

GLOBAL SPECIAL OPPORTUNITIES

Global Special Opportunities Trust PLC

annual report & accounts
for the year ended
31 May 2010

2010



PREMIER
ASSET MANAGEMENT

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Investment objective and policy

Investment objective

The investment objective is for the portfolio to be managed to provide the Shareholders with capital growth, for the Income Shareholders to be repaid their final adjusted capital entitlement on 31 May 2011 of 120.82p per Income Share and for the portfolio to be managed so as to provide the Capital Shareholders with a cash return on or shortly after 31 May 2011. The Directors will seek to distribute substantially all of the net revenue to Income Shareholders by way of dividend, although this is not expected to be a material amount.

Investment policy

Asset allocation

The investment policy of the Company is to achieve the investment objective through investment in equity and equity-related instruments which are predominantly securities domiciled, listed, quoted or traded in North America (some of these securities may however have an underlying business that is not in North America), but with the ability to invest up to 25% of the gross assets of the Company (at the time of investment) opportunistically in listed or unlisted equity or debt securities issued by issuers situated anywhere in the world.

The portfolio is managed on the basis that the Company is fully invested in equity and equity-related instruments to the extent practicable for the remainder of its life (subject to the recommendation of the Investment Managers and the Investment Adviser who may wish to increase the cash holding due to market conditions). Liquidity is managed so that the costs of realising the portfolio (including market impact costs) are reduced to the extent practicable as the end of the life of the Company approaches. It is expected that liquidation of investments will take place in the last three months of the life of the Company, so that a mixture of liquid securities and cash are handed to the liquidator.

Up to 40% of the gross assets of the Company (measured at the time of investment) may be invested in unquoted securities. "Unquoted securities" for these purposes means those investments which are not listed or quoted or traded on a recognised stock exchange or another exchange available and used by professional investors, nor convertible into securities listed, quoted or traded on such exchanges.

The Company may invest in bonds, warrants, contracts for difference, other forms of derivative investment (for the purpose of efficient portfolio management), bank debt or other debt securities, although this will not amount to more than 20% of the gross assets of the Company at the time of investment.

Risk diversification

The investment policy provides the Company with a global mandate, albeit with a particular emphasis on North America. The Company is managed with a view to maintaining an adequate spread of investment risk in terms of the concentration and in terms of size of its investments. Except in the case of cash deposits awaiting investment or pending any winding-up of the Company, the Company will not lend to any one company or group, or invest in the securities of any one company or group, more than 20% of the value of its gross assets (at the time the loan or investment is made).

The Company will not invest more than 10% in aggregate of the value of its gross assets at the time of a new investment, in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have stated policies to invest no more than 15% of their gross assets in other investment companies or investment trusts which are listed on the Official List).

Borrowings

The Company may use gearing and the Directors reserve the right to borrow up to a maximum of 25% of the gross assets (at the time of drawdown).

Company summary

Launch date	12 April 2001	
Wind-up date	31 May 2011	
Domiciled	United Kingdom	
Shareholder funds	£12,228,000 at 31 May 2010	
Market capitalisation	£12,773,000 at 31 May 2010	
Revolving credit facility	\$500,000 facility	
Zero Dividend Preference shares	206,037: Redeeming at 182.608201p on 31 May 2011. De-listed 31 July 2008	
Income shares	25,035,008: Aiming to redeem at 120.82p on 31 May 2011	
Capital shares	50,000,000	
Total voting rights	50,070,016*	
Units	One Income share and one Capital share may be held together and traded as a Unit	
Dividends	Paid on Income shares and Units	
Dividend history	In respect of year ended 31 May:	Total dividends declared
	2010	Nil
	2009	Nil
	2008	3.40p
	2007	3.20p
	2006	2.80p
	2005	2.10p
	2004	1.40p
	2003	2.09p
	2002	7.05p**
Investment Managers	Premier Asset Management (Guernsey) Limited Premier Fund Managers Limited	
Investment Adviser	RENN Capital Group, Inc.	
Management fee	0.75% per annum, plus performance fee. This is charged 70% to capital and 30% to revenue in accordance with the accounting policies set out in note 1 on page 43.	
AIC	Global Special Opportunities Trust PLC is a member of the Association of Investment Companies.	

* See pages 24 and 25 for details of the voting rights attached to each of the Company's shares.

** Included one initial dividend and four interim dividends.

Financial calendar

Year end	31 May
Year end results announced	September
Annual General Meeting	October
Half-year end	30 November
Half-year results announced	January
Interim management statements	February, August

Chairman's statement

for the year ended 31 May 2010

Dear Shareholder,

During the 12 months to 31 May 2010 further progress was made in selling or reducing exposure to the more illiquid investments within the portfolio, in line with the objective of liquidating the fund by 31 May 2011. NAV performance was, however, disappointing.

Market background

A year ago, I reported that the market conditions in the first year following the extension of life of the Company had been far from conducive to the liquidation of an illiquid small cap portfolio. The year to 31 May 2010 brought much improved conditions. Over the 12 months investor confidence returned. The S&P 500 index, an index of the US stockmarket, rose 20.99%. The Russell 2000 total return index, an index of smaller company shares and the most relevant benchmark for your Company, rose 33.64%. The strength of the dollar translated that return into 48.58% for the sterling investor. The background for initial public offerings for private companies was still relatively weak, but nevertheless much improved from the previous year when the IPO market was virtually closed.

Performance

Over the year, the NAV of the Income shares fell by 5.94% from 50.33p to 47.34p. This was clearly a disappointing outcome against the favourable background of rising markets, the good performance of the Russell 2000 total return index and the strength of the dollar against sterling. The share price of the Income shares rose by 29.87% over the year from 38.50p to 50.00p, benefiting from a narrowing in the discount to asset value at which they trade. At 31 May 2010 the Income shares were trading at a premium of 5.62% to NAV.

The improved market conditions, however, did enable some reduction in more illiquid investments to be made. Our holding in Asian Financial (Duoyuan Printing) listed during the year and part of the holding was sold. At the year end, 88% of the Company's net assets were held in cash and listed securities compared to 70% a year earlier. However, the Directors are conscious that the listed portfolio does contain some positions (notably Integrated Securities Systems, Hemobiotech, Inc. and CMSF Corporation) where daily turnover is extremely low and an exit from these stocks may require some corporate event rather than normal market sales.

Proceeds from the sale of less liquid investments have been reinvested in more liquid stocks so that the portfolio can remain substantially invested but more easily liquidated as the wind-up date approaches.

At the year end, 20% of the listed securities were in companies with a market capitalisation of over \$100m. Our largest holding was Cover-All Technologies Common Stock, representing 11.24% of net assets at the year end.

Dividends

Earnings per Income share for the year ended 31 May 2010 were (0.64p) against 0.26p for the prior year ended 31 May 2009. No dividends were paid during the course of the year.

Bank facility

The Company maintained a \$500,000 bank facility throughout the year. The loan is at a margin of 300 basis points over LIBOR and falls very comfortably within the capital and interest cover covenants that relate to it.

Chairman's statement

for the year ended 31 May 2010

Valuation policy and unlisted securities.

During the year the Directors wrote down the value of the unlisted shares in Heyspace, e-original, Vertical Branding and Narrowstep to zero. Subsequent to the year end, the Board of Directors carried out a review of the Company's portfolio in light of information received from its Investment Adviser which resulted in the write down of Aurasound, BPO Management, Hemobiotech, Inc. and Integrated Securities Systems (which was previously held at Directors valuation rather than market price given the very low turnover in this stock) to zero. Caminosoft was written down by 50% and Cover-All was written down by 15%. These investments were written down to reflect their likely realisation value in the timescale available as the Company approaches its 31 May 2011 liquidation date.

Subsequent to the portfolio review referred to above our Manager successfully sold five of our more illiquid holdings. These were CaminoSoft Corporation common stock and warrants, China Greenscape preference shares, Cover-All Technologies common stock and warrants, Integrated Security Systems common stock and warrants and PetroHunter 8.5% convertible debenture. In aggregate these holdings were sold for \$2.736m which represented an increase of \$254,000 in net assets compared to the \$2.482m at which these holdings were valued at 31 August 2010.

With a fixed wind-up date less than 12 months away the year end accounts have been prepared on a break up basis rather than a going concern basis in accordance with accounting standards. Proposed wind-up costs of £50,000 have been included in the accounts.

Outlook

The focus remains very much on selling the remaining illiquid investments and our Manager is actively pursuing exit strategies for each stock. Shareholders should be aware that, while valuations reflect the best information available to the Board, the timescale for the liquidation of the portfolio, the high level of stock specific risk and the exposure to changes in the sterling dollar exchange rate, mean that realisation proceeds may be lower.



Duncan Abbot (Chairman)

17 September 2010

Investment Adviser's report

for the year ended 31 May 2010

In May 2008, shareholders voted in favour of the continuation of the Company for an additional three years in order to provide time to maximise the value of the remaining holdings. We are now in the final year and aim to have liquidated the entire Company's portfolio by the end of May of 2011. During the year your Manager was successful in liquidating several positions, making modest new investments, and working to get several companies closer to liquidity events which are set out below.

Top Five Holdings

At 31 May 2010, the following top five holdings in companies made up approximately 46% of the portfolio. A description of each of these top five holdings is below.

Company	Symbol	Industry	Value USD	% of Portfolio	% of total assets less current liabilities
SinoHub Inc.	SIHI	Electronics	\$2,082,849	12.1%	11.7%
Cover-All Technologies Inc.	COVR	Business software	\$2,046,066	11.9%	11.5%
Global Axxess Corporation	GAXC	Consumer finance	\$1,308,333	7.6%	7.4%
Hollysys Automation Technologies Ltd	HOLI	Electronic equipment	\$1,260,840	7.4%	7.1%
Duoyuan Printing	DYP	Industrial machinery	\$1,221,669	7.1%	6.9%

SinoHub Inc. (AMEX: SIHI) engages in electronic component sales, outsourced electronics product production and sales, and electronic component supply chain management (SCM) services in Hong Kong and the People's Republic of China. Its electronic component sales include procurement-fulfilment and electronic component sales to manufacturers. The company's SCM services include warehousing, delivery, and import/export. The company provides its products to contract manufacturers and design houses, as well as to OEMs and EMS companies. SinoHub is headquartered in Shenzhen, the People's Republic of China.

Cover-All Technologies Inc., (OTCBB: COVR) through its subsidiary, Cover-All Systems, Inc., provides software products, services, and solutions to the property and casualty insurance industry. Its software products and services focus on the functions required to market, underwrite, rate, issue, print, bill, and support the life cycle of insurance policies. Cover-All Technologies Inc. serves insurance companies, agents, brokers, and managing general agents. Cover-All Technologies Inc. was founded in 1971 and is headquartered in Fairfield, New Jersey.

Global Axxess Corporation, (OTCBB: GAXC) through its subsidiaries, provides automated teller machine (ATM) services primarily in the United States. The company owns and operates a network of ATMs located at grocery stores, regional and national retailers, hotels, shopping malls, airports, colleges, amusement parks, sports arenas, bars/clubs, theatres, and bowling alleys, as well as convenience stores, and combination convenience stores and gas stations. It offers ATM branding and processing services for approximately 53 financial institutions that have approximately 512 branded sites under contract with it. Global Axxess also provides network processing services. As of 31 December 2009, it operated approximately 4,483 ATMs of which approximately 1,712 were company-owned, 2,644 merchant-owned, and 127 under a service-only agreement. The company was founded in 1984 and is headquartered in Jacksonville, Florida.

Investment Adviser's report

for the year ended 31 May 2010

Hollysys Automation Technologies Limited, (NASDAQ: HOLI) Hollysys Automation Technologies is a leading provider of automation and control technologies and applications in China that enables its diversified industry and utility customers to improve operating safety, reliability, and efficiency. Founded in 1993, Hollysys has approximately 2,100 employees with 9 sales centres and 13 service centres in 21 cities in China and serves over 1,700 customers in the industrial, railway, subway & nuclear industries. Hollysys is also one of only five automation control systems and products providers approved by China's Ministry of Railways in the 200-250kph high-speed rail segment and is one of only two automation control systems and product providers in the 300-350kph high-speed rail segment. The company was founded in 2006 and is headquartered in Beijing, the People's Republic of China.

Duoyuan Printing (NYSE: DYP) is a leading manufacturer of commercial offset printing presses in China. The Company combines technical innovation and precision engineering to offer a broad range of printing equipment and solutions. Duoyuan Printing has manufacturing and research and development facilities in Langfang, Hebei Province and Shaoyang, Hunan Province in addition to a distribution and service network with over 85 distributors that operate in over 65 cities and 28 provinces in China. The company was founded in 2001 and is headquartered in Beijing, the company is one of the largest non-government owned major offset printing equipment and solutions providers in China.

Subsequent to the year end, further information on the company has been made public. Please refer to note 24 for further details.

Disposals, adjustments & new investments

Since 31 May 2009, we made a partial sale of Bovie Medical Corporation providing proceeds of \$2,070,554 and a capital gain of \$1,590,169. The Company sold all of its securities in A-Power Energy Systems, Datapath Inc., Dyadic International, Narrowstep Inc., Obsidian Enterprises Inc., Riptide Worldwide, Symbollon Pharmaceuticals and Trans-Lux Corp. AnchorFree was written up from \$0.30 per share to \$0.40 per share due to its rapid growth and strong profitability. We wrote off the full value of Heyspace International as it became increasingly clear that the probability of recovery was low. We converted our debt holding in Integrated Security Systems Inc. to common stock and elected to value the common stock at \$nil per share, which we believe to be the fair value given the lack of liquidity implicit in the price derived from the market. We made a partial sale of SinoHub Inc. common shares and exercised our in-the-money warrants netting an approximate \$195,000 addition to our cost basis. SinoHub has a cost basis now of \$1,197,175 and a quoted value of \$2,082,849 and is the largest holding in the fund.

Your Company invested \$1,015,296 into the common stock of SearchMedia Holdings Ltd. SearchMedia operates one of the largest outdoor advertising networks in China with a current portfolio of over 1,500 high-impact billboards with over 500,000 square feet of display area in 15 cities and over 140,000 print and digital poster frames in residential and office buildings across 57 major cities. We also invested in the common stock of American Lorain Corporation, which manufactures over 230 food products and markets in China and 42 foreign countries; Biostar Pharmaceuticals Inc. which develops, manufactures and markets pharmaceutical and medical nutrient products in China; YAYI International a leading producer and distributor of premium goat milk formula for infants, toddlers, young children and adults; and ZST Digital Networks, Inc. a China-based company that distributes digital and optical network equipment and provides installation services to cable system operators.

Investment Adviser's report

for the year ended 31 May 2010

Liquidity Progress

During the fiscal year one of the unlisted holdings, Duoyuan Printing Inc., completed an initial public offering raising approximately \$42 million. Your Company sold one-third of its position for \$8.50 per share, compared to a cost basis of \$3.84 per share. Since the public offering the company has performed well and has picked up research coverage from two firms. The remaining liquid position was quoted at a value of \$1,172,224 on 31 May 2010.

Subsequent to the year end we sold, in a private transaction, Pipeline Data Inc. for \$1,109,550 to The ComVest Group, a private equity group. Although it was at a discount, we felt it was a reasonable bid for an illiquid holding. At 31 May 2010 the portfolio had three unlisted securities not convertible into listed securities. The three remaining private companies are AnchorFree Inc., Business Process Outsourcing and China Greenscape.

AnchorFree provides a free virtual private network platform for internet users, advertisers, and publishers. AnchorFree is a profitable and rapidly growing company with users in over 100 countries.

Business Process Outsourcing is a profitable finance and accounting outsourcing company.

China Greenscape supplies trees and plants to major property developers and municipalities throughout central China.

Subsequent to the year end a number of the more illiquid holdings, including China Greenscape, have been successfully sold as reported in the Chairman's statement. Your Manager continues to seek buyers for the remaining illiquid positions either through open market sales or by seeking to initiate other means of realisation such as selling shares back to the investee company. As proceeds are raised from the sale of illiquid stocks they are being reinvested in liquid investments to maintain market exposure and these investments have included a Russell 2000 total return index exchange traded fund.

RENN Capital Group, Inc.

17 September 2010

Portfolio of investments

as at 31 May 2010

Stock	Industrial classification	Valuation* £'000	% of total assets less current liabilities
Unlisted convertible debentures**			
iLinc Communications 12%	Technology services	241	1.97
PetroHunter Energy Corporation 8.5%	Oil and gas exploration	82	0.67
Pipeline Data 10%	Business services	764	6.25
		<hr/>	
		1,087	8.89
Unlisted warrants**†			
Cover-All Technologies	Business software	35	0.29
Duoyuan Printing	Industrial machinery	79	0.64
Global Access Corporation	Consumer finance	99	0.81
PetroHunter Energy Corporation	Oil and gas exploration	26	0.21
SinoHub	Electronics	128	1.05
Symbolion Pharmaceuticals	Pharmaceuticals	2	0.02
		<hr/>	
		369	3.02
Unlisted convertible preference shares **			
BPO Management Services	Pharmaceuticals & Biotechnology	-	-
Ronco Corporation	Consumer products	-	-
		<hr/>	
		-	-
Unlisted equities			
Business Process Outsourcing	Business services	55	0.45
		<hr/>	
		55	0.45
Unlisted preference shares			
AnchorFree	Wireless communications	76	0.62
China Greenscape	Forestry development & cultivation	516	4.22
		<hr/>	
		592	4.84

Portfolio of investments

as at 31 May 2010

Stock	Industrial classification	Valuation* £'000	% of total assets less current liabilities
Listed equities			
Access Plans	Consumer services	167	1.36
American Lorain Corporation	Food manufacturers	490	4.01
AuraSound	Technology	-	-
Biostar Pharmaceuticals	Pharmaceuticals & Biotechnology	578	4.73
Bovie Medical Corporation	Healthcare services	679	5.55
CaminoSoft Corporation	Network storage	24	0.20
Cover-All Technologies	Business software	1,374	11.24
Duoyuan Printing	Industrial machinery	762	6.23
Geos Communications	Communications	41	0.34
Global Axxess Corporation	Consumer finance	801	6.55
Hemobiotech, Inc.	Biotechnology	-	-
Hollysys Automation Technologies	Electronic equipment	868	7.10
Integrated Security Systems	Security products	-	-
Merriman	Financial services	89	0.73
PetroHunter Energy Corporation	Internet software	8	0.06
Points International	Internet software	181	1.48
SearchMedia Holdings	Media	356	2.91
Silverleaf Resorts	Travel and Leisure	206	1.68
SinoHub	Electronics	1,305	10.67
Skystar	Pharmaceuticals & Biotechnology	621	5.08
Wonder Auto Technology	Financial services	572	4.68
YAYI International	Food manufacturers	325	2.66
ZST Digital Networks	Network equipment manufacturers	251	2.05
		9,698	79.31
Total corporate investments		11,801	96.51
Net current assets***		427	3.49
Total assets less current liabilities		12,228	100.00

* At fair value.

** Unlisted with conversion rights into listed investments.

*** Net current assets excludes net assets attributable to Shareholders.

† Warrants with no value have not been listed above.

Company details

HISTORY

The Company was incorporated on 15 March 2001 and commenced its activities on 12 April 2001. The Company raised £100 million before expenses, by a placing of 15,000,000 Zero Dividend Preference shares, 50,000,000 Income shares, 50,000,000 Capital shares and an initial £35,000,000 bank loan.

On 30 May 2008 the Company announced the results of its tender offer as part of its extension of life to 31 May 2011. Valid tender forms were received from 13,326,113 Zero Dividend Preference shares and 24,459,992 Income shares.

On 5 June 2008 the Company changed its name from US Special Opportunities Trust PLC to Global Special Opportunities Trust PLC.

On 31 July 2008 the remaining Zero Dividend Preference shares were de-listed.

WIND-UP DATE

The Company's planned wind-up date was extended to 31 May 2011 following approval by Shareholders on 30 May 2008.

CAPITAL STRUCTURE

Bilateral revolving credit facility: US\$500,000

The Company has a revolving credit facility of US\$500,000 with Allied Irish Banks plc which was due to be terminated on 29 May 2010. At 31 May 2010, the Company had utilised all US\$500,000 of this facility. Interest is payable at LIBOR plus a margin of 3.0% on any drawn down balance and at 1.5% per annum on any undrawn balance. Repayment of the loan has priority over any capital repayment on winding-up.

During the period 29 May 2009 to 29 May 2010 the Company had a revolving credit facility of US\$500,000 with Allied Irish Banks plc. On 29 May 2010, the Company extended this facility by two months to allow time for the extension agreement to be drawn up. On 26 July 2010 the Company renewed this facility until 31 May 2011.

The principal covenant under the revolving credit facility is that gross borrowings will not at any time exceed 40% of the adjusted net asset value.

Zero Dividend Preference shares of 0.1p each: 206,037

The remaining Zero Dividend Preference shares retain the final capital entitlement of 182.608201p as at 31 May 2008, subject to there being sufficient capital in the Company, after the repayment of the bank debt. The Zero Dividend Preference shares are not entitled to any dividends, and are not normally entitled to vote at any general meeting.

Company details

CAPITAL STRUCTURE (CONTINUED)

The 206,037 Zero Dividend Preference shares were de-listed on 31 July 2008 and will be redeemed on 31 May 2011.

The Company did not repurchase any of its Zero Dividend Preference shares after 31 July 2008. It is the Company's intention not to repurchase any of its Zero Dividend Preference shares until their redemption date of 31 May 2011.

Income shares of 0.1p each: 25,035,008

The Income shares are entitled to all of the Company's net income available for distribution by way of dividends. On a winding-up they rank ahead of the Capital shares for payment of their capital entitlement of 85.00p per share increased on the last day of each calendar month to give a capital entitlement of 100.00p on 31 May 2008, and then from 1 June 2008 to 31 May 2011 increased at a daily compound rate so as to give a final capital entitlement of 120.82p on 31 May 2011, subject to there being sufficient capital in the Company. They will also be due any undistributed revenue reserves. Each Income share has a voting right on a poll equal to one vote per share.

During the year the Company purchased 175,000 Income shares for cancellation.

Capital shares of 0.1p each: 50,000,000

The Capital shares have no entitlement to dividends or revenue but on a winding-up of the Company are entitled to all surplus assets of the Company after repayment of the bank facility and after the pre-determined prior capital entitlements of the Income shares and Zero Dividend Preference shares have been satisfied.

Under the Articles of Association each Capital share (including Capital shares forming part of Units) has a voting right equal to the number of Income shares (including Income shares forming part of Units) in issue divided by the number of Capital shares (including Capital shares forming part of Units) in issue.

Together, the Income shares and Capital shares can be held and traded as Units. Holders of Units are entitled to the rights attaching to the underlying Income and Capital shares.

TOTAL NET ASSETS AND MARKET CAPITALISATION

As at 31 May 2010, the Company had a market capitalisation of £12.773 million (2009: £10.586 million) and assets attributable to Shareholders of £12.228 million (2009: £13.065 million).

Company details

MANAGEMENT FEES

Premier Asset Management (Guernsey) Limited is entitled to a monthly fee of 0.0625% of the gross assets less the current liabilities of the portfolio. Premier Asset Management (Guernsey) Limited is also entitled to a performance fee. Details of how this performance fee is calculated are set out on page 26. Premier Asset Management (Guernsey) Limited is required to pay 60% of its management fee in respect of the portfolio to the Investment Adviser, RENN Capital Group, Inc. No performance fee was payable in respect of the year ended 31 May 2010.

The management contracts are terminable by one year's written notice not to expire at any time prior to 31 May 2011 provided that they will terminate automatically on winding-up of the Company.

Further details on the management contracts are set out in the Report of the Directors on pages 25 and 26.

ISA STATUS

The Company's Income shares and Capital shares are qualifying investments for Individual Savings Accounts ('ISAs').

RISK

Details of the risks associated with investing in the Company are set out in the business review on pages 16 to 23 and in Note 23 to the financial statements on pages 57 to 66.

Financial summary

	31 May 2010	31 May 2009	% change	Premium* 31 May 2010 %
Capital				
Assets attributable to Shareholders (£'000)	12,228	13,065	(6.41)	
Gross assets (£'000)	12,713	13,494	(5.79)	
Net asset value per Zero Dividend Preference share*	182.61p	182.61p	n/a	
Mid-market price per Zero Dividend Preference share**	n/a	n/a	n/a	-
Net asset value per Income share*	47.34p	50.33p	(5.94)	
Mid-market price per Income share	50.00p	38.50p	29.87	5.62
Net asset value per Capital share*	0.00p	0.00p	-	
Mid-market price per Capital share	0.51p	1.76p	(71.02)	-
Net asset value per Unit* (1 Capital share and 1 Income share)	47.34p	50.33p	(5.94)	
Mid-market price per Unit	50.00p	38.25p	30.72	5.62
	Year to 31 May 2010	Year to 31 May 2009	% change	
Revenue				
Return per Income share	(0.64p)	0.26p	(346.15)	
Net dividend paid per Income share	nil	1.00p	(100.00)	
Total expense ratio (excluding VAT recovered on Investment Managers fees and tender offer costs)	2.47%	3.25%	(0.78)	

* Net asset values calculated in accordance with the Articles of Association.

** De-listed on 31 July 2008.

Directors

The Directors that served on the Board during the year ended 31 May 2010 were as follows:

Duncan Abbot, Chairman - appointed 29 February 2008

Duncan Abbot, aged 54, is a Fellow of the Chartered Securities Institute and a Chartered Accountant. From 1995 to 2001 he was chairman of Christows Limited, a stock broking and fund management group. In 2001 he co-founded iimia MitonOptimal, now renamed Midas Capital plc, and served as its business development director until October 2007; he continued to be employed by the group until 31 March 2009. He is a co-founder and chairman of Coalition Holdings Limited, chairman of LMG1 Limited and non-executive director of Sofia Property Fund Limited.

Rory Macleod - appointed 29 February 2008

Rory Macleod, aged 57, is currently a consultant to Oxford Analytica, an international, independent consulting firm drawing on a network of over 1,000 senior faculty members at Oxford and other major universities and research institutions around the world. Between 1997 and 2003 he was Head of Fixed Income and Currency at Baring Asset Management and was a member of the asset allocation committee. Between 1991 and 1997 he was Head of Global Fixed Income at Mercury Asset Management.

Andrew Pegge - appointed 29 February 2008

Andrew Pegge, aged 47, is currently a director of Laxey Partners Limited. Prior to the establishment of Laxey Partners in 1999, Mr Pegge spent 8 months with the Isle of Man Financial Supervision Commission as acting Supervisor of Collective Investment Schemes. In 1995, Mr Pegge set-up and was chairman of Regent Kingpin, a global active value fund manager, where he had responsibility for managing the group's emerging markets funds. Regent Kingpin was sold to the majority holder, Regent Pacific Group, in 1997. Mr Pegge is also a director of the following quoted companies: Sefalana Cash & Carry Ltd, Sefalana Holding Company Ltd, The Value Catalyst Fund Ltd and ASA Ltd.

Stephen White - appointed 27 September 2005

Stephen White, aged 54, is a Chartered Accountant who has worked in the investment management industry for over 25 years. He was head of Continental European equities at F&C Investment Management between 1985 and 2005 and was the manager of Foreign & Colonial Eurotrust plc and deputy manager of The Foreign & Colonial Investment Trust plc. Since 2006 he has been with the British Steel Pension Fund where he manages both their continental European and US portfolios and is a member of their asset allocation committee.

Investment Managers, Investment Adviser and Secretary

Investment Managers: Premier Asset Management (Guernsey) Limited and Premier Fund Managers Limited

Premier Asset Management (Guernsey) Limited and Premier Fund Managers Limited are subsidiaries of Premier Asset Management Limited, which has over approx £2.5 billion of funds under management. Premier Fund Managers Limited is authorised and regulated by the Financial Services Authority.

Investment Adviser: RENN Capital Group, Inc.

The Company is advised by RENN Capital Group, Inc., an investment management company based in Dallas, Texas, with a thirty-seven year track record of investing principally in US smaller companies. Russell Cleveland is the president of RENN Capital Group, Inc.

Secretary: Capita Sinclair Henderson Limited (trading as Capita Financial Group - Specialist Fund Services)

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

Report of the Directors

for the year ended 31 May 2010

The Directors present their report and financial statements of the Company for the year ended 31 May 2010.

BUSINESS REVIEW

The business of the Company

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 before its wind-up on 31 May 2011. A full description of the Company's activities during the year under review is given in the Chairman's statement on pages 3 and 4 and the Investment Adviser's report on pages 5 to 7.

The principal activity of the Company is to conduct business as an investment trust. The Company has received written approval from HM Revenue & Customs as an authorised investment trust, under Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842"), for the year ended 31 May 2009. It is the opinion of the Directors that the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval and the Company will continue to seek approval under Sections 1158 and 1159 of the Corporation Tax Act 2010 (formerly Section 842). The Company will retain no more than 15% of its 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 other 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.

On incorporation, the planned wind-up date of the Company was 31 May 2008. On 30 May 2008 Shareholders voted to extend the life of the Company for a further three years. The Company's planned wind-up date is now 31 May 2011.

Management of the Company

The Company's assets are managed by Premier Fund Managers and Premier Asset Management (Guernsey) Limited. RENN Capital Group, Inc. acts as Investment Adviser to the Company. Premier Fund Managers Limited is a subsidiary of Premier Asset Management Limited, which manages a range of UK and offshore funds and provides bespoke discretionary management services for both private and corporate clients. RENN Capital Group is based in Dallas and has a thirty-six year track record in identifying growth opportunities in US smaller companies. Details of the current agreements are set out on pages 25 and 26.

Future of the Company

On 30 May 2008 the life of the Company was extended for a further three years to 31 May 2011 based on the belief that certain investments in the portfolio would require a longer period of time to deliver potential value than the 31 May 2008 wind-up date would allow; a number of the Company's investments have very poor liquidity and others only trade on a matched bargain basis. The portfolio is managed with a view to maximising the returns that will be available to Shareholders on 31 May 2011. It is the Company's intention to wind up on 31 May 2011. Therefore it is anticipated that a General Meeting shall be convened on 31 May 2011 at which a resolution (the "Winding-up Resolution") will be proposed pursuant to Section 84 of the Insolvency Act 1986.

Report of the Directors

for the year ended 31 May 2010

Donations

The Company made no political or charitable donations during the period.

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 be transacted and it is the Company's policy to abide by those terms. There were no trade creditors outstanding at the year end (31 May 2009: £nil).

Going concern

As the Company is expected to be wound up on 31 May 2011, the accounts have been prepared on a 'break up' basis. Further explanation is provided in the Accounting Policies note on page 41.

Results and dividends

During the year no dividend was paid to holders of Income shares. There were no proposed dividends in respect of the year ended 31 May 2010.

Borrowing facility

At 29 May 2009 the Company extended its facility of \$500,000 for a further 12 months to give the Company the opportunity to use gearing in the event of a rising market. On 29 May 2010, the facility of \$500,000 was extended for two months to 28 July 2010 to allow time for the extension agreement to be drawn up. On 26 July 2010 the extension of the facility to 31 May 2011 at a margin of 300 basis points over LIBOR was approved. The loan falls well within the capital and interest cover covenants that relate to it.

Transactions in the Company's own shares

At the Company's AGM held on 5 October 2009, Shareholders granted the Company the authority to purchase up to 14.99% of each of its issued Income shares (being 3,778,980) and Capital shares (being 7,495,000). During the year ended 31 May 2010, 175,000 Income shares (with a nominal value of £1,750) were purchased for cancellation, representing 0.350% of the issued share capital at the year end, for an aggregated amount of £77,000. No shares were held in treasury during the year ended 31 May 2010. No further purchases of Income or Capital shares have been made as at the date of this report using these authorities. These authorities will only be utilised if the Board believes that purchases of either Income shares or Capital shares will be in the best interests of the Company and its Shareholders as a whole. In considering whether to exercise the authority to make market purchases, the Board will take into account the investment opportunities available to the Company and any discount at which the shares are trading in the market relative to their net asset value. These existing authorities will expire on 5 January 2011 or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2010. Shares purchased by the Company pursuant to the authority to make market purchases will be cancelled. The Company will seek to renew these authorities at the forthcoming Annual General Meeting, which will expire twelve months from the passing of the resolutions.

Report of the Directors

for the year ended 31 May 2010

Principal risks associated with the Company

General

The market price of the shares may not fully reflect their underlying net asset values. If stock market prices fall the potential returns available to Shareholders may decline. There can be no guarantee that the Company's investment objectives will be achieved.

Zero Dividend Preference shares

Although the Zero Dividend Preference shares rank ahead of the Income shares and the Capital shares for participation in a distribution of assets on the winding-up of the Company, they rank behind the Company's liabilities. The Zero Dividend Preference shares were de-listed on 31 July 2008. There is no secondary market in which these shares can be traded.

Income shares

The Income shares rank for repayment after the Zero Dividend Preference shares.

Capital shares

The Capital shares rank for repayment after the other two classes of shares. Due to the substantial gearing provided by the prior capital entitlements of the Income shares, the Zero Dividend Preference shares and by any debt financing, the market value of the Capital shares can be expected to be volatile and particularly sensitive to changes in the value of the Company's gross assets. The Capital shares' NAV remained at zero throughout the year. Accordingly, the Capital shares should be considered to be a high risk investment.

Smaller companies

The Company invests directly in smaller companies. As smaller companies do not generally have the financial strength, diversity and resources of large companies they may find it more difficult to overcome periods of economic slow down or recession. In addition, the relatively small market capitalisation of such companies may make the market in their shares less liquid, therefore impacting on the Company's ability to realise value before its liquidation date. In the event that smaller companies under perform, this may affect the performance of US smaller companies in which the Company is invested.

Unlisted securities

The Company may invest in unlisted securities, or other securities, in which there is no active market. In such cases it may be difficult to determine the value of such securities and/or to realise the investment or to do so on acceptable terms. There is no certainty that a listing or trading facility will be obtained for such securities. Holders of such securities may not have the benefit of market rules designed for the protection of holders of listed or public traded securities. This may include the absence of publicly available information on such securities or their issuers.

Report of the Directors

for the year ended 31 May 2010

Derivative risk

The Company's investment policy allows it to enter into derivative transactions where the Investment Managers consider that it is prudent to do so in order to protect the value of the Company's portfolio and is in the best interests of the Company. Markets in derivatives can be highly volatile and such investments carry a high risk of loss. In the case of certain derivatives a relatively small adverse market movement may result not only in the loss of the original investment but also in unquantifiable further loss exceeding any margin deposited. Any such loss suffered by the Company may adversely affect the Company's ability to meet the capital and income returns to Shareholders.

Dividend levels

Dividends paid on the Company's Income shares rely on receipt of interest payments and dividends from the securities in which the Company invests and therefore dividend levels are likely to vary. The Board expects dividend levels, if any, to be negligible.

Currency risk

The portfolio invests in US securities and its assets are therefore subject to fluctuations in the US dollar/sterling exchange rate and the sterling value of its assets, plus declines in US equity markets as a whole. Bearing in mind that the final redemption payment will be a sterling payment made to holders of Income shares at 31 May 2011, in the future the Board will look at taking advantage of any future dollar strength versus sterling by hedging some or all of the dollar exposure into sterling.

Liquidity risk

A significant proportion of the portfolio is held in smaller and unquoted companies. Such companies are inherently higher in risk and lower in liquidity than, for example, blue-chip equities. Unlisted companies have the additional risk of not benefiting from market rules designed to protect investors. Some of the investments are in unlisted convertible bonds or preference shares, which may at any time be converted into a listed common stock, giving an effective level of liquidity equal to the liquidity in the common stock. Other unlisted investments do not have the option of converting into a listed stock. This issue is particularly relevant regarding the 31 May 2011 wind-up date of the Company.

Credit risk

The portfolio may contain some fixed income securities, however, many of these are convertible into 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. If the underlying portfolio company performs well, the Company can participate in the upside by converting into common stock. However, it is possible that such investee companies might default on these debentures or wind-up prior to their repayment.

Market price risk

The Company is exposed to market price risk due to fluctuations in the market prices of its investments. Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business.

It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Investment Manager monitors the prices of financial instruments held by the Company on an ongoing basis.

Report of the Directors

for the year ended 31 May 2010

Discount volatility

The Company's shares may trade at a discount to its net asset value being a closed-end fund. 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 Company is seeking to extend its existing authority from Shareholders at the forthcoming AGM to purchase Income and Capital shares for cancellation. If granted, the Directors will consider using share buybacks to control the Company's discount levels when in the interest of all Shareholders and the Company as a whole.

Regulatory risk

If the Company did not comply with the provisions of Sections 1158 and 1159 of the Corporation Taxes Act 2010 (formerly contained in Section 842 of the Income and Corporation Taxes Act 1988), it would lose its investment trust status and could be liable to pay taxes on investment gains. A breach of the Listing Rules may result in censure by the Financial Services Authority ("FSA") and/or the Company's suspension from Listing. In order to minimise these risks, the Directors, the Investment Managers, the Investment Adviser and the Company Secretary monitor the Company's compliance with the key criteria of Sections 1158 and 1159 on a monthly basis and an ongoing review of compliance with the FSA Listing Rules. On a quarterly basis, compliance with these provisions is discussed in detail between the Board, the Company Secretary, the Investment Managers and the Investment Adviser.

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 FSA Listing Rules, are complied with. There is also the risk associated with the directorships held by the Investment Advisers employees on investee companies, which may prohibit them from dealing in those companies' shares during prohibited periods throughout the year, this could result in the inability to wholly liquidate the Company's portfolio by 31 May 2011. Details of how these risks are managed are included below under 'Internal control process'.

During the year there were no qualifying third party indemnity provisions in force.

Risk diversification

The Company's investment policy provides it with a global mandate, albeit with a particular emphasis to invest primarily in equities and equity related instruments issued by companies domiciled, listed, quoted or traded in North America. The Company is managed with a view to maintaining an adequate spread of investment risk in terms of the concentration and size of its investments as detailed in the investment policy on page 1.

There is the risk that the Company's portfolio may become more concentrated as investments are realised in the months leading up to the Company's liquidation. The Company will continue to re-invest in liquid assets that are easily realisable before 31 May 2011.

Report of the Directors

for the year ended 31 May 2010

Internal control process

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness. An ongoing process, in accordance with the guidance of the FRC "Internal Control: Revised Guidance for Directors on the Combined Code", has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year and up to the date the financial statements were approved. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date the financial statements were approved. No significant failings or weaknesses within the Company's internal controls were identified.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The risk assessment and review of the effectiveness of the Company's system of internal controls is undertaken by the Audit Committee in the context of the overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Audit Committee has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

Against this background, in the review of risk and associated controls the Board has split the review into five sections reflecting the nature of the risks being addressed. These are: corporate strategy; published information; compliance with laws and regulations; relationship with service providers and, investment and business activities.

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors have obtained information from key third party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment the information and assurances sought from third party suppliers include the following:

- details of the control environment operated by the third party suppliers;
- identification and evaluation of risks and control objectives by third party suppliers;
- assessment of the communication procedures with third party suppliers; and
- assessment of the control procedures operated by third party suppliers.

Report of the Directors

for the year ended 31 May 2010

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

- investment management is provided by Premier Asset Management (Guernsey) Limited and Premier Fund Managers Limited, who are advised by RENN Capital Group, Inc. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Managers and Investment Adviser at regular Board meetings;
- administration and company secretarial duties for the Company are performed by Capita Sinclair Henderson Limited;
- custody of assets is undertaken by Frost National Bank Inc. and HSBC Bank plc;
- the duties of investment management, administration and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Directors of the Company, all of whom are non-executive, 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; the Board monitors their ongoing performance and contractual arrangements;
- mandates are granted by the Board for investment transactions. The Board sets the policy for authorising expenses payments; and
- the Board reviews financial information produced by the Investment Managers, the Investment Adviser and the Company Secretary in detail on a regular basis.

Analysis of the Company's performance and position

In order to provide Shareholders with a clear understanding of the Company's performance and position, this section of the business review will consider how the Company has performed against the following key performance indicators:

- 1) The assessment of the value added through the portfolio by comparing performance before the impact of expenses against relevant benchmarks.
- 2) The performance of the Company's total assets after all expenses (including bank interest) have been charged. This measure includes the cost of gearing but will not reflect the benefit of the gearing that will arise if total assets are rising.
- 3) The performance of the Company at the net asset level. This shows how Shareholders' funds as a whole have performed and includes the cost of bank interest, but also the impact of the gearing provided by bank debt. If gross assets have grown by a greater amount than the cost of management and bank interest, returns to Shareholders will have been enhanced by the gearing. If total assets have declined the gearing will accelerate that decline in net assets.
- 4) The performance of the individual share classes, both in terms of share price total return (i.e. accounting for dividends received) and in terms of net asset value total return. The share price performance is the measure of the return that Shareholders have actually received and will reflect the impact of widening or narrowing of discounts to NAV.

Report of the Directors

for the year ended 31 May 2010

Portfolio performance for the year

During the course of the year the net asset value of the Income shares decreased 5.94% from 50.33p to 47.34p. The NAV entitlement of the few remaining Zero Dividend shares was fixed at 182.61p and Capital shares' NAV remained at zero throughout the year.

- Company's performance

Over the year, the Company's gross assets also decreased. On 31 May 2009, the Company's gross assets were £13.49 million of which £0.31 million was bank debt. At 31 May 2010 gross assets were £12.71 million of which £0.34 million was bank debt.

- Share price performance

The listing for the Zero Dividend Preference shares ceased on 31 July 2008 and there was therefore no market price for the shares at the year end. The share price of the Income shares increased 29.87% from 38.50p to 50.00p; the Capital share price fell 71.02% from 1.76p to 0.51p and the Unit price increased 30.72% from 38.25p to 50.00p.

Future developments and events subsequent to the year end

The Directors are aware of the AIC/JPMorgan Claverhouse judgement which was made during 2007 regarding the charging of VAT on investment management fees. It is possible that, during the forthcoming year, the Company may be able to recover further amounts of VAT that it has paid on its investment management fees although the Directors do not believe that any such recoverable sums will be of a material amount.

Further details on events subsequent to the year end are detailed in the Chairman's Statement and Investment Adviser's report.

Social, environmental and ethical policy

Global Special Opportunities Trust plc seeks to invest in companies that are well managed, with high standards of corporate governance. The Directors believe this creates the proper conditions to enhance value for Shareholders. In aiming to achieve a high level of corporate performance the Company adopts a positive approach to corporate governance and engagement with companies.

DIRECTORS

The Directors that served during the year ended 31 May 2010 are shown on page 14.

As at 31 May 2010 and as at the date of this report, the Board comprised four non-executive Directors, all of whom were deemed by the Board to be independent. The Chairman does not have any significant commitments other than those disclosed in his biography.

None of the other Directors, nor any persons connected with them, had a material interest in any of the Company's transactions, arrangements or agreements during the period. None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the current financial period.

Report of the Directors

for the year ended 31 May 2010

There have been no loans or guarantees between the Company and any Director at any time.

None of the Directors have a service agreement with the Company. Copies of their letters of appointment are available from the Secretary on request. Under the Articles of Association, all Directors are subject to retirement by rotation and re-election by Shareholders at least every three years. The Directors consider that this meets the provisions of the AIC Code of Corporate Governance regarding directors' appointments (see page 27 for further information on the AIC Code).

In accordance with the Articles of Association, Mr Abbot and Mr Pegge will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

The Board is unanimously of the opinion that these Directors should be re-elected as Directors of the Company in view of their extensive individual and collective experience in investment matters and their continuing commitment to the Company.

DIRECTORS' INTERESTS

	31 May 2010			1 June 2009		
	Income shares	Capital shares	Zero Dividend Preference shares	Income shares	Capital shares	Zero Dividend Preference shares
D Abbot	-	-	-	-	-	-
R Macleod	17,500	5,149,000	-	17,500	5,149,000	-
A Pegge*	3,787,500	-	-	3,787,500	-	-
S White	15,000	30,000	-	15,000	30,000	-

* Andrew Pegge is a director of Laxey Partners Limited. Mr Pegge's interest relates to funds under management of Laxey Partners Limited as at 31 May 2010.

SHARE CAPITAL AND VOTING RIGHTS

As at 31 May 2010 and at the date of this report, the Company had the following share capital:

Share class	Number of shares in issue	Voting rights attached to each share	% of total voting rights represented by each class
Income shares of 0.1p each	25,035,008	1	50
Capital shares of 0.1p each	50,000,000	0.50070016	50
Zero Dividend Preference shares of 0.1p each	206,037	-	-
Total voting rights:		50,070,016	

Under the Company's Articles of Association adopted on 30 May 2008, each Capital share (including Capital shares forming part of Units) has a voting right equal to the number of Income shares (including Income shares forming part of Units) in issue divided by the number of Capital shares (including Capital shares forming part of Units) in issue.

During the year the Company repurchased 175,000 Income shares for cancellation therefore reducing the voting rights attached to the Capital shares in line with the Company's Articles of Association.

Report of the Directors

for the year ended 31 May 2010

Further details of the rights attaching to each of the Company's classes of share are included in the Company details on pages 10 and 11.

At 31 May 2010, the Company had 206,037 Zero Dividend Preference shares which were de-listed on 31 July 2008. While the Zero Dividend Preference shares do not carry any voting rights on a day to day basis, there are certain circumstances set out in the Articles of Association in which holders of these shares will be entitled to vote. These include any proposals likely to vary, modify or abrogate any of the special rights attached to these shares.

Details of those persons with significant interest in the shares carrying voting rights are set out below.

MAJOR SHAREHOLDERS

As at the date of this report the Directors have been informed of the following notifiable interests in the voting rights of the Company:

	Voting rights held	% of total voting rights*
Charles Stanley Group Plc	5,760,157	11.50
SVM Asset Management Limited	3,801,465	7.59
Laxey Partners Limited	3,787,500	7.56
Mr Ian Tanner	3,640,364	7.27
Citigroup Global Markets UK Equity Limited	3,450,000	6.89
East Riding Yorkshire Council	3,150,000	6.29
Mr Richard Katz	3,070,529	6.13
Deutsche Bank AG	2,646,020	5.28
Rory Macleod	2,613,627	5.22
Mr Frank Baroukh	2,583,000	5.15
Barclays PLC	2,344,274	4.68
QVT Financial LP	2,156,763**	4.30
Weiss Capital LLC	2,151,424	4.29
Midas Capital Plc	1,959,000	3.91

* Based on total voting rights in issue as at the date of this report, rather than date of notification. The voting rights attributable to the Income shares and the Capital shares are set out on page 24.

** 2,156,763 of the voting rights held represents a Contract for Difference.

MANAGEMENT AGREEMENTS

The Company's investments are managed by Premier Asset Management (Guernsey) Limited and Premier Fund Managers Limited, as advised by RENN Capital Group, Inc. These arrangements are governed by two 'Investment Management Agreements' and an 'Investment Advisory Agreement' each dated 5 April 2001, as amended by the Novation Agreement dated 21 October 2005 (following the acquisition of the business of BFS Investments PLC by Premier Asset Management plc) and by side letters dated 2 May 2008 which took effect from 1 June 2008. As at 31 May 2008, the management fees, payable monthly in arrears, were calculated at a monthly rate of 0.0417% of the value of the gross assets less current liabilities of the Income portfolio, reduced by the value of investments held in companies managed by Premier Fund Managers

Report of the Directors

for the year ended 31 May 2010

Limited, plus 0.125% of the gross assets less current liabilities of the the US Growth portfolio. In addition a performance fee (payable annually) of an amount equal to 10% of the amount by which the Company's gross assets less current liabilities exceed, on the calculation date, either the initial gross assets increased by a compound rate of 5.5% per annum or the gross assets less current liabilities by reference to which the performance fee was last paid, and prior to payment of such fee, as increased by a compound rate of 5.5% per annum. The performance fee was subject to a cap equal to 5% of the gross assets on the relevant calculation date.

The management of the portfolio is delegated by Premier Asset Management (Guernsey) Limited to RENN Capital Group, Inc. under the Investment Advisory Agreement dated 5 April 2001 as amended by a side letter dated 2 May 2008 which took effect from 1 June 2008. RENN Capital Group, Inc. is an investment management company based in Dallas, Texas, USA, which was founded in 1973 by Russell Cleveland. RENN Capital Group, Inc. is a registered investment adviser under the United States Investment Advisers Act 1940 and currently has funds under management of approximately \$375 million. Under the previous investment advisory agreement, and until 31 May 2008, RENN Capital Group, Inc. received 60% of the management fees and performance fees payable on the portfolio.

With effect from 1 June 2008, the Investment Management and Investment Advisory Agreements were amended. Premier Asset Management (Guernsey) Limited is now entitled to a monthly fee of 0.0625% of the gross assets less the current liabilities of the portfolio.

Premier Asset Management (Guernsey) Limited is also entitled to a performance fee which shall be payable in respect of financial years ending on or after 31 May 2010 equal to 15% of the amount by which the net asset value per Income share (assuming and deeming, for the purposes of this calculation only, that the Income shares do not have a capped final capital entitlement) exceeds either: (a) £1.00 as increased from 1 June 2008 at an annual rate of 8% per annum (if no performance fee has been paid prior to the date of such calculation); or (b) the net asset value per Income share (assuming and deeming, for the purposes of this calculation only, that the Income shares do not have a capped final capital entitlement) by reference to which the performance fee was last paid and prior to payment of such fee (if a performance fee has previously been paid) as increased at an annual rate of 8% per annum. Any performance fee to be paid by the Company in any performance period will be capped at 4.99% of net assets. Any unrewarded out-performance (as a result of the cap) will be carried forward. Such carried forward unrewarded out-performance will only be payable in future periods to the extent that it does not result in a performance fee payment exceeding 4.99% of net assets in any performance period. No performance fee was payable in respect of the year under review.

Premier Asset Management (Guernsey) Limited is required to pay 60% of the fee attributable to the portfolio and 70% of any performance fee to RENN Capital Group, Inc. under the terms of the revised Investment Advisory Agreement.

The management agreements and the investment advisory agreements are terminable on 12 months' notice, such notice not to expire prior to 31 May 2010 provided always that they will terminate automatically upon a winding-up at the Company on 31 May 2011. No additional compensation is payable to the Investment Managers or the Investment Adviser on the termination of these agreements.

Report of the Directors

for the year ended 31 May 2010

Under another agreement ('the administration agreement') dated 5 April 2001, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited. Their fee is subject to annual upward adjustments in accordance with the Retail Price Index and review by the Board. The administration agreement may be terminated by twelve months' written notice, or at any time by written notice on liquidation of the Company with no compensation payable.

CONTINUING APPOINTMENT OF THE INVESTMENT MANAGER

The Board keeps under review the performance of the Investment Manager and the Investment Adviser. During the year the Directors concluded that the continuing appointment of Premier Asset Management (Guernsey) Limited, RENN Capital Group, Inc. and Premier Fund Managers Limited, on the terms of the Investment Management and Investment Advisory agreements which took effect from 1 June 2008, remained in the best in the interests of Shareholders as a whole.

CORPORATE GOVERNANCE

Compliance with the provisions of the Combined Code and the AIC Code

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') both of which can be found on the AIC website www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code on Corporate Governance (the "Combined Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to Shareholders. A copy of the Combined Code can be found at www.frc.org.uk. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code during the year except as disclosed below:

The Combined Code includes provisions relating to:

- the role of a chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the Preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Report of the Directors

for the year ended 31 May 2010

Board of Directors

The Board consists entirely of non-executive Directors who are responsible for the implementation of the Company's investment policy. 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. Brief biographical details of the Directors can be found on page 14. Given the size of the Board and the nature of the Company, the Directors do not consider it appropriate to appoint a senior independent director.

The Board considers each of the Directors to be independent. Mr Pegge, through his connection to Laxey Partners, and Mr Macleod are significant Shareholders in the Company and Mr Abbot was connected with a major shareholder of the Company until 31 March 2009. The Board does not consider that these shareholdings impact on these Directors' abilities to think or act independently. Moreover, the Board considers that having significant representatives of the Company's shares on the Board of Directors aligns the interests of the Board with those of the Company's Shareholders and the Company as a whole.

The Company holds at least four scheduled Board meetings per year, at which the Directors review the Company's investments and all other important issues to ensure control is maintained over the Company's affairs. During the year ended 31 May 2010 four such meetings were held, which were attended by all Directors. In addition to these, a number of additional ad-hoc or telephone Board meetings were held during the year, which were attended by all Directors, as well as significant out of meeting communication to discuss various specific matters.

Board procedures were formalised on 29 March 2001 in a 'schedule of matters specifically reserved for the Board's approval', which has since been adopted for all meetings. These reserved matters include the approval of financial statements and circulars, the approval of dividends, changes to accounting policies and practices, appointments and removals of the Company's service providers, Board appointments and strategic matters such as gearing and share buybacks.

The day to day management of the portfolio is delegated to the Investment Managers and the Investment Advisers. The Investment Managers and the Investment Adviser, in the absence of explicit instruction from the Board, are also empowered to exercise discretion in the use of the Company's voting rights.

The Directors have reviewed the performance of the Board and the Chairman in respect of the year ended 31 May 2010. This review consisted of a discussion based approach by which the performance of each Director, the Chairman, the Board as a whole and its Committees was evaluated. No areas of concern were identified during this process.

Committees

Throughout the year an Audit Committee has been in operation. All Directors of the Company, including the Chairman, are members of this Committee to enable them to be kept fully informed of any issues that may arise. This Committee is chaired by Stephen White. The Board considers that the Directors have sufficient collective knowledge and expertise to effectively fulfil the duties of the Audit Committee and that Stephen White has sufficient financial experience to enable him to effectively chair the Committee. This Committee meets at least twice a year and operates within clearly defined written terms of reference. It provides a forum through which the Company's external Auditors report to the Board, makes recommendations regarding the appointment of the Auditors and reviews the annual and half-yearly results of the Company. It reviews the internal controls of the Company and its service providers and also undertakes a formal assessment of the Auditors' independence each year, which includes:

Report of the Directors

for the year ended 31 May 2010

- A review of non-audit services provided to the Company and related fees;
- Discussion with the Auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence; and
- Obtaining written confirmation from the Auditors that, in their professional judgement, they are independent.

The Audit Committee is satisfied that Grant Thornton UK LLP has fulfilled its obligations to the Company and its Shareholders and therefore recommended their re-appointment to the Board. During the year no non-audit fees were paid by the Company.

During the year, the Audit Committee met twice; both of these meetings were attended by all members of the Committee.

A Nomination Committee, with written terms of reference and comprising all Directors was in operation throughout the year. This Committee meet as required to consider the appointment and re-election of Directors. The Committee is chaired by Duncan Abbot. One meeting was held during the year which was attended by all members of the Committee.

The Board as a whole also fulfils the function of a Remuneration Committee and that of a Management Engagement Committee.

The written terms of reference of all Committees may be obtained from the Company Secretary.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Capita Sinclair Henderson Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and also compliance with the statutory obligations of the Company.

Individual Directors may seek independent professional advice on any matter concerning them in the furtherance of their duties at the expense of the Company. The Company also maintains directors' and officers' liability insurance to cover legal defence costs.

Relations with Shareholders

Communication with Shareholders is given a high priority by both the Board and Investment Managers and all Directors are available to enter into written dialogue with Shareholders. Income and Capital Shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and Investment Manager are available to discuss issues affecting the Company. Zero Dividend Preference Shareholders do not have the right to vote at or to attend the Annual General Meeting unless a resolution either to wind-up the Company or to vary the rights of Zero Dividend Preference shares is proposed.

Shareholders who would like to lodge questions in advance of the Annual General Meeting to be held on 26 October 2010, are invited to do so in writing to the Company Secretary at the address detailed on page 69. The Company always responds to letters from Shareholders.

Report of the Directors

for the year ended 31 May 2010

SECURITIES CARRYING VOTING RIGHTS

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

- The Company's capital structure and voting rights are summarised on pages 24 and 25.
- Details of the substantial Shareholders in the Company are listed on page 25.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 24.
- The giving of powers to issue or buy back the Company's shares requires a special resolution to be passed by Shareholders. The Board's current powers to buy back shares are stated on page 17.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting sets out both the ordinary business and the special business to be conducted at the meeting. The following explains the resolutions to be considered at the meeting as special business:

Resolution 6, being a special resolution, if passed, will extend the Directors' existing authority to purchase up to 14.99% of the issued Income shares of the Company (being 3,752,748). The authority, if given, will lapse twelve months from the passing of this resolution. The authority will be used when the Directors consider it to be in the best interest of Shareholders.

Resolution 7, also being a special resolution, if passed, will extend the Directors' existing authority to purchase up to 14.99% of the issued Capital shares of the Company (being 7,495,000). The authority, if given, will lapse twelve months from the passing of this resolution. The authority will be used when the Directors consider it to be in the best interest of Shareholders.

In accordance with the Listing Rules of the FSA, the price paid for shares will be not less than 0.1p per Income or Capital share and not more than the higher of (i) 5% above the average mid-market prices of those shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the shares are purchased and (ii) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation (being a price higher than 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). It is the Board's policy that purchases of shares will only be made through the market and when considering purchasing these shares the Board will take into account the investment opportunities available to the Company and any discount at which the shares are trading in the market relative to their net asset value.

Report of the Directors

for the year ended 31 May 2010

Shares purchased by the Company will be cancelled.

Resolution 8, being a special resolution, if passed, will authorise the Company to hold general meetings (other than annual general meetings) on 14 clear days' notice. The authority, if given, will expire twelve months from the passing of this resolution.

AUDITORS

A resolution to re-appoint Grant Thornton UK LLP and to authorise the Directors to determine their remuneration will be put to Shareholders at the forthcoming Annual General Meeting.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Duncan Abbot

Chairman

17 September 2010

Directors' remuneration report

for the year ended 31 May 2010

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

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in its report on pages 35 and 36.

Remuneration Committee

During the year ended 31 May 2010 the Company had four non-executive Directors, all of whom are considered by the Company to be independent. The Board as a whole fulfils the function of a Remuneration Committee.

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 investment trusts that have a similar capital structure (income shares, capital shares and zero dividend preference shares) and have a similar investment objective of capital growth. It is intended that this policy will continue for the forthcoming year.

Having considered the levels of remuneration paid to the directors of comparable investment trusts, the Board is of the opinion that the fees of £20,000 per annum and £16,000 per annum that are payable to the Chairman and the Directors respectively are appropriate.

The fees for 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.

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 after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

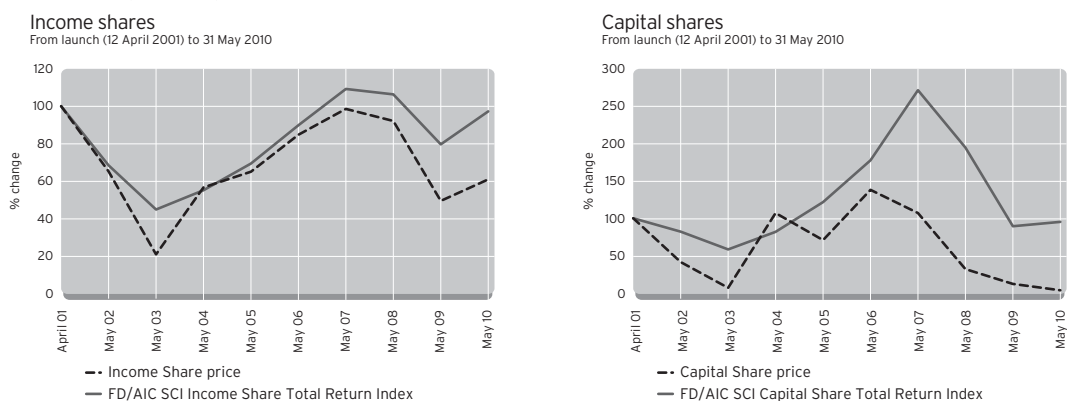
Your Company's performance

The following graphs compare the total return (assuming all dividends are reinvested) to Capital, Income and Zero Dividend Preference Shareholders to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the Capital Share and Income Share AIC Total Return indices are calculated. These indices were chosen for comparison purposes, as the Board consider them to be the most appropriate indicators with which to compare the investment performance of your Company.

Directors' remuneration report

for the year ended 31 May 2010

Your Company's performance (continued)



Directors emoluments for the year (audited)

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

	Year to 31 May 2010 £	Year to 31 May 2009 £
Duncan Abbot, Chairman	20,000	20,000
Rory Macleod	16,000	16,000
Andrew Pegge	16,000	16,000
Stephen White	16,000	16,000

Approval

This Directors' remuneration report was approved by the Board of Directors on 17 September 2010 and signed on its behalf by:

Duncan Abbot
Chairman

Statement of Directors' responsibilities

in respect of the financial statements

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors, to the best of their knowledge, state 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 or 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 adequate 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 2006. 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.

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

Duncan Abbot

Chairman

17 September 2010

Independent Auditors' report

to the members of Global Special Opportunities Trust Plc

We have audited the financial statements of Global Special Opportunities Trust PLC for the year ended 31 May 2010 which comprise the Income statement, Statement of movements in net assets attributable to shareholders, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' report

to the members of Global Special Opportunities Trust Plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

17 September 2010

Income statement

for the year ended 31 May 2010

	Note	Year ended 31 May 2010			Year ended 31 May 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value through profit or loss	9	-	(523)	(523)	-	(5,066)	(5,066)
Income	2	216	-	216	454	-	454
Investment management fee	3	(35)	(80)	(115)	(35)	(80)	(115)
VAT recovered on investment management fees		2	5	7	3	7	10
Other expenses	4	(315)	-	(315)	(311)	-	(311)
Tender offer costs written back		-	-	-	2	2	4
Liquidation costs		(25)	(25)	(50)	-	-	-
Exchange gains on capital items		-	31	31	-	6	6
Net return before finance costs and taxation		(157)	(592)	(749)	113	(5,131)	(5,018)
Finance costs							
Interest payable and similar charges	5	(3)	(8)	(11)	(22)	(52)	(74)
Appropriations in respect of:							
Income shares	7	160	600	760	(65)	5,161	5,096
Return on ordinary activities before taxation		-	-	-	26	(22)	4
Taxation on ordinary activities	6	-	-	-	(26)	22	(4)
		-	-	-	-	-	-
Return per share		pence	pence	pence	pence	pence	pence
Capital share	8	-	-	-	-	-	-
Income share	8	(0.64)	(2.39)	(3.03)	0.26	(20.47)	(20.21)
Zero Dividend Preference share	8	-	-	-	-	-	-
Unit (1 Capital, 1 Income)	8	(0.64)	(2.39)	(3.03)	0.26	(20.47)	(20.21)

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

All revenue and capital items in the above statement derive from continuing operations. There are no recognised gains or losses other than those passing through the Income statement.

The notes on pages 41 to 66 form part of these financial statements.

Statement of movements in net assets attributable to shareholders

for the year ended 31 May 2010

	Note	Year ended 31 May 2010 £'000	Year ended 31 May 2009 £'000
Net assets attributable to Shareholders at the start of the year		<u>13,065</u>	<u>19,149</u>
Appropriations to Shareholders			
Income shares		<u>(760)</u>	<u>(5,096)</u>
		<u>(760)</u>	<u>(5,096)</u>
Dividends paid to Income Shareholders	7	-	(497)
Repurchase of shares for cancellation (including related costs)		<u>(77)</u>	<u>(491)</u>
Net assets attributable to Shareholders at the year end		<u>12,228</u>	<u>13,065</u>

Note 16 discloses the reconciliation of movement in assets attributable to Shareholders.

Balance sheet

as at 31 May 2010

	Note	31 May 2010 £'000	31 May 2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	11,801	12,403
		<u>11,801</u>	<u>12,403</u>
Current assets			
Debtors	11	36	105
Cash at bank		876	986
		<u>912</u>	<u>1,091</u>
Creditors - amounts falling due within one year			
Creditors	12	141	119
Bank loan	13	344	310
Net assets attributable to Shareholders	14	12,228	-
		<u>12,713</u>	<u>429</u>
Net current (liabilities)/assets		<u>(11,801)</u>	<u>662</u>
Total assets less current liabilities		<u>-</u>	<u>13,065</u>
Creditors - amounts falling due after more than one year			
Net assets attributable to Shareholders	14	-	13,065
		<u>-</u>	<u>13,065</u>
		<u>-</u>	<u>-</u>
		pence	pence
Net asset values per share:			
- Capital shares	14	-	-
- Income shares	14	47.34	50.33
- Zero Dividend Preference shares	14	182.61	182.61
- Units	14	47.34	50.33

These financial statements were approved by the Board of Directors on 17 September 2010 and signed on its behalf by:

Duncan Abbot
Chairman

The notes on pages 41 to 66 form part of these financial statements.

Statement of cash flows

for the year ended 31 May 2010

	Note	Year ended 31 May 2010 £'000	Year ended 31 May 2009 £'000
Operating activities			
Investment income received		256	475
Deposit interest received		4	101
Other income received		-	19
VAT refunded in respect of Investment Managers' fees		7	10
Investment management fees paid		(115)	(208)
Secretarial fees paid		(115)	(112)
Other cash payments		(224)	(680)
Net cash outflow from operating activities	17	(187)	(395)
Servicing of finance			
Interest paid		(15)	(70)
Non-equity dividends paid (Income shares)		-	(497)
Net cash outflow from servicing of finance		(15)	(567)
Capital expenditure and financial investment			
Purchases of investments		(4,275)	(9,223)
Sales of investments		4,379	10,838
Net cash inflow from capital expenditure and financial investment		104	1,615
Net cash (outflow)/inflow before financing		(98)	653
Financing			
Revolving credit facility repayment		-	(2,083)
Repurchase of Income shares for cancellation		(77)	-
Repurchase of Zero Dividend Preference shares for cancellation		-	(491)
Buy back/repurchase of shares by tender		-	(49,034)
Net cash outflow from financing		(77)	(51,608)
Net cash outflow after financing		(175)	(50,955)
Decrease in cash	19	(175)	(50,955)

The notes on pages 41 to 66 form part of these financial statements.

Notes to the financial statements

for the year ended 31 May 2010

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of fixed asset investments and are prepared in accordance with applicable law and Accounting Standards in the United Kingdom ('UK GAAP') and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Companies" ('SORP') issued by the Association of Investment Companies ('AIC') in January 2009.

Wind-up of Company

The Company is due to wind-up on 29 May 2011 and as a result, the accounts have been prepared on a wind-up (break up) basis rather than on a going concern basis as it is certain that the wind-up will occur and there is no option for the Company to continue after this date. The comparatives have, however, been prepared on a going concern basis.

The Directors have received proposals for liquidator's fees of £50,000 and this amount has been included in the accounts. These are the only costs known to date. As the Company is a split capital trust with both Income and Capital Shareholders, the Company has considered it appropriate to apportion these costs fairly 50% to revenue and 50% to capital.

At this point in time, being one year until wind-up, there are clearly uncertainties as to whether several valuations of the relatively illiquid stocks can be realised. Where applicable, the assessment of fair value reflects a cost or discount applicable to a one year realisation timetable.

Following initial attempts to realise certain holdings in the portfolio, the Board has concluded that the markets in the shares of certain investments are not active. Accordingly the Board has adjusted the valuation of these holdings to reflect the likely realisation value in the timescale available as the Company approaches its 31 May 2011 liquidation date.

All creditors, accruals and prepayments that are incurred in the course of the day to day running of the Company have also been included at fair value, being their face value as of the Balance sheet date.

Due to the wind-up, all liabilities have been presented as less than one year. There are no uncertainties about the carrying amounts of the other assets and liabilities.

Dividends

Interim dividends are accounted for in the period when they are paid and final dividends are accounted for when approved by the Shareholders.

Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, quoted equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy and information about the portfolio is provided internally on this basis to the Board.

Notes to the financial statements

for the year ended 31 May 2010

1 ACCOUNTING POLICIES (CONTINUED)

As mentioned above, several investments have been revalued in accordance with their realisation value within the timescales available prior to the liquidation date.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. In arriving at fair value, accounting standards require that bid prices are used where they are readily and regularly available from an exchange. The Board considers that for several of the Company's US quoted investments, the market in the shares is not sufficiently active and reliable bid prices are not readily and regularly available and have therefore used the price of the most recent transaction in the investment. The Board has used alternative methods to value these illiquid holdings including prices of recent transactions, indicative sales prices from disposals and other valuation techniques.

Unquoted investments are valued at fair value as follows:

- Unquoted equity investments and unquoted loan notes are included at fair value based on latest dealing prices, stockbroker valuations, net asset values, discounted cashflow analysis or other information, as appropriate. This valuation incorporates all factors that market participants would consider in setting a price.
- Unquoted convertible debenture investments are valued as follows. Where the debentures are paying cash coupons they are valued at the greater of par value and the market value of the equity received if converted. If the debentures are not paying cash coupons then they are valued at the lower of cost and the market value of the equity received if converted.
- Non-redeemable unquoted convertible preferred stock are valued at the market value of the equity received if converted. Redeemable preferred stock investments are valued as follows. Where the preferred stocks are paying cash coupons they are valued at the greater of cost or market value of the equity received if converted. If the preferred stocks are not paying cash coupons then they are valued at the lower of cost and the market value of the equity received if converted.
- 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 application of the Black Scholes methodology requires certain assumptions to be made on the volatility of the underlying shares to which the warrants subscribe.

Derivatives

The Company has the option to use derivative financial instruments. If used, these derivatives would be classified as 'fair value through profit or loss' and movements in the fair value of these derivatives would be recorded through the Income statement.

Notes to the financial statements

for the year ended 31 May 2010

1 ACCOUNTING POLICIES (CONTINUED)

Shareholders' funds

Due to the Company having a fixed life, the Zero Dividend Preference shares, Income shares and Capital shares are all classified under FRS 25 as financial liabilities rather than as equity in the Balance sheet. This is purely presentational and has no effect on the Company's net assets per share or returns per share as calculated.

Income recognition

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. As prescribed in FRS 16: Current tax, UK dividends are disclosed excluding the associated tax credit. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Income arising on fixed interest securities is recognised on a time apportionment basis so as to reflect the effective interest rate on that security.

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.

- Underwriting commission is recognised as income in so far as it relates to shares the Company is not required to take up. Where the Company is required to take up shares underwritten the commission received is treated as a deduction from the cost of shares. The balance is taken to income in the Income statement for the Company; and
- Interest receivable is included on an accruals basis.

Expenditure

All expenses are accounted for on an accruals basis. All expenses are charged in full to the revenue column in the Income statement except as follows:

- Transaction costs incurred on the purchase and sale of investments are charged through the capital column of the Income statement;
- Expenses are allocated between capital and revenue where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In respect of the investment management fees, debit interest and loan arrangement fees, 70% has been allocated to capital and 30% to revenue in the Income statement, as stated in the prospectus at the time of the Company's inception. The investment management performance fee when payable is charged, in total, to the capital column of the Income statement.

Notes to the financial statements

for the year ended 31 May 2010

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for taxation is based on the net revenue for the year.

Full provision for deferred taxation is made under the liability method on all timing differences that have arisen but not reversed by the Balance sheet date in accordance with FRS 19: Deferred Taxation. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the average tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the Balance sheet date. Deferred tax is measured on a non-discounted basis. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates. Tax relief on expenses is allocated between revenue and capital using the marginal basis in accordance with the SORP.

Foreign currency transactions

The currency of the primary economic environment in which the Company operates (the functional currency) is sterling. The presentation currency is sterling.

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. A gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital column or in the revenue column of the Income statement depending on whether the gain or loss is of a capital or revenue nature respectively.

Finance costs

The Directors have allocated 100% of the appropriation relating to the capital entitlement of Zero Dividend Preference shares and Income shares to capital. Accordingly a redemption reserve has been set up to provide for the capital repayment entitlements attached to the Zero Dividend Preference shares and Income shares which accrue to the date of the Company's winding-up on 31 May 2011. On a winding-up of the Company the Zero Dividend Preference shares were entitled to a capital repayment of 100.00p per share as at 12 April 2001, increasing on a daily basis by approximately 8.8% p.a. compounded annually to give a final capital entitlement of 182.608201p on 31 May 2008. This amount will not increase until payment is made after 31 May 2011. The Income shares were entitled to a capital repayment of 85.00p increased on the last day of each calendar month to give a capital entitlement of 100.00p on 31 May 2008 and then from 1 June 2008 to 31 May 2011 increased at a daily compound rate so as to give a final capital entitlement of 120.82p on 31 May 2011.

The Income shares are entitled to the revenue reserves of the Company. The revenue return for the year is treated as an appropriation and is analysed in note 7 between dividends paid in the year and residual returns.

The Capital shares are entitled to all surplus assets of the Company after repayment of the bank facility and after the pre-determined capital entitlements of the Zero Dividend Preference shares and the Income shares have been satisfied.

Notes to the financial statements

for the year ended 31 May 2010

2 INCOME

	Year ended 31 May 2010 £'000	Year ended 31 May 2009 £'000
Income from investments designated at fair value through profit or loss		
Overseas unfranked investment income	212	372
	<u>212</u>	<u>372</u>
Other income		
Bank interest receivable	4	63
Other income	-	19
	<u>4</u>	<u>82</u>
Total income	<u>216</u>	<u>454</u>
Total income comprises:		
Dividends from investments designated at fair value through profit or loss	-	64
Interest from investments designated at fair value through profit or loss	212	308
Deposit interest from bank deposits	4	63
Other income from investments designated at fair value through profit or loss	-	19
	<u>216</u>	<u>454</u>
Income from investments:		
Listed overseas	6	64
Unlisted overseas	206	308
	<u>212</u>	<u>372</u>

3 INVESTMENT MANAGEMENT FEE

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	35	80	115	35	80	115
	<u>35</u>	<u>80</u>	<u>115</u>	<u>35</u>	<u>80</u>	<u>115</u>

With effect from 1 June 2008, the Investment Managers are entitled to a monthly fee of 0.0625% of the gross assets less current liabilities of the portfolio. A performance fee was not payable for the year ended 31 May 2010 (2009: £nil). Further information regarding the investment management fees is detailed in the Report of the Directors on pages 25 and 26.

At 31 May 2010 there were amounts outstanding of £8,000 (2009: £8,000). VAT is no longer payable on the Investment Manager's fees or performance fees.

During the year, the Company has received £7,000 in respect of past VAT on Investment Managers' fees from the previous Investment Manager, BFS Investments plc. This amount has been split 70% capital, 30% revenue in accordance with the accounting policy on charging Investment Managers' fees.

Notes to the financial statements

for the year ended 31 May 2010

4 OTHER EXPENSES

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administrative & secretarial fee	115	-	115	121	-	121
Directors' remuneration	68	-	68	68	-	68
Auditors' remuneration*	33	-	33	31	-	31
Other expenses	107	-	107	93	-	93
VAT recoverable	(8)	-	(8)	(2)	-	(2)
Total other expenses	315	-	315	311	-	311

* Auditors remuneration is split as follows:

	2010 £'000	2009 £'000
Fees payable to the Company's Auditors for the audit of the annual financial statements	33	31
Fees payable to the Company's Auditors and its associates for other services	-	-
	33	31

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loan	3	8	11	22	52	74
	3	8	11	22	52	74

6 TAXATION

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of charge for the year:						
Corporation tax	-	-	-	-	-	-
Overseas tax not recoverable	-	-	-	4	-	4
Tax relief attributable to expenses allocated to capital	-	-	-	22	(22)	-
	-	-	-	26	(22)	4

Notes to the financial statements

for the year ended 31 May 2010

6 TAXATION (CONTINUED)

Factors affecting tax charge for the year

The tax assessed for the year differs from the smaller companies rate of corporation tax of 21% in the United Kingdom (2009: 21%). The differences are explained below:

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	(160)	(600)	(760)	91	(5,183)	(5,092)
Return on ordinary activities multiplied by the smaller companies rate of corporation tax in the United Kingdom 21% (2009: 21%)	(34)	(126)	(160)	19	(1,088)	(1,069)
Effects of the non-taxable items:						
Losses on investments, exchange gains on capital items and movement on fair value of derivative financial instruments	-	103	103	-	1,062	1,062
Unrelieved expenses	29	18	47	-	4	4
Expenses not deductible for tax	5	5	10	2	-	2
Accrued income taxable on receipt	-	-	-	1	-	1
Overseas tax not recoverable	-	-	-	4	-	4
Current tax charge for the year	-	-	-	26	(22)	4

At 31 May 2010 the Company had unrelieved expenses of £6,207,000 (31 May 2009: £5,989,000). It is unlikely that the Company will generate sufficient taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

7 APPROPRIATIONS IN RESPECT OF INCOME SHARES

Appropriations in the revenue column of the Income statement in respect of Income shares are split between dividends paid in the year and the remaining balance of the revenue account for the year.

	Year ended 31 May 2010 £'000	Year ended 31 May 2009 £'000
Dividends	-	497
Residual balance of revenue account	(160)	(432)
Total appropriations in respect of Income shares	(160)	65

Dividends are comprised as follows:

Relating to prior period

Fourth interim paid of nil (2008: 1.00p net)	-	497
	-	497

Notes to the financial statements

for the year ended 31 May 2010

7 APPROPRIATIONS IN RESPECT OF INCOME SHARES (CONTINUED)

Relating to current period

No dividend (2009: nil) will be proposed for the year ended 31 May 2010.

Appropriations in the capital column of the Income statement are calculated as discussed in note 8 and amounted to:

Year ended 31 May 2010 £'000	Year ended 31 May 2009 £'000
(600)	(5,161)

8 RETURN PER SHARE

	Year ended 31 May 2010			Year ended 31 May 2009		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Return per share						
Capital share	-	-	-	-	-	-
Income share	(0.64)	(2.39)	(3.03)	0.26	(20.47)	(20.21)
Zero Dividend Preference share	-	-	-	-	-	-
Unit (1 Capital, 1 Income)	(0.64)	(2.39)	(3.03)	0.26	(20.47)	(20.21)

Capital shares

The return per Capital share is based on appropriations for the year of £nil (2009: £nil) and on 50,000,000 (2009: 50,000,000) Capital shares.

Income shares

The revenue return per Income share is based on revenue appropriations of (£160,000) (2009: £65,000) and on 25,105,967 (2009: 25,210,008) Income shares being the weighted average number of shares in issue during the year. The capital return per Income share is based on capital appropriations of £(600,000) (2009: (£5,161,000)) and on 25,105,967 (2009: 25,210,008) Income shares being the weighted average number of shares in issue during the year.

The redemption yield is contingent on the Company having sufficient assets at the time of redemption.

Zero Dividend Preference shares

The return per Zero Dividend Preference share is based on appropriations of £nil (2009: £nil) and on 206,037 (2009: 206,037) Zero Dividend Preference shares being the weighted average number of Zero Dividend Preference shares in issue during the year.

Notes to the financial statements

for the year ended 31 May 2010

9 INVESTMENTS

	As at 31 May 2010 £'000	As at 31 May 2009 £'000
Investment portfolio summary		
Listed investments on a recognised international exchange	9,697	8,545
Unlisted investments with conversion rights into listed investments	1,457	1,780
Other unlisted investments	647	2,078
	<hr/>	<hr/>
Investments at fair value	11,801	12,403

	Listed investments £'000	Unlisted investments* with conversion rights into listed investments £'000	Other unlisted investments £'000	Total £'000
Analysis of investment portfolio movements				
Opening book cost	15,949	4,959	4,896	25,804
Opening investment holding losses	(7,404)	(3,179)	(2,818)	(13,401)
	<hr/>	<hr/>	<hr/>	<hr/>
Opening valuation	8,545	1,780	2,078	12,403
Movements in the year:				
Transfer	266	-	(266)	-
Purchases at cost	4,320	-	-	4,320
Sales:				
Proceeds	(2,076)	(1,187)	(1,136)	(4,399)
(Losses)/gains on sales	(962)	20	(2,815)	(3,757)
Movement in investment holding losses	(395)	843	2,786	3,234
	<hr/>	<hr/>	<hr/>	<hr/>
Closing valuation	9,698	1,456	647	11,801
Analysis of investment portfolio movements				
Closing book cost	17,497	3,792	679	21,968
Closing investment holding losses	(7,799)	(2,336)	(32)	(10,167)
	<hr/>	<hr/>	<hr/>	<hr/>
	9,698	1,456	647	11,801

* The Company is entitled to exercise these conversion rights at any time.

	2010 £'000	2009 £'000
Analysis of capital gains/(losses)		
Losses on sales	(3,757)	(1,092)
Movement in investment holding losses	3,234	(3,974)
	<hr/>	<hr/>
Losses on investments	(523)	(5,066)

A breakdown of the investment portfolio is shown on pages 8 and 9.

Transaction costs incidental to the acquisitions of investments totalled £26,000 (2009: £8,000) and disposals of investments totalled £45,000 (2009: £3,000) for the year. These amounts are included in losses on investments, as disclosed in the Income statement.

Notes to the financial statements

for the year ended 31 May 2010

9 INVESTMENTS (CONTINUED)

Details of material holdings in unlisted securities are as follows:

Investment	Total cost £'000	Fair value 31 May 2010 £'000	Fair value 31 May 2009 £'000	Last accounts period end	Aggregate capital and reserves US\$m	Profit/(loss) after tax for year US\$'000	Net income from investment £'000
AnchorFree preference	287	76	52	30/04/2010	4,027,167	2,969,785	-
Duoyuan Printing (previously Asian Financial) warrants	-	79	11	31/03/2010	193,215,100	25,559,930	-
AuraSound warrants	-	-	-	31/03/2010	(5,806,860)	(2,171,370)	-
Business Process Outsourcing common stock	11	55	49	31/12/2009	12,769,000	5,281,000	-
CaminoSoft warrants	-	-	-	31/03/2010	(6,590)	(201,290)	-
Celsia Technologies warrants	-	-	-	31/12/2008	(5,669,510)	(5,991,860)	-
China Greenscape convertible preference	382	516	465	31/12/2009	93,960,000	20,530,000	-
Cover-All Technologies warrants	-	34	21	31/03/2010	12,372,390	4,202,420	-
Global Access warrants	-	99	-	31/03/2010	16,931,640	3,035,010	-
BPO Management Services common stock	1,732	-	39	31/12/2009	(3,361,820)	(12,344,650)	-
iLinc Communications convertible debenture	352	241	310	30/09/2008	3,897,000	(2,140,000)	37.8
Integrated Security Systems warrants	-	-	-	31/03/2010	1,479,020	6,242,040	-
PetroHunter convertible debenture	240	83	58	31/03/2010	(59,634,000)	(23,099,000)	26.6*
warrants	-	26	68	31/03/2010	(59,634,000)	(23,099,000)	-
Pipeline Data convertible debenture	826	764	1,059	31/03/2009	(11,268,680)	(36,498,630)	91.4
Ronco convertible preference	640	-	4	31/12/2006	4,264,240	(53,835,640)	-
SinoHub warrants	-	128	42	31/03/2010	49,793,000	13,869,000	-
Symbolion Pharmaceuticals warrants	-	2	-	31/12/2009	(334,680)	(692,370)	-
Terra Nova Financial Group warrants	-	-	-	31/03/2010	16,630,600	(14,450,230)	-

* £23,200 as stock £3,400 as cash

Notes to the financial statements

for the year ended 31 May 2010

9 INVESTMENTS (CONTINUED)

Material disposals of unlisted investments in the year:

	Disposal date	Proceeds £'000	Original cost £'000
Datapath	02/06/2009	35	812
e-Original**	30/06/2009	-	1,933
Narrowstep**	16/09/2009	-	4,924
Vertical Branding**	21/12/2009	-	364
Heyspace**	31/05/2010	-	380

** Written off

10 SIGNIFICANT INTERESTS

The Company has a holding of 3% or more of the voting rights in the following investments:

Name of undertaking	Class of share	% of class held
CMSF Corp.	Common Stock	37.0
Integrated Security Systems, Inc.	Common Stock	26.1
Cover-All Technologies Inc.	Common Stock	6.0
Global Access Corp.	Common Stock	6.0
Hemobiotech, Inc.	Common Stock	5.3
AuraSound, Inc.	Common Stock	3.6

The Company also has substantial interests in convertible debentures and other debt instruments as follows:

Name of undertaking	Class of security	% of class held
BPO Management Services, Inc.	Series B Preferred	10.0
iLinc Communications, Inc.	12% Convertible Debentures	9.8
PetroHunter Energy Corporation	8.5% Convertible Debentures	7.1
Pipeline Data, Inc.	10% Convertible Debentures	4.0

11 DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 May 2010 £'000	As at 31 May 2009 £'000
Sales for future settlement	20	-
Prepayments and accrued income	16	105
	<u>36</u>	<u>105</u>

Notes to the financial statements

for the year ended 31 May 2010

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 May 2010 £'000	As at 31 May 2009 £'000
Outstanding wind-up and related costs	50	-
Sundry creditors and accruals	91	119
	<u>141</u>	<u>119</u>

13 BANK LOAN

	As at 31 May 2010 £'000	As at 31 May 2009 £'000
Revolving credit drawn down	344	310
	<u>344</u>	<u>310</u>

As at 31 May 2010 the Company had a US\$500,000 revolving credit facility with Allied Irish Banks plc. The facility was re-negotiated on 29 May 2010 resulting in an extension of two months to 28 July 2010 to allow time for the extension agreement to be drawn up. On 26 July 2010 the extension of the facility to 31 May 2011 was approved. Utilisation periods may be one, two or three months, or any shorter period agreed between the Company and Allied Irish Banks plc, but shall not extend beyond the termination date of 31 May 2011.

At 31 May 2010 the Company had utilised the full amount of US\$500,000 (2009: US\$500,000) of this facility. Interest is payable at LIBOR plus a margin of 3.0% on any drawn down balance and 1.5% per annum on any undrawn balance. Repayment of the loan has priority over any capital repayment on winding-up.

The principal covenant under the revolving credit facility is that gross borrowings will not at any time exceed 40% of the adjusted net asset value.

Notes to the financial statements

for the year ended 31 May 2010

14 NET ASSET VALUES

Total net asset values attributable to Shareholders are as follows:

	31 May 2010 £'000	31 May 2009 £'000
For the purposes of calculating net asset values:		
Total net assets attributable to:		
- Capital Shareholders	-	-
- Income Shareholders	11,852	12,689
- Zero Dividend Preference Shareholders	376	376
	<u>12,228</u>	<u>13,065</u>
- Unit holders	<u>11,852</u>	<u>12,689</u>
	pence	pence
Net asset value per:*		
- Capital share	-	-
- Income share	47.34	50.33
- Zero Dividend Preference share	182.61	182.61
- Unit	47.34	50.33

They are represented by:

	31 May 2010 £'000	31 May 2009 £'000
Share capital	75	75
Special reserve	11,376	11,453
Capital redemption reserve	40	40
Capital reserve	(4,197)	(3,597)
Redemption reserve	4,906	4,906
Revenue reserve	28	188
	<u>12,228</u>	<u>13,065</u>
Assets attributable to shareholders		

* Net asset values per share calculated on the number of shares in issue of:

	31 May 2010	31 May 2009
- Capital share	50,000,000	50,000,000
- Income share	25,035,008	25,210,008
- Zero Dividend Preference share	206,037	206,037

Notes to the financial statements

for the year ended 31 May 2010

15 SHARE CAPITAL

	31 May 2010 £'000	31 May 2009 £'000
Issued, allotted and fully paid		
50,000,000 (2009: 50,000,000) Capital shares of 0.1p each	50	50
25,035,008 (2009: 25,210,008) Income shares shares of 0.1p each	25	25
206,037 (2009: 206,037) Zero Dividend Preference shares of 0.1p each	-	-
	<hr/>	<hr/>
	75	75

During the year ended 31 May 2010, 175,000 Income shares were purchased for cancellation at a price of £0.4385 per share resulting in 25,035,008 remaining in issue. Subsequent to the year-end, no further shares have been purchased for cancellation.

Duration

The Articles of Association provide that the Directors shall convene a General Meeting of the Company to be held on 31 May 2011, or if that day is not a business day, on the immediate preceding business day, at which a special resolution shall be proposed, pursuant to Section 84 of the Insolvency Act 1986 requiring the Company to be wound-up voluntarily unless the Board shall have previously been released from its obligation to do so by a special resolution of the Company.

As to dividends each year

The Income shares carry the right to receive all the revenue profits of the Company (including accumulated revenue reserves) available for distribution and determined to be distributed by way of interim and/or final dividend and at such times as the Directors may determine.

The Zero Dividend Preference shares and the Capital shares carry no right to receive dividends out of revenue or any other profits of the Company.

As to capital on winding-up

On winding-up, and after repayment of prior ranking creditors, there shall be paid to the holders of Zero Dividend Preference shares an amount equal to 100p per Zero Dividend Preference share as increased each day from 12 April 2001 to 31 May 2008 (inclusive) at a daily compound rate so as to give a final entitlement of 182.608201p on 31 May 2008. This amount shall not increase until payment is made after 31 May 2011.

The holders of the Income shares shall be paid prior to the wind-up date an amount equal to the amount standing to credit of the Company's revenue reserves and, after repayment of prior ranking creditors and the prior capital entitlements of the Zero Dividend Preference Shareholders have been met in full, an amount equal to 85.00p per Income share as increased on the last day of each calendar month from 30 April 2001 to and including 31 May 2008 so as to give a capital entitlement of 100.00p on 31 May 2008 and then from 1 June 2008 to 31 May 2011 increased at a daily compound rate so as to give a final capital entitlement of 120.82p on 31 May 2011.

Notes to the financial statements

for the year ended 31 May 2010

15 SHARE CAPITAL (CONTINUED)

The holders of the Capital shares are entitled to the surplus assets of the Company available for distribution after repayment of the bank loan and payment of the entitlements of the Zero Dividend Preference shares and the Income shares.

16 MOVEMENT IN ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Redemption reserve £'000	Revenue reserve £'000
Opening balance	40	11,453	(3,597)	4,906	188
Net losses on realisation of investments	-	-	(3,757)	-	-
Exchange gains on capital items	-	-	31	-	-
Movement in Investment holding losses	-	-	3,234	-	-
Costs charged to capital	-	-	(113)	-	-
VAT recovered on Investment Management fees	-	-	5	-	-
Repurchase of shares for cancellation	-	(77)	-	-	-
Retained net revenue for the year	-	-	-	-	(160)
At 31 May 2010	<u>40</u>	<u>11,376</u>	<u>(4,197)</u>	<u>4,906</u>	<u>28</u>

17 RECONCILIATION OF NET RETURN BEFORE FINANCE COST AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 May 2010 £'000	31 May 2009 £'000
Net return before finance costs and taxation	(749)	(5,018)
Add back: losses on investments	523	5,066
Less: Exchange gains on capital items	(31)	(6)
Increase/(decrease) in creditors	26	(583)
Decrease in debtors	89	223
Reinvested dividends	(45)	(73)
Tax deducted from investment income	-	(4)
Net cash outflow from operating activities	<u>(187)</u>	<u>(395)</u>

Notes to the financial statements

for the year ended 31 May 2010

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 May 2010	31 May 2009
	£'000	£'000
Decrease in cash at bank in year	(175)	(50,955)
Revolving credit repayment	-	2,083
Realised foreign exchange gain/(loss)	31	(5)
Movement in net funds	(144)	(48,877)
Net cash at start of year	676	49,553
Net cash at 31 May	532	676

For the purposes of this note net funds is defined as cash at bank and the revolving credit loan only.

19 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 June 2009	Cash flows	Exchange differences	At 31 May 2010
	£'000	£'000	£'000	£'000
Cash at bank	986	(175)	65	876
Revolving credit loan due within one year	(310)	-	(34)	(344)
	676	(175)	31	532

20 RELATED PARTY TRANSACTIONS

The Investment Managers, Premier Asset Management (Guernsey) Limited and Premier Fund Managers Limited, are regarded as related parties to the Company. The amounts paid to the Managers for investment management fees are disclosed in note 3. The investment management fee is based on the Company's gross assets less current liabilities which are reduced by the value of investments held in companies where Premier is the investment manager. At 31 May 2010 the market value of these holdings was £nil (2009: £nil).

Mr Cleveland of RENN Capital Group, Inc., the Investment Adviser is a director of Access Plans, Cover-All Technologies, Integrated Securities Systems, BPO Management and CaminoSoft, being companies held within the portfolio. Of these Companies, Mr Cleveland receives fees of US\$49,000 per annum in respect of Cover-All Technologies. Other officers of RENN Capital Group Inc. also sit on the boards of certain companies held as investments within the portfolio. The total directors' remuneration received by RENN Capital Group Inc. for representation of the Company and its other clients and affiliates, and attendance at meetings of the boards of companies in which the Company had an interest during the year ended 31 May 2010 was US\$nil (2009: US\$11,476).

21 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 May 2010 there were no outstanding commitments or contingent liabilities (2009: nil).

Notes to the financial statements

for the year ended 31 May 2010

22 CONTINGENT ASSETS

Following the AIC/JPMorgan Claverhouse judgement which was made during 2007 regarding the charging of VAT on investment management fees, the Company has recently received a sum of £7,000 from the previous Investment Manager. It is possible that the Company will be able to recover further amounts of VAT that it has paid on its investment management fees during the forthcoming year, although the Directors do not believe that any such recoverable sums will be of a material amount.

Sums received to date amount to £17,000.

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Objectives, policies and strategies

Following approval by Shareholders on 30 May 2008 the investment policy was revised to invest primarily in equities and equity related instruments issued by companies domiciled, listed quoted or traded in North America. The Company may invest in bonds, warrants, contracts for difference, other forms of derivative investment, bank debt or debt securities.

The Company borrows money by way of a US\$500,000 revolving credit facility at a fixed interest rate of LIBOR plus margin of 3.0% on any drawn down balance and 1.5% per annum on any undrawn balance.

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.

As required by FRS 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 57 to 66.

Market risk

The Company's strategy on the management of investment risk is driven by the Company's investment objective. The Investment Managers and Investment Adviser monitor the financial risks affecting the Company on a continual 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 Managers and Investment Adviser. The Board meets quarterly 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.

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets

All investments and derivatives are stated in sterling and classified at fair value through profit or loss.

The Company invests directly in smaller companies. As smaller companies do not generally have the financial strength, diversity and resources of large companies they may find it more difficult to overcome periods of economic slow down or recession. In addition, the relatively small market capitalisation of such companies may make the market in their shares less liquid. In the event that smaller companies under perform, this may affect the performance of smaller companies in which the Company is invested.

The Company invests in a wide range of industrial sectors therefore the Board does not consider there is a significant risk to market fluctuations in any one industry.

The Company may invest in unlisted securities, or other securities, in which there is no active market. In such cases it may be difficult to determine the value of such securities and/or to realise the investment or to do so on acceptable terms. There may be no certainty that a listing or trading facility will be obtained for such securities. Holders of such securities may not have the benefit of market rules designed for the protection of holders of listed or public traded securities. This may include the absence of publicly available information on such securities or their issuers.

As discussed in the accounting policies of the Company in note 1 on pages 41 to 44, 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. 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 90-day volatility of each holding is used but where no data exists for any holding a default of 37.5% is used.

The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in note 1 on pages 41 to 44. Cash and trade debtors arising from the operations of the Company as at 31 May 2010 amounted to £876,000 (2009: £986,000) and £36,000 (2009: £105,000) respectively.

Foreign currency risk

Due to the Company's holdings being wholly overseas, the Company is also exposed to the risk of movement in the dollar/sterling exchange rate. Bearing in mind that the final redemption payment will be a sterling payment of 120.82p to be made to Income Shareholders on 31 May 2011, the Board will look at taking advantage of any future dollar strength versus sterling by hedging some or all of the dollar exposure into sterling in those circumstances.

The Investment Managers monitor the exposure to foreign currencies on a daily basis and report to the Directors on a regular basis. The Investment Managers measure 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 US investment transactions from its bank accounts in US dollars. In the year ended 31 May 2010, exchange gains of £31,000 (2009: £6,000) relating to currency, have been taken to the capital reserve.

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The primary currency risk is between sterling and dollars.

The Investment Managers 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 financial assets and liabilities at 31 May was as follows:

	Investment portfolio £'000	Cash £'000	Other current assets £'000	Financial assets £'000	Financial liabilities £'000	Sensitivity gap £'000
As at 31 May 2010						
US dollars	11,801	855	25	12,681	(344)	12,337
As at 31 May 2009						
US dollars	12,403	947	93	13,443	(310)	13,133

The Company has a total exposure as a percentage of funds attributable to Shareholders to US dollars of 101% (2009: 101%).

Sensitivity analysis

At 31 May 2010, had sterling strengthened by 10% in relation to the US dollar, with all other variables held constant, the net assets attributable to Shareholders and the return for the year would have decreased by £1,122,000 (2009: £1,194,000). A 10% weakening of sterling against the US dollar would have resulted in an increase in net assets of £1,371,000 (2009: £1,459,000).

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, on occasions, 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.

Any surplus cash held at Frost National Bank is invested overnight in an institutional high quality commercial liquidity account with a very low maturity structure. This is to obtain a higher rate of interest, as interest rates on the surplus cash (if not invested) would be very minimal.

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

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	Value US\$'000	Value £'000	Weighted average interest rate %	Weighted average period for which rates are fixed (months)
As at 31 May 2010				
US convertible debentures	1,581	1,087	6.68	5.1
US preference shares	860	592	-	-
	2,441	1,679		
As at 31 May 2009				
US convertible debentures	2,603	1,614	6.4	12.5
US loan notes	1,000	620	9.0	17.0
US preference shares	1,535	952	1.2	-
	5,138	3,186		

The maturity profile of the Company's financial assets at 31 May was as follows:

	2010 £'000	2009 £'000
Within one year	836	142
Within one to two years	243	1,079
Within two to three years	169	1,144
Within three to four years	305	196
Within four to five years	-	53
More than five years	-	-
	1,553	2,614
Assets with no maturity dates	11,153	10,873
	12,706	13,487

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The interest rate risk and maturity profile of the financial liabilities of the Company as at 31 May was as follows:

	Amount drawn \$'000	Total £'000	Period until maturity (years)
As at 31 May 2010			
Amounts drawn under the floating rate revolving credit facility	500	344	0.1
Financial liabilities upon which no interest is paid with no maturity date*		134	
Amounts attributable to Shareholders upon which no interest is paid		12,228	1.0
		<u>12,706</u>	
As at 31 May 2009			
Amounts drawn under the floating rate revolving credit facility	500	310	1.0
Financial liabilities upon which no interest is paid with no maturity date*		112	
Amounts attributable to Shareholders upon which no interest is paid		13,065	2.0
		<u>13,487</u>	

* Creditors less prepayments

Sensitivity analysis

A change in interest rates would have some impact on the fair value of warrants and revolving loan facility but the size of the impact is not easily quantifiable. The impact of a 10% increase in the floating rate element of the loan is insignificant in value.

The revolving credit facility pays interest at LIBOR plus a 3% margin. The amount of interest payable is therefore subject to LIBOR rate fluctuation.

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 and Investment Adviser. The Directors monitor compliance with the Company's objectives and are directly responsible for investment strategy and asset allocation.

See the Investment Adviser's report on pages 5 to 7 for discussion of investments made during the year. The method of valuing the investments is discussed in the accounting policies in note 1 on pages 41 to 44.

Sensitivity analysis

A 10% increase in the fair value of investments at 31 May 2010 would have increased net assets attributable to Shareholders by £1,180,000 (2009: £1,240,000). An equal change in the opposite direction would have decreased the net assets attributable to Shareholders by an equal but opposite amount.

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Liquidity risk

A significant proportion of the portfolio is held in smaller and unquoted companies. Such companies are inherently higher in risk and lower in liquidity than, for example, blue-chip equities. Unlisted companies have the additional risk of not benefiting from market rules designed to protect investors. Some of the investments are in unlisted convertible bonds or preference shares, which may at any time be converted into a listed common stock, giving an effective level of liquidity equal to the liquidity in the common stock. Other unlisted investments do not have the option of converting into a listed stock.

Credit risk

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

The Company is exposed to credit risk by way of its debentures loan notes and preference shares in the portfolio and any interest outstanding thereon. The benefit of a convertible debenture is that if a portfolio company becomes troubled, the Company is protected through its position as a creditor. The Directors do not consider there to be a major risk of material default on any convertible debentures held but do recognise that from time to time, default might occur.

As at 31 May 2010 the fair value of financial assets which are subject to credit risk was £1,825,000 (2009: £3,186,000). In addition there was interest outstanding of £3,000 (2009: £93,000).

At 31 May 2010, the carrying value of financial assets subject to credit risk was split as follows:

	2010	2009
	£'000	£'000
Unlisted preference	592	909
Unlisted convertible preference	-	43
Unlisted convertible debentures	1,087	1,454
Listed convertible debentures	-	160
Unlisted loan notes	-	620
	<u>1,679</u>	<u>3,186</u>

The Company's investments are held on its behalf by Frost National Bank, acting as agent. Bankruptcy or insolvency of Frost National Bank 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 regularly 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.

Short-term flexibility is achieved via the use of bank borrowing from a facility with Allied Irish Banks plc. This facility, together with funding requirements, is regularly reviewed by the Board.

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities

The Company finances its operations through a revolving credit facility, share capital and retained profits, although trade creditors and accruals arise from its operations.

At 31 May 2010, the maturity profile of the Company's financial liabilities was as follows:

	2010 £'000	2009 £'000
Within one year	12,706	422
2-3 years	-	13,065
	<u>12,706</u>	<u>13,487</u>

The Company has a \$500,000 margin facility which attracts interest at a variable rate. As at 31 May 2010, the full \$500,000 was drawn down. The renewal date of this facility is 31 May 2011.

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

Fair value hierarchy disclosures

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

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

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

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

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Level 2 inputs include the following:

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

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

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

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

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss at 31 May 2010				
Equity investments	9,753	7,332	-	2,421
Convertible Debenture stocks	1,087	-	846	241
Preference stocks	592	-	-	592
Warrants	369	-	235	134
Other financial assets and cash	-	-	-	-
Total	11,801	7,332	1,081	3,388

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

There are no other financial assets or liabilities other than those disclosed above.

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

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

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

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

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

	Total £'000	Equity investments £'000	Convertible debenture £'000	Loan notes £'000	Preference shares £'000	Warrants £'000
Company						
Opening balance	1,878	966	-	-	912	-
Purchases	1,384	1,384	-	-	-	-
Transfer to level 3	6,467	6,115	352	-	-	-
Sales - proceeds	(217)	-	-	(217)	-	-
Total (losses)/gains for the year included in the Income statement	(6,124)	(6,044)	(111)	217	(320)	134
Closing balance	3,388	2,421	241	-	592	134

Notes to the financial statements

for the year ended 31 May 2010

23 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

AnchorFree	AuraSound
Business Process Outsourcing	Cover-All Technologies
CaminoSoft Corporation	Global Axxess Corporation
China Greenscape	Hemobiotech, Inc.
Integrated Security Systems, Inc	iLinc Communications
Ronco Corporation	

The Directors show the holdings at what they believe to be fair value, of £3.4 million. There is clearly considerable uncertainty as to whether these valuations could be realised due to varying market conditions. Values realised on sale could be lower or higher than fair value. The most significant inputs used to derive the various valuations are the operational forecasts and the discount rate applied to future cash flows. Using reasonably possible alternative assumptions commented on elsewhere in this annual report, this would give a wide range of values for these positions for all the holdings classified as Level 3.

Capital management

The Company does not have any externally imposed capital requirements other than those relating to the revolving credit facility. Details of the covenant attached to this facility together with the Company's principal risks and their management are disclosed above and in note 13 on page 52.

The Board consider the capital of the Company to be the assets attributable to Shareholders. The capital of the Company is managed in accordance with its investment objective and policy as detailed on page 1.

24 POST BALANCE SHEET EVENTS

On 13 September 2010, an announcement was made by the company Duoyuan Printing stating that they had dismissed its auditors and was re-organising its top management following the resignation of its chief executive officer, chief finance officer and four Board members. Upon this news, the stock price of Duoyuan Printing has declined 55%.

At 31 May 2010, the Company's holding in Duoyuan amounted to \$1,222,000. At current stock prices, it is now valued at approximately \$324,000 a reduction of 75%.

Shareholder information

Financial calendar

Company's year end	31 May
Annual results announced	September
Annual General Meeting	26 October 2010
Company's half-year end	30 November
Half-yearly results announced	January
Release of Interim management statements	April/October
Planned wind-up date	31 May 2011

SHARE PRICE AND PERFORMANCE INFORMATION

The Company's Income shares and Capital shares are listed on the London Stock Exchange. The mid-market prices are quoted daily in the Financial Times.

The Company publishes information on a website maintained by the Investment Manager: www.premierassetmanagement.co.uk. Information published on this website includes annual and half-yearly reports and Stock Exchange announcements.

SHARE DEALING

Shares can be purchased through your usual stockbroker.

SHARE REGISTER ENQUIRIES

The register for the Income shares, Capital shares and Zero Dividend Preference shares is maintained by Equiniti. In the event of queries regarding your holding, please contact the Registrar at www.shareview.co.uk or on 0871 384 2030 (overseas +44 121 415 7047), calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8:30am to 5:30pm, Monday to Friday. Changes of name and/or address must be notified in writing to the Registrar.

PREMIER FUND MANAGERS LIMITED

Further details on the Company can be obtained from Premier on 01483 400400 or at www.premierassetmanagement.co.uk or e-mail premier@premierfunds.co.uk

Glossary of terms

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 changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowing or share classes with a prior ranking entitlement to capital.

HURDLE RATE

The compound rate of growth of the total assets required each year until the wind-up date for shareholders to receive either a predetermined redemption price or, in some cases, a return of the amount originally invested. Any class of share ranking for prior payment should be taken into account in this calculation.

NET ASSET VALUE ('NAV')

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all a company's assets, at current market value, having deducted all prior charges at their par value (or at their asset value).

SPLIT CAPITAL INVESTMENT TRUST

An investment trust with two or more classes of share in issue, each class having specified entitlements to income and/or capital. Typical classes of share include income shares, capital shares, zero dividend preference shares and income and residual capital (or geared ordinary) shares.

TOTAL EXPENSE RATIO

The total expenses incurred by a company, including those charged to capital (excluding interest costs) as a percentage of total assets less current liabilities.

TOTAL RETURN

The combined effect of any dividends paid, together with the rise or fall in the share price or 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).

Directors and Advisers

Directors	Duncan Abbot (Chairman) Andrew Pegge Rory Macleod Stephen White
Investment Managers	Premier Asset Management (Guernsey) Limited PO Box 405 Anson Place Mill Court La Charroterie St Peter Port Guernsey GY1 3GF Premier Fund Managers Limited Eastgate Court High Street Guildford Surrey GU1 3DE Tel: 01483 306090
Investment Adviser	RENN Capital Group, Inc 8080 North Central Expressway Dallas Texas 752061857 USA
Company Secretary and Registered Office	Capita Sinclair Henderson Limited (trading as Capita Financial Group Specialist Fund Services) Beaufort House 51 New North Road Exeter EX4 4EP Tel: 01392 412122
Registrar and Transfer Office	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA www.shareview.co.uk
Stockbrokers	Cenkos Securities Plc 6. 7. 8 Tokenhouse Yard London EC2R 7AS
Bankers	Lloyds TSB Bank Plc 71 Lombard Street London EC3P 3BS Allied Irish Banks plc Bankcentre Ballsbridge Dublin
Auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Global Special Opportunities Trust PLC will be held on 26 October 2010, at the offices of Cenkos Securities, 6.7.8 Tokenhouse Yard, London EC2R 7AS at 2.00 pm for the following purposes:

Ordinary business

To propose as Ordinary Resolutions the following:

1. To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited accounts for the year ended 31 May 2010.
2. To receive and, if thought fit, to accept the Directors' remuneration report for the year ended 31 May 2010.
3. To re-elect Duncan Abbot as a Director of the Company.
4. To re-elect Andrew Pegge as a Director of the Company.
5. To re-appoint Grant Thornton UK LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special business

To propose as Special Resolutions the following:

6. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of its Income shares of 0.1 pence each provided that:
 - (i) the maximum aggregate number of Income shares hereby authorised to be purchased shall be 3,752,748 (or, if less, 14.99% of the number of Income shares in issue immediately following the passing of this resolution);
 - (ii) the minimum price (exclusive of expenses) which may be paid by the Company for an Income share shall be 0.1p;
 - (iii) the maximum price (exclusive of expenses) which may be paid by the Company for an Income share shall be no more than the higher of (a) 105% of the average of the closing mid-market price of such shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days prior to the date of the purchase and (b) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation;
 - (iv) such authority shall expire twelve months from the passing of this resolution.

Notice of Annual General Meeting

7. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of its Capital shares of 0.1 pence each provided that:
- (i) the maximum aggregate number of Capital shares hereby authorised to be purchased shall be 7,495,000 (or, if less, 14.99% of the number of Capital shares in issue immediately following the passing of this resolution);
 - (ii) the minimum price (exclusive of expenses) which may be paid by the Company for an Capital share shall be 0.1p;
 - (iii) the maximum price (exclusive of expenses) which may be paid by the Company for an Capital share shall be no more than the higher of (a) 105% of the average of the closing mid-market price of such shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days prior to the date of the purchase and (b) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation;
 - (iv) such authority shall expire twelve months from the passing of this resolution.
8. THAT the Company be and is hereby generally and conditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire twelve months from the passing of this resolution.

By order of the Board
Capita Sinclair Henderson Limited
Secretary
17 September 2010

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

Notes

1. The holders of Zero Dividend Preference shares do not have the right to attend or vote at the Annual General Meeting.
2. The holders of Income shares and Capital shares are entitled to attend and vote at the Meeting and are entitled to appoint one or more proxies to attend, speak and vote in their place. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.
3. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, a copy of 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 2.00pm on 24 October 2010. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

Notice of Annual General Meeting

4. You may, if you wish, register the appointment of a proxy or proxies, or voting instructions for the meeting electronically by logging on to www.sharevote.co.uk. You will need to use the series of numbers made up of your Voting ID, Task ID and Shareholder Reference Number printed on your proxy form. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti Limited at least 48 hours before the appointed time of the meeting, that is to say, no later than 2.00pm on 24 October 2010. Please note that any electronic communication sent to the Company or Equiniti that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by Equiniti Limited's conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging on to that site.
5. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast) Shareholders must be registered in the register of members of the Company as at 6.00pm on 24 October 2010. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 changes to entries on the relevant register of securities after 6.00pm on 24 October 2010 ("the specified time") shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 6.00pm on the day two days prior to the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
6. 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.
7. 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.
8. As at 17 September 2010 (being the last business day prior to the publication of this notice) the Company's total voting rights in issue was 50,070,016. The total shares in issue at this date was 50,000,000 Capital shares and 25,035,008 Income shares.

Notice of Annual General Meeting

9. 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.
10. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. If more than one authorised person purports to exercise a power in respect of the same shares:
 - (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
 - (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
11. Shareholders should note that it is possible that, pursuant to requests made by Shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statement, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.premierassetmanagement.co.uk.
13. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Notice of Annual General Meeting

14. The Company, in accordance with Section 319A of the Companies Act 2006, must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:
 - (a) to do so would:
 - (i) interfere unduly with the preparation for the meeting, or
 - (ii) involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
15. A copy of this Notice of Annual General Meeting is available on the Company's website: www.premierassetmanagement.co.uk.

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