

RAB Capital plc

Interim Results for the six months ended 30 June 2005

Financial Highlights

	6 months to 30 June 2005		6 months to 30 June 2004	
Turnover	£9.4m	+72%	£5.5m	
Pre-tax profit	£5.1m	+140%	£2.1m	
Basic earnings per ordinary share	0.93p	+107%	0.45p	
Diluted earnings per ordinary share	0.73p	+128%	0.32p	
Interim dividend per ordinary share	0.15p	+50%	0.10p	

Operational highlights

- **Strong asset growth to \$2.26 billion (+52% versus June 2004) from both existing funds and new strategies.**
- **Four new funds successfully launched, including an AIM listed Investment Company.**
- **Two funds added through the acquisition of Cross Asset Management.**
- **Winner of two awards in the *Hedge Funds Review* European Performance awards 2005†.**

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Assets under management by strategy

Strategy	30 June 2005 \$m	31 Dec 2004 \$m	30 June 2004 \$m
RAB Special Situations	551	416	235
RAB Energy†	276	154	38
RAB High Yield	274	359	294
RAB UK	266	200	137
Cross Europe	215	-	-
RAB Europe	172	265	394
RAB Fairseat*	111	85	66
RAB Strancally	107	106	112
RAB Octane	79	-	-
RAB Japan	66	68	53
RAB Emerging Europe	58	12	-
Cross Credit	32	-	-
RAB American Opportunities	21	15	8
RAB Commodity/Energy	14	-	-
RAB European Loan	13	-	-
RAB Global Macro (discontinued)	-	70	146
	2,255	1,750	1,483

† ‘Best Energy Fund’ winner at *Hedge Funds Review* awards, and RAB Capital was joint winner in the ‘Best Hedge Fund Group’ category

* RAB Fairseat invests in other RAB funds

Chairman and Chief Executive's Report

The RAB Capital Group reported a strong first half of 2005 for both pre-tax profit (up 140% to £5.1m) and turnover (up 72% to £9.4m). Assets under management grew to \$2.26 billion (+52% versus June 2004 and +29% for the half year). The acquisition of Cross Asset Management improved these figures by \$247m, but as this took place at end-June, Cross will boost earnings in the second half, but did not contribute to the first half. Furthermore, while some performance fees were crystallised for a variety of reasons including fund restructuring, redemptions and non-calendar year payment schedules, accrued performance fees are not included in the accounts until they are crystallised at year end. These accrued performance fees are more than five times higher than this time last year. The RAB Capital group balance sheet also developed favourably with shareholders funds up 93% to £49.5m, while in addition unrealised investment gains stand at £10.4m (versus £5.7m in June 2004). The Board have decided that the strong balance sheet and strong growth in profits justify an increase in the interim dividend by 50% to 0.15p per share.

Trading in the first half varied across the Group between very good in the first quarter to rather difficult in April/May. The melt down in smaller natural resource shares affected Special Situations, but appears to have been a short term correction which has now passed, especially as Chinese growth is re-accelerating. The summer was similarly difficult last year for some months, while this year our funds have generally performed well in June and to date in July. Another noteworthy feature was the sale of our stake in Sit-up TV, which was acquired as part of I2S last year. This stake was sold for £3.9m when Sit-up TV was acquired by Telewest.

Since RAB Capital was founded in 1999 it has generally been the case that the second half year has made a more important contribution to the full year results than has the first half year. This is partly because we will only book accrued performance fees once they are crystallised, which happens mainly on 31 December. However it is also true that market liquidity and trading patterns often seem to be at their best between September and year end. RAB Capital is well placed for the second half of 2005 as we enter the

period with 52% more assets under management than in 2004 and higher accrued performance fees as noted above (which may be subject to claw-back). It is therefore with measured optimism that the Board looks forward to RAB Capital following on the strong results of the first half year with a good full year result.

RAB Capital's development thus far in 2005 has been driven forward by two strategic moves and by organic growth which included four fund launches. Firstly, we are very pleased to have successfully acquired Cross Asset Management for around £9.8m in cash and shares. Cross manages two very well-regarded strategies. Cross Europe is event-driven, including merger arbitrage within its skill set. This strategy has an entirely different remit to our existing RAB Europe long/short equity strategy and has a strong track record dating back to 1998. The Cross Credit strategy is again largely event-driven, avoids directionality and has an emphasis on market-neutral and arbitrage-style investing. These two Cross strategies will therefore bring new skill sets to RAB Capital and complement our existing range of funds. We welcome Roddy Campbell and the Cross team to RAB Capital.

The second strategic move involved strengthening and broadening our shareholder base with the inclusion of four family groups and several prominent institutions. Two groups had disclosable holdings, namely Sofina with 5.5% and the Mittal family with 4.5%. In achieving this move, founding directors and staff reduced their holdings such that the free float of RAB Capital has now reached 38%. We are very pleased that RAB Capital has now become one of the more liquid shares on the AIM market, with average daily volumes approaching two million shares per day. RAB Capital is a constituent of the AIM 50 Index.

The four new fund launches in the first half included a second major energy strategy, RAB Octane, more concentrated and earlier stage in its approach than our existing, award-winning, RAB Energy strategy. There were two further launches during the period; RAB European Loan and RAB Commodity/Energy. The AIM listing of the RAB Special Situations Company (ticker: RSS) allowed wider access to the highly successful

RAB Special Situations strategy. At the time of writing the ordinary shares and two warrant classes of RSS are together trading at a satisfactory premium to the unit launch price.

We have strengthened our ability to deliver on our growth agenda by appointing Rod Barker to the Board as Director of Business Development and Distribution, with effect from 1st September 2005. Rod was formerly a Managing Director and International Head of Prime Brokerage at Credit Suisse First Boston. His experience in sales, client relationship management and all aspects of hedge fund operations enhances our capabilities in these key areas. A further key appointment has been that of Stephen Couttie to the post of Chief Operating Officer. Stephen formerly worked within the Swiss Re Group as Chief Financial Officer of their Capital Management business and Group Finance Director of the well-regarded stock-broking house Fox-Pitt Kelton.

We thank our investors, shareholders and staff for their support. RAB Capital has made substantial progress in the first half of 2005, and we continue to focus our energies on growing the business and building shareholder value for the long term. It is worth repeating that we see growth at RAB Capital being driven by five motors: individual fund performance, worldwide targeted marketing, launch of new funds, expansion into the UK retail market with regulated funds and the acquisition of complementary businesses. We believe we have started to deliver on all of this agenda and have the firm intention of having more substantial progress to report on all fronts by year end.

29th July 2005

Group Profit and Loss Account

for the six months to 30 June 2005

	Notes	6 mths to 30 Jun 2005 £'000	6 mths to 30 Jun 2004 £'000	Year to 31 Dec 2004 £'000
Turnover – management fees		6,979	4,954	10,135
– crystallised performance fees		2,353	283	25,623
– advisory and distribution fees		68	236	411
Total turnover		9,400	5,473	36,169
Operating expenses				
- Staff related costs (ex-bonus)		2,882	1,583	3,472
- Bonus provision		3,071	2,094	18,000
- Other		1,138	897	1,997
Total administrative expenses		7,091	4,574	23,469
Operating profit		2,309	899	12,700
Gain on disposal of fixed asset investments		2,312	974	4,132
Net interest receivable		442	238	645
Profit on ordinary activities before taxation		5,063	2,111	17,477
Tax on profit on ordinary activities	8	1,505	613	5,239
Profit for the financial period		3,558	1,498	12,238
Dividends	2	1,547	0	397
Retained profit for the financial period		2,011	1,498	11,841
Earnings per share – undiluted	3	0.93p	0.45p	3.47p
Earnings per share – fully diluted	3	0.73p	0.32p	2.64p

Group Balance Sheet

as at 30 June 2005

	Notes	30 Jun 2005 £'000	30 Jun 2004 £'000	31 Dec 2004 £'000
Fixed Assets				
Tangible assets		632	628	552
Intangible assets	6	7,072	-	-
Investments	7	27,127	9,617	18,198
		34,831	10,245	18,750
Current assets				
Debtors		5,530	2,190	26,288
Cash at bank and in hand		21,973	17,960	16,748
		27,503	20,150	43,036
Creditors: amounts falling due within one year				
	2	12,788	4,170	22,135
Net current assets		14,715	15,980	20,901
Total assets less current liabilities		49,546	26,225	39,651
Provision for liabilities and charges				
Deferred tax		2	558	2
		49,544	25,667	39,649
Capital and reserves				
Called up share capital	4	413	373	382
Share premium account		12,352	9,974	10,838
Merger reserve		13,019	4,402	7,281
Shares to be issued (including premium)	7	620	-	-
Minority interest		-	132	-
Profit and loss account		23,140	10,786	21,148
Total shareholders' funds		49,544	25,667	39,649

Summary Group Cash Flow Statement

for the six months to 30 June 2005

	Notes	6mths to 30 Jun 2005 £'000	6 mths to 30 Jun 2004 £'000	Year to 31 Dec 2004 £'000
Net cash inflows from operating activities				
Operating profit		2,309	899	12,700
Depreciation charges		137	137	292
Decrease (increase) in debtors		22,120	15,845	(8,252)
(Decrease) increase in creditors		(12,566)	(8,180)	7,313
		12,000	8,701	12,054
Taxation paid		(2,000)	(2,000)	(4,727)
Returns on investments and servicing of finance		442	238	645
Capital expenditure and financial investment		(6,083)	(6,047)	(8,786)
Acquisitions and disposals		878	-	3,722
Equity dividends paid		(1,547)	(768)	(1,146)
Net cash inflow before financing		3,690	124	1,762
Financing				
Issue of share capital	5	1,535	13,751	10,901
Increase in cash and short term deposits		5,225	13,875	12,663
Reconciliation of net cash flow to movement in cash				
	Notes	6mths to 30 Jun 2005 £'000	6 mths to 30 Jun 2004 £'000	Year to 31 Dec 2004 £'000
Increase in cash for the period		5,225	13,875	12,663
Cash and short term deposits brought forward		16,748	4,085	4,085
Cash and short term deposits carried forward		21,973	17,960	16,748

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/Prior year adjustment

The interim dividend of 0.15p (2004 - 0.1p) per share will be paid on 9 September 2005 to qualifying shareholders on the register at 12 August 2005. In accordance with FRS21, which came into effect on 1 January 2005, the dividend has not been provided for at the balance sheet date as it had not been approved by the Board at that time. Prior year figures in the profit and loss account and balance sheet have also been amended in accordance with FRS21

3. Earnings per share

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

	30 Jun 2005 Number of shares millions	30 Jun 2004 Number of shares millions	31 Dec 2004 Number of shares millions
Weighted average number of shares for basic earnings per share	384	336	352
Potentially dilutive effect of ordinary shares	106	136	111
	490	472	463

4. Share capital

During the period the company issued 30.58 million fully paid ordinary shares of 0.1p each as follows:

Issue details	Number of shares issued millions
Employee share options exercised at 1.67p	2.40
Employee share options exercised at 8p	17.43
Other options exercised at 40p	0.25
Issue of shares in respect of acquisition of Cross Asset Management	10.50
Total shares issued	30.58

5. Proceeds from issue of share capital

Issue details	Proceeds from share issue £'000s
Employee share options exercised at 1.67p	40
Employee share options exercised at 8p	1,395
Other options exercised at 40p	100
Total proceeds	1,535

6. Acquisition of Cross Asset Management Ltd

The profit and loss account and group cash flow statement do not include any results for Cross Asset Management Ltd since the company was acquired on 29 June 2005, being the date the transaction was completed. In the opinion of the Directors there was no material impact on the profit and loss account or cash flow statement from transactions on 30 June 2005. At the date of this report and in the opinion of the Directors the assets purchased through the acquisition of Cross Asset Management have fair values as set out below:

6.(cont) Acquisition of Cross Asset Management Ltd

Details	Consideration £'000s	Fair value £'000s	Goodwill £'000s
Cash	2,700	2,700	-
Tangible fixed assets	24	24	-
Fixed asset investments	130	130	-
Debtors	1,362	1,362	-
Creditors: amounts falling due within one year	(1,453)	(1,453)	-
Excess of consideration over fair value of assets acquired	7,072	-	7,072
Total	9,835	2,763	7,072

7. Fixed asset investments

Fixed asset investments are reported 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 2005 was £37.5 million and the unrealised gain at this date was £10.4 million.

The Directors have recognised in these accounts a further £0.6 million of consideration, which is due in July, on the basis of one additional RAB share for every eight shares, to former shareholders of I2S Plc who continued to hold their shares in RAB Capital plc to 30 June 2005. As a result the accounting fair value of Sit-up TV, acquired within I2S Plc, has been increased from £3.5 million to £4.1 million. Sit-up TV was subsequently sold for £3.9m.

8. Corporation tax charge

The corporation tax charge for the period and for the prior year assumes payments into an employee benefit trust are deductible for corporation tax purposes. Following the Dextra decision in the House of Lords contributions to an employee benefit trust are only deductible for corporation tax purposes to the extent that such contributions are paid out in the form of emoluments. In the opinion of the Directors all contributions to employee benefit trusts will be paid out as emoluments within nine months of the year-end in respect of which a corporation tax deduction has been claimed.