



Renaissance US Growth Investment Trust PLC

Interim Report

for the period ended 30 September 2006

FINDING VALUE / ADDING VALUE / REALISING VALUE

Summary of results and financial highlights

			% change	
	30 Sept 2006	31 March 2006	31 March 2006 to 30 Sept 2006	30 Sept 2005
Total assets and shareholders' funds	£60,055,000	£67,538,000	(11.08)	£59,879,000
Net assets per Ordinary share ('NAV') – pence	310.65	349.36	(11.08)	309.74
– US cents	580.28	605.99	(4.24)	547.96
Mid market price per Ordinary share	283.50p	311.00p	(8.84)	265.50p
Discount to NAV	8.74%	10.98%		14.28%
Exchange rate – US\$/£	1.86795	1.73455		1.76910
Russell 2000 Index	725.59	765.14	(5.17)	667.80
Russell 2000 Index – sterling adjusted	388.44	441.10	(11.94)	377.48
S&P 500 Index	1,335.85	1,294.83	3.17	1,228.81
S&P 500 Index – sterling adjusted	715.14	746.47	(4.20)	694.60

Chairman's statement

Renaissance US Growth Investment Trust remains an excellent way for investors to participate in the growth of entrepreneurial investing.

As we reported in the annual report and in our recent newsletter, 2006 has turned out to be a transition year in the US stock market. We are not seeing a major bear market, but it has been a difficult year for US markets. From 31 March 2006 to 30 September 2006, the Russell 2000 index decreased 12% in sterling and 5% in dollars. Your Company performed slightly better, with net asset value decreasing 11% in sterling and 4% in dollars.

A number of uncertainties has worried investors including rising interest rates, declines in the housing market, conflict in the Middle East and higher oil prices. Despite these problems, the US economy has remained fairly strong. Fortunately, your Company has realised substantial profits in 2006, about \$21 million to date. This gives us the firepower to look for attractive new investments. As always, the ultimate success of this Company does not depend on US market performance but on whether the management of your portfolio companies execute their plans. There are a number of basic changes in the portfolio which I will outline here and which are also detailed in the Investment Manager's review.

The Portfolio Garden

The composition of the portfolio has changed materially in the past six

months. The largest holding for several years, Laserscope, was purchased by American Medical Systems Holdings (see below). Additionally, substantial profits were realised in the energy sector as we reduced our holdings in this area. New portfolio names have risen to the forefront of the portfolio due to appreciation. I will detail more of this later. With the profit taking, your Company now has substantial cash, including treasury bills, of approximately \$22 million, which places us in a good position to find attractive new investments.

Harvesting the Garden

In July 2006, Laserscope was acquired by American Medical Systems Holdings. Including a previous sale of Laserscope stock, your Company has realised a total gain of \$29.9 million on its original investment of \$1.5 million in 2000 representing a return of approximately 2000%. This gain points to what can happen when you are right on an emerging growth company. The key here, as always, was an excellent CEO, Eric Reuter, who guided Laserscope over the past four years.

Significant gains were realised in the energy sector where your Company had substantial positions. Many of the gains were greater than 200%. While we believe the energy sector will continue to

be attractive long term, it appears that the price of oil will be in a trading range in the short term. We did not want to give up the substantial profits we had made; thus, we liquidated a portion of our energy holdings in the first half of the financial year. Further reductions in energy holdings were made in October 2006. Outside of the energy area, we realised outstanding percentage gains in Franklin Covey. The stock rose from the \$2 level to \$8 and your Company exited from the position. As a result of harvesting the garden, we now have a high cash position.

New Plantings

Our main investment objective continues to be finding successful entrepreneurs with which to join. In this effort, we will consider most industry groups. However, there are major economic themes that can make success easier, i.e., in sailing terms, having the "wind at your back." As an illustration, your Company rode the energy upturn for many years.

Several new investment themes have evolved. Among the most important is US-traded companies managed by Chinese entrepreneurs and operating in China. In this area, during the period we added China Security & Surveillance Technology (OTC: CSST) to the portfolio, a company which is engaged in the design and sale of security systems in

Chairman's statement

(continued)

China. With the 2008 Olympics in China, there is a major push for security all over the country. We also added to the portfolio Wonder Auto Technology (OTC: WATG) a leading manufacturer of electrical automotive parts with concentration in alternators and starters. Your Company will continue to add additional US-listed China-based companies, but will keep the proportion within reason.

Other additions include Pipeline Data (OTC: PPDA) which provides merchant credit payment processing services in the US; Quintana Maritime Limited (NASDAQ: QMAR) which provides marine transportation services worldwide and is a play on the developing global economy and Silverleaf Resorts (AMEX: SVL) which has been successful in the development and marketing of getaway timeshare resorts in the US. Adding to the medical component of our portfolio, Symbolon Pharmaceuticals (OTC: SYMBA) has a phase III FDA breast cancer drug that shows excellent promise. The Investment Manager's review details more about new additions to the portfolio.

One new area of interest to the Investment Manager is the growth of commerce via the internet. Phase II of the economic cycle for the internet has begun but on a much more solid basis. Your Company is studying a number of new opportunities in this rapidly growing area.

The top holdings of your Company changed materially over the past six months. The largest holding is now Comtech Group (NASDAQ: COGO), a US traded China-based company which concentrates on technology in China. Comtech just announced a major license from Microsoft to develop a whole range

of products in China. The second largest holding has become Bovie Medical Corporation (ASE: BVX). Bovie's stock has had major appreciation in recent months. Our cost per share is \$1.75. The stock has sold as high as \$9 recently and is currently trading at about \$7 per share. Bovie has announced several new surgical devices that could have wide application. Additionally, Bovie announced a joint venture with a major medical company, Boston Scientific. Another portfolio holding, Simtek Corporation, which is now our fourth largest holding is under new management and has been reporting excellent results. They expect to continue rapid growth.

Your Investment Manager has been actively working with many of our portfolio companies to assist them with merger and acquisition opportunities. Precis (NASDAQ: PCIS) has announced the intention of merging with Insuraco, a rapidly growing health insurance company. The Chairman of Insuraco, Peter Nauert, will become the new CEO of Precis. Russell Cleveland, your Investment Manager and a director of Precis, introduced the two companies. We are actively working with several other portfolio companies that may merge or acquire profitable companies. Robert Pearson of RENN Capital Group is also actively working in this area and it is possible that these efforts will add materially to the portfolio over the next year.

Discount to Net Asset Value

We have been able to maintain a discount to net asset value under 10%. While this is an improvement over the experience of past years, we believe this

discount is unwarranted given the track record of this Company. Your Board of Directors will continue to monitor this and work with our stockbroker to maintain a good market for our shares.

Your Board and Investment Manager have continued to work at providing investors with timely information about the Company. In 2005, your Company appointed Lansons Communications to assist us in investor relations. A number of articles on the Company appeared in various media in recent months. The most recent was a major article on Russell Cleveland and the Company, which appeared in the October 2006 issue of Bloomberg Magazine. Twice a year, your Investment Manager visits the UK to meet personally with our major shareholders, as well as with analysts and brokers who might be interested in the Company.

Conclusion

It appears that the US stock market is in a transition phase which could end shortly resuming the bull market which began in the fall of 2002. Your Company, with its recent cash profits, is in a good position to add attractive new portfolio companies. In addition, some of our long term core holdings could bring new life through merger and acquisition activities. Renaissance US Growth Investment Trust remains an excellent way for investors to participate in the growth of entrepreneurial investing.

Ernest Fenton, Chairman
29 November 2006

Manager's review

Your Company is in great shape with approximately \$22 million in treasury bills and cash together with a number of solid new holdings, as well as encouraging new investment candidates.

The Russell 2000 index decreased 12% in sterling and 5% in dollars for the six months ended September 2006. Your Company performed slightly better with the net asset value decreasing 11% in sterling and 4% in dollars. We believe the uncertainty surrounding interest rates, the conflict in the Middle East and the rise in oil prices were part of the reason for this decline. The US stock market rebounded in October and appears to be heading for new highs. Your Company is in great shape with approximately \$22 million in treasury bills and cash together with a number of solid new holdings, as well as encouraging new investment candidates.

Core Holdings

At 30 September 2006, the top ten holdings made up approximately 41% of the net asset value compared to 48% at 31 March 2006. The top ten lists at the end of March and September 2006 are as follows:

31 March 2006	% of net assets	30 September 2006	% of net assets
1. Laserscope	12.1%	1. Comtech Group	6.7%
2. Gasco Energy	6.9%	2. Bovie Medical Corporation	6.3%
3. Integrated Security Systems	5.7%	3. Integrated Security Systems	5.6%
4. Comtech Group	4.3%	4. Simtek Corporation	4.9%
5. Exploration Company of Delaware	4.2%	5. Gasco Energy	3.5%
6. Consolidated Energy	3.4%	6. Zhongpin	3.4%
7. Access Integrated Technologies	3.2%	7. eOriginal	2.9%
8. Bovie Medical Corporation	3.0%	8. Fushi International	2.8%
9. eOriginal	2.8%	9. Exploration Company of Delaware	2.7%
10. OmniVision Technologies	2.6%	10. Access Integrated Technologies	2.4%

Three of the top ten holdings left the list, Laserscope, Consolidated Energy and OmniVision Technologies, which were replaced by Fushi International (OTC: FSIN), Simtek Corporation (OTC: SMTE) and Zhongpin (OTC: ZHNP).

Manager's review

(continued)

The big news over the period was that the Company's largest holding, Laserscope, was acquired by American Medical Systems Holdings (NASDAQ: AMMD). This completes our \$1.5 million investment in Laserscope which was made in February of 2000. Including an earlier sale of Laserscope stock, your Company realised gains of \$29.9 million from this investment. Both Consolidated Energy and OmniVision Technologies dropped out of the top ten due to declines in their share values. The additions to the top ten came as a result of appreciation of the shares of Fushi International, Simtek Corporation and Zhongpin.

Comtech Group (NASDAQ: COGO) has appreciated 315% since your Company's first investment and is up 50% during the interim period becoming the largest equity holding of the portfolio at 6.7%, valued at \$7.5 million. This provider of modular design solutions to various electronic manufacturers in China continues to outperform expectations. Comtech reported second quarter revenue growth of 65% and earnings growth of 41% against the same quarter last year. The company also increased its 2006 revenue guidance to \$155 million from an earlier guidance of \$135 million. Comtech is capitalising on the strong secular trends of consumer electronics and telecom spending both in China and abroad, focusing on the fastest growing areas within this technology sector while maintaining a diversified revenue base of customers.

Bovie Medical Corporation (AMEX: BVX) has appreciated 300% since the inception of your Company's original investment and 102% during the interim period making it the second largest

equity holding of the fund. This manufacturer and marketer of medical products and related technologies reported record sales up 33% over last year's quarter and earnings of \$712,000 against a small loss last year. In October the company had two positive announcements. Bovie and Boston Scientific (NYSE: BSX) entered into an agreement where Bovie will produce an electro-surgical device for Boston Scientific's cancer products division. The product will be co-branded with both names on the product. "It is a strong step forward in our strategy to achieve greater market recognition through Boston Scientific's well established and expert sales force" said Andrew Makrides, President of Bovie. The company also announced FDA clearance to market a new laparoscopic instrument with an estimated addressable market of \$200 million. The new device is expected to reduce surgeon fatigue and improve tactile feel.

Simtek Corporation (OTC: SMTE) appreciated approximately 73% during the first six months ending September. Simtek engages in the design and marketing of re-programmable and nonvolatile semiconductor memory products. It designs and develops 1 megabit, 256 kilobit, 64 kilobit and 16 kilobit nonvolatile semiconductor memory products, associated products and technologies and also the development of sources of supply and distribution channels. Its products are used in high performance workstations, GPS navigational systems, robotics, copiers and printers, broadcast equipment, computers, factory controllers, electric meters and military systems.

In September your Company invested \$500,000 into a follow-on round of Simtek's common stock and warrants. The company is performing very well, which is reflected in their third quarter results; revenues were up 242% for the third quarter over last year. The company also earned a non-GAAP profit of \$335,000 in the third quarter against a loss of \$1.7 million in the same quarter last year. Harold Blomquist, President and CEO, recently commented, "During the first nine months we focused on improving gross margins, raising revenue and increasing production capacity to support surging customer demand, especially for our 1 megabit family. During the quarter and the first nine months of 2006, we added several significant new customers and made progress on many aspects of operational effectiveness," continued Blomquist. "Our engineering team, in close collaboration with Cypress Semiconductor (NYSE: CY) is nearing completion of the 4 megabit design and process development. We remain optimistic about our prospects for the remainder of 2006 and beyond as we continue to execute on our game plan to strengthen our position in the nonvolatile semiconductor memory marketplace."

Another winner was Fushi International (OTC: FSIN) which has had a total appreciation in value of approximately 220% since we made our initial investment and 40% in value over the last six months. Fushi is the largest manufacturer of bi-metallic cable products in China, with a market share of 50% among domestic suppliers. Bi-metallic composite products are used in cable television, telecommunications, utilities, electronics and other industrial

applications. The company's sound strategy is first to dominate the China market and then aggressively to take an international market share. Fushi has significant production cost advantages over their primary US competitor and intends to gain a significant market share of the worldwide market of approximately \$1.5 billion. The opportunity is significant given that Fushi had sales of just \$57 million for the twelve months ended June 2006.

A private placement in Fushi was closed during December 2005 and the proceeds were used to add several production lines to its existing capacity. The results are clearly apparent in Fushi's first half results; for the six months ended June 2006, sales were reported to be up 244% at \$32 million and operating income up 263% at \$11.7 million over the same period last year. Net income increased from \$2.5 million to \$10.9 million from the six months ended June 2005 to the six months ended June 2006. Despite the addition of significant new production

lines from the December 2005 private placement, the company ran at a capacity utilisation rate of 91% for the second quarter. The company continues to add additional production capacity as it seeks to execute its goal of dominating the bi-metallic market in China. Given the strong 35% operating margins, we expect much of the anticipated future increase in productive capacity to be financed through internally generated earnings and therefore expect to accrue much larger capital gains in the future. Fushi is a prime example of the benefits of partnering with a successful entrepreneur and staying with them for the long haul. We believe this company has the potential to increase several fold again during the next few years.

Zhongpin (OTC: ZHNP) is another example of a US listed, entrepreneurially led Chinese company benefiting from the immense growth in Asia. Zhongpin is a unique vertically integrated premier producer and processor of fresh meat and vegetables in China. Zhongpin has

built an integrated supply chain from farming, slaughtering, cutting, processing and wholesaling to retailing through an exclusive network of 1,260 showcase stores, network stores and supermarket counters. For the second quarter ended June 2006, Zhongpin reported revenues up by 71% and earnings up by 112%. Commenting on the quarter, Xianfu Zhu, CEO said, "Our strong performance for the quarter is the result of a combination of increasing our customer base and the competitive advantages we derive from our fully integrated processing system. While our near-term margins were slightly impacted by higher raw material costs, we expect our margins to improve through increased operating efficiencies in our supply chain and customer optimisation. We also launched several promotional campaigns in major markets during the quarter that provided increased visibility for our brands."

New investments

Company	Sector	Amount	Instrument	Price	Shares
China Security					
& Surveillance Technology	Security products	\$1,000,000	Common & Warrants	\$3.50	342,856
Pipeline Data	Payment processing	\$1,500,000	Convertible debentures & Warrants	\$1.30	1,603,846
Quintana Maritime	Shipping	\$1,000,000	Common & Warrants	\$7.50	176,001
Silverleaf Resorts	Leisure	\$1,050,000	Common	\$3.50	300,000
Symbollon Pharmaceuticals	Biotechnology	\$250,000	Common & Warrants	\$1.00	500,000
Wonder Auto Technology	Automotive parts	\$750,000	Common	\$3.07	243,750

Manager's review

(continued)

During the period, your Company made approximately \$5.5 million in new investments in six new companies. The companies, with a brief description of the businesses, are as follows:

China Security & Surveillance Technology (OTC: CSST) manufactures, distributes, installs and maintains security and surveillance systems.

Pipeline Data (OTC: PPDA) provides merchant payment processing services and related software products in the United States. It provides credit and debit card-based payment processing solutions primarily to small to medium-sized merchants over the internet, or in mobile, or wireless settings through cellular-based wireless devices.

Quintana Maritime (NASDAQ: QMAR) provides dry-bulk marine transportation services worldwide. Its dry-bulk carriers transport various cargoes, including coal, iron ore and grain.

Silverleaf Resorts (AMEX: SVL) engages in the development, marketing and operation of getaway and destination timeshare resorts in the United States.

Symbollon Pharmaceuticals (OTC: SYMBA) engages in the development and commercialisation of iodine-based products for infection control and treatment in biomedical and bioagricultural industries in the United States.

Wonder Auto Technology (OTC: WATG) engages in the design, development, manufacture and sale of automotive electrical parts, specifically alternators and starters, in the People's Republic of China.

Wonder Auto Technology is a recent addition to the portfolio. Just a few years ago, Chinese-made automotive components were plagued by a reputation for poor quality and often cost more than US or German parts. Last year, however, China for the first time exported more parts than it imported. Quality has improved so much that major Western auto makers like Volkswagen AG and DaimlerChrysler AG plan in the coming years to buy billions of dollars of Chinese-made components such as brakes, starters, alternators, fuel pumps, wheels and steering systems. China is now the world's second-largest car market in terms of sales, as millions of Chinese buy cars for the first time. Wonder Auto was founded in 1996 as a joint venture with a Korean auto parts manufacturer and is now the second largest manufacturer of starters and alternators in China. With the Chinese auto parts market forecast to expand at a 20% compound annual growth rate through to 2010, we expect Wonder Auto to experience rapid growth in sales and earnings through original equipment manufacturers as well as exports.

During May 2006, your Company invested in a private placement in Quintana Maritime Limited, a dry-bulk marine transportation company. We invested in Quintana as another way to participate in the rapid growth in Asia. Quintana went public in May 2005 at \$11.50 per share when dry-bulk day rates were unusually high. The proceeds from the May 2006 private placement enabled Quintana to enter into an agreement to acquire 17 new vessels, transforming the company into the largest public dry-bulk company with the

youngest fleet and highest time charter coverage. We were able to initiate our investment at a price of \$7.50 per share, with each share having attached a three year warrant to purchase 0.32 shares at \$8.00 per share. In addition to receiving an expected 9% dividend yield on a relatively low 50% dividend pay out ratio, we believe we have "caught the bottom" of the dry-bulk shipping market. Since May 2006, dry-bulk shipping day rates have rallied and Quintana sports a current unrealised gain of almost 46%.

For the six months ended September 2006, your Company made four follow-on investments. We made a \$500,000 follow-on investment in Simtek Corporation, we exercised our warrants in Dejour Enterprises for a cost of \$252,000, invested \$174,600 in the Series D Preferred stock of eOriginal and invested \$400,000 in convertible debentures in Integrated Security Systems. Excluding Laserscope mentioned above, your Company had net realised gains of approximately \$3.9 million through partial sales of Exploration Company of Delaware and Petrohawk Energy, and completing the sales of Metasolv, Franklin Covey, Carrizo Oil & Gas, Range Resources, and TOR Minerals International.

After cash and treasury bills at 19% of the portfolio, the largest sector allocation at 30 September 2006 is energy issues at 18%. Your Manager has significantly reduced the Company's exposure to this sector since 31 March 2006 when energy holdings represented 32% of the portfolio. During the interim period we sold approximately \$5.2 million of energy issues with a cost of

\$2.3 million through partial sales of Exploration Company of Delaware and Petrohawk Energy and through completing earlier sales of Carrizo Oil & Gas and Range Resources. What hurt the Company's return over the interim period was our large holding in Gasco Energy which decreased in value by approximately 52%, or \$4 million, during the period. Having said that, your Manager sold almost half of its Gasco position in December 2005 when Gasco was making all time highs and realised sale proceeds of approximately \$5.5 million against a cost of just \$664,000. At 30 September, your Company had a Gasco Energy cost basis of approximately \$1.1 million with a value of approximately \$3.9 million. With natural gas prices rallying lately, we expect Gasco will make a recovery. We continue to be bullish on the energy patch for many reasons, but took the opportunity of high stock prices to reduce our allocation to energy.

Other Events

At the end of June, your Company's investment in Aventine Renewable Energy Holdings, went public through an initial public offering and now trades on the New York Stock Exchange under the ticker AVR. As at 24 November 2006 the \$1.5 million investment in Aventine is up 57% and is now valued at approximately \$2.4 million. Though we are unable to provide details at this time, we are particularly excited about a pharmaceutical company in which we plan to make a substantial investment. Its experienced management team will acquire one of the largest pharmaceutical manufacturing facilities in the US and several drug lines from well known pharmaceutical companies. We are also close to closing another private placement in the commercial printing equipment manufacturing sector. We continue to see multiple investment opportunities every week and the Company has ample liquidity given the recent sale of Laserscope and other securities mentioned above.

RENN Capital Group, Inc.

Dallas, Texas

29 November 2006

Income statement (unaudited)

for the period 1 April 2006 to 30 September 2006

	2006			2005		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments	–	(6,967)	(6,967)	–	7,196	7,196
Exchange (losses)/gains on capital items	–	(246)	(246)	–	238	238
Income	361	–	361	250	–	250
Investment management fee (see page 14)	(396)	–	(396)	(413)	–	(413)
Other expenses	(234)	–	(234)	(205)	–	(205)
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Return before and after finance costs and before taxation	(269)	(7,213)	(7,482)	(368)	7,434	7,066
Taxation on ordinary activities	(1)	–	(1)	(1)	–	(1)
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Return on ordinary activities after taxation for the period	(270)	(7,213)	(7,483)	(369)	7,434	7,065
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	pence	pence	pence	pence	pence	pence
Return per Ordinary share (see page 14)	(1.40)	(37.31)	(38.71)	(1.86)	37.48	35.62

The total column of this statement is the profit and loss account of the Company.

The accounts have been prepared using the accounting standards and policies adopted at the previous year end.

All revenue and capital items in the above statement derive from continuing operations. No operations were discontinued during the period.

These accounts are unaudited and are not the Company's statutory accounts.

Reconciliation of movements in shareholders' funds (unaudited)

for the period 1 April 2006 to 30 September 2006

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Period ended 30 September 2006							
At 1 April 2006	4,833	5,995	498	6,955	51,340	(2,083)	67,538
Net return after taxation for the financial period	–	–	–	–	(7,213)	(270)	(7,483)
At 30 September 2006	4,833	5,995	498	6,955	44,127	(2,353)	60,055

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2006							
At 1 April 2005	5,019	5,995	312	8,822	35,730	(1,197)	54,681
Repurchase of Ordinary shares	(186)	–	186	(1,867)	–	–	(1,867)
Net return after taxation for the financial year	–	–	–	–	15,610	(886)	14,724
At 31 March 2006	4,833	5,995	498	6,955	51,340	(2,083)	67,538

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Period ended 30 September 2005							
At 1 April 2005	5,019	5,995	312	8,822	35,730	(1,197)	54,681
Repurchase of Ordinary shares	(186)	–	186	(1,867)	–	–	(1,867)
Net return after taxation for the financial period	–	–	–	–	7,434	(369)	7,065
At 30 September 2005	4,833	5,995	498	6,955	43,164	(1,566)	59,879

Balance sheet

	As at 30 Sept 2006 (Unaudited) £'000	As at 31 March 2006 (Audited) £'000	As at 30 Sept 2005 (Unaudited) £'000
Fixed assets			
Investments at fair value	57,093	66,662	57,145
Current assets			
Debtors	176	255	859
Cash at bank	3,048	935	2,381
	3,224	1,190	3,240
Creditors – amounts falling due within one year	262	314	506
Net current assets	2,962	876	2,734
Total net assets	60,055	67,538	59,879
Share capital and reserves			
Called up share capital	4,833	4,833	4,833
Share premium account	5,995	5,995	5,995
Capital redemption reserve	498	498	498
Special reserve	6,955	6,955	6,955
Capital reserve – realised	39,248	27,868	25,383
Capital reserve – unrealised	4,879	23,472	17,781
Revenue reserve	(2,353)	(2,083)	(1,566)
Equity shareholders' funds	60,055	67,538	59,879
Net asset value – pence per Ordinary share including current period revenue (see page 14)	310.65	349.36	309.74

Statement of cash flows (unaudited)

for the period 1 April 2006 to 30 September 2006

	2006	2005
	£'000	£'000
Operating activities		
Investment income received	201	79
Deposit interest received	39	41
Other income received	–	4
Investment management fees paid	(450)	(395)
Secretarial fees paid	(25)	(25)
Other cash payments	(190)	(186)
Net cash outflow from operating activities	(425)	(482)
Capital expenditure and financial investment		
Purchases of investments	(29,558)	(11,594)
Sales of investments	32,339	13,543
Net cash inflow from capital expenditure and financial investment	2,781	1,949
Net cash inflow before financing	2,356	1,467
Financing		
Repurchase of Ordinary shares for cancellation	–	(1,867)
Net cash outflow from financing	–	(1,867)
Increase/(decrease) in cash	2,356	(400)

These accounts are unaudited and are not the Company's statutory accounts. Full accounts for the year ended 31 March 2006 include an unqualified audit report and have been delivered to the Registrar of Companies.

Notes

for the period 1 April 2006 to 30 September 2006

Return per Ordinary share

The calculations of return per Ordinary share are based on 19,332,008 Ordinary shares being the average number of shares in issue during the period (2005: 19,835,615).

Net asset value per Ordinary share

The calculations of net asset value per Ordinary share are based on 19,332,008 Ordinary shares being in issue at 30 September 2006 (31 March 2006 and 30 September 2005: 19,332,008 Ordinary shares).

Investment management fee

The investment management fee is charged 100% to revenue. A performance fee may also become payable at the end of each year and this is charged 100% to capital. No performance fee has been accrued (30 September 2005: £nil) based on the best estimate of the fee that would be due at the balance sheet date.

Share buybacks

During the period, no Ordinary shares were repurchased for cancellation.

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. Furthermore, 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 Investment 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.

Investment portfolio

as at 30 September 2006

		Book cost	Fair value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
Corporate investments					
<i>US Treasury Bills</i>					
USA Treasury Bills 05/10/06	USA Treasury Bills	15,944	15,944	8,535	14.21
Total US Treasury Bills		15,944	15,944	8,535	14.21
<i>US unlisted convertible debentures</i>					
Consolidated Energy	Energy	786	923	494	0.82
Cover-All Technologies	Decision support software	920	1,534	821	1.37
iLinc Communications	Technology services	500	500	268	0.45
Integrated Security Systems	Security services	400	400	214	0.36
Interpool	Leasing	375	375	201	0.33
Obsidian Enterprises (inc warrants)	Diversified manufacturing and services	250	250	134	0.22
Pipeline Data (inc warrants)	Payment processing	1,500	1,558	834	1.39
Simtek Corporation	Engineering	900	2,127	1,139	1.90
Total US unlisted convertible debentures		5,631	7,667	4,105	6.84
<i>US unlisted loan notes</i>					
CaminoSoft Corporation (inc warrants)	Network storage	250	250	134	0.22
Integrated Security Systems – 7% promissory	Security services	200	200	107	0.18
Integrated Security Systems – 8% promissory	Security services	1,550	1,550	830	1.38
Onelink Corporation	Internet software	500	500	268	0.45
Total US unlisted loan notes		2,500	2,500	1,339	2.23
<i>US unlisted convertible preference shares</i>					
Anchorfree	Wireless communications	500	500	268	0.45
Digital Recorders	Information technology	125	54	29	0.05
eOriginal (inc warrants)	Internet software	6,056	3,281	1,756	2.93
Gardant Pharmaceuticals (inc warrants)	Biotechnology	500	83	45	0.07
i2 Telecom International (inc warrants)	Telecommunications	619	45	24	0.04
iCurie Lab Holdings (inc warrants)	Commercial services	500	159	85	0.14
iLinc Communications	Technology services	200	204	109	0.18
Information Intellect	Software	1,225	1,225	656	1.09
Integrated Security Systems	Security services	150	24	13	0.02
Ronco Corporation	Consumer products	1,046	249	133	0.22
Rush Financial Technologies (inc warrants)	Financial services	750	1,300	696	1.16
Zhongpin (inc warrants)	Food processing	1,500	3,844	2,058	3.43
Total US unlisted convertible preference shares		13,171	10,968	5,872	9.78

Investment portfolio

as at 30 September 2006 (continued)

	Sector	Book cost US\$'000	Fair value US\$'000	Fair value £'000	% of net assets
<i>Canadian listed equities</i>					
Arapahoe Energy	Oil and gas	592	371	178	0.30
Canadian Superior Energy	Oil and gas	1,013	1,248	668	1.11
Dejour Enterprises	Oil and gas	750	1,205	578	0.96
GEOCAN Energy	Natural resources	750	908	486	0.81
Total Canadian listed equities		3,105	3,732	1,910	3.18
<i>US listed equities</i>					
Access Integrated Technologies	Software & computer services	1,170	2,754	1,474	2.45
Adstar	Advertising services	350	223	120	0.20
Advance Nanotech (inc warrants)	Technology	330	131	70	0.12
Aventine Renewable Energy Holdings	Energy	1,513	2,219	1,188	1.98
Bovie Medical Corporation	Healthcare services	1,761	7,040	3,769	6.28
CaminoSoft Corporation	Network storage	3,945	812	435	0.72
Cano Petroleum	Oil and gas	1,250	1,229	658	1.10
China Agritech	Agriculture	900	1,260	675	1.12
China BAK Battery	Commercial manufacturing	550	672	360	0.60
China-Biotics	Biotechnology	250	645	346	0.58
China Security & Surveillance Technology (inc warrants)	Security products	1,000	2,023	1,083	1.80
Comtech Group	Information technology	1,804	7,495	4,012	6.68
Consolidated Energy (inc warrants)	Energy	69	40	21	0.03
Cover-All Technologies (inc warrants)	Information technology	220	347	185	0.31
Denbury Resources	Natural resources	303	1,154	618	1.03
Digital Recorders	Information technology	218	129	69	0.11
Dyadic International (inc warrants)	Pharmaceuticals & Biotechnology	750	957	512	0.85
Exploration Company of Delaware (inc warrants)	Natural resources	1,014	2,978	1,594	2.66
Express1-Expedite (inc warrants) (formerly Segmentz)	Industrial transportation	1,355	1,240	664	1.11
Fushi International (inc warrants)	Industrial manufacturing	1,000	3,202	1,714	2.85
Gaming & Entertainment (inc warrants)	Casino services	500	67	36	0.06
Gasco Energy	Natural resources	1,126	3,892	2,084	3.47
Global Access (inc warrants)	Commercial services	2,012	606	324	0.54
Harken Energy	Natural resources	3,250	593	317	0.53
Hemobiotech	Biotechnology	1,284	1,680	899	1.50
iLinc Communications	Internet applications software	62	51	27	0.04
Integrated Security Systems (inc warrants)	Security products	5,792	4,045	2,166	3.61
Inyx (inc warrants)	Drug delivery systems	300	958	513	0.85
OmniVision Technologies	Information technology	1,036	1,427	764	1.27

		Book cost	Fair value		% of net
	Sector	US\$'000	US\$'000	£'000	assets
<i>US listed equities (continued)</i>					
Onelink Corporation	Internet software	263	129	70	0.12
Petrohawk Energy	Natural resources	767	1,040	557	0.93
PracticeXpert (inc warrants)	Medical services	750	62	33	0.05
Precis	Consumer services	2,669	1,560	835	1.39
Pro-Dex	Healthcare services	622	283	152	0.25
Progressive Gaming	Leisure & hotels	1,117	1,601	857	1.43
Pyr Energy	Natural resources	1,344	1,118	599	1.00
Quintana Maritime (inc warrants)	Shipping	1,000	1,463	783	1.30
Seitel	Energy	515	1,835	982	1.64
Simtek Corporation (inc warrants)	Engineering	1,793	3,343	1,790	2.98
Silverleaf Resorts	Leisure	1,050	1,146	614	1.02
Symbollon Pharmaceuticals (inc warrants)	Biotechnology	250	375	200	0.33
US Home Systems	Home remodelling	536	1,040	557	0.93
Vaso Active Pharmaceuticals	Drug delivery systems	250	188	100	0.17
Wonder Auto Technology	Automotive parts	750	946	506	0.84
Total US listed equities		48,790	65,998	35,332	58.83
Total investments		89,141	106,809	57,093	95.07
Net current assets			5,533	2,962	4.93
Net assets			112,342	60,055	100.00

Top ten company holdings

as at 30 September 2006

Holdings	Percentage of net assets
1. Comtech Group	6.7%
2. Bovie Medical Corporation	6.3%
3. Integrated Security Systems	5.6%
4. Simtek Corporation	4.9%
5. Gasco Energy	3.5%
6. Zhongpin	3.4%
7. eOriginal	2.9%
8. Fushi International	2.8%
9. Exploration Company of Delaware	2.7%
10. Access Integrated Technologies	2.4%
	41.2%

Company information

Directors

Ernest J Fenton (Chairman, UK)
G Russell Cleveland (USA)
Andrew C Barker (UK)
Steven A R Bates (UK)
C A Rundell Jr. (USA)
William W Vanderfelt (Switzerland)

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Sources of further information

The Company's share price is listed in the *Financial Times* and *The Daily Telegraph* under "Investment Companies".

Key dates

March	Company year end
May	Annual results
July	AGM
November	Interim results

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 Manager's website.

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

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