



Renaissance US Growth Investment Trust PLC

# Annual Report

for the year ended 31 March 2008

*FINDING VALUE / ADDING VALUE / REALISING VALUE*





## Company summary

Management company	RENN Capital Group, Inc. See page 17 for further details.
Total assets and shareholders' funds	£56,261,000 as at 31 March 2008.
Market capitalisation	£48,346,000 as at 31 March 2008.
Capital structure	19,109,008 Ordinary 25p shares.
Total voting rights	19,109,008
Wind-up date	Continuation resolution to be put to shareholders annually.
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 21 and note 3 to the accounts.
Secretarial fee	The Company Secretary receives an annual fee of £53,951 which is subject to an annual RPI uplift.
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

	<b>Year ended</b> <b>31 March 2008</b>	Year ended 31 March 2007	% change	
Total net assets	<b>£56,261,000</b>	£62,192,000	(9.54)	
Net asset value ("NAV") per Ordinary share – pence	<b>294.42</b>	321.71	(8.48)	
– US cents	<b>585.16</b>	630.99	(7.26)	
Mid-market price per Ordinary share	<b>253.00p</b>	302.50p	(16.36)	
Discount to NAV	<b>14.07%</b>	5.97%	–	
Net revenue deficit after taxation	<b>£311,000</b>	£296,000	–	
Revenue loss per Ordinary share	<b>1.62p</b>	1.53p	–	
Costs of running the Company				
– Manager's fee	<b>£849,000</b>	£766,000	10.84	
– Performance fee	–	–	–	
– Other expenses	<b>£394,000</b>	£476,000	(17.23)	
As a percentage of average net assets				
– Manager's fee	<b>1.43%</b>	1.18%	–	
– Performance fee	–	–	–	
– Other expenses	<b>0.67%</b>	0.73%	–	
Exchange rate – US\$/£	<b>1.98750</b>	1.96135	(1.33)	
S&P 500 Index (Total Return)	<b>2,088.42</b>	2,200.12	(5.08)	
S&P 500 Index (Total Return) – Sterling adjusted	<b>1,050.78</b>	1,121.74	(6.33)	
Russell 2000 Index (Total Return)	<b>2,952.45</b>	3,393.70	(13.00)	
Russell 2000 Index (Total Return) – Sterling adjusted	<b>1,485.51</b>	1,730.29	(14.15)	
	High	Date	Low	Date
Mid-market price per Ordinary share	329.50p	20/07/07	253.00p	31/03/08
NAV per Ordinary share*	368.85p	06/07/07	294.42p	31/03/08
Discount to NAV*	18.88%	31/12/07	5.42%	25/04/07

\* Excluding current period revenue.

## Chairman's statement

Over the past year the financial markets have been in turmoil with all of the major indices declining sharply. Your Company performed well in difficult conditions with net asset value dropping only 7.26% in Dollar terms.

The Russell 2000 decreased 13.00% in Dollars and 14.15% in Sterling. Your Company performed well in difficult conditions with net asset value dropping only 7.26% in Dollar terms and 8.48% in Sterling. Although it is always disappointing when the asset value falls, sometimes market declines are so sharp that there is nowhere to hide. Even so, the relative performance of the portfolio against its benchmark was encouraging. More importantly, the long term returns in your Company have been excellent. Your Manager believes the portfolio is positioned to achieve superior returns over the next several years once this period of credit related stress is behind us.

Bear markets in the US and around the world tend to fall into two categories. The first category, which usually accounts for the most severe declines, comes from excessive speculation and inflated stock prices. The second type tends to be related to financial matters such as currency problems and bad loans. This recent decline started as the result of the huge losses in the mortgage industry. This had a profound impact on the credit markets and, of course, the stock market. This decline bears a close resemblance to the 1987 decline in the stock market, and looks less like the 1999-2002 period. Although the worst of the immediate crisis may be past, there remain many uncertainties, in particular the effect of rising commodity prices including oil on the world economy and its inflationary impact on the US and elsewhere. On balance, though, most of

the problems in the mortgage industry appear to be reflected in the stock market, so the second half of 2008 could be a better period.

### The unique strategy

Your Company has focused primarily on investing in entrepreneurial companies led by chief executive officers who are major shareholders and have a big vision for the future. This continues to be the main area of interest. With that focus in mind, a number of new positions were made in 2007-8. Beginning several years ago, your Company began to add US-traded Chinese companies to the portfolio. Some of the best entrepreneurs in the world today are in China. Your Company also continues to find interesting opportunities with North American entrepreneurs. In terms of industry focus, your Company has major interests in medical technology, software, internet, industrial technology and security.

### Harvesting the garden

Your Company realised substantial gains last year in a number of investments. We decided to take some profits in some US-traded Chinese companies. We sold part of our holding in China Security & Surveillance Technology for \$5,241,035, a gain of \$4,241,035, equivalent to a return of 424%. In addition, we reduced our position in Comtech Group, selling \$3,717,808 worth of stock for a gain of \$2,996,033, a return of 415% on cost. Another major gain came from selling our position in Gasco Energy. Over the

last three years, Gasco has been a major winner for the Company and our final sale netted \$3,315,442, equivalent to a return of 195% on original cost. One last transaction of note was selling the holding in Quintana Maritime for \$4,376,110, a gain of \$3,034,766 or a return of 226%. Total gains were over \$14 million. These profits were inevitably offset by losses which we took on six unsuccessful positions. These amounted to \$3,997,547, to produce net gains for the year of \$10,094,046.

### New plantings

During the 2008 financial year we added a number of new positions. Among these is A-Power Energy Generation Systems, Ltd which trades on NASDAQ. A-Power's core business is in the design and construction of co-generation power plants in China. A very exciting new division is building large, high-quality wind turbines to generate power. The company has received a letter of intent for 380 2.5MW wind turbines, with a contract value of approximately \$1.1 billion. This company could be one of the fastest growing alternative energy companies in the world. We added a number of other US-listed Chinese companies including China Direct, Inc. (AMEX:CDS) which invests directly in private companies in China and is one of the major magnesium producers in the world. HLS Systems International Ltd (OTC:HLSYF) is a significant process controls company in China with participation in nuclear power plants and rail transportation, both industries with very rapid growth.

We invested in several private companies connected with China which we expect to go public in the near future. Among these is HeySpace International which is one of the fastest growing and most profitable social network companies in China. We expect considerable interest in this company. Another name that will begin trading is China Greenscape Company which is a major landscape company. The Chinese government has an objective of ensuring that every city should contain at least 35% 'green space'. This is a huge opportunity for a company like China Greenscape.

We added a number of diversified US companies with strong entrepreneurial leadership. BPO Management Services Inc. which provides business process outsourcing services to middle market organisations in the US. AuraSound, Inc. supplies micro-audio products used in computers and cell phones. Hallmark Financial Services, Inc. is a rapidly growing US specialty property and casualty insurance company. PetroHunter Energy Corporation, Inc. has large acreage in the Rocky Mountains and in Australia containing both oil and gas. Lastly, Vertical Branding operates as a consumer product branding and distribution company and has an important relationship with Wal-Mart. There are a number of other companies that were added and are detailed in the Manager's report.

#### **Tending the garden**

Your Manager is actively working on a number of holdings that have been in the portfolio for sometime. Among these are Access Plans USA, Inc., CaminoSoft Corporation, eOriginal Holdings, Integrated Security Systems, Inc., and SIMTEK Corporation. We hope to report

on these projects over the next year. Your Manager serves on the board of directors of many portfolio companies including the ones just mentioned. Again, the objective here is to add value to the portfolio.

#### **Discount to net asset value**

Your Board of Directors and Manager have continued to look at ways to narrow the discount of the Company's shares to net asset value. Unfortunately the very negative backdrop to financial markets has made this task very difficult. Nevertheless, the Board will continue to buy in shares when the level of discount reaches unacceptable levels, and when stock is available. Details of purchases made in the last year can be found on page 20. We also continue efforts to inform investors of the excellent long-term potential of this Company.

In particular, the Company has continued to work at having timely information available. We have had good media coverage and have continued to retain Lansons Communications for assistance in investor relations. We believe there is a very good story to be told about the future of the portfolio. Several of the US Chinese companies that are not trading publicly will begin to do so in 2008. These are rapidly growing companies that could attract considerable attention in the marketplace.

Lastly, your Board of Directors believes that a reasonable amount of gearing could be useful both in making new investments and in purchasing shares that trade at an excessive discount, and is looking at effective ways of achieving this goal. Subsequent to the year-end, on 27 May 2008, the Company announced that it had entered into a \$6.5 million margin account and on 30 May 2008, a further \$2.0 million was drawn down.

#### **Valuation methodology**

Subsequent to the year end, the Directors took the decision to write down the Company's investments in the unlisted promissory notes and convertible debentures of Integrated Securities Systems as at 31 March 2008.

The Directors also agreed that it was appropriate to change the manner in which the time value of the unlisted warrants held within the portfolio is calculated as at 31 March 2008. Previously, the default level of volatility was used to calculate the time value. The Directors agreed that it is more appropriate to apply the 100 day volatility level of the Russell 2000 which gives a better reflection of fair value. On 28 May 2008 the Company released an announcement to the Stock Exchange which set out the reduction that these changes in valuation methodology had upon the net asset value of the Company's shares, together with an explanation of the Directors' rationale for making these changes.

#### **Conclusion**

While the financial markets may continue to be in some turmoil, your Manager believes this period presents an excellent opportunity for long-term investing. Your Manager has identified a number of companies with superior entrepreneurial managers. We believe this is the area where exceptional growth will come in the next few years. Your Company is positioned to take advantage of these opportunities.

**Ernest Fenton**

Chairman

*10 June 2008*

## Manager's review

During the year your Company's net asset value decreased 7.26% in Dollars and 8.48% in Sterling. The Russell 2000 decreased 13.00% in Dollars and 14.15% in Sterling.

### Year-end review

Although we aim for positive returns, it is impractical to expect this every year especially when the overall market has performed so poorly. The Company has taken advantage of weak prices to make interesting new investments which we will discuss below.

### Long term performance

During the year your Company's net asset value decreased 7.26% in Dollars and 8.48% in Sterling. The Russell 2000 decreased 13.00% in Dollars and 14.15% in Sterling. For the five-year period ended 31 March 2008, your Company produced an annual return of 23.33% in Dollars and 17.71% in

Sterling, exceeding the Russell 2000 returns of 14.91% and 9.75% respectively. Since inception, your Company's net asset value has produced an annual return of 13.39% in Dollars and 10.76% in Sterling beating the Russell 2000 by a wide margin. The table below compares these returns to our benchmark index.

### Annual equivalent total return of the Company verses the Russell 2000 index:

	1 Year		5 Years		Inception	
	USD	GBP	USD	GBP	USD	GBP
<b>RUSGIT</b>	<b>(7.26)%</b>	<b>(8.48)%</b>	<b>23.33%</b>	<b>17.71%</b>	<b>13.39%</b>	<b>10.76%</b>
Russell 2000	(13.00)%	(14.15)%	14.91%	9.75%	7.55%	5.34%

### Performance of holdings

At 31 March 2008, the top ten holdings made up approximately 43% of net assets.

### Ten largest holdings as at 31 March 2008 and 31 March 2007

31 March 2008	% of net assets	31 March 2007	% of net assets
Fushi Copperweld	7.4%	Comtech Group	7.2%
Bovie Medical Corporation	6.3%	Bovie Medical Corporation	5.8%
Zhongpin	5.7%	Integrated Security Systems	5.6%
Integrated Security Systems	4.2%	SIMTEK Corporation	5.0%
Points International	4.2%	China Security & Surveillance Technology	4.5%
Cover-All Technologies	3.9%	Cover-All Technologies	3.8%
A-Power Energy Generation Systems	3.4%	Fushi Copperweld	3.2%
Comtech Group	2.9%	Zhongpin	3.2%
SIMTEK Corporation	2.5%	Gasco Energy	2.9%
China Greenscape Company	2.3%	Hemobiotech	2.8%

A large winner this year was **Fushi Copperweld, Inc.** (NASDAQ:FSIN) which grew to be our largest holding. In May 2007 we exercised our warrants which increased our cost from \$1 million to \$1.65 million. The holding on 31 March 2008 was valued at \$8.3 million providing a gain, as yet unrealised, of 402% on our total investment. Since we wrote about Fushi in the half yearly report, this company has made further progress in the implementation of its business plan. On 12 March 2008 the company reported full year revenues up 89% and earnings up 50% to \$1.06 per share. The company also gave guidance for 2008 earnings of \$1.50 per share. Priced at just 9.7 times estimated 2008 earnings, we believe this company has ample continued upside potential. We also believe this company is just getting started. Its acquisition of US-based bimetallic manufacturer Copperweld transforms Fushi Copperweld into the world's largest producer of copper clad aluminum and copper clad steel wire products with manufacturing facilities in the UK, the US and China. Currently two thirds of revenue comes from the telecom industries; however, the company is making inroads into two additional areas, namely the utility and automotive industries, each of which has the potential to produce new sales in excess of current revenues.

A new entry into the top ten is **A-Power Energy Generation Systems, Ltd** (NASDAQ: APWR). We initiated our position through the purchase of warrants in the open market and then exercised these in February 2008 bringing our cost to just under \$2 million. At 31 March 2008 the holding was valued at \$3.8 million providing a return

unrealised gain to date of approximately 92%. A-Power designs and constructs distributed power generation systems in China. This simply means that A-Power's customers are often not in close proximity to electric transmission lines making a customised solution more practical. The company specialises in utilising the waste heat created from industrial processes such as electric generation to provide the space heating needs of factories or nearby residential communities. This makes for a more efficient use of limited energy resources. In 2007, the company also made it a priority to become a full-scale producer of high quality wind turbines to capitalise on China's surging wind energy demand. In 2007 A-Power selected Fuhrlander AG of Germany and Norwin A/S of Denmark with which to establish licensing agreements. The factory currently being built in Shenyang will have an annual capacity of approximately 1100MW. To provide some perspective, the world's largest producer of wind turbines, Vestas Wind Systems A/S (CPSE: VWS) shipped approximately four times the projected A-Power annual capacity in 2007 and has a market capitalisation of US\$20 billion. A-Power's Shenyang plant plans to begin production of turbines in July of 2008 and already has letters of intent for 380 2.5MW wind turbines which equate to approximately US\$1.1 billion of orders. Priced at just 12.6x estimated 2008 earnings, we believe this stock is mis-priced and should experience substantial appreciation over the next couple of years.

There are several US companies that experienced declines in value. The largest decline was in **SIMTEK Corporation** (OTC:SMTK), which rose by \$2.7 million in the previous financial year but dropped

by \$3.2 million in 2007–08. The company gave Wall Street guidance in 2006 and 2007 that was too optimistic and actual results disappointed the Street. Another decliner was **Silverleaf Resorts** (NASDAQ: SVLF) which declined from \$4.65 per share to \$2.27 per share at 31 March 2008. Silverleaf is currently selling at less than half of book value and just 3.1 times 2007 earnings despite growing their revenues by 26% and net income by 18% between 2006 and 2007. This gateway resort developer and management company caters to customers wishing to take short trips from US metropolitan areas. Its stock has sold off due to the current sub-prime mortgage fiasco and mood of the overall US economy. It is noteworthy that in this environment, company insiders have recently been making major purchases of stock.

## Manager's review

(continued)

### New investments

During the financial year your Company made \$30.9 million of new investments in 19 new portfolio companies. The following is a brief description of these new companies.

**A-Power Energy Generation Systems, Ltd. (NASDAQ: APWR)** designs, constructs and tests distributed power generation systems to factories and various users in China.

**AuraSound, Inc. (OTC: ARAU)** engages in the design, development, manufacture and sale of audio speakers and micro-audio products used in television sets, computers and cell phones.

**BPO Management Services, Inc. (OTC: BPOM)** provides back-office business process outsourcing services to middle market organisations in the US.

**China Direct, Inc. (AMEX:CDS)** invests directly in private companies in China and operates a management and consulting company assisting companies accessing US capital markets.

**China Fortune Acquisition Corp. (OTC: CFAUF)** is a special purpose acquisition corporation which intends to acquire through merger, capital stock exchange, asset acquisition or other business combination an operating business in China.

**China Greenscape Company (Private)** provides trees, plants, shrubs and flowers to China's cities, parks, greenbelts and highways.

**Foothills Resources (OTC: FTRS)** engages in the acquisition, exploration and development of oil and gas properties in northern California, Texas and Oklahoma.

**Global Sources (NASDAQ:GSOL)** is a business-to-business media, publishing, trade show and integrated marketing services company in China.

**Hallmark Financial Services Inc. (NASDAQ: HALL)** engages in the sale of property and casualty insurance products to businesses and individuals in the US.

**Hambrecht Asia Acquisition Corp. (OTC: HMAQF)** seeks to acquire one or more operating businesses having primary operations in China through a merger, stock exchange, asset acquisition, reorganisation or similar business combination.

**HLS Systems International (OTC: HLSYF)** is one of the leading automation control systems providers in the PRC. HLS automation equipment is used in the nuclear, rail, subway, light rail and petrochemical industries.

**HeySpace International (Private)** is one of the fastest growing and most profitable interactive entertainment and social network companies in China.

**MCF Corp. (AMEX: MEM)** provides investment banking, institutional brokerage, equity research and asset management services to institutional investors and corporate clients in the US and Canada.

**Murdock Security & Investigations, Inc. (Private)** is a full service security company providing uniformed guard services and other custom security solutions to private and public sector clients throughout the northeastern US.

**Narrowstep, Inc. (OTC: NRWS)** produces, transmits and manages streaming video broadcasts via the Internet and television channels in Europe, Asia and the US.

**PetroHunter Energy Corporation (PHUN)** engages in the exploration and production of oil and gas in the Buckskin Mesa project comprising 20,000 net acres in Rio Blanco County; the company also holds various interests in Australia, including the Beetaloo project comprising 7 million net contiguous acres.

**Shengtai Pharmaceutical, Inc. (OTC: SGTI)** is a leading manufacturer and supplier of glucose products, which include pharmaceutical grade glucose used for medical purposes and glucose and cornstarch products for the food and beverage industry and for industrial production in China.

**Spanish Broadcasting System (NASDAQ: SBSA)** operates as a Hispanic-controlled media and entertainment company in the US. It owns and operates 21 radio stations and 2 television stations under the MegaTV brand name.

**Vertical Branding (OTC: VBDG)** operates as a consumer product branding, marketing and distributing company offering personal care, fitness, beauty and household products.

In January of 2008 we invested \$2.5 million in the preferred stock of **China Greenscape Company (Private)**. China Greenscape was founded by Mr Lu Ke Ping, a self-made billionaire in the textile industry. The company was founded in 2002 to capitalise on the PRC central government's policy of establishing 10 square metres of green open space per capita and 35% green coverage in new and existing cities throughout China by 2010. China Greenscape's bottom line growth has surged from \$6.0 million in 2004 to \$14.4 million in 2006 and is on-track to generate over \$17.2 million in profits in 2007. Currently the company is the leading provider of urban greenery in China and will soon become one of the larger integrated forest product companies in Asia. The company has high sales and earnings predictability as 95% of their next three years supplies are already under contract. With an expected 500 million peasants moving to new urban cities over the next 20 years, the demand for green coverage will be difficult to supply given the shortage of land dedicated to non-food agriculture. The company also has options in hand to acquire rights to over 1 million acres of prime forest acreage. The company does not require a sales force due to the lack of supply for such products and the fact that their customers seek them out. Due to their large scale, strong relationships with buyers, lack of competition and the overall wood products shortages in China, this is one of the better, lower risk deals we have seen. This transaction was done at a pre-money valuation of 7.9 times 2007 and 6.2 times 2008 earnings. We expect this company to become quoted by calendar year-end 2008.

In August 2007 your Company invested \$1.3 million in open market purchases of common stock and warrants in **HLS Systems International, Ltd**. In October we exercised our warrants bringing our cost basis up to \$2.2 million. HLS is the largest Chinese domestic developer and provider of automation equipment. HLS is one of five approved suppliers to China's rail industry and the only approved domestic producer of automation controls for the nuclear industry. The company also supplies automation equipment to the power generation, petrochemical, chemical and steel industries. The automation control market is estimated at \$70 billion globally and is expected to reach \$13 billion in China by the end of 2008. With 40 new 1GW nuclear power plants in the planning stages, 55 new subway systems and 190 new petrochemical and chemical projects in the planning stages, we expect HLS to become a large company. For the financial year ended June 2007, the company had earnings of \$16 million on revenues of \$102 million. Excluding merger-related expenses, the company expects to achieve a net income of over \$23 million for the calendar year ended 31 December 2007.

We are particularly excited by our January 2008 \$2 million investment in private company **HeySpace International**. HeySpace is a "web 2.0" company with similarities to both MySpace and YouTube in the US. It is currently one of the most popular social network sites in China and has the leading market share in southern China with 25 million subscribers. The company has a single web portal that offers social network, leisure games, value-added wireless services, user generated music and video content, a

unique video chat service, digital B2B advertising and is also a reseller of public lottery tickets over the web and through cell phones. Beginning in early 2008, the company will begin selling Chongqing (China's largest city) lottery tickets through a revenue share model. The company earned approximately \$7 million on approximately \$21 million on sales in 2007 and is expecting \$12 million of earnings on revenues of \$36 million for 2008. The company ended 2006 with approximately 12 million users, 2007 with approximately 25 million subscribers and expects to have 30-40 million at year-end 2008. What makes this company unique is how integrated the services are, whether accessed through the internet or by cell phone. The company is also unique in that it garners revenues from a variety of services, not just advertising. The majority of their competitors in China are unprofitable, as they rely solely on advertising. We expect HeySpace to emerge as one of the top social network sites in China. We also anticipate HeySpace to be the world's first social network company to go public. We expect a fully marketed, bulge bracket Initial Public Offering in the fourth quarter of 2008, possibly raising as much as \$75 million on the offering. The recently announced acquisition of social networking Bebo by AOL Time Warner for \$850 million, or \$37.95 per user bodes well for HeySpace, which we believe is much more profitable and growing significantly faster. Microsoft paid about \$149 per user for its 1.6% stake in Facebook implying a \$15 billion Dollar valuation of that company. We think it is feasible to receive a substantial mark up on the pricing of the anticipated Q4 2008 IPO.

## Manager's review

(continued)

### New and follow-on investments

#### New investments

Company	Sector	Amount \$	Instrument
A-Power Energy Generation Systems	Construction and engineering	1,969,800	Common stock
AuraSound	Consumer electronics	2,000,000	Common stock & warrants
BPO Management Services	Business services	1,875,000	Series D preferred & warrants
China Direct	Professional services	1,926,640	Common stock
China Fortune Acquisition Corporation	Financial services	1,405,600	Common stock & warrants
China Greenscape Company	Forest products	2,500,000	Series C preferred
Foothills Resources	Oil and gas services	543,191	Common stock
Global Sources	Publishing	1,368,438	Common stock
Hallmark Financial	Insurance services	1,234,793	Common stock
Hambrecht Asia Acquisition Corporation	Financial services	1,000,000	Common stock & warrants
HLS Systems International	Systems software	2,160,771	Common stock
HeySpace International	Internet software and services	2,000,000	Series A preferred
MCF Corporation	Financial services	1,921,890	Common stock
Murdoch Security and Investigations	Security products	1,250,000	Common stock & warrants
Narrowstep	Internet software	2,000,000	Common stock & warrants
PetroHunter Energy Corporation	Oil and gas services	2,000,000	Convertible Debenture & warrants
Shengtai Pharmaceutical	Pharmaceuticals	1,345,018	Common stock & warrants
Spanish Broadcasting System	Broadcasting and cable TV	901,017	Common stock
Vertical Branding	Consumer products and services	1,500,000	Common stock & warrants
<b>Total</b>		<b>30,902,158</b>	

At the end of March 2008 we made a \$2 million follow-on investment in **AnchorFree**. AnchorFree is a three year old company that has introduced a service that allows merchants of any size to offer free advertising supported Wi-Fi to customers on the store premises. The company also has a downloadable security application for consumers that enables secure anonymous web browsing whether at home or through paid or free public Wi-Fi hotspots. The company now has 1.5 million users monthly and 130 million page/ad views monthly and its Hotspot Shield software is rapidly spreading at 15,000 to 20,000 downloads per day. In addition, we exercised our warrants in **China Security & Surveillance**, **Fushi Copperweld** and in **Zhongpin** and added to our holdings in **Access Plans USA** and **Bovie Medical** through open market purchases.

The portfolio's largest weighting at 31 March 2008 was in **Fushi Copperweld** at 7.4 % of assets. The second largest position was in cash at 5.8% of assets. Last year, US-traded Chinese companies represented 24% of the portfolio; at 31 March 2008 they represent 40%.

**Realised gains**

<b>Company</b>	<b>Cost</b>	<b>Proceeds</b>	<b>Gain</b>	<b>Return</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>%</b>
Cano Petroleum	1,249,998	1,788,126	538,128	43
China BAK Battery	1,249,362	1,371,849	122,487	10
China Security & Surveillance Technology	1,000,000	5,241,035	4,241,035	424
Comtech Group	721,775	3,717,808	2,996,033	415
Gasco Energy	1,125,778	3,315,422	2,189,644	195
Interpool	375,000	375,938	938	0
Inyx	300,000	713,628	413,628	138
Nutradyne Group	–	14,696	14,696	100
Quintana Maritime	1,341,344	4,376,110	3,034,766	226
Silverleaf Resorts	382,000	457,668	75,668	20
US Home Systems	267,749	732,319	464,570	173
<b>Total</b>	<b>8,013,006</b>	<b>22,104,599</b>	<b>14,091,593</b>	<b>176</b>

**Realised losses**

<b>Company</b>	<b>Cost</b>	<b>Proceeds</b>	<b>Loss</b>	<b>Return</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>%</b>
Advanced Nanotech	318,801	64,154	(254,647)	(80)
Aventine Renewable Energy Holdings	1,512,507	1,003,268	(509,239)	(34)
Digital Recorders	343,000	261,936	(81,064)	(24)
Express 1 Expedited Solutions	1,354,879	1,285,161	(69,718)	(5)
Harken Energy	3,249,816	391,285	(2,858,531)	(88)
Vaso Active Pharmaceuticals	250,000	25,652	(224,348)	(90)
<b>Total</b>	<b>7,029,003</b>	<b>3,031,456</b>	<b>(3,997,547)</b>	<b>(57)</b>
<b>Net realised gains</b>	<b>15,042,009</b>	<b>25,136,055</b>	<b>10,094,046</b>	<b>67</b>

Your Company had net realised gains of \$10.1 million during the year. We took major profits in two of our Chinese stocks, namely **China Security & Surveillance Technology** and **Comtech Group**. Between the two we raised \$8.9 million realising gains of \$7.2 million. We continue to hold approximately \$1 million of China Security and \$3.2 million of Comtech Group. We sold the remainder of our Gasco Energy for \$3.3 million realising a gain of \$2.2 million. You may recall we sold the bulk of the **Gasco Energy** position in late 2005 for very large gains. We sold all of our **Quintana Maritime** realising \$4.4 million for a gain of \$3.0 million. The largest realised loss came from the sale of **Harken Energy** (AMEX: HKN). This holding was simply never able to execute on its business plan causing your Manager to look for better opportunities. Finally we wrote off our **Consolidated Energy** position after the company filed for bankruptcy.

## Manager's review

(continued)

### Share purchases

During the year the following purchases of Ordinary Shares for cancellation were made, thus reducing the number of Ordinary Shares in issue to 19,109,008:

Date	Number of shares	Price paid per share
29/06/07	72,000	289.26p
05/07/07	31,000	301.76p
17/07/07	70,000	326.75p
31/03/08	50,000	250.00p
<b>Total</b>	<b>223,000</b>	

The Board will continue to monitor the Company's discount to net asset value and will make further purchases of shares if considered appropriate.

### Future prospects

As always, we are focused on partnering with successful entrepreneurs. We are particularly excited by the prospect of closing on a new investment in the rapidly growing solar photovoltaic industry which we believe has the potential to become a very large winner. It has everything we look for: a CEO who owns a large percentage of the company; currently profitable; a big vision of growth; and finally we are paying a reasonable price of just 6.5 times March 2009 estimated earnings. History has clearly shown that investment results are superior when investing through entrepreneurial CEOs as opposed to hired professional managers. We also focus our efforts on sourcing quality deal flow, making sure we are seeing the best possible investment opportunities in small emerging companies. Your Manager will continue to focus on what it does best, which is bottom-up analysis on small individual companies. Your Manager will continue to find new opportunities, endeavor to add value to the existing portfolio companies, and finally will endeavor to realise value at the appropriate time when investments have matured.

### Russell Cleveland

RENN Capital Group, Inc.

Dallas, Texas

10 June 2008

## Investment portfolio

as at 31 March 2008

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<b>Corporate investments</b>					
<i>US unlisted convertible debentures</i>					
iLinc Communications	Technology services	500	500	252	0.45
Integrated Security Systems	Security services	1,150	690	347	0.62
Obsidian Enterprises	Diversified manufacturing and services	155	155	78	0.14
PetroHunter Energy Corporation	Oil and gas services	2,000	2,000	1,006	1.79
Pipeline Data	Business services	1,500	1,500	755	1.34
SIMTEK Corporation	Engineering	700	858	432	0.77
Skystar Bio-Pharmaceutical Company	Biotechnology	677	880	443	0.78
<b>Total US unlisted convertible debentures</b>		<b>6,682</b>	<b>6,583</b>	<b>3,313</b>	<b>5.89</b>
<i>US unlisted loan notes</i>					
CaminoSoft Corporation	Network storage	400	400	201	0.36
Integrated Security Systems – 7% promissory	Security services	200	120	60	0.11
Integrated Security Systems – 8% promissory	Security services	1,550	810	408	0.72
OneLink Corporation	Internet software	500	–	–	0.00
Riptide Worldwide (formerly Shea Development Corporation)	Software	100	70	35	0.06
<b>Total US unlisted loan notes</b>		<b>2,750</b>	<b>1,400</b>	<b>704</b>	<b>1.25</b>
<i>US unlisted convertible preference shares</i>					
AnchorFree*	Wireless communications	2,500	2,110	1,061	1.89
BPO Management Services	Business services	1,875	937	471	0.84
Celsia Technologies	Commercial services	526	39	20	0.04
China Greenscape Company	Forest products	2,500	2,500	1,258	2.24
eOriginal Holdings*	Internet software	6,142	1,916	964	1.71
Gardant Pharmaceuticals	Biotechnology	500	17	9	0.02
HeySpace International	Internet software & services	2,000	2,000	1,006	1.79
iLinc Communications	Technology services	200	108	54	0.10
Integrated Security Systems	Security services	150	17	9	0.01
Ronco Corporation	Consumer products	1,061	15	7	0.01
Riptide Worldwide (formerly Shea Development Corporation)	Software	500	350	176	0.31
Zhongpin	Food processing	1,500	3,649	1,836	3.26
<b>Total US unlisted convertible preference shares</b>		<b>19,454</b>	<b>13,658</b>	<b>6,871</b>	<b>12.22</b>

## Investment portfolio

as at 31 March 2008

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<b>Corporate investments (continued)</b>					
<i>US unlisted equities</i>					
Asian Financial	Industrial machinery	1,500	1,500	755	1.34
Murdoch Security & Investigations	Security products	1,250	1,250	629	1.12
<b>Total unlisted equities</b>		<b>2,750</b>	<b>2,750</b>	<b>1,384</b>	<b>2.46</b>
<i>US unlisted warrants</i>					
Asian Financial	Industrial machinery	–	32	16	0.03
AuraSound	Consumer electronics	–	300	151	0.27
BPO Management Services	Business services	–	151	76	0.13
Business Process Outsourcing	Office services & supplies	–	2	1	0.00
Cover-All Technologies	Information technology	–	41	21	0.04
eOriginal Holdings*	Internet software	–	22	11	0.02
Murdoch Security & Investigations	Security products	–	215	108	0.19
PetroHunter Energy Corporation	Oil and gas services	–	133	67	0.12
Riptide Worldwide (formerly Shea Development Corporation)	Software	–	340	171	0.30
Shengtai Pharmaceutical	Pharmaceuticals	–	203	102	0.18
SIMTEK Corporation	Engineering	–	6	3	0.01
Symbollon Pharmaceuticals	Biotechnology	–	87	44	0.08
Terra Nova Financial Group	Financial services	–	8	4	0.01
Vertical Branding	Consumer products & services	–	50	25	0.04
<b>Total US unlisted warrants**</b>		<b>–</b>	<b>1,590</b>	<b>800</b>	<b>1.42</b>
<i>Canadian listed equities</i>					
Canadian Phoenix Resources Corporation (formerly Arapahoe Energy Corporation)	Oil and gas services	592	151	76	0.14
Dejour Enterprises	Oil and gas services	750	1,102	555	0.99
GEOCAN Energy	Natural resources	750	316	159	0.28
Hanwei Energy Services Corporation	Oil and gas services	1,075	2,195	1,104	1.96
Points International	Internet Software	1,194	4,699	2,364	4.20
<b>Total Canadian listed equities</b>		<b>4,361</b>	<b>8,463</b>	<b>4,258</b>	<b>7.57</b>

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<b>Corporate investments (continued)</b>					
<i>US listed equities</i>					
Access Integrated Technologies	Software & computer services	994	779	392	0.70
Access Plans USA	Consumer services	3,203	1,640	825	1.47
AdStar	Advertising services	350	65	33	0.06
Advance Nanotech	Technology	11	1	1	0.00
American Oriental Bioengineering	Pharmaceuticals	690	810	408	0.73
A-Power Energy Generation Systems	Construction & engineering	1,970	3,788	1,906	3.39
AuraSound	Consumer electronics	2,000	2,060	1,038	1.84
Bovie Medical Corporation	Healthcare services	2,357	7,040	3,542	6.30
CaminoSoft Corporation	Network storage	3,954	247	124	0.22
Celsia Technologies	Commercial services	–	94	47	0.08
China Agritech	Agriculture	900	950	478	0.85
China-Biotics	Biotechnology	250	921	463	0.82
China Direct	Professional services	1,927	1,500	755	1.34
China Fortune Acquisition Corporation	Financial services	1,406	1,291	650	1.16
China Security & Surveillance Technology	Electronic equipment	274	1,014	510	0.91
Comtech Group	Information technology	1,083	3,237	1,629	2.90
Consolidated Energy	Energy	86	1	–	0.00
Cover-All Technologies	Information technology	1,152	4,332	2,180	3.87
Dyadic International	Pharmaceuticals & biotechnology	750	59	29	0.05
Foothills Resources	Oil and gas services	543	410	206	0.37
Fushi Copperweld	Industrial manufacturing	1,650	8,288	4,170	7.41
Gaming & Entertainment Group	Casino services	408	5	3	0.01
Global Axxess Corporation	Commercial services	1,821	404	203	0.36
Global Sources	Publishing	1,368	1,485	747	1.33
Hallmark Financial Services	Insurance services	1,235	1,170	589	1.05
Hambrecht Asia Acquisition Corporation	Financial services	1,000	981	494	0.88
Hemobiotech	Biotechnology	1,890	1,881	946	1.68
HLS Systems International	Systems software	2,161	1,925	969	1.72
i2 Telecom International	Telecommunications	711	354	178	0.32
iLinc Communications	Technology services	62	27	14	0.02
Integrated Security Systems	Security services	6,030	3,074	1,546	2.75
MCF Corporation	Financial services	1,922	1,635	823	1.46
Narrowstep	Internet software	2,000	480	242	0.43
OmniVision Technologies	Information technology	1,036	1,682	846	1.50
OneLink Corporation	Internet software	301	1	–	0.00

## Investment portfolio

as at 31 March 2008 (continued)

		Book cost	Market value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<b>Corporate investments</b> (continued)					
Pro-Dex	Healthcare services	622	324	163	0.29
Riptide Worldwide (formerly Shea Development Corporation)	Software	2,114	1,199	603	1.07
Shengtai Pharmaceutical	Pharmaceuticals	1,345	1,730	871	1.55
Shine Media Acquisition Corporation	Media	1,500	1,393	701	1.24
Silverleaf Resorts	Travel and Leisure	1,528	908	457	0.81
SIMTEK Corporation	Engineering	1,993	1,972	992	1.76
Skystar Bio-Pharmaceutical Company	Pharmaceuticals	809	1,346	677	1.20
Spanish Broadcasting Systems	Broadcasting & cable TV	901	885	445	0.79
Symbollon Pharmaceuticals	Biotechnology	500	486	244	0.43
Terra Nova Financial Group	Financial services	750	650	327	0.58
TXCO Resources	Oil and gas services	–	390	196	0.35
US Home Systems	Home remodelling	268	200	100	0.18
Vertical Branding	Consumer products & services	1,500	1,125	566	1.01
Wonder Auto Technology	Automobile parts	750	2,006	1,009	1.79
Zhongpin	Food processing	1,247	2,673	1,345	2.39
<b>Total US listed equities</b>		63,322	70,918	35,682	63.42
<b>Total corporate investments</b>		99,319	105,362	53,012	94.23
Net current assets			6,457	3,249	5.77
<b>Net assets</b>			111,819	56,261	100.00

In addition, the Company also holds the following stocks valued at nil: Cynat-Oncology (common stock) and Genaderm (common stock) and a number of holdings of warrants which are listed on page 14 of the Annual Report.

\* 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 on the volatility of the underlying shares to which the warrants subscribe.

The valuation of unlisted warrants at 31 March 2008 of £800,000 is made up of the intrinsic value of £285,000 and a time value of £515,000.

## Directors, Manager and Secretary

The Directors are:

**Ernest John Fenton** (Chairman), aged 69, 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. He was also a director of US Special Opportunities Trust PLC until 29 February 2008.

**Andrew Charles Barker**, aged 63, 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 50, 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 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 69, 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. and SIMTEK Corp.

**William Weeks Vanderfelt**, aged 65, 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 a director of Vietnam Opportunity Fund, USI Group Holdings AG and Apace Media PLC. He was a director of US Special Opportunities Trust PLC until 29 February 2008.

### Manager

RENN Capital Group, Inc. is an investment management company based in Dallas, Texas with a thirty-five 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 2008. 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 2007. 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 currently to achieve capital growth and outperform its benchmark, the Russell 2000 Index. The Company invests primarily in privately placed common stock, preferred stock and convertible debentures issued by quoted US listed companies which generally have market capitalisations of less than \$500 million at the time of investment, although from time to time the Company also invests in unlisted US companies with similar characteristics. It is the Company's policy not to invest in UK listed investment companies, including listed investment trusts. In response to the new Listing Rule requirements for investment policies of closed ended investment companies, the Board will be seeking shareholder approval to update the Company's investment policy at the forthcoming Annual General Meeting. The new policy will not give rise to any change in the Company's investment activities. The full text of the proposed policy can be found in the notice of meeting.

The Company's Manager, RENN Capital Group, is based in Dallas and has a thorough understanding of the US economic climate, plus a thirty-five year track record in identifying growth opportunities in US smaller companies. The Manager's thoughts on the US small company sector and the US economy in general are detailed in the Manager's review on pages 6 to 12.

The Company's Articles of Association provide for shareholders to consider the continuation of the Company annually at each Annual General Meeting.

#### Results and dividend

The results for the year and the proposed transfer from revenue reserves are set out in the Income statement on page 32. The Directors do not recommend that a dividend be paid in respect of the year ended 31 March 2008 (2007: nil).

#### 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 twelve months ended 31 March 2008, the net asset value return of the Company, measured in US Dollars, was (7.26)% compared to (13.00)% for the Russell 2000. The net asset value return of the Company, measured in Sterling, was (8.48)% compared to (14.15)% for the Russell 2000. Since inception, the return measured in US Dollars was 13.39% against the Russell 2000 return of 7.55%. Since inception, the Sterling annualised return was 10.76% against the Russell 2000 annualised return of 5.34%.

The Company's performance, based on market values, underperformed that based on its net asset value as the discount to net asset value increased during the year. The discount ranged from a low of 5.42% on 25 April 2007 to a high of 18.88% on 31 December 2007, averaging 12.66% for the year. As at 31 March 2008 the Company traded at a 14.07% discount, compared to 5.97% as at 31 March 2007.

During the year, the Company realised gains in 11 of its portfolio companies and losses in 6. The result was a net realised gain of \$10.1 million. In addition the Company wrote off its Consolidated Energy convertible debenture and loan note positions after the company filed for bankruptcy thus realising a further \$0.8 million loss. As at 31 March 2008, the Company was invested in 67 portfolio companies, with a net revaluation gain of \$6 million. As at 31 March 2008 the portfolio was comprised of 94% in equity (including warrants) and fixed income securities and 6% in cash equivalents.

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 individual company's success than to sectors. As of 31 March 2008 the Company's three largest holdings were Fushi Copperweld, Inc., Bovie Medical Corporation and Zhongpin, Inc. representing approximately 7.4%, 6.3% and 5.7% of net assets respectively.

The majority of the portfolio was comprised of US quoted securities, although approximately 40% was invested in US quoted companies headquartered in China.

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

#### 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, 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. 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*

As at 31 March 2008, the Company did not have any borrowings. Subsequent to the year-end, the Company has entered into an \$8.5 million margin account facility with Solomon 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.

## Report of the Directors

(continued)

### *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 following purchases of shares were made for cancellation:

Date	Number of 25p shares purchased	Price paid per share	% of share capital*
29.06.07	72,000	289.26p	0.38
05.07.07	31,000	301.76p	0.16
17.07.07	70,000	326.75p	0.37
31.03.08	50,000	250.00p	0.26
<b>Total</b>	<b>223,000</b>		<b>1.17</b>

\* based on 19,109,008 shares in issue at 31 March 2008

At the date of this report, the Directors have the authority to purchase a further 2,674,867 shares of the Company.

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*

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 Articles of Association provide for shareholders to vote for the continuation of the Company at each Annual General Meeting. While 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 and its investor relations advisers, the Board ensures that excellent communication regarding the Company's performance and long-term direction is maintained with major shareholders, whose opinions are duly considered by the Board.

### *Further information on risk*

Further information regarding certain of these risks is included in note 15 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.

### **Future events**

The Directors are also seeking to update the Company's investment policy at this meeting. The full text of this proposed update is set out in the Notice of the Annual General Meeting. This will not result in any changes to the Company's current investment approach.

### **Capital structure**

As at the date of this report, the Company's capital structure was comprised of 19,109,008 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.

### Directors' beneficial and family interests

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

	<b>Number of Ordinary shares at 31 March 2008</b>	Number of Ordinary shares at 1 April 2007
E J Fenton	<b>50,000</b>	50,000
A C Barker	<b>50,000</b>	35,000
S A R Bates	<b>12,500</b>	12,500
G R Cleveland	<b>180,004</b>	180,004
C A Rundell, Jr. (retired on 10 July 2007)	–	55,000
W W Vanderfelt	<b>1,125,000</b>	1,125,000

There have been no changes to any of the above holdings between 31 March 2008 and the date of this report.

### 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	12.04
Universities Superannuation Scheme Ltd	1,940,000	10.15
HBOS plc	1,751,940	9.17
New Star Asset Management Ltd	1,250,000	6.54
W W Vanderfelt	1,125,000	5.89
Reliance Mutual Insurance Society	800,000	4.19

### Directors

The Directors in office during the year are as shown on page 17. Details of each Directors' status as independent or non-independent and of forthcoming re-elections and retirements can be found on pages 22 to 23 in the corporate governance statement.

### 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 (exclusive of any VAT) 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.

## Report of the Directors

(continued)

### 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 are undertaken by Capita Sinclair Henderson Limited for a fee for the year to 31 March 2008 of £53,951 (2007: £51,480), subject to an annual review based on the UK Retail Price Index. The agreement may be terminated by either party giving to the other not less than twelve months' notice at any time.

### 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 2008 had been paid (2007: none outstanding).

### Corporate governance statement

Throughout the year ended 31 March 2008, the Directors have ensured that the Company has complied with the AIC Code of Corporate Governance, as far as is appropriate for the Company. The Financial Reporting Council considers that members of the Association of Investment Companies ("AIC") who follow the 2006 AIC Code of Corporate Governance ("AIC Code"), will thereby be meeting their obligations to comply with the Combined Code and report to shareholders accordingly.

#### *The Board*

The Board currently consists of five Directors, all of whom are non-executive and whose biographies appear on page 17. 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 2008.

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. 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. His other directorships include Access Plans USA, CaminoSoft Corporation, Cover-All Technologies Inc, Digital Recorders Inc, Precis Inc., Integrated Security Systems Inc. and SIMTEK Corporation, in which the Company has interests. None of the Directors has a contract of service with the Company nor, save as disclosed below, has there been any other contract or arrangement between the Company and any Director at any time during the year.

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.

Until 29 February 2008, Mr Fenton and Mr Vanderfelt were directors of US Special Opportunities Trust PLC to which RENN Capital Group, Inc., the Company's Manager, and of which Mr Cleveland is president, acts as investment adviser to the manager of that trust. Additionally, 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. His common directorship with Mr Vanderfelt was not deemed to affect his judgement. He has no other significant commitments other than those disclosed in his biography on page 17.

#### *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 to do so 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 will now do so on an annual basis) each having now 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:

Andrew Barker joined the Board on 10 March 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.

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 ensure that major shareholders and potential investors are given the opportunity to meet with 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.

#### *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 the US 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.

During the year, four Board meetings and one Board Committee meeting were held, Mr Cleveland attended three out of four of the Board meetings. There was 100% attendance by all other Directors 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 2007 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, who has discretion to manage the assets in accordance with the Company's objectives and policies. A representative from 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.

## Report of the Directors

(continued)

### *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 and Mr Bates 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 Committee met twice during the year, at which each member of the Committee was present.

### *Management Engagement Committee*

The Management Engagement Committee is comprised of Mr Fenton, Mr Vanderfelt, Mr Barker and Mr Bates all of whom are deemed to be independent non-executive Directors. The Committee is responsible for reviewing the terms of the Management Agreement to assess the continuing appointment of the Manager. The Committee met once during the year at which each member of the Committee was present.

### *Remuneration and Nomination Committee*

The Remuneration and Nomination 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. This Committee met once during the year, at which each member of the Committee was present.

Full details of the remuneration arrangements for Directors can be found in the Directors' remuneration report on pages 28 and 29.

### *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.

Mr Fenton carries out an additional marketing role aimed at ensuring key investors are able to meet with the Manager at least once a year to discuss the performance of the Company and its portfolio companies.

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](http://www.rencapital.com) and [www.renaissanceusgrowth.co.uk](http://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 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.

### *Internal control review*

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed and by their very nature provide reasonable but 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;
- 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 2007.

#### 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, but 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 on 24 July 2003, authority was given to the Directors to allot new shares in accordance with statutory pre-emption rights up to an aggregate nominal amount equal to £1,673,084 in accordance with statutory pre-emption rights. This authority, which will expire on 24 July 2008, was not utilised during the year nor up to the date of this report. The Directors will seek to renew this authority at the forthcoming Annual General Meeting.

At the Annual General Meeting held last year, the Directors were 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 AGM. Therefore, the Directors will seek to renew this authority up to an aggregate nominal amount of £477,725, which is equivalent to 10% of the issued shares at the forthcoming Annual General Meeting; this is set out as Resolution 9 in the Notice of Meeting as a Special resolution. This authority will only be used 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 the Company's own shares up to 2,864,440 (representing 14.99% of the issued Ordinary shares as at the date of this report) in the market for a further year either for cancellation or for hold in Treasury. This authority, set out as Resolution 10 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 shareholders. The number of shares purchased during the year under the existing authority is set out on page 20.

#### Continuation vote

As required by the Company's Articles of Association, 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 11.

#### Articles of Association

Company law and best practice has undergone a number of changes since the current Articles of Association of the Company were adopted in July 1998, particularly since January 2007 when the staged implementation of the Companies Act 2006 (the "2006 Act") commenced. The Board considers that it is prudent to

## Report of the Directors

(continued)

amend certain of the Company's existing Articles to take account of those developments (the "New Articles").

Further amendments to the New Articles may be required in the coming years as a result of the implementation of the 2006 Act. The 2006 Act represents a major reform of UK companies' legislation and is being brought into force in stages, with full implementation scheduled by October 2009. At this year's Annual General Meeting the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, among other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest. Over the course of the next year the Company intends to conduct a further review of the New Articles in order to identify any additional amendments that might be necessary following the full implementation of the 2006 Act by October 2009. It is the Board's intention that any further amendments will be put to shareholders at the 2009 AGM.

Additionally, the Company proposes to increase the maximum aggregate fees paid to the non-executive Directors to £150,000 per annum.

A summary of the material changes brought about by the proposed adoption of the New Articles is set out in the Appendix to the Notice of Annual General Meeting on pages 58 to 62 of this report. Other changes, which are of a minor, technical or clarifying nature have not been noted in the Appendix.

A copy of the New Articles will be available for inspection from the date of this report until the conclusion of the Annual General Meeting during normal business hours on any weekday at the registered office of the Company. The New Articles will also be available for inspection at any time until the conclusion of the Annual General Meeting on the Company's website ([www.renaissanceusgrowth.co.uk](http://www.renaissanceusgrowth.co.uk)) and shall be available at the venue of the Annual General Meeting from 15 minutes prior to and until the conclusion of the meeting.

### Investment policy

In response to the new requirements of Chapter 15 of the FSA Listing Rules, the Directors are seeking approval to update the Company's investment policy. The full text of the proposed new policy is set out in the Notice of Meeting. The new policy will not involve a change to the Company's current investment approach.

### Auditors

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

10 June 2008

## Management report

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 and 5, the Manager's review on pages 6 to 12 and the business

review on pages 18 to 20. 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 the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 judgments 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 state, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company; and
- the report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's Auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make

themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Ernest Fenton**

Chairman

10 June 2008

## Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of the Schedule 7A to the Companies Act 1985. 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 pages 30 and 31.

### Remuneration Committee

The Company has five 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. The Board has appointed the Company Secretary, Capita Sinclair Henderson Limited, to provide advice when the Directors consider the level of Directors' fees.

### 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). It is intended that this policy will continue for the year ending 31 March 2009.

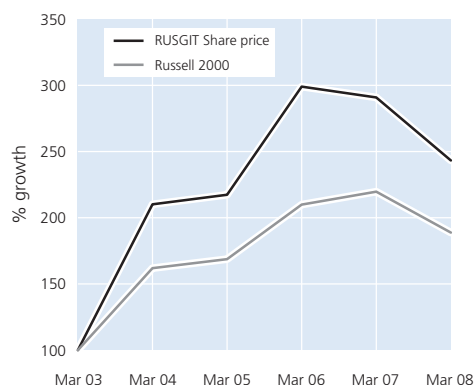
The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Directors are seeking approval from shareholders at the forthcoming AGM to increase this limit from £100,000 per annum to £150,000 per annum, by amending the Articles accordingly.

### 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' emoluments for the year\***

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

	<b>2008</b>	2007
	<b>£</b>	£
E J Fenton**	<b>30,000</b>	30,000
A C Barker	<b>16,500</b>	15,000
S A R Bates	<b>16,500</b>	15,000
G R Cleveland	–	–
C A Rundell, Jr***	<b>4,162</b>	15,000
W W Vanderfelt	<b>16,500</b>	15,000

\* This information has been audited.

\*\* This includes additional fees for an extra shareholder relations and marketing role.

\*\*\* Retired on 10 July 2007.

Mr Cleveland is not entitled to any remuneration.

With effect from 1 September 2007, the fees payable to the Chairman and the Directors were £30,000 and £18,000 per annum, respectively.

Subsequent to the year-end, it was agreed that Steven Bates would receive additional remuneration in recognition of his role as Chairman of the Audit Committee. Therefore, with effect from 1 April 2008, Mr Bates will receive fees of £23,000 per annum.

**Approval**

The Directors' remuneration report was approved by the Board of Directors on 10 June 2008.

**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 year ended 31 March 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Statement of Cash Flows and the related Notes to the accounts. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 27.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its total return for the year then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

## KPMG Audit Plc

Chartered Accountants

100 Temple Street

Bristol BS1 6AG

Registered Auditors

10 June 2008

## Income statement

for the year ended 31 March 2008

	Notes	2008			2007		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Losses on investments at fair value through profit or loss	7	–	<b>(5,181)</b>	<b>(5,181)</b>	–	(4,696)	(4,696)
Exchange gains/(losses) on capital items	7	–	<b>220</b>	<b>220</b>	–	(354)	(354)
Income	2	<b>934</b>	–	<b>934</b>	949	–	949
Investment management fee	3	<b>(849)</b>	–	<b>(849)</b>	(766)	–	(766)
Other expenses	4	<b>(394)</b>	–	<b>(394)</b>	(476)	–	(476)
<b>Loss before and after finance costs and before taxation</b>		<b>(309)</b>	<b>(4,961)</b>	<b>(5,270)</b>	(293)	(5,050)	(5,343)
Taxation on ordinary activities	5	<b>(2)</b>	–	<b>(2)</b>	(3)	–	(3)
<b>Loss on ordinary activities after taxation for the financial year</b>		<b>(311)</b>	<b>(4,961)</b>	<b>(5,272)</b>	(296)	(5,050)	(5,346)
<b>Return per Ordinary share</b>	6	pence <b>(1.62)</b>	pence <b>(25.83)</b>	pence <b>(27.45)</b>	pence (1.53)	pence (26.12)	pence (27.65)

The total column of this statement is the profit and loss account of the Company. The supplementary revenue return and capital return column 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 36 to 55 form part of these accounts.

## Reconciliation of movements in shareholders' funds

for the year ended 31 March 2008

	Share capital	Share premium account	Capital redemption reserve	Special reserve*	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2007	<b>4,833</b>	<b>5,995</b>	<b>498</b>	<b>6,955</b>	<b>40,833</b>	<b>5,457</b>	<b>(2,379)</b>	<b>62,192</b>
Transfer between reserves**	-	-	-	-	<b>6,652</b>	<b>(6,652)</b>	-	-
Fair value movement of investments†	-	-	-	-	<b>(1,694)</b>	<b>(3,697)</b>	-	<b>(5,391)</b>
Transfer on disposal of investments†	-	-	-	-	<b>(485)</b>	<b>485</b>	-	-
Net gains on sales of investments†	-	-	-	-	<b>210</b>	-	-	<b>210</b>
Exchange gains/(losses) on currency and capital items†	-	-	-	-	<b>220</b>	-	-	<b>220</b>
Repurchase of Ordinary shares	<b>(56)</b>	-	<b>56</b>	<b>(659)</b>	-	-	-	<b>(659)</b>
Retained revenue deficit for the year	-	-	-	-	-	-	<b>(311)</b>	<b>(311)</b>
As at 31 March 2008	<b>4,777</b>	<b>5,995</b>	<b>554</b>	<b>6,296</b>	<b>45,736</b>	<b>(4,407)</b>	<b>(2,690)</b>	<b>56,261</b>

	Share capital	Share premium account	Capital redemption reserve	Special reserve*	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2006	4,833	5,995	498	6,955	27,868	23,472	(2,083)	67,538
Increase in unrealised appreciation before transfer on disposal†	-	-	-	-	-	(3,559)	-	(3,559)
Transfer on disposal of investments†	-	-	-	-	14,066	(14,066)	-	-
Net losses on sales of investments†	-	-	-	-	(1,137)	-	-	(1,137)
Exchange gains/(losses) on currency and capital items†	-	-	-	-	36	(390)	-	(354)
Repurchase of Ordinary shares	-	-	-	-	-	-	-	-
Retained revenue deficit for the year	-	-	-	-	-	-	(296)	(296)
As at 31 March 2007	4,833	5,995	498	6,955	40,833	5,457	(2,379)	62,192

\* 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.

\*\* With effect from 1 April 2007, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, at the balance sheet date are included in realised rather than unrealised capital reserves. The balances on both reserves at 1 April 2007 have been amended by a reserve transfer to reflect this change. Part of the transfer totalling £7,696,000 relates to unrealised gains on investments which are readily convertible to cash, the remainder of £(1,044,000) relates to cumulative exchange differences on investments which are readily convertible to cash.

† See note 7 for further details.

The notes on pages 36 to 55 form part of these accounts.

## Balance sheet

as at 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	7	<b>53,012</b>	60,646
<b>Current assets</b>			
Debtors	8	<b>186</b>	129
Cash at bank		<b>3,502</b>	1,724
		<b>3,688</b>	1,853
<b>Creditors – amounts falling due within one year</b>			
Creditors and accruals	9	<b>439</b>	307
		<b>3,249</b>	1,546
<b>Total net assets</b>		<b>56,261</b>	62,192
<b>Share capital and reserves</b>			
Called up share capital	10	<b>4,777</b>	4,833
Share premium account		<b>5,995</b>	5,995
Capital redemption reserve		<b>554</b>	498
Special reserve		<b>6,296</b>	6,955
Capital reserve – realised		<b>45,736</b>	40,833
Capital reserve – unrealised		<b>(4,407)</b>	5,457
Revenue reserve		<b>(2,690)</b>	(2,379)
<b>Equity shareholders' funds</b>		<b>56,261</b>	62,192
<b>Net asset value per Ordinary share</b>		<b>294.42p</b>	321.71p

These accounts were approved by the Board of Directors on 10 June 2008.

### Ernest Fenton

Chairman

The notes on pages 36 to 55 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Operating activities</b>			
Investment income received		529	561
Deposit interest received		158	114
Other income received		19	5
Investment management fees paid		(832)	(814)
Secretarial fees paid		(54)	(51)
Other cash payments		(349)	(379)
<b>Net cash outflow from operating activities</b>	11	<b>(529)</b>	(564)
<b>Taxation</b>			
Irrecoverable overseas tax		(2)	(2)
<b>Total taxation paid</b>		<b>(2)</b>	(2)
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(19,938)	(11,211)
Sales of investments		14,250	21,529
Purchases of treasury bills		(66,488)	(88,715)
Sales of treasury bills		75,125	80,142
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>2,949</b>	1,745
<b>Financing</b>			
Repurchase of Ordinary shares for cancellation		(534)	–
<b>Net cash outflow from financing</b>		<b>(534)</b>	–
<b>Increase in cash</b>	12	<b>1,884</b>	1,179

The notes on pages 36 to 55 form part of these accounts.

## Notes to the accounts

for the year ended 31 March 2008

### 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, issued by the Association of Investment Companies ("AIC") in January 2003 and revised in December 2005. 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. If the market for a financial asset is not active, the Company establishes fair values by using a valuation technique. Valuation techniques include the use of recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Unquoted investments are valued by the Directors as follows:

- Unquoted equity investments are included at fair value based on latest dealing prices, stockbroker valuations, net asset values or other information, as appropriate. This valuation incorporates all factors that market participants would consider in setting a price.
- Unquoted convertible debenture investments and unquoted 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. Where 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 net asset values, discounted cash flows or other available information.
- Unquoted loan notes are valued at fair value.
- Redeemable preferred stock is valued at the greater of discounted cash flow or, if quoted, market price.
- Unquoted 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 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. 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. Previously, where volatility data was available, this percentage was applied. However, for stocks where no volatility data was available, the Company has used a default volatility of 75% which was based on the average observable volatilities of the stocks in the portfolio last year. This default volatility was then halved on the basis that the Black-Scholes generally overstates option value.

The underlying stock prices are often thinly traded and this has led to high volatility figures being used in the calculation. The Directors have agreed a new method for estimating volatility should be applied. The Directors have agreed that it would be more appropriate to apply the 100 day volatility level of the Russell 2000 which gives a better 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 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 realised capital reserve. Other than as stated above, any unrealised profits and losses are taken directly to the capital reserve – unrealised. Any realised profits and losses arising on the disposal of investments are taken directly to the capital reserve – realised.

#### **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).

#### **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.

## Notes to the accounts

for the year ended 31 March 2008 *(continued)*

### 1 ACCOUNTING POLICIES *(continued)*

#### 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) 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 realised

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.

This reserve is classified as distributable to shareholders for the purpose of purchasing the Company's own shares for cancellation.

#### Capital reserve unrealised

The following are accounted for in this reserve:

- changes in fair value investments held which are not readily convertible to cash, without accepting adverse terms.
- unrealised exchange differences of a capital nature.

<b>2 INCOME</b>	<b>2008</b>	2007
	£'000	£'000
<b>Income from US investments</b>		
Government stocks	<b>245</b>	313
Convertible debenture stocks – unlisted	<b>218</b>	242
Convertible debenture stocks – unlisted (reinvested)	<b>80</b>	118
Convertible preference shares – unlisted	<b>216</b>	144
	<b>759</b>	817
<b>Other income</b>		
Bank interest receivable	<b>156</b>	127
Other income receivable	<b>19</b>	5
<b>Total income</b>	<b>934</b>	949
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	<b>216</b>	144
Interest from financial assets designated at fair value through profit or loss	<b>543</b>	673
Deposit interest from financial assets not at fair value through profit or loss	<b>156</b>	127
Other income not from financial assets	<b>19</b>	5
	<b>934</b>	949

<b>3 INVESTMENT MANAGEMENT FEE</b>	<b>2008</b>			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	<b>849</b>	–	<b>849</b>	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 2008, the Company held no investments in USA Treasury Bills (2007: £9,142,000), and cash at bank of £3,502,000 (2007: £1,724,000).

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 21. No performance fee is due in respect of the year ended 31 March 2008 (2007: nil).

## Notes to the accounts

for the year ended 31 March 2008 (continued)

<b>4 OTHER EXPENSES</b>	<b>2008</b>	2007
	£'000	£'000
Secretarial services	<b>54</b>	51
Auditor's remuneration – for audit	<b>33</b>	21
– for other services to the Company	<b>3</b>	6
Directors' remuneration (see page 28 and 29)	<b>84</b>	90
Other expenses	<b>220</b>	308
	<b>394</b>	476

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

Audit services – statutory audit – current year	<b>33</b>	21
Tax services – compliance services	<b>3</b>	3
Other services	–	3
	<b>36</b>	27

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

	<b>2008</b>			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>(a) Analysis of charge in year:</b>	£'000	£'000	£'000	£'000	£'000	£'000
Based on net return for the year						
Overseas tax suffered	<b>2</b>	–	<b>2</b>	3	–	3

### **(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 30% (2007: 30%). The differences are reconciled below:

	<b>2008</b>	2007
	£'000	£'000
<b>Return on ordinary activities before tax</b>	<b>(5,270)</b>	(5,343)
Theoretical tax at UK corporation tax rate of 30% (2007: 30%)	<b>(1,581)</b>	(1,603)
Effects of:		
Losses on investments and exchange (gains)/losses on capital items	<b>1,489</b>	1,515
Expenses not deductible for tax purposes	<b>11</b>	10
Irrecoverable overseas tax	<b>2</b>	3
Excess management expenses for tax purposes	<b>81</b>	78
<b>Total current tax charge</b>	<b>2</b>	3

**5 TAXATION ON ORDINARY ACTIVITIES** *(continued)*

The Company is subject to corporation tax at 30% (2007: 30%). 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 (2007: nil).

At 31 March 2008, the Company had excess management expenses for tax purposes of £9,138,000 (2007: £8,867,000) 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 £18,000 (2007: £18,000) 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**

	2008			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence
Basic	<b>(1.62)</b>	<b>(25.83)</b>	<b>(27.45)</b>	(1.53)	(26.12)	(27.65)

Revenue return per Ordinary share is based on the net deficit on ordinary activities after taxation of £311,000 (2007: deficit of £296,000) and on 19,205,362 (2007: 19,332,008) 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 loss for the year of £4,961,000 (2007: £5,050,000 loss), and on 19,205,362 (2007: 19,332,008) Ordinary shares likewise.

**7 INVESTMENTS**

	2008	2007
	£'000	£'000
<b>a) Investment portfolio summary</b>		
<b>Listed investments</b>		
– US Treasury Bills	–	9,142
– Equities	<b>39,940</b>	38,950
<b>Unlisted investments</b>		
– Equities	<b>1,384</b>	1,853
– Convertible debenture stocks	<b>3,313</b>	4,213
– Loan notes	<b>704</b>	1,148
– Convertible preference shares	<b>6,871</b>	2,891
– Warrants	<b>800</b>	2,449
	<b>53,012</b>	60,646

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 7 INVESTMENTS (continued)

	2008			
	Treasury	Listed	Unlisted	Total
	Bills			
b) Analysis of investment portfolio movements	£'000	£'000	£'000	£'000
Opening book cost	9,150	31,246	13,749	54,145
Opening fair value adjustment	(8)	7,704	(1,195)	6,501
Opening valuation	9,142	38,950	12,554	60,646
Movements in the year:				
Transfers	–	1,458	(1,458)	–
Purchases at cost	66,488	13,374	6,734	86,596
Sales				
– Proceeds	(75,124)	(12,928)	(997)	(89,049)
– Realised (losses)/gains on sales	(514)	3,431	(549)	2,368
Changes in fair value	8	(4,345)	(3,212)	(7,549)
Closing valuation	–	39,940	13,072	53,012
Closing book cost	–	36,581	17,479	54,060
Closing fair value adjustment	–	3,359	(4,407)	(1,048)
	–	39,940	13,072	53,012

During the year, the Company incurred transaction costs of £43,000 on purchases of investments and £74,000 on sales of investments. These are included within losses on investments in the Income statement.

	2008			2007		
	Realised	Unrealised	Total	Realised	Unrealised	Total
	£'000	£'000	£'000	£'000	£'000	£'000
(c) Analysis of capital gains and losses						
Net gains on investments designated at fair value through profit or loss on initial recognition						
Gains on sales	2,368	–	2,368	12,929	–	12,929
Changes in fair value	(4,337)	(3,212)	(7,549)	–	(17,625)	(17,625)
	(1,969)	(3,212)	(5,181)	12,929	(17,625)	(4,696)
Exchange gains/(losses) on capital items	220	–	220	36	(390)	(354)

## 7 INVESTMENTS (continued)

With effect from 1 April 2007, 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 gains on listed investments depends on the individual circumstances of each investment.

Of the gains on sales a net gain of £2,158,000 (2007: gain of £14,066,000) was included in the fair value adjustment as at the previous year end.

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

Details of material investments in unlisted securities are as follows:

Investment	Total cost £'000	Carrying value at 31 March 2008 £'000	Carrying value at 31 March 2007 £'000	Net income from investment £'000	Latest accounts for year end	Aggregate capital and reserves US\$'m	Profit/ (loss) after tax for year US\$'m
AnchorFree – preference shares	1,287	1,061	255	–	30/09/2007	0.6	0.0
Asian Financial – common stock	801	755	765	–	31/12/2007	77.3	19.2
– warrants	–	16	–	–	31/12/2007	77.3	19.2
AuraSound – warrants	–	151	–	–	31/12/2007	21.1	(7.4)
BPO Management Services – preference shares	942	471	–	–	30/09/2007	14.6	(5.7)
– warrants	–	76	–	–	30/09/2007	14.6	(5.7)
Business Process Outsourcing – warrants	–	1	–	–	22/11/2004	12.0	0.0
CaminoSoft Corporation – loan notes	210	201	178	13	31/12/2007	(3.5)	(0.6)
Celsia Technologies – preference shares	291	20	52	–	31/12/2007	(0.2)	(15.9)
China Greenscape Company							
– preference shares	1,268	1,258	–	–	31/12/2007	49.8	17.3
Cover-All Technologies – warrants	–	21	–	–	31/12/2007	2.3	1.2
eOriginal – preference shares	3,830	964	909	–	29/02/2008	(4.2)	(4.7)
– warrants	–	11	57	–	29/02/2008	(4.2)	(4.7)
Gardant Pharmaceuticals – preference shares	284	9	9	–	30/09/2005	(30.8)	(4.3)
HeySpace International – preference shares	1,026	1,006	–	–	31/12/2007	11.0	4.5
iLinc Communications – debentures	354	252	255	30	31/12/2007	5.7	(0.9)
– preference shares	164	54	135	8	31/12/2007	5.7	(0.9)
Integrated Security Systems – debentures	610	347	586	35	31/12/2007	(10.8)	(3.8)
– loan notes	1,044	468	892	75	31/12/2007	(10.8)	(3.8)
– preference shares	91	9	12	–	31/12/2007	(10.8)	(3.8)
Murdoch Security & Investigations							
– common stock	621	629	–	–	29/02/2008	0.5	(0.3)
– warrants	–	108	–	–	29/02/2008	0.5	(0.3)
Narrowstep – warrants	–	–	–	–	30/11/2007	10.1	(14.1)
Obsidian Enterprises – debentures	111	78	115	8	31/10/2005	(10.7)	(22.6)
OneLink Corporation – loan notes	275	–	8	25	30/06/2006	(4.2)	(10.8)
PetroHunter Energy Corporation – debentures	961	1,006	–	35	31/12/2007	110.3	(48.3)
– warrants	–	67	–	–	31/12/2007	110.3	(48.3)

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 7 INVESTMENTS (continued)

	Carrying value at Total cost	Carrying value at 31 March 2008	Carrying value at 31 March 2007	Net income from investment	Latest accounts for year end	Aggregate capital and reserves	Profit/ (loss) after tax for year
	£'000	£'000	£'000	£'000		US\$m	US\$m
Investment							
Pipeline Data – debentures	825	755	765	60	31/12/2007	17.0	(2.0)
– warrants	–	–	96	–	31/12/2007	17.0	(2.0)
Ronco Corporation – preference shares	581	7	18	–	31/12/2006	4.3	(53.8)
Riptide Worldwide (formerly Shea Development Corp)							
– loan notes	49	35	–	2	30/09/2007	(0.5)	(14.1)
– preference shares	248	176	–	69	30/09/2007	(0.5)	(14.1)
– warrants	–	171	–	–	30/09/2007	(0.5)	(14.1)
Shengtai Pharmaceutical – warrants	–	102	–	–	31/12/2007	38.9	9.5
SIMTEK Corporation – debentures	459	432	1,187	27	31/12/2007	18.8	(2.8)
– warrants	–	3	–	–	31/12/2007	18.8	(2.8)
Skystar Bio-Pharmaceutical Company – debentures	340	443	714	29	31/12/2007	17.9	(2.0)
Symbollon Pharmaceuticals – warrants	–	44	–	–	31/12/2007	1.1	(3.7)
Terra Nova Financial Group – warrants	–	4	179	–	31/12/2007	33.2	3.6
Vertical Branding – warrants	–	25	–	–	31/12/2007	4.3	(3.4)
Zhongpin – preference shares	846	1,836	1,411	–	31/12/2007	143.0	18.5

### 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
CaminoSoft Corporation	US	8% Non-convertible promissory note	50.0%
CaminoSoft Corporation	US	8% Bridge loan	50.0%
Obsidian Enterprises	US	8% Convertible debenture	50.0%
Riptide Worldwide	US	Promissory note	50.0%
Integrated Security Systems	US	6% Convertible debenture	44.2%
AnchorFree	US	Series B Convertible preference shares	42.0%
Integrated Security Systems	US	8% Convertible promissory note	40.3%
Integrated Security Systems	US	7% Promissory note	40.0%
CaminoSoft Corporation	US	7% Senior secured note	33.3%
SIMTEK Corporation	US	Convertible debenture	33.3%
Integrated Security Systems	US	Common stock	32.5%
PetroHunter Energy Corporation	US	8.5% Convertible debenture	28.6%
Integrated Security Systems	US	8% Promissory note	26.1%
Murdoch Security & Investigations	US	Common stock	22.2%
CaminoSoft Corporation	US	Common stock	21.7%

## 7 INVESTMENTS (continued)

The Company holds more than 20% of the common stock of Integrated Security Systems, Murdoch Security & Investigations 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
eOriginal Holdings	US	Series D preference shares	18.4%
eOriginal Holdings	US	Series C preference shares	17.2%
Skystar Bio-Pharmaceutical Company	US	Common stock	16.5%
Cover-All Technologies	US	Common stock	16.2%
China Greenscape Company	US	Series C preference shares	13.0%
HeySpace International	US	Class A preference shares	12.0%
Zhongpin	US	Series A convertible preference shares	12.0%
iLinc Communications	US	12% Debenture	9.8%
eOriginal Holdings	US	Series A preference shares	9.0%
BPO Management Services	US	Series D preference shares	8.9%
BPO Management Services	US	Series D-2 preference shares	8.9%
Hemobiotech	US	Common stock	8.9%
iLinc Communications	US	8% Convertible preference shares	8.5%
Vertical Branding	US	Common stock	8.3%
Integrated Security Systems	US	9% Convertible preference shares	8.2%
AnchorFree	US	Series A convertible 7% preference shares	8.0%
Access Plans USA	US	Common stock	7.7%
Global Axxess Corporation	US	Common stock	7.4%
AuraSound	US	Common stock	7.1%
Bovie Medical Corporation	US	Common stock	6.8%
Narrowstep	US	Common stock	6.4%
Riptide Worldwide	US	Common stock	5.7%
OneLink Corporation	US	Convertible promissory note	5.6%
Riptide Worldwide	US	Series B convertible preference shares	5.0%
SIMTEK Corporation	US	Common stock	4.4%
Pipeline Data	US	8% Convertible debenture	4.1%
Symbollon Pharmaceuticals	US	Common stock	3.7%
MCF Corporation	US	Common stock	3.3%
Shengtai Pharmaceutical	US	Common stock	3.3%

A full listing of the investment portfolio is provided on pages 13 to 16.

## Notes to the accounts

for the year ended 31 March 2008 (*continued*)

<b>8 DEBTORS – amounts falling due within one year</b>	<b>2008</b>	2007
	£'000	£'000
Due from sales of investments	–	–
Accrued income	<b>145</b>	93
Prepayments and other debtors	<b>41</b>	36
	<b>186</b>	129

<b>9 CREDITORS – amounts falling due within one year</b>	<b>2008</b>	2007
	£'000	£'000
Due on purchases of investments	<b>5</b>	12
Accruals	<b>309</b>	295
Share buyback	<b>125</b>	–
	<b>439</b>	307

At 31 March 2008, £4,000 was due for payment to the Company Secretary (2007: £4,000).

At 31 March 2008, £209,000 was due for payment to the Manager (2007: £192,000) in respect of investment management fees and nil (2007: nil) in respect of the performance fee.

<b>10 CALLED UP SHARE CAPITAL</b>	<b>2008</b>	2007
	£'000	£'000
Authorised:		
40,000,000 Ordinary shares of 25p each	<b>10,000</b>	10,000
Allotted, called up and fully paid:		
19,109,008 (2007: 19,332,008) Ordinary shares of 25p each	<b>4,777</b>	4,833

<b>11 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>2008</b>	2007
	£'000	£'000
Net return before finance costs and taxation	<b>(5,270)</b>	(5,343)
Net capital return	<b>4,961</b>	5,050
Stock dividends/interest received	<b>(177)</b>	(246)
Increase/(decrease) in creditors and accruals	<b>14</b>	(6)
Increase in prepayments and accrued income	<b>(57)</b>	(19)
Net cash outflow from operating activities	<b>(529)</b>	(564)

**12 RECONCILIATION OF NET CASH FLOW TO NET FUNDS**

	<b>2008</b>	2007
	£'000	£'000
Increase in cash in the year	<b>1,884</b>	1,179
Effect of exchange rate movements	<b>(106)</b>	(390)
Movement in net funds	<b>1,778</b>	789
Net funds at beginning of year	<b>1,724</b>	935
Net funds at end of year	<b>3,502</b>	1,724

**Net funds are comprised as follows:**

	<b>2008</b>	2007
	£'000	£'000
Cash at bank	<b>3,502</b>	1,724
Net funds at 31 March	<b>3,502</b>	1,724

**13 NET ASSET VALUE PER ORDINARY SHARE**

The basic net asset value per Ordinary share is based on net assets of £56,261,000 (2007: £62,192,000) and on 19,109,008 (2007: 19,332,008 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 (2007: none).

**14 COMMITMENTS AND CONTINGENT LIABILITIES**

At 31 March 2008 there were no outstanding commitments or contingent liabilities (2007: none).

**15 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 financial instruments comprise securities, warrants, other investments and bank deposits which are held to achieve its investment objective as well 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; and
- liquidity/marketability risk.

The Company does not enter into derivative contracts.

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 48 to 55.

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

#### 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 merit of individual companies and therefore the portfolio may well diverge from the short term fluctuations of the benchmark.

#### 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 13 to 16. Further details of warrants held are given below.

	<b>Intrinsic Value</b>	<b>Time Value</b>	<b>Total Value</b>	<b>Expiry Date</b>
	£'000	£'000	£'000	
Asian Financial	–	16	16	30/06/2013
AuraSound	–	151	151	07/06/2012
AuraSound	–	–	–	07/06/2008
AuraSound	–	–	–	07/06/2008
BPO Management Services	–	–	–	12/06/2010
BPO Management Services	–	–	–	12/06/2012
BPO Management Services	–	–	–	12/06/2008
BPO Management Services	–	–	–	12/06/2008
BPO Management Services	76	–	76	13/06/2010
BPO Management Services	–	–	–	13/06/2010
BPO Management Services	–	–	–	12/06/2008
Business Process Outsourcing	–	1	1	01/09/2008
CaminoSoft Corporation	–	–	–	19/07/2009
CaminoSoft Corporation	–	–	–	18/12/2008
CaminoSoft Corporation	–	–	–	18/12/2008
CaminoSoft Corporation	–	–	–	21/02/2011
Celsia Technologies	–	–	–	11/07/2010
Celsia Technologies	–	–	–	11/07/2010
Cover-All Technologies	20	1	21	09/05/2011
Dyadic International	–	–	–	29/10/2009
eOriginal Holdings	–	–	–	13/02/2009
eOriginal Holdings	–	7	7	29/12/2009
eOriginal Holdings	–	4	4	30/09/2010
eOriginal Holdings	–	–	–	30/09/2008
Gardant Pharmaceuticals	–	–	–	07/10/2010
Global Axxess Corporation	–	–	–	29/01/2009
Global Axxess Corporation	–	–	–	29/01/2009
Global Axxess Corporation	–	–	–	29/01/2009

## 15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

	<b>Intrinsic Value</b>	<b>Time Value</b>	<b>Total Value</b>	<b>Expiry Date</b>
	£'000	£'000	£'000	
Integrated Security Systems	–	–	–	13/10/2010
Integrated Security Systems	–	–	–	05/05/2010
Integrated Security Systems	–	–	–	01/10/2008
Intrusion	–	–	–	25/03/2009
Inyx	–	–	–	30/10/2008
Inyx	–	–	–	30/10/2008
Murdoch Security & Investigations	–	40	40	03/07/2012
Murdoch Security & Investigations	–	45	45	27/11/2012
Murdoch Security & Investigations	–	23	23	25/02/2013
Narrowstep	–	–	–	07/08/2012
PetroHunter Energy Corporation	–	67	67	05/11/2012
Pipeline Data	–	–	–	29/06/2011
Riptide Worldwide	171	–	171	10/07/2012
Shengtai Pharmaceuticals	18	84	102	15/05/2012
SIMTEK Corporation	–	2	2	26/05/2011
SIMTEK Corporation	–	–	–	07/11/2008
SIMTEK Corporation	–	–	–	07/11/2008
SIMTEK Corporation	–	–	–	28/06/2010
SIMTEK Corporation	–	1	1	20/09/2011
Symbollon Pharmaceuticals	–	15	15	30/06/2011
Symbollon Pharmaceuticals	–	29	29	27/09/2012
Terra Nova Financial Group	–	4	4	15/03/2011
Vertical Branding	–	19	19	13/11/2012
Vertical Branding	–	6	6	13/11/2012
Value at 31 March 2008	285	515	800	

As discussed in the accounting policies of the Company in note 1 on pages 36 to 38, 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 36 to 38. Cash and trade debtors arising from the operations of the Company as at 31 March 2008 amounted to £3,502,000 (2007: £1,724,000) and £186,000 (2007: £129,000) respectively.

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 15 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 £/\$ exchange rate. The Company does not, nor does it intend to, hedge the portfolio against any movement in the exchange rate.

The Investment Manager monitors the exposure to foreign currencies on a daily basis and reports to the Directors on a regular basis. The Investment 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\$. In the year ended 31 March 2008, exchange gains of £220,000 (2007: losses £354,000) relating to currency, have been taken to the capital reserve.

The primary currency risk is between Sterling and Dollars. The fund also invests in U.S. listed companies with operations in China and therefore has exposure to the Renminbi.

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

<b>As at 31 March 2008</b>	<b>Investment portfolio</b>	<b>Cash</b>	<b>Other current assets</b>	<b>Financial assets</b>	<b>Financial liabilities</b>
	£'000	£'000	£'000	£'000	£'000
USA \$	<b>48,754</b>	<b>3,474</b>	<b>149</b>	<b>52,377</b>	<b>226</b>
Canada \$	<b>4,258</b>	–	–	<b>4,258</b>	–
	<b>53,012</b>	<b>3,474</b>	<b>149</b>	<b>56,635</b>	<b>226</b>

<b>As at 31 March 2007</b>	<b>Investment portfolio</b>	<b>Cash</b>	<b>Other current assets</b>	<b>Financial assets</b>	<b>Financial liabilities</b>
	£'000	£'000	£'000	£'000	£'000
USA \$	58,041	1,713	98	59,852	226
Canada \$	2,605	–	–	2,605	–
	60,646	1,713	98	62,457	226

The Company has a total exposure as a percentage of net assets to US Dollars of 93% (2007: 96%) and Canadian Dollars of 7% (2007: 4%).

#### Sensitivity analysis

At 31 March 2008, had Sterling strengthened by 10% in relation to the US\$, with all other variables held constant, the net assets attributable to shareholders and the return for the year would have decreased by £4,741,000 (2007: £5,419,000). A 10% weakening of Sterling against the US\$ would have resulted in an equal but opposite effect.

**15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES** (continued)**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 interest rate profile of the Company's fixed interest financial assets at 31 March was as follows:

	<b>Value</b>	<b>Value</b>	<b>Weighted average interest rate</b>	<b>Weighted average period for which rates are fixed</b>
	US\$'000	£'000	%	(years)
<b>As at 31 March 2008</b>				
US unlisted convertible debentures	<b>6,583</b>	<b>3,313</b>	<b>8.2</b>	<b>2.8</b>
US unlisted loan notes	<b>1,400</b>	<b>704</b>	<b>16.8</b>	<b>0.4</b>
US unlisted convertible preference shares	<b>13,658</b>	<b>6,871</b>	<b>3.0</b>	<b>–</b>
<b>As at 31 March 2007</b>				
US unlisted convertible debentures	8,264	4,213	6.0	3.2
US unlisted loan notes	2,252	1,148	8.9	0.9
US unlisted convertible preference shares	5,669	2,891	2.4	–
US Treasury Bills	17,930	9,142	5.1	0.1

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

	<b>2008</b>	2007
	£'000	£'000
Within one year	<b>783</b>	10,355
Within one to two years	<b>1,229</b>	3,406
Within two to three years	<b>839</b>	962
Within three to four years	<b>291</b>	1,451
Within four to five years	<b>1,659</b>	587
More than five years	<b>16</b>	191
	<b>4,817</b>	16,952
Investments with no maturity dates	<b>48,195</b>	43,694
	<b>53,012</b>	60,646

The remaining current assets of the Company of £3,688,000 (2007: £1,853,000) have no maturity date.

#### 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 quantifiable.

#### 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 monitors compliance with the Company's objectives and is 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 endeavors to have certain percentages of assets in given sectors.

See the Manager's review on pages 6 to 12 for discussion of investments made during the year. The method of valuing the investments is discussed in the accounting policies on pages 36 to 38.

#### Sensitivity analysis

A 10% increase in the market value of investments at 31 March 2008 would have increased net assets attributable to shareholders by £5,302,000 (2007: £6,065,000). An equal change in the opposite direction would have decreased the net assets attributable to shareholders by an equal but opposite amount.

**15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES** *(continued)***Liquidity risk**

The investments made by the Company are in smaller US companies. Although at the year end 75% of the portfolio (2007: 79%) is held in listed securities, it should be recognised that the Company is exposed to liquidity risk as many of the portfolio holdings are relatively illiquid. The Manager is sometimes 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 13 to 16.

Most investments, micro capitalisation and private placements in public equities investing involves 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 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.

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.

Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Managers. 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.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality.

## Notes to the accounts

for the year ended 31 March 2008 (continued)

### 15 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

	<b>2008</b>	<b>2007</b>
	£'000	£'000
US unlisted convertible debentures		
Consolidated Energy	–	400
iLinc Communications	<b>252</b>	255
Integrated Security Systems	<b>347</b>	586
Interpool	–	191
Obsidian Enterprises	<b>78</b>	115
PetroHunter Energy Corporation	<b>1,006</b>	–
Pipeline Data	<b>755</b>	765
SIMTEK Corporation	<b>432</b>	1,187
Skystar Bio-Pharmaceutical Company	<b>443</b>	714
<b>Total US unlisted convertible debentures</b>	<b>3,313</b>	4,213
US unlisted loan notes		
CaminoSoft Corporation	<b>201</b>	178
Consolidated Energy	–	70
Integrated Security Systems – 7% promissory	<b>60</b>	102
Integrated Security Systems – 8% promissory	<b>408</b>	790
OneLink Corporation	–	8
Riptide Worldwide	<b>35</b>	–
<b>Total US unlisted loan notes</b>	<b>704</b>	1,148
US unlisted convertible preference shares		
AnchorFree	<b>1,061</b>	255
BPO Management Services	<b>471</b>	–
Celsia Technologies	<b>20</b>	52
China Greenscape Company	<b>1,258</b>	–
Digital Recorders	–	32
eOriginal Holdings	<b>964</b>	909
Gardant Pharmaceuticals	<b>9</b>	9
HeySpace International	<b>1,006</b>	–
i2 telecom International	–	58
iLinc Communications	<b>54</b>	135
Integrated Security Systems	<b>9</b>	12
Ronco Corporation	<b>7</b>	18
Riptide Worldwide	<b>176</b>	–
Zhongpin	<b>1,836</b>	1,411
<b>Total US unlisted convertible preference shares</b>	<b>6,871</b>	2,891
<b>Debtors</b>	<b>186</b>	129
<b>Cash</b>	<b>3,502</b>	1,724
	<b>14,576</b>	10,105

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

As noted in the Manager's review on pages 6 to 12 the position in Consolidated Energy was written off after the Company filed for bankruptcy.

**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 2008, 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. At 31 March 2008 this facility was not utilised (31 March 2007: not used). The maximum draw down available is 40% of the securities nominated as collateral. At 31 March 2008, no securities were nominated and hence no draw down was available (31 March 2007: no draw down). The facility is a rolling facility and therefore does not have a renewal date.

**16 POST BALANCE SHEET EVENTS**

On 21 May 2008, the Company drew down \$6,500,000 on its margin facility to finance portfolio acquisitions. On 30 May 2008 a further \$2,000,000 was drawn down.

**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., Access Plans USA, Inc., Digital Recorders, Inc., Integrated Security Systems, Inc., and SIMTEK Corporation. Details of the Company's holdings in these investments are disclosed in note 7, in the Manager's review on pages 6 to 12 and in the Investment portfolio on pages 13 to 16. At the year end accrued interest of £45,000 was due from these holdings.

## 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)  
 William W Vanderfelt (Switzerland)

### Secretary and Registered Office

Capita Sinclair Henderson Limited  
 Beaufort House  
 51 New North Road  
 Exeter EX4 4EP  
 Tel: 01392 412122  
 Fax: 01392 253282

### Manager

RENN Capital Group, Inc.  
 Suite 210 LB59  
 8080 North Central Expressway  
 Dallas, Texas 75206-1857  
 USA  
 Tel: 001 214 891 8294  
 Fax: 001 214 891 8291  
[www.rencapital.com](http://www.rencapital.com)

### Corporate website

[www.renaissanceusgrowth.co.uk](http://www.renaissanceusgrowth.co.uk)

### Custodian (USA)

Frost National Bank  
 8201 Preston Road  
 Suite 540  
 Dallas, Texas  
 USA

### Stockbrokers

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

### Auditor

KPMG Audit Plc  
 100 Temple Street  
 Bristol BS1 6AG

### Registrars

Capita Registrars  
 Northern House  
 Woodsome Park  
 Fenay Bridge  
 Huddersfield  
 West Yorkshire HD8 0LA  
 Tel: 0870 162 3131 (or 0044 208 639 3399 for  
 overseas enquiries)  
 email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
[www.capitaregistrars.com](http://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 AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY at 11.00am on Thursday, 10 July 2008 for the following purposes:

### Ordinary business

1. To receive and, if approved, adopt the accounts for the year ended 31 March 2008, 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 2008.
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 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 9, 10, 11, 12 and 13 as Special Resolutions and resolution 8 as an Ordinary Resolution.

8. THAT, (i) the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 (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 £1,592,417 (being one third of the current issued share capital) provided that this authority shall expire on the date of 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 80 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.
9. THAT, subject to and conditional upon the passing as an ordinary resolution of the resolution numbered 8 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 95 of the Companies Act 1985 (the Act), to allot equity securities (as defined in section 94 of the Act) of the Company for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) 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 £477,725 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);

- (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 section 95 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.
10. THAT, notwithstanding the provisions of Article 155 of the Articles of Association of the Company: the Company be and it is hereby authorised in accordance with Section 166 of the Companies Act 1985 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 2,864,440;
  - (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 conclusion of the Annual General Meeting of the Company to be held in 2009, 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.
11. 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 170.1(b) of the Articles of Association and the provisions of Article 170.1(c) and (d) shall thereupon apply in respect of such meeting.
12. THAT, with effect from the conclusion of the Annual General Meeting, the Company's Articles of Association be amended as set out in the document produced to the meeting marked "A" and signed by the Chairman of the Meeting and the existing Articles be renumbered and cross-references amended accordingly.
13. THAT, the Company's current investment policy be replaced with the following investment policy:

### Investment policy

The objective of the Company is to achieve capital growth and to outperform its benchmark, the Russell 2000 Index.

Investments are made primarily in securities issued by companies listed, quoted or domiciled in the US and Canada. These securities include, inter alia, privately placed common stock, preferred stock, convertible debentures and warrants, and may also include securities traded on an exchange. The companies in which investments are made would generally be regarded as belonging to the category of companies with 'micro' stock market capitalisations at the time of purchase, typically those companies with market capitalisations below \$1 billion. From time to time, the Company also invests in securities in unlisted US companies with similar characteristics. Although there are no limits set by the Board on the proportion which may be invested in unlisted securities, it is expected that such exposure will not exceed 25%.

## Notice of Annual General Meeting

*(continued)*

Subject to the geographic restrictions on listing or domicile set out here, the Company is able to invest its net assets in businesses which generate sales and earnings outside the US so the Company may have significant economic exposure to markets or economies outside North America.

The Board sets no specific limits on sector weights, or on the number of securities which may be held, although no investment will be made that would represent more than 15% of the value of the Company's total investments at the time of purchase. The Board reviews the investments at each board meeting to ensure that diversification is adequate for a portfolio of this type.

The Company is permitted by its Articles of Association to borrow up to 30% of its net assets, and may do so on an opportunistic basis determined by the availability of investment opportunities.

A large proportion of the Company's investments will be, by their very nature, less readily marketable than equities in general.

The Company invests on a long only basis, and does not currently intend to hedge its non UK currency exposure back into sterling.

The Company's policy is not to invest in UK listed investment companies, including investment trusts.

### Construction of the Company's portfolio

Construction of the Company's portfolio involves subjective judgement, rather than quantitative targeting, although a number of considerations are taken into account:

- Because liquidity in the Company's holdings is often very limited, it is likely that a relatively large number of positions will be held. The exact number of holdings will depend largely on the opportunities available to the Manager.
- Several different industries will typically be represented, but the portfolio will often deviate substantially from the sector weights in the Company's benchmark. It should be noted that the Company expects to take significant risk relative to that benchmark, with the goal of meeting its objective.
- The investment process tries to identify stocks which have the capacity to appreciate very substantially in price. As a result, positions which were relatively small on acquisition can become very large (over 15% of the portfolio) if the investment is successful. The Company will often hold these 'winners', even if they become a large part of the investment portfolio, and this can lead to significant concentration of risk.
- The purchase of investment positions often involves negotiation with the business concerned and may take several months. For this reason the Board believes it is desirable in normal circumstances for the Company to hold cash in anticipation of such investment.
- When no investment can be found with the desired return profile, the Company may hold cash or equivalent, and there is no limit set by the Board on the proportion of assets so held.
- The Manager may take a seat on the board of investee companies in order to influence the strategy of these companies. Consequently, it is possible that this could lead to the acquisition of knowledge which might affect the ability of the Manager to act freely in all circumstances.

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

By Order of the Board  
**Capita Sinclair Henderson Limited**  
Secretary  
10 June 2008

**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 8 July 2008. 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 11.00am on Tuesday, 8 July 2008 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 11.00am on Tuesday, 8 July 2008 ("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 11 May 2008 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 19,109,008 ordinary shares carrying one vote each. Therefore the total voting rights of the Company as at the date of this notice of meeting was 19,109,008.
6. The Articles of Association of the Company will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays 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. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that:
  - (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in paragraph (i) of this Note 7.

## 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 Tuesday, 8 July 2008. 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 Tuesday, 8 July 2008.*

## Appendix

### Summary of amendments to the Articles of Association of the Company

The material changes included in the proposed new Articles of Association are set out below.

#### Directors' fees

It is proposed to increase the total maximum amount of non-executive Directors' fees from £100,000 to £150,000 per annum.

#### No retirement on account of age

The current Articles contain provisions relating to no retirement on account of age and a specific exclusion of the relevant section in the Companies Act 1985. This reference has been removed from the Articles in view of the repeal of sections 293-4 Companies Act 1985.

#### Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions dealing with directors' conflicts of interest to avoid a breach of duty. The amended Articles give directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and, secondly, 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 will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively and that the procedures have been followed.

#### Convening general meetings

The provisions in the current Articles dealing with the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice where previously 21 days' notice was required.

#### Directors' indemnities, loans to fund expenditure and power to insure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with a company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of providing a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. Articles relating to indemnity and insurance provision no longer extend to Auditors.

## Appendix

### Summary of amendments to the Articles of Association of the Company

#### Electronic and web communications

The provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The amended Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.





## Form of proxy

FOR USE AT THE ANNUAL GENERAL MEETING OF RENAISSANCE US GROWTH INVESTMENT TRUST PLC

I/We (Block Capitals please) .....

a member/members of Renaissance US Growth Investment Trust PLC ("the Company"), hereby appoint the Chairman of the Meeting/

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of the AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY at 11.00am on Thursday, 10 July 2008, and at any adjournment thereof.

Signature .....

Date ..... 2008

Please indicate with an X in the spaces below how you wish your votes to be cast.

		FOR	AGAINST	WITHHELD
RESOLUTION 1	To adopt the accounts for the year ended 31 March 2008, together with the Reports of the Directors and Auditor thereon.			
RESOLUTION 2	To accept the Directors' remuneration report for the year ended 31 March 2008.			
RESOLUTION 3	To re-elect Mr Barker a Director.			
RESOLUTION 4	To re-elect Mr Cleveland a Director.			
RESOLUTION 5	To re-elect Mr Fenton a Director.			
RESOLUTION 6	To re-elect Mr Vanderfelt a Director.			
RESOLUTION 7	To re-appoint KPMG Audit Plc as Auditors to the Company, and to authorise the Directors to determine its remuneration.			
RESOLUTION 8	To authorise the Directors to allot shares in accordance with statutory pre-emption rights.			
RESOLUTION 9	To authorise the Directors to allot shares for cash having disapplied pre-emption rights.			
RESOLUTION 10	To authorise the purchase of Ordinary shares as laid out in resolution 10 of the notice of meeting.			
RESOLUTION 11	That the Company shall continue as an investment trust.			
RESOLUTION 12	To update the Company's Articles of Association.			
RESOLUTION 13	To update the Company's investment policy.			

### NOTES:

1. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.
6. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
7. Shares held in uncertificated form (ie. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Do not affix Postage Stamps if posting in  
Gt. Britain, Channel Islands, or N. Ireland

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First fold

Capita Registrars  
Proxy Department  
PO Box 25  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4BR

Second fold