

RAB CAPITAL



**PRELIMINARY STATEMENT OF
RESULTS FOR THE YEAR ENDED
31 DECEMBER 2004**

18 March 2005

RAB Capital plc

Preliminary Statement of Results for the year ended 31 December 2004

- Assets under management up 72% to \$1.75 billion at year-end
- Pre-tax profit up 65% to £17.5 million
- Turnover increased by 56% to £36.2 million
- Basic earnings per share increased by 42% to 3.47 pence
- Proposed final dividend per share increased to 0.40p, to give total dividends of 0.50 pence (up 100% from 0.25 pence in 2003)

Michael Alen-Buckley (Chairman) and Philip Richards (Chief Executive) issued the following joint statement on current trading:

“Performance for the first two months of 2005 has significantly exceeded the same period of 2004 and assets under management have grown strongly since the year end. In addition, we have continued to build the team and have several new strategies in the pipeline.”

For more information contact:

RAB Capital plc

Michael Alen-Buckley 020 7389 7001

Grandfield

Marc Popiolek 020 7417 4182

www.rabcap.com

RAB Capital plc

Preliminary Statement of Results

2004 was a year of considerable achievement. On our key measures of operating performance, RAB Capital set new records that we aim to beat in 2005.

Results

In the 12 months to 31 December 2004, the Company recorded turnover of £36.2m (up 56% from £23.2m in 2003). This figure included management fees of £10.1m (up 53% from £6.6m in 2003) and performance fees of £25.6m (up 58% from £16.2m in 2003). RAB Special Situations, RAB Energy, RAB UK and RAB Fairseat strategies performed particularly well. In addition, the Company made realised investment gains of £4.1m.

Profit on ordinary activities before tax was £17.5m (up 65% from £10.6m in 2003) and profit on ordinary activities after tax was £12.2m (up 67% from £7.3m in 2003).

Administrative expenses increased over the year from £14.1m (in 2003) to £23.2m, with the main element being employee remuneration. Incentive accruals totalled £18m (£10.7m in 2003), including an incentive element from gains on disposals. This represented 51% of income before bonuses and tax, towards the lower end of the range of 48% to 57%, which was indicated at the time of the Company's flotation. The provision for employee incentives is closely related to the revenue generation of the business, illustrating the importance that we place on ensuring that all key employees are appropriately incentivised and identify closely with the profitability of the Company. In addition, we have continued to make significant investments in operations and infrastructure.

Shareholder returns

We have delivered strong growth in underlying earnings and dividends per share. Basic earnings per share increased by 42% over the year, to 3.47 pence (from 2.45 pence).

Dividends

We are proposing a final dividend of 0.40p per Ordinary Share, making a total of 0.50p for the year. This represents an increase of 100% over the dividend of 0.25p per Ordinary Share, which was paid in respect of 2003.

Assets under management

A key measure of business success continues to be growth in assets under management (rather than turnover), since this figure reflects the development of our principal source of revenue and earnings potential. Over the year, assets under management increased by 72% to \$1.75 billion at year-end (from \$1.02 billion in 2003).

Assets under management by strategy

	31 December 2004 \$m	31 December 2003 \$m
Strategies: RAB Europe	265.0	384.9
RAB Special Situations	416.0	155.3
RAB European High Yield	359.0	139.0
RAB UK	200.0	113.6
RAB Global Macro	70.0	121.6
RAB Strancally	106.0	59.0
RAB Fairseat	85.0	46.9
RAB American Opportunities	15.0	-
RAB Japan	68.0	-
RAB Energy	154.0	-
RAB Emerging Europe	12.0	-
	1,750.0	1,020.3

* RAB Fairseat invests in other funds managed by RAB Capital.

Cashflow

Net cash inflow from operating activities amounted to £12.1m for the year (£1.1m in 2003). In addition performance fees in respect of 2004 of £24.4m, included in debtors, had mostly been received at the date of this report. Incentive payments and bonuses in respect of 2004 performance are payable in March 2005. A further £7.1m, net of expenses, was raised from the flotation of the Company and £3.5m (net) arose from the acquisition of I2S. The business invested as principal in several new funds, permitting the launch and development of new strategies during the year and contributing to the potential for future growth. Net investments in seeding and supporting RAB funds amounted to £8.2m and the net increase in cash and short-term deposits was £12.7m.

Balance Sheet

At year-end, the Group had a cash balance of £16.7m (£4.1m in 2003). In addition, our investments (mainly in RAB funds) had a market value of approximately £27.3m (£8.9m in 2003) against a book value of £18.2m (£2.4m in 2003). Shareholders' funds amounted to £38.1m.

Our admission to AIM in March 2004 at a subscription price of 25p per share was an important milestone in our development, raising a net £7.1m for the Company, contributing to its profile in the public arena and offering the possibility of accelerated growth through the acquisition of other businesses in return for shares. We are also committed to maintaining sufficient cash to preserve a high level of flexibility to invest in our own funds and to develop the business through the acquisition of other companies for cash if we believe it to be in the interests of our shareholders.

Business Development

2004 saw the successful launch of three new strategies: RAB Emerging Europe, RAB Energy, and RAB Japan. We believe that the diversity of investment strategies is a great strength. New strategies not only grow assets under management, but also provide new investment expertise and depth and reduce earnings volatility by diversifying our revenue streams. Synergies emanate from managers pursuing different investment strategies, with views discussed at regular investment meetings and a strong culture of collaboration.

Our franchise in natural resources has continued to grow strongly, with excellent performance from the RAB Special Situations and RAB Energy strategies. The company is now recognised for its specialisation in this area and for “redefining the art of resources investment” (Edmond Jackson, The Sunday Telegraph 6.3.05).

We are encouraged by the performance of our retail funds under the RAB Investment Funds plc umbrella, two of which now have a full year’s track record. All three sub-funds, RAB Hedged Investment Fund, RAB North American Equity Fund and RAB Income Plus Fund have done well relative to their peers and we foresee new opportunities may result from this outperformance.

Outlook and Strategy

Performance for the first two months of 2005 has significantly exceeded the same period in 2004 and assets under management have grown strongly since the year-end. In addition, we have continued to build the team and have several new strategies in the pipeline.

In line with the strategy laid out in last year’s annual report our strong growth is based on superior investment performance, the attraction of new money into existing funds, the launch of new funds, potential acquisitions and innovative distribution.

Michael Alen-Buckley and Philip Richards

RAB CAPITAL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	Group Year to 31 December 2004 £	Group 13 months to 31 December 2003 £
Turnover - continuing operations		36,168,599	23,237,556
Net operating expenses			
Administrative expenses		(23,468,767)	(14,116,734)
Operating profit - continuing operations	1	<u>12,699,832</u>	<u>9,120,822</u>
Profit on disposal of fixed asset investments	3b	4,131,862	1,279,693
Interest receivable and similar income		644,757	161,098
Profit on ordinary activities before taxation		<u>17,476,451</u>	<u>10,561,613</u>
Taxation	2	(5,239,398)	(3,221,883)
Profit on ordinary activities after taxation		<u>12,237,053</u>	<u>7,339,730</u>
Ordinary dividend on equity shares		1,923,514	750,000
Retained profit for the period		<u><u>10,313,539</u></u>	<u><u>6,589,730</u></u>
	Note	2004	2003
Basic earnings per ordinary share	11	3.47p	2.45p
Diluted earnings per ordinary share	11	<u><u>2.64p</u></u>	<u><u>1.71p</u></u>

There were no recognised gains and losses in 2003 or 2004 other than the profit for the year.

RAB CAPITAL PLC
CONSOLIDATED BALANCE SHEET
at 31 December 2004

	Note	31 December 2004		31 December 2003	
		£	£	£	£
Fixed assets					
Tangible assets			551,786		210,569
Investments	3a		18,197,611		2,389,449
Investments – Employee Benefit Trust			234,762		288,000
			18,984,159		2,888,018
Current assets					
Debtors	4	26,287,796		17,975,254	
Cash at bank and in hand		16,748,320		4,084,542	
			43,036,116		22,059,796
Creditors: amounts falling due within one year	5	(23,662,220)		(14,675,430)	
			19,373,896		7,384,366
Net current assets			19,373,896		7,384,366
Total assets less current liabilities			38,358,055		10,272,384
Provision for liabilities and charges					
Deferred tax	6		2,283		376,810
Employee benefit trust			234,762		288,000
			38,121,010		9,607,574
Capital and reserves					
Called up share capital			382,092		300,509
Share premium account			11,029,933		-
Merger reserve			7,088,381		-
Profit and loss account			19,620,604		9,307,065
			38,121,010		9,607,574
Total shareholders' funds - equity interests	7		38,121,010		9,607,574

RAB CAPITAL PLC
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	Year to 31 December 2004		13 months to 31 December 2003	
		£	£	£	£
Net cash inflow from operating activities	10	12,053,577		1,089,546	
Taxation		(4,727,009)		(778,710)	
Returns on investments and servicing of finance					
Interest and dividends received		644,757		161,098	
Currency adjustment in respect of subsidiary undertaking		-		(4,271)	
		644,757		156,827	
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(633,416)		(97,981)	
Disposal of tangible fixed assets		-		4,000	
Purchase of fixed asset investments		(15,769,655)		(1,570,281)	
Disposal of fixed asset investments		7,617,485		1,500,836	
		(8,785,586)		(163,426)	
Acquisitions and disposals					
Cash acquired on purchase of subsidiary		3,722,169			
Costs associated with acquisition		<u>(192,246)</u>			
		3,529,923		-	
Equity dividends paid		(1,146,332)		(240,000)	
Management of liquid resources					
Increase in short term deposits		(8,981,150)		(500,000)	
		(7,411,820)		(435,763)	
Financing					
Issue of share capital		12,030,000		509	
Costs associated with share issue		(935,552)		-	
		3,682,628		(435,254)	
Increase/(Decrease) in cash		3,682,628		(435,254)	

The increase in cash and short term deposits was £12,663,778 (2003 - £64,746)

RAB CAPITAL PLC
NOTES TO THE PRELIMINARY STATEMENT
For the year ended 31 December 2004

1 Operating profit	2004	2003
	£	£
Operating profit is stated after charging:		
Staff costs	19,202,728	13,000,743
Auditors' remuneration	30,000	25,000
Auditors' remuneration - non-audit work	171,850	97,500
Operating leases	259,740	218,115
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets		
Owned assets	292,199	121,457
	<u> </u>	<u> </u>
2(a) Taxation		
Group		
	2004	2003
	£	£
Current tax on income for the year	5,743,260	2,983,278
Adjustments in respect of previous periods	(129,335)	(347)
	<u> </u>	<u> </u>
Current tax charge {see note 2(b)}	5,613,925	2,982,931
Deferred tax {see note 6}	(374,527)	238,952
	<u> </u>	<u> </u>
	<u>5,239,398</u>	<u>3,221,883</u>

RAB CAPITAL PLC

NOTES TO THE PRELIMINARY STATEMENT

For the year ended 31 December 2004

2(b) Factors affecting the tax charge for the period

	Group	
	2004	2003
	£	£
Profit on ordinary activities before taxation	17,476,451	10,561,613
Corporation tax at 30% (2003 – 30%)	5,242,936	3,168,484
Effect of:		
Disallowed expenses and non taxable income	23,931	31,265
Depreciation in excess of capital allowances	9,062	14,380
Other timing differences	-	131,400
Adjustments in respect of prior period	(129,335)	(347)
Unremitted earnings of offshore subsidiaries	467,331	(362,251)
	<u>5,613,925</u>	<u>2,982,931</u>
Current tax charge for the period	<u>5,613,925</u>	<u>2,982,931</u>

3(a) Fixed asset investments

	Group	
	£	
At 1 January 2004	2,389,449	
Additions	19,293,785	
Disposals (note 3b)	(3,485,623)	
	<u>18,197,611</u>	
At 31 December 2004	<u>18,197,611</u>	
	Group	Group
	2004	2003
	£	£
Listed investments included above		
- cost	<u>3,695,635</u>	<u>916,568</u>
- market value	<u>4,242,925</u>	<u>1,145,479</u>

The company owns 100% of the share capital of RAB Partners Limited, an investment management company which is incorporated in the Cayman Islands.

RAB CAPITAL PLC
NOTES TO THE PRELIMINARY STATEMENT
For the year ended 31 December 2004

3(a) Fixed asset investments

During the year, the company acquired 100% of the issued share capital of I2S plc, an investment advisory company incorporated in England and Wales, which owns 100% of the share capital of Leumas Limited, an investment company incorporated in Jersey.

The Group's investments are principally in the funds it manages, some of which are listed. The directors' opinion of their market value, based on the published net asset values of the funds at the balance sheet date, is £27,326,863 (2003 - £8,907,935) as against a cost of £18,197,611 (2003 - £2,389,449).

3(b) Fixed asset investment disposals

During the year the group made disposals of fixed asset investments, with sales proceeds amounting to £7,617,485. The disposals realised a net profit of £4,131,862, which resulted in an increase in profits after taxation of £2,892,303.

4 Debtors: amounts falling due within one year

	2004	Group
	£	2003
		£
Trade debtors	26,057,665	17,753,315
Amounts due from group undertakings	-	-
Other debtors	111,971	96,488
Prepayments and accrued income	118,160	125,451
	<u>26,287,796</u>	<u>17,975,254</u>

Trade debtors principally represent management and performance fees due from funds managed by the group most of which had been received at the date of this report.

5 Creditors: amounts falling due within one year

	2004	Group
	£	2003
		£
Corporation tax	3,870,195	2,983,278
Proposed dividend	1,527,182	750,000
Other taxation and social security	136,266	80,184
Other creditors	39,307	112,829
Accruals and deferred income	18,089,270	10,749,139
	<u>23,662,220</u>	<u>14,675,430</u>

RAB CAPITAL PLC
NOTES TO THE PRELIMINARY STATEMENT
For the year ended 31 December 2004

6 Deferred taxation

The movements in deferred taxation during the current and previous years are as follows:

	2004	Group	2003
	£		£
Capital allowances in excess of depreciation	2,283		2,283
Other timing differences	-		374,527
	<u>2,283</u>		<u>376,810</u>
	Group		
	£		
Provision at start of the period	376,810		
Movement for the year {see note 2}	(374,527)		
	<u>2,283</u>		

7 Reconciliation of movements in shareholders' funds

	2004	Group	2003
	£		£
Retained profit for the period	10,313,539		6,589,730
Opening shareholders' funds	9,607,574		3,017,335
New share capital subscribed	18,199,897		509
	<u>38,121,010</u>		<u>9,607,574</u>

8 Proceeds from issue of share capital

Issue details	Proceeds from share issue £
Employee share options exercised at 1.67p	120,000
Employee share options exercised at 8p	1,130,000
Other options exercised at 13.33p	400,000
Other options exercised at 33p	1,980,000
Other options exercised at 40p	400,000
Issue of shares on flotation at 25p (£8 million less costs of £935,552)	7,064,448
Issue of shares on acquisition of I2S plc (£3.7 million cash less costs of £192,246)	3,529,923
Total proceeds	<u>14,624,371</u>

RAB CAPITAL PLC
NOTES TO THE PRELIMINARY STATEMENT
For the year ended 31 December 2004

9 Acquisition of I2S plc

The profit and loss account and group cash flow statement include the results for I2S plc from 20 April 2004, the date that the share for share offer become unconditional. As at 31 December 2004 RAB Capital plc held 100% of the issued share capital of I2S plc. In the opinion of the Directors the assets purchased are worth no less than the consideration paid. The acquisition included an investment in an unquoted company, which has been included in these accounts at a fair value of £3,524,130 (the last reported valuation in the accounts of I2S plc of this asset was £464,000). The Directors are of the opinion that the market value of this unquoted company is not less than cost and that the fair value of all other assets acquired from I2S plc was the same as the value reported in the books of I2S plc.

Details	Consideration £	Fair value £	Goodwill £
Cash	3,722,169	3,722,169	-
Fixed asset investments	3,524,130	3,524,130	-
Debtors	60,690	60,690	-
Creditors: amounts falling due within one year	(8,108)	(8,108)	-
	<u>7,298,881</u>	<u>7,298,881</u>	<u>-</u>

The acquisition of I2S plc during the year did not have a material impact on the profit and loss account; accordingly no separate disclosure in the profit and loss account has been made in respect of acquired activities.

10 Notes to the cash flow statement

Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit	12,699,832	9,120,822
Depreciation charges	292,199	121,457
Increase in debtors	(8,251,852)	(17,267,909)
Increase in creditors	7,313,398	9,115,176
Net cash inflow from operating activities	<u>12,053,577</u>	<u>1,089,546</u>

Analysis of changes in net funds

	At start of year £	Cash Flows £	At end of year £
Cash at bank and in hand	334,542	3,682,628	4,017,170

Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Increase/(decrease) in cash in the period	3,682,628	(435,254)
Net funds at 1 January 2004	334,542	769,796
Net funds at 31 December 2004	<u>4,017,170</u>	<u>334,542</u>

RAB CAPITAL PLC

NOTES TO THE PRELIMINARY STATEMENT

For the year ended 31 December 2004

11 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year of £12,237,053 (2003 - £7,339,730) and on 352,315,810 (2003 - 300,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is based on profit for the year of £12,237,053 (2003 - £7,339,730) and on 463,389,865 (2003 - 429,150,000) ordinary shares, calculated as follows:

	2004	2003
Basic weighted average number of shares	352,315,810	300,000,000
Potentially dilutive ordinary shares	111,074,055	129,150,000
	<u> </u>	<u> </u>