the number of shares in issue at the year end.

There are no dilutive elements or potentially dilutive elements in existence at the year end (2009: none).

15 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2010 there were no outstanding commitments or contingent liabilities (2009: none).

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

As detailed on the first page of this report, the primary investment objective of the Company is to achieve capital growth and outperform its benchmark, the Russell 2000 Index. This is principally achieved by investing primarily in privately placed common stock, preferred stock and convertible debentures of US quoted companies, and from time to time in unlisted US companies.

The Company's principal financial instruments comprise securities, warrants, other investments, bank deposits and bank borrowings which are held to achieve its investment objective and to manage the Company's funding and liquidity requirements. The Company has other financial assets and liabilities such as debtors and creditors that arise from its operations, for example sales and purchases of securities awaiting settlement and debtors of accrued income.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

The principal risks the Company faces through the holding of financial instruments are:

- market risk, comprising currency risk, interest rate risk and other price risk;
- liquidity/marketability risk; and
- gearing.

The Company does not enter into derivative contracts.

The Manager monitors the financial risks affecting the Company on a daily basis. The Directors receive financial information on a monthly basis which is used to identify and monitor risk.

As required by Financial Reporting Standard No.29: Financial Instruments: Disclosure; an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given on pages 47 to 56.

Market risk

The Company's strategy on the management of investment risk is driven by the Company's investment objective. The Manager monitors the financial risks affecting the Company on a daily basis in accordance with the policies and procedures in place. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews the investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the Russell 2000 Index. Investments are selected based upon the merits of individual companies and therefore the portfolio may well diverge from the short term fluctuations of the benchmark.

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)**Financial assets**

All financial assets are stated in sterling and disclosed at fair value through profit or loss.

Analysis of the Company's investment portfolio is given on pages 11 to 13.

Further details of warrants held are given below.

	Intrinsic Value	Time Value	Total Value	Expiry Date
	£'000	£'000	£'000	
AuraSound	99	10	109	07/06/2014
CaminoSoft	–	–	–	21/02/2011
Celsia Technologies	–	–	–	11/07/2010
Celsia Technologies	–	–	–	11/07/2010
Cover-All Technologies	28	–	28	09/05/2011
Duoyuan Printing (formerly Asian Financial)	238	15	253	30/06/2013
Integrated Security Systems	–	–	–	13/10/2010
Murdoch Security & Investigations	–	7	7	03/07/2012
Murdoch Security & Investigations	–	7	7	27/11/2012
Murdoch Security & Investigations	–	7	7	25/02/2013
PetroHunter Energy Corporation	–	–	–	05/11/2012
Riptide Worldwide	–	–	–	10/07/2012
Shengtai Pharmaceuticals	–	2	2	15/05/2012
SinoHub	35	83	118	08/09/2013
Symbollon Pharmaceuticals	–	–	–	30/06/2011
Symbollon Pharmaceuticals	–	–	–	27/09/2012
Terra Nova Financial Group	–	–	–	15/03/2011
Value at 31 March 2010	400	131	531	

As discussed in the accounting policies of the Company in note 1 on page 35, unquoted warrants are valued at fair value using the Black Scholes methodology, which includes a time value which is calculated and added to the intrinsic value to arrive at the total valuation for each warrant. The intrinsic value is calculated by reference to the quoted price of the investment into which the warrant will convert and the conversion price for each warrant.

The Black Scholes pricing formula requires five inputs: (i) stock price, (ii) exercise price, (iii) time to expiration, (iv) volatility and (v) interest rate. The stock price, exercise price and time to maturity are straight forward. Volatility is measured by the volatility on the 100 day Russell 2000 Index. The interest rate is a risk free rate (represented by the yield on a US treasury security) for a term that corresponds to the time to expiration of the subject warrant.

The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in note 1 on pages 34 and 35. Cash and trade debtors arising from the operations of the Company as at 31 March 2010 amounted to £3,510,000 (2009: £164,000) and £630,000 (2009: £225,000) respectively.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (*continued*)

Foreign currency risk

Due to the Company's holdings being wholly overseas, the Company is also exposed to the risk of movement in the Sterling/Dollar exchange rate. The Company does not, nor does it intend to, hedge the portfolio against any movement in the exchange rate.

The Manager monitors the exposure to foreign currencies on a daily basis and reports to the Directors on a regular basis. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed.

The Company settles its investment transactions from its bank accounts in US Dollars. In the year ended 31 March 2010, exchange gains of £189,000 (2009: losses £784,000) relating to currency, have been taken to the capital reserve.

The primary currency risk is between Sterling and US Dollars. The fund also invests in US listed companies with operations in China and therefore has exposure to the Renminbi. This exposure to the Renminbi is an indirect exposure through holding US listed investments.

The Directors consider currency risk, but have stated in their investment objective that it is not their intention to hedge currency risk between the US Dollar and Sterling.

The Manager's risk assessment policy is reflected in its investment strategy. In order to protect against inflation and grow capital the fund invests in small companies that it believes will grow into larger companies, with the intention of increasing the value of the investment.

The currency profile of the Company's fixed interest financial assets at 31 March was as follows:

As at 31 March 2010	Investment portfolio	Cash	Other current assets	Financial assets	Financial liabilities
	£'000	£'000	£'000	£'000	£'000
Sterling	–	28	45	73	81
USA \$	66,546	3,482	585	70,613	3,352
Canada \$	945	–	–	945	–
	67,491	3,510	630	71,631	3,433
As at 31 March 2009 (restated)*	Investment portfolio	Cash	Other current assets	Financial assets	Financial liabilities
	£'000	£'000	£'000	£'000	£'000
Sterling	–	6	36	42	94
USA \$	47,354	158	189	47,701	1,517
Canada \$	1,339	–	–	1,339	–
	48,693	164	225	49,082	1,611

The Company has a total exposure as a percentage of net assets to US Dollars of 99% (2009: 97%) and Canadian Dollars of 1% (2009: 3%).

* Restated to show the effect of sterling currency.

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)**Sensitivity analysis**

At 31 March 2010, had Sterling strengthened by 10% in relation to the US Dollar, with all other variables held constant, the net assets attributable to shareholders and the return for the year would have decreased by £6,115,000 (2009: £4,198,000). A 10% weakening of Sterling against the US\$ would have resulted in an equal but opposite effect.

Interest rate risk

The Company's portfolio is partially invested in interest bearing securities of various types (as set out below). At the time of investing, interest rates are fixed and as long as the security concerned remains unimpaired, cash flows will not be affected by movements in long-term interest rates. The Company also holds cash, in the short term, which it invests in money market accounts and government backed treasury bills. The interest rate received on these holdings is based on short term interest rates.

The Company's interest rate risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The overall interest rate risks are monitored on a regular basis by the Directors.

The cash held at Frost National Bank is invested in an institutional high quality commercial paper fund with a very low maturity structure which subjects the vehicle to reinvestment risk but immunises the fund from intermediate and long term interest rate risk.

The Directors consider interest rate risk as part of their overall assessment of risk in the portfolio.

The revolving credit facility with Salomon Smith Barney is a floating (or variable) rate facility (see note 10). The amounts of such borrowings are determined by the Manager and reviewed regularly by the Board.

Due to the short-term nature of the credit facility, changes in interest rates would not have an effect on the fair value of the loan.

The interest rate profile of the Company's fixed interest financial assets at 31 March was as follows:

	Value	Value	Weighted average interest rate	Weighted average period for which rates are fixed (years)
	US\$'000	£'000	%	
As at 31 March 2010				
US unlisted convertible debentures	2,609	1,720	1.0	0.1
US unlisted loan notes	4,000	2,637	1.0	0.2
US unlisted convertible preference shares	22,145	14,599	–	–
As at 31 March 2009				
US unlisted convertible debentures	3,670	2,560	2.3	0.2
US unlisted loan notes	5,190	3,621	2.3	0.5
US unlisted convertible preference shares	10,949	7,638	1.5	–

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (*continued*)

The maturity profile of assets held in the portfolio at 31 March was as follows:

	2010	2009
	£'000	£'000
Within one year	949	516
Within one to two years	2,868	1,191
Within two to three years	540	3,140
Within three to four years	–	502
Within four to five years	–	–
More than five years	–	–
	4,357	5,349
Investments with no maturity dates	63,134	43,344
	67,491	48,693

The remaining current assets of the Company of £4,140,000 (2009: £389,000) have no maturity date.

The Company finances its operations through equity, retained profits and bank borrowings (see note 10). The change in the fair value of financial liabilities during the year was not related to the credit risk profile.

The interest rate risk profile of the Company's financial liabilities as at 31 March 2010 is as follows:

	Amount	Period until	
	drawn	Total	maturity
		£000	(years)
Amounts drawn down under fixed revolving facility	\$4.7m	3,097	–
Financial liabilities upon which no interest is paid		336	–

The interest rate risk profile of the Company's financial liabilities as at 31 March 2009 was as follows:

	Amount	Period until	
	drawn	Total	maturity
		£000	(years)
Amounts drawn down under fixed revolving facility	\$1.9m	1,331	–
Financial liabilities upon which no interest is paid		280	–

The maturity profile of the Company's financial liabilities is as follows:

	As at	As at
	31 March 2010	31 March 2009
	£'000	£'000
In one year or less	3,433	1,611
In more than one year but no more than two years	–	–
In more than two years but no more than five years	–	–
	3,433	1,611

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES *(continued)*

The Company had \$3.5 million undrawn under the fixed Revolving Credit facility at 31 March 2010 (2009: \$3.7 million).

The Company's fixed revolving credit facility is measured at cost and denominated in US Dollars. All other financial liabilities are in Sterling and disclosed at fair value. It is considered that, because of the short-term nature of the facility, cost approximates to fair value.

Sensitivity analysis

A change in interest rates would have some impact on the fair value of warrants and debt instruments but the quantum of the impact is not easily measured.

Other price risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk) and represents the potential loss the Company may suffer in the light of adverse market price movements. Since the Company invests in financial instruments, this risk is inherent. The Company will always face uncertainty as to the future price of the financial instruments in which it is invested. The price of certain unquoted stocks is also affected by their relative illiquidity (see below).

The Board of Directors manage this risk by ensuring full and timely access to relevant information from the Investment Manager. The Directors monitor compliance with the Company's objectives and are directly responsible for investment strategy and asset allocation.

The investment strategy of the fund is a "bottom-up" approach, meaning the fund invests on the merits of each company rather than a "top down" approach which endeavours to have certain percentages of assets in given sectors.

See the Manager's review on pages 7 to 10 for discussion of investments made during the year. The method of valuing the investments is discussed in the accounting policies on pages 34 and 35.

Sensitivity analysis

A 10% increase in the market value of investments at 31 March 2010 would have increased net assets attributable to shareholders by £6,749,000 (2009: £4,869,000). An equal change in the opposite direction would have decreased the net assets attributable to shareholders by an equal but opposite amount.

Liquidity risk

The investments made by the Company are in smaller US companies. Although at the year end 70% of the portfolio (2009: 65%) is held in listed equity securities (see note 7), it should be recognised that the Company is exposed to liquidity risk as many of the portfolio holdings are relatively illiquid. The Manager could be unable to sell due to lack of trading volume. Any forced sales are likely to generate significantly lower proceeds than the valuations in the portfolio shown on pages 11 to 13.

Most investments, micro capitalisation and private placements in public equities investing involve liquidity risk. Most often the lack of liquidity is a function of the individual holding not meeting its business objectives. If a given company becomes successful, liquidity typically increases, when individual holdings fail, valuation and liquidity can decline to zero.

Credit risk

The carrying amounts of financial assets including cash balances best represent the maximum credit risk exposure of the Company as at the balance sheet date.

The Company is exposed to credit risk by way of its debenture loan notes and preference shares in the portfolio and any interest outstanding thereon, but the Directors do not consider there to be a major risk of material default on these items. They do recognise however that from time to time, default might occur.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (*continued*)

The Company's investments are held on its behalf by the Company's custodian Frost National Bank, acting as agent. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls report.

The banks at which cash are held are kept under constant review.

Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.

Short-term flexibility is achieved via the use of bank borrowings from the Company's rolling margin facility with Salomon Smith Barney. Liquidity risk is mitigated by the fact that funds can be drawn from this facility should the need arise.

The Company has the benefit of being a closed-end fund where assets do not need to be liquidated in order to meet redemptions.

The following table shows a breakdown of all financial assets susceptible to credit risk:

	2010	2009
	£'000	£'000
US unlisted convertible debentures:		
iLinc Communications	231	349
Integrated Security Systems	–	481
Obsidian Enterprises	–	37
PetroHunter Energy Corporation	540	502
Pipeline Data	949	1,191
Total US unlisted convertible debentures	1,720	2,560
US unlisted loan notes:		
CaminoSoft Corporation	–	279
Dynamic Green Energy	2,637	2,791
Integrated Security Systems – 7% convertible loan	–	84
Integrated Security Systems – 8% convertible loan	–	467
Total US unlisted loan notes	2,637	3,621

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

	2010	2009
US unlisted convertible preference shares:		
AnchorFree	10,720	1,112
China Greenscape Company	3,203	2,267
China New Cities Development	547	2,093
eOriginal Holdings	–	376
Healthaxis	100	96
HeySpace International	–	1,614
iLinc Communications	25	22
Integrated Security Systems	1	3
Riptide Worldwide	–	51
Ronco Corporation	3	4
Total US unlisted convertible preference shares	14,599	7,638
Debtors	630	225
Cash	3,510	164
	23,096	14,208

Financial liabilities

The Company finances its operations primarily through equity and retained profits, although trade creditors and accruals arise from its operations. At 31 March 2010, all financial liabilities are due within one year and are stated at fair value.

The Company also has a margin facility which attracts interest at a variable rate. The maximum draw down available is 40% of the value of the securities nominated as collateral. At 31 March 2010, eight securities were nominated and a draw down of \$8.2 million was available (31 March 2009: \$5.6 million) of which \$4.7 million was utilised (31 March 2009: \$1.9 million). The facility is a rolling facility and therefore does not have a renewal date.

The securities nominated as collateral are:

Global Sources
Hollysys Automation Technologies
Bovie Medical Corporation
COGO Group
Hambrecht Asia (common stock and warrants)
SkyPeople Fruit Juice
Skystar Bio-Pharmaceuticals

The carrying amount of these assets nominated as collateral is \$20.5 million.

As the facility is drawn in US Dollars, the Company is subject to currency exchange gains and losses.

The maturity profile of the company's financial liabilities are all due within one year or less.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (*continued*)

Fair value hierarchy disclosures

The Company has adopted the amendment to FRS 29, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Quoted prices provided by external pricing services, brokers and vendors are included in Level 1, if they reflect actual and regularly occurring market transactions on an arms length basis.

- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 2 inputs include the following:

- quoted prices for similar (ie not identical) assets in active markets.
 - quoted prices for identical or similar assets or liabilities in markets that are not active. Characteristics of an inactive market include a significant decline in the volume and level of trading activity, the available prices vary significantly over time or among market participants or the prices are not current.
 - inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals).
 - inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date, without adjustment for transaction costs necessary to realise the asset.

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

The table below sets out fair value measurements of financial assets in accordance with the IFRS fair value hierarchy system:

Financial assets at fair value through profit or loss at 31 March 2010	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Equity investments	47,946	46,557	938	451
Convertible debenture shares	1,720	–	–	1,720
Loan notes	2,637	–	–	2,637
Convertible preference shares	14,599	–	675	13,924
Warrants	589	58	531	–
Total	67,491	46,615	2,144	18,732

Financial liabilities at fair value through profit or loss at 31 March 2010	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Revolving credit facility	3,097	3,097	–	–
Total	3,097	3,097	–	–

There are no other financial assets or liabilities other than those disclosed above. Trade receivables consist purely of accrued income and prepayments and trade payables consist purely of accruals and are not restated at fair value. Cash is also not restated at fair value.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Company does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. New investments are initially carried at cost, for a limited period, being the price of the most recent investment in the investee. This is in accordance with IPEVC Guidelines as the cost of recent investments will generally provide a good indication of fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no transfers between levels for the year ended 31 March 2010.

Notes to the accounts

for the year ended 31 March 2010 (*continued*)

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (*continued*)

The following table presents the movement in level 3 instruments for the period ended 31 March 2010:

Company	Convertible			Convertible		Warrants
	Total	Equity investments	debenture shares	Loan notes	preference shares	
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	10,513	610	2,677	3,468	3,758	–
Purchases	34	34	–	–	–	–
Sales – proceeds	–	–	–	–	–	–
Transfers	–	2,059	(884)	(1,130)	(45)	–
Total (losses)/gains for the year included in the income statement	8,185	(2,252)	(73)	299	10,211	–
Closing balance	18,732	451	1,720	2,637	13,924	–

The Directors are required under FRS 29 to provide further information on holdings categorised as Tier 3 in the Table above to illustrate a range of values for these positions which might be obtainable in certain circumstances. The holdings categorised by the Directors as Tier 3 are as follows:

AnchorFree	iLinc
CaminoSoft Corporation	Integrated Security Systems, Inc
China Greenscape	PetroHunter
Dynamic Green Energy	Pipeline Data

The Directors show the holdings at what they believe to be fair value, of £18.7 million. There is clearly considerable uncertainty as to whether this valuation could be realised in all market circumstances. Values realised on sale could be lower or higher than fair value. The most significant inputs used to derive the various valuations are the operational forecasts and the discount rate applied to future cash flows. Using reasonably possible alternative assumptions, including the valuation reports conducted on Anchorfree and commented on elsewhere in this annual report, gives an aggregate range of values for these positions from 60% to over 200% of the figure reported for all the holdings in Tier 3.

17 RELATED PARTY TRANSACTIONS

The Manager, RENN Capital Group, Inc., is regarded as a related party of the Company. The amounts paid to the Manager are disclosed in note 3. The relationships between the Company, its Directors and the Manager are disclosed in the Report of the Directors.

Mr Cleveland is a director of CaminoSoft Corporation, Cover-All Technologies, Inc., Integrated Security Systems, Inc. and BPO Management Services, Inc. Details of the Company's holdings in these investments are disclosed in the Manager's review on pages 7 to 10 and in the Investment portfolio on pages 11 to 13. At the year end accrued interest of £nil (2009: £41,000) was due from these holdings. Of these directorships, Mr Cleveland received fees from Cover-All Technologies, amounting to £33,000 per annum of which 50% is in cash and 50% is in stock.

Together with the Company's holdings in CaminoSoft Corporation and Integrated Security Systems, Inc., the holdings held by RENN Capital Group, Inc. in total are in excess of 50%.

Glossary of terms

Net asset value (“NAV”)

The NAV is the shareholders’ funds expressed as an amount per individual share. Shareholders’ funds are the total value of a company’s assets, at current market value, less its liabilities.

Discount

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Gearing

Gearing is the process whereby capital growth and income to the ordinary shareholders of a trust are boosted by borrowings, which provide scope for additional investment but which carry a fixed liability. The return on this extra investment minus the cost of borrowing the money gives the shareholder an enhanced or geared profit or loss.

Total return

The combined effect of any dividends paid, together with the rise or fall in the NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Company information

Directors

Ernest J Fenton (Chairman) (UK)
Andrew C Barker (UK)
Steven A R Bates (UK)
G Russell Cleveland (USA)
Alexandra J Mackesy (UK)
William W Vanderfelt (Switzerland)

Secretary and Registered Office

Capita Sinclair Henderson Limited
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Tel: 01392 412122
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Manager

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Tel: 001 214 891 8294
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www.rencapital.com

Corporate website

www.renaissanceusgrowth.co.uk

Custodian (USA)

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Suite 540
Dallas, Texas
USA

Stockbrokers

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
EC4R 2GA

Auditor

KPMG Audit Plc
Chartered Accountants
100 Temple Street
Bristol BS1 6AG

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300 – calls cost 10 per minute plus network
extras (or 0044 208 639 3399 for overseas enquiries)
email: ssd@capitaregistrars.com
www.capitaregistrars.com

Sources of further information

The Company's share price is listed in the Financial Times and Daily Telegraph under "Investment Companies". Copies of the Company's annual and half-yearly reports, stock exchange announcements and further information on corporate governance can be obtained from the Company's website, as detailed above.

Key dates

March	Company year end
May/June	Annual results
July	AGM
November	Half-yearly results
February/September	Interim management statements

Frequency of NAV Publication

The Company's net asset value is released to the London Stock Exchange on a bi-weekly basis and is published on the Company's and the Manager's websites, as detailed above.

Further copies of the Annual Report may be obtained from the Secretary.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Renaissance US Growth Investment Trust PLC will be held at the offices of the Association of Investment Companies, 9th Floor, 24 Chiswell Street, London EC1Y 4YY at 11.00am on Friday, 30 July 2010 for the following purposes:

Ordinary business

1. To receive and, if approved, adopt the accounts for the year ended 31 March 2010, together with the Reports of the Directors and Auditor thereon.
2. To receive and, if thought fit, to accept the Directors' remuneration report for the year ended 31 March 2010.
3. To re-elect Mr Barker as a Director of the Company.
4. To re-elect Mr Cleveland as a Director of the Company.
5. To re-elect Mr Fenton as a Director of the Company.
6. To re-elect Mr Vanderfelt as a Director of the Company.
7. To appoint Mrs Mackesy as a Director of the Company.
8. To re-appoint KPMG Audit Plc as Auditors to the Company, to hold office from the conclusion of this Meeting until the next General Meeting, and to authorise the Directors to determine its remuneration.

Special business

To consider, and if appropriate to pass, the following resolutions, resolutions 10, 11 and 13 as Special Resolutions and resolutions 1 to 9 and 12 as Ordinary Resolutions.

9. THAT, (i) the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,554,917 (being one third of the current issued share capital) provided that this authority shall expire on the earlier of the date which is 15 months after the date on which this resolution is passed and the next Annual General Meeting of the Company after the passing of this resolution, but so that this authority shall allow the Company, acting by its Directors, to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry; (ii) all authorities previously conferred under section 551 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and (iii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.
10. THAT, subject to and conditional upon the passing as an ordinary resolution of the resolution numbered 9 set out in the notice convening the meeting to which this resolution is being put, the Directors be and they are hereby empowered, pursuant to section 571 and section 573 of the Companies Act 2006 (the Act), to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred by the previous resolution as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (i) which are, or are to be, wholly paid up in cash up to an aggregate nominal value of £466,475 at a price of not less than the net asset value per Ordinary share as at the most recent practicable date, as determined by the Directors, (being 10% of the current issued share capital as the date of this notice of meeting, being the most reasonable practical date);

Notice of Annual General Meeting

(continued)

- (ii) (otherwise than pursuant to sub-paragraph (i) above) in connection with issues by way of rights in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them or are otherwise allotted in accordance with the rights conferred on such equity securities (but subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and shall expire on the earlier of the date which is 15 months after the date on which this resolution is passed and the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry;
 - (iii) all powers previously conferred under sections 570 and 573 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and
 - (iv) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.
11. THAT, the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 163 of the said Act) of shares provided that:
- (i) the maximum number of Ordinary shares of 25p each ("Shares") hereby authorised to be purchased is 2,796,985;
 - (ii) the minimum price which may be paid for a share shall be 25p;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than the higher of 5% above the average of the market value of the shares as quoted on the Official List of the London Stock Exchange for the 5 business days before the purchase is made and the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions from buyback programmes and stabilisation of financial instruments (No. 2233/2003); and
 - (iv) unless renewed, the authority hereby conferred shall expire on the earlier of the date which is 15 months after the date on which this resolution is passed and the Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.
12. THAT, the Company shall continue as an investment trust, provided that if this resolution is not passed, the Board will convene an Extraordinary General Meeting in the manner and for the purposes set out in Article 175(2) of the Articles of Association and the provisions of Article 175(3) and (4) shall thereupon apply in respect of such meeting.
13. THAT, the Articles of Association of the Company produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing articles of association.

Registered Office:
Beaufort House
51 New North Road
Exeter EX4 4EP

By Order of the Board
Capita Sinclair Henderson Limited
Secretary
22 June 2010

NOTES:

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar at the address printed on the form of proxy not later than 11.00am on 28 July 2010. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder.
2. 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 6.00pm on Wednesday, 28 July 2010 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00pm on Wednesday, 28 July 2010 ("the specified time") shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
3. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.
4. Shareholders (and any proxies or representatives they appoint) agree, by attending the Meeting, that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the Meeting.
5. As at 21 June 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 18,659,008 ordinary shares carrying one vote each. Therefore the total voting rights of the Company as at the date of this notice of meeting was 18,659,008.
6. The Articles of Association of the Company will be available for inspection at the offices of Capita Company Secretarial Services Ltd, Ibex House, 42-47 Minories, London EC3N 1DX during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.
7. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company (provided, in the case of multiple corporate representatives of the same corporate Shareholder, they are appointed in respect of different shares owned by the corporate Shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment. Corporate Shareholders can also appoint one or more proxies in accordance with Note 1. On a vote on a resolution on a show of hands, each authorised person has the same voting rights to which the corporation would be entitled. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:
 - a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
 - b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

Notice of Annual General Meeting

(continued)

8. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00 am on Wednesday, 28 July 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company's registrar no later than 11.00 am on Wednesday, 28 July 2010.

9. Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006.

Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

10. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy are to ensure that both he and his proxy comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

11. A copy of this notice of Annual General Meeting is available on the Company's website www.renaissanceusgrowth.co.uk.

12. The following documents will be available for inspection at the Registered office of the Company, as detailed on page 58 during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at The offices of the AIC, 24 Chiswell Street, London EC1Y 4YY from 10.45 am until the conclusion of the meeting:

a) Letters of appointment of the Directors of the Company;

b) A copy of the existing Articles of Association of the Company.

c) A copy of the proposed new Articles of Association of the Company.

13. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 21 June 2010 (the business day prior to the publication of this Notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website www.renaissanceusgrowth.co.uk

Appendix to Notice of Meeting

Summary of Proposed Changes to the Company's Articles of Association

The Directors are recommending that the Company's Articles of Association be updated to reflect certain provisions of the Companies Act 2006 that have now entered into force.

The key changes are as follows:

Change of name (Article 5)

The Companies Act 2006 permits the Company to change its name either by special resolution, or by other means provided in the Company's Articles of Association, and it is proposed that Article 5 be amended in order that a change of name may be made by the decision of the Directors of the Company.

Authorised share capital (formerly Article 6)

The Companies Act 2006 has abolished the concept of authorised share capital, and accordingly it is proposed that the previous Article 6 be deleted.

Share transfers (Article 37)

Under the Companies Act 2006, reasons must be provided for a refusal to register a share transfer in respect of the Company's shares as soon as is practicable, rather than simply within two months of the refusal as was the case under the Companies Act 1985. It is proposed that Article 37 be amended accordingly.

Closing of share register (formerly Article 38)

The Companies Act 2006 no longer permits companies to close their register of members for thirty days a year, as had been the case under the Companies Act 1985. Accordingly, it is proposed that the previous Article 38 be deleted.

Chairman's casting vote at shareholder meetings (formerly Article 72)

The Companies Act 2006 no longer permits the Articles of a company listed on the Official List to contain provision for a casting vote for the Chairman at a shareholder meeting, and accordingly it is proposed that Article 72 be deleted.

Timing for receipt of proxies (Article 74.2)

Under the Companies Act 2006, the Articles may contain a discretion for the Directors to exclude non-working days from the 48-hour period for the receipt of proxies, and it is proposed that a new Article 74.2 be added accordingly. It should be noted that the CREST Regulations currently do not permit non-working days to be excluded from the 48-hour period and until the Regulations are amended accordingly, the Directors will not be able to exercise their discretion under the proposed new Article 74.2 at present.

Authentication of documents (Article 142)

It is proposed that a new Article 142 has been added to reflect the provisions of the Companies Act 2006 in respect to the authentication of documents by the Company.

Continuation Vote (Article 174)

The Directors are also recommending that the Article 174 be amended to provide for a continuation vote to take place every three years.

Notes

