

## **RAB Capital plc**

### **Interim Results for the 6 months ended 30 June 2004**

#### **Chairman and Chief Executives' Report**

The Group achieved a strong increase in pre-tax profits for the first half of 2004 to £2.1 million (up 393%\*), on the back of turnover of £5.5 million (up 138%\*). This reflects growth in assets under management to \$1.5 billion (up 49% from \$994 million as at 31 December 2003) and, contained within that, the launch of several new funds. The Board has decided to institute an interim dividend payment of 0.1 pence for the first time in the Company's history, to reflect our strong balance sheet and healthy revenues. In line with our conservative accounting policies, the Board has not accrued any performance fees which are likely to be due on certain funds for the first half performance, as these numbers will not be finalised until 31 December 2004.

This first half of the year tells two different stories. The first quarter was a very profitable period for RAB Capital, with most of our funds delivering good, positive performance. However, the second quarter was a difficult time for the hedge fund industry as a whole. RAB Capital was no different and we experienced a disappointing quarter.

For the full year, profitability will therefore depend largely on what happens in the second half of 2004. Last year we had a good second half and, in order to beat it, we need to perform well again. It is a positive starting point that we enter the second half of this year with both a broader range of funds and greater funds under management than in 2003, and we are all determined to achieve good returns for both investors and shareholders.

We continue to focus our efforts on running a broadly based business. At RAB Capital we now have two types of funds. We run nine strategies where the basic mandate is to produce steady returns in different investment markets, with limited risk. We also have two strategies (Special Situations and Energy), which go for much higher returns. While these two strategies have higher volatility, they have the potential to produce very high profitability for our investors and our shareholders.

As well as building an absolute return fund business, we are positioning ourselves as a company that strategically takes advantage of world trends. Our view is that commodities in general, metals and energy in particular, are likely to remain strong over the coming decade and we are therefore building investment expertise in this area. Special Situations and Energy pursue niche strategies within this sector and our funds have several investments that could be very important strategically for the business. These investments range widely and include large coalfields in Asia and Canada, oilfields from the Ukraine to the South Atlantic, gold and copper mines serving China in the Far East, breakthrough technologies in fuel cells and alternative hydrocarbon fuels. We believe that this special emphasis on commodities sets us apart from many of our competitors. In addition, despite the success of our High Yield strategy and Global Macro exposure, we remain an equity-orientated investment house and continue to launch new equity strategies. A Japan strategy was launched in June 2004 and a North American strategy will be launched shortly. Furthermore, we have strategic plans to increase our exposure to the Far East and Emerging Markets.

Our recent listing was an important milestone in our development as a sustainable business and delivered a very strong balance sheet for the Company. We are encouraged that the principle of attracting investment talent is working and, as we go into the second half of the year, we are busy assessing the prospects for new absolute return strategies in complementary areas. We thank investors and shareholders

for their continued confidence in us and we remain focused on growing the business for the long term, through both positive and negative business cycles.

Michael Alen-Buckley  
**Chairman**

Philip Richards  
**Chief Executive**

*\* Percentage changes refer to the first six months of the calendar year 2004, compared to the first six months of the calendar year 2003.*

#### **ROBIN COSGROVE**

**The Board is very sad to have to announce the sudden death of Robin Cosgrove, as the result of a climbing accident in the Alps. Robin was a fine person, as well as an outstanding fund manager in our Japanese team, and he will be sorely missed by his family and all of us at RAB Capital. Robin's family have asked that those who wish to express condolences, or send personal memories of Robin, do so by email to Robin's mother on [carol@sacks.com](mailto:carol@sacks.com).**

**It was the specific request of the family that the RAB Japan Strategy become strong and successful as an enduring memorial to Robin Cosgrove. We are all determined to make it so. RAB Capital and Robin's family intend to organise a memorial fund for Robin, so that disadvantaged people might be given a business education or other sponsorship in order to promote fair trade worldwide.**

## Financial Highlights

	6 months to June 2004		6 months to June 2003
Turnover	£5.5m	+138%*	£2.3m
Pre-tax profit (before bonus provision)	£4.2m	+393%*	£0.9m
Pre-tax profit	£2.1m	+393%*	£0.4m
Undiluted Earnings per share	0.45p	+378%*	0.09p
Fully Diluted Earnings per share	0.32p	+375%*	0.07p
Dividend per share	0.10p		NIL

## Operational highlights

- Continued asset growth from both existing funds and new strategies.
- Four new funds successfully launched.
- Balance sheet strengthened through successful flotation and acquisition of I2S plc.
- Increase in assets under management to \$1.5 billion at 30 June 2004 (up 49% from 31 December 2003).

## Assets under management

		June 2004 \$m	December 2003 \$m
Strategies:	Europe	394.4	384.9
	Special Situations	235.1	155.3
	High Yield	294.1	139.0
	UK	137.0	113.6
	Global Macro	145.9	121.6
	Fund of Funds	177.3	79.9
	North American	8.3	NIL
	Japan	52.6	NIL
	Energy	38.3	NIL
		<b>1,483.0</b>	<b>994.3</b>

\* Percentage changes refer to the first six months of the calendar year 2004, compared to the first six months of the calendar year 2003.

**Group Profit and Loss Account**  
for the six months to 30 June 2004

	Notes	6 mths to 30 Jun 2004 £'000	6 mths to 30 Jun 2003 £'000	13 mths# to 31 Dec 2003 £'000
Turnover				
- management fees		5,237	2,087	22,799
- advisory and distribution fees		236	212	439
Total turnover		5,473	2,299	23,238
Operating expenses				
- Staff related costs (ex-bonus)		1,583	1,116	2,573
- Bonus provision		2,094	427	10,550
- Other		897	409	994
Total administrative expenses		4,574	1,952	14,117
<b>Operating profit</b>		<b>899</b>	<b>347</b>	<b>9,121</b>
Gain on disposal of fixed asset investments		974	-	1,280
Net interest receivable		238	79	161
<b>Profit on ordinary activities before taxation</b>		<b>2,111</b>	<b>426</b>	<b>10,562</b>
Tax on profit on ordinary activities		613	146	3,222
<b>Profit for the financial period</b>		<b>1,498</b>	<b>280</b>	<b>7,340</b>
Dividends	2	390	-	750
<b>Retained profit for the financial period</b>		<b>1,108</b>	<b>280</b>	<b>6,590</b>
<b>Earnings per share – undiluted</b>	3	0.45p	0.09p	2.45p
<b>Earnings per share – fully diluted</b>	3	0.32p	0.07p	1.71p

Turnover and operating profit arises wholly from continuing activities. All recognised gains and losses are reported in the profit and loss account.

# The Group reporting period ending December 2003, was 13 months in order to move the year-end to 31 December.

## Group Balance Sheet

as at 30 June 2004

	Notes	30 Jun 2004 £'000	30 Jun 2003 £'000	31 Dec 2003 £'000
<b>ASSETS</b>				
<b>Fixed Assets</b>				
Tangible assets		628	198	211
Investments	7	9,617	1,829	2,677
		<b>10,245</b>	<b>2,027</b>	<b>2,888</b>
<b>Current assets</b>				
Debtors		2,190	789	17,975
Cash at bank and in hand		17,960	4,329	4,085
		<b>30,395</b>	<b>7,145</b>	<b>24,948</b>
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Called up share capital	4	373	300	301
Share premium account		14,376	-	-
Profit & loss account		10,414	3,510	9,307
		<b>25,163</b>	<b>3,810</b>	<b>9,608</b>
<b>Shareholders' funds – equity interests</b>		<b>25,163</b>	<b>3,810</b>	<b>9,608</b>
<b>Minority interest</b>		<b>132</b>	<b>-</b>	<b>-</b>
<b>Creditors: due within one year</b>		<b>4,542</b>	<b>2,909</b>	<b>14,675</b>
<b>Provisions for liabilities and charges</b>		<b>558</b>	<b>426</b>	<b>665</b>
		<b>30,395</b>	<b>7,145</b>	<b>24,948</b>

**Summary Group Cash Flow Statement**  
for the six months to 30 June 2004

Notes	6mths to 30 Jun 2004 £'000	6 mths to 30 Jun 2003 £'000	13 mths to 31 Dec 2003 £'000
<b>Net cash inflows from operating activities</b>			
Operating profit	899	347	9,121
Depreciation charges	137	59	121
Decrease (increase) in debtors	15,845	648	(17,268)
(Decrease) increase in creditors	(8,180)	(42)	9,115
	8,701	1,012	1,089
Taxation paid	(2,000)	-	(779)
Returns on investments and servicing of finance	238	79	157
Capital expenditure and financial investment	(6,047)	(522)	(163)
Equity dividends paid	(768)	(240)	(240)
<b>Net cash (outflow) inflow before Financing</b>	124	329	64
<b>Financing</b>			
Issue of share capital	5	-	1
<b>Increase in cash and cash equivalents</b>	<b>13,875</b>	<b>329</b>	<b>65</b>

**Reconciliation of net cash flow to movement in cash**

Notes	6mths to 30 Jun 2004 £'000	6 mths to 30 Jun 2003 £'000	13 mths to 31 Dec 2003 £'000
<b>Increase in cash for the period</b>	13,875	329	65
<b>Net cash brought forward</b>	4,085	4,000	4,020
<b>Net cash carried forward</b>	17,960	4,329	4,085

## Notes

### 1. Basis of preparation

These interim statements have been prepared using the historical cost convention and the accounting policies applied in the most recent audited statutory accounts.

Performance fees have only been accrued to the extent that they are due or have been received at the balance sheet date.

### 2. Interim dividend

The interim dividend of 0.1 p per share will be paid on 27 August 2004 to qualifying shareholders on the register at 13 August 2004.

### 3. Earnings per share

The calculations of earnings per share are based on the following number of shares:

	<b>30 Jun 2004</b>	<b>30 Jun 2003</b>	<b>31 Dec 2003</b>
	<b>Number of shares millions</b>	<b>Number of shares millions</b>	<b>Number of shares millions</b>
Weighted average number of shares			
For basic earnings per share	336	300	300
Dilutive effect of exercisable share options	85	119	78
Dilutive effect of convertible shares	51	-	51
	<b>472</b>	<b>419</b>	<b>429</b>

### 4. Share capital

During the period the company issued 72.4 million fully paid ordinary shares of 0.1p each as follows:

<b>Issue details</b>	<b>Number of shares issued millions</b>
Employee share options exercised at 1.67p	7.2
Employee share options exercised at 8p	6.5
Other options exercised at 13.33p	3.0
Other options exercised at an average price of 33p	6.0
Issue of shares in respect of flotation at 25p	32.0
Issue of shares in respect of acquisition of I2S plc	17.7
<b>Total shares issued</b>	<b>72.4</b>

## 5. Proceeds from issue of share capital

<b>Issue details</b>	<b>Proceeds from share issue £'000s</b>
Employee share options exercised at 1.67p	120
Employee share options exercised at 8p	520
Other options exercised at 13.33p	400
Other options exercised at an average price of 33p	1,980
Issue of shares in respect of flotation at 25p	
- gross	8,000
- expenses	(991)
- net	7,009
Issue of shares in respect of acquisition of I2S plc – cash received	3,722
<b>Total proceeds</b>	<b>13,751</b>

## 6. Acquisition of I2S plc

The profit and loss account and group cash flow statement include the results for I2S plc from 20 April 2004, being the date that the share for share offer became unconditional. As at 30 June 2004 RAB Capital plc held 96.9% of the issued share capital of I2S plc. In the opinion of the Directors the assets purchased through the acquisition of I2S are worth no less than the consideration paid. The acquisition included an investment in an unquoted company which, for the purposes of these statements, has been valued at £777,000 following a meeting between a Director of RAB Capital and the management of the investee company.

<b>Details</b>	<b>Consideration £'000s</b>	<b>Face value £'000s</b>	<b>Goodwill £'000s</b>
Cash	3,722	3,722	-
Fixed asset investments	777	777	-
Debtors	60	60	-
Creditors: amounts falling due within one year	(8)	(8)	-
Minority interest	(132)	(132)	-
<b>Total</b>	<b>4,419</b>	<b>4,419</b>	<b>-</b>

## 7. Fixed asset investments

Fixed asset investments are stated at cost in accordance with the company's normal accounting policies stated in the statutory accounts. In the opinion of the Directors the market value of investments at 30 June 2004 is £15.3 million and the unrealised gain at this date is £5.7 million.

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