

## Announcement of interim results for the six months ended 30 June 2006

### Financial Highlights

- Assets under management up 77% to \$4.0 billion (June 2005: \$2.3 billion).
- Pre-tax profit up 193% to £14.2 million (June 2005 (restated): £4.8 million).
- Turnover increased by 190% to £27.3 million (June 2005: £9.4 million).
- Basic earnings per ordinary share up 155% to 2.27p (June 2005 (restated): 0.89p) and diluted earnings per ordinary share up 171% to 1.87p (June 2005 (restated): 0.69p).
- Proposed interim dividend per ordinary share increased by 67% to 0.25p (June 2005: 0.15p).

### Operating Highlights

- Strong performance across a number of our leading investment strategies.
- Best ever net asset inflows achieved in the first two quarters of 2006.
- Winner of two awards in the *Hedge Funds Review* European performance awards 2006<sup>†</sup>.

<sup>†</sup>RAB Energy strategy won 'Best Energy Fund' and RAB Capital shared the award for the 'Best Hedge Fund Group'.

### Commenting on the results, Philip Richards, Chief Executive said:

"Profitability and building long-term shareholder value at RAB continue to be driven by our two-fold strategy. Firstly, to maximise on the opportunity presented by a decade of strong demand for natural resources. Secondly, to focus on building a diversified absolute return business in other areas."

### Michael Alen-Buckley, Executive Chairman said:

"As we expand the firm, we must continue to achieve attractive absolute returns for our clients, which requires the retention and incentivisation of top quality people within a well-supported risk-controlled environment."

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**Assets under management by strategy**

<b>Strategies:</b>	<b>30 June 2006 \$m</b>	<b>31 December 2005 \$m</b>	<b>30 June 2005 \$m</b>
RAB Special Situations	1,274	723	551
RAB Energy	569	401	276
RAB UK	400	313	266
RAB Multi Strategy*	294	165	111
RAB EMEA	285	110	58
Cross Europe	280	225	215
RAB Europe	277	150	164
RAB External Managers**	156	124	107
RAB Octane	134	113	79
RAB European Loan	62	41	13
RAB European Dynamic	57	21	8
RAB European High Yield	56	123	274
Cross Credit	48	36	32
<i>RAB Development Funds</i>	98	79	101
	<b>3,990</b>	<b>2,624</b>	<b>2,255</b>

\* RAB Multi Strategy invests in other funds managed by RAB Capital.

\*\* Formerly RAB Strancally.

**Chairman's and Chief Executive's Statement**

RAB Capital experienced a very strong first half, reflected in both pre-tax profit (up 193% to £14.2 million) and turnover (up 190% to £27.3 million). In view of the sharp growth of earnings per share and the increasing strength of the balance sheet, the Board has declared an interim dividend of 0.25p per share, up by 67% (June 2005: 0.15p per share), which will be paid on 8 September 2006 to shareholders on the register as at 11 August 2006.

The rate of profit growth was assisted by a five-fold rise in crystallised performance fees. Led by contributions from the RAB EMEA, Cross Europe and RAB Octane investment strategies, there are now significant performance fees crystallising in the first half, which was not the case last year. The strong growth in management fee income reflected that of assets under management: at 30 June 2006 assets under management stood at \$4.0 billion (up 77% from June 2005 and up 52% from December 2005). Earnings per share for the first half increased by 155% to 2.27p (June 2005 (restated): 0.89p).

The Group balance sheet at 30 June 2006 was significantly stronger, showing shareholders' funds of £77.6 million, up 57% from 30 June 2005. In addition, there were unrealised investment gains of £11.7 million at the balance sheet date.

Trading in the first half was excellent in all respects for the opening four months. Notably, net asset inflows reached a record in the first quarter of 2006 and then again in the second quarter. On the investment side, strong performance in the opening months encouraged several leading RAB strategies to reduce their net exposure ahead of the May correction in equity markets. Even though May and June were generally negative for our long/short equity strategies, relatively speaking we suffered less than during the correction experienced in the second quarter of 2005.

Administrative costs rose by 160% to £19.0 million in the first half (period to June 2005 (restated): £7.3 million). Excluding bonuses paid and provided for, which are dependent on the performance of the funds, costs increased by 76% to £7.5 million. The increase in staff costs reflected significant investment in the RAB institutional platform during 2005, and non-cash charges under FRS 20 'Share-based Payment' in respect of employee options of £1.1 million (June 2005 (restated): £0.2 million). Other costs included legal and professional fees associated with strengthening the infrastructure of the business and screening for acquisitions, and the costs of securing and fitting out additional office space. In view of the Board's wish to have a strong and flexible balance sheet in preparation for future acquisitions, a greater number of investments were liquidated, resulting in a profit on disposal on fixed asset investments of £5.1 million (June 2005: £2.3 million).

Having identified a global trend early enough to build a prominent natural resources investing franchise, the first half of 2006 saw RAB Capital continuing to successfully capitalise on this trend, and our natural resource investment strategies had an excellent half. RAB Special Situations has now more than doubled in size over the past twelve months to become our first billion dollar investment strategy, and has soft-closed, allowing money in only to replace redemptions. Its closed-end feeder company, the RAB Special Situations Company, launched on the AIM market in May 2005, has maintained a strong positive return for its initial investors, and conversion of the "A" class warrants in May 2006 raised a further £23 million. The RAB Energy strategy won 'Best Energy Fund' for the second year running at the Hedge Funds Review European Performance Awards 2006 and RAB Capital once again shared the award for 'Best Hedge Fund Group'. We are focusing on ways to raise further longer-term committed capital for our natural resources strategies.

We have continued to work towards our long-term vision of creating a broadly-based absolute return investment management firm. Our RAB EMEA strategy, launched in December 2004, more than doubled in size over the course of the first half. RAB UK, RAB Europe, RAB Multi Strategy and RAB External Managers all achieved significant increases in assets under management.

We are pleased that the Cross Asset Management acquisition has so far successfully fulfilled our expectations. The combined assets managed by the two Cross funds are 33% higher than when we purchased the business twelve months ago.

We have continued to grow our expertise and investment capability in new strategies. Graduating from our portfolio of development funds, RAB European Loan has now become an established strategy in its own right. The other funds in the portfolio are RAB New Technologies, RAB Japan, RAB American Opportunities, RAB Emerging Markets Debt and RAB Index Opportunities.

In the area of regulated funds distributed to the general public, our RAB European Dynamic Fund continued to receive steady inflows, and more than doubled in size during the first half. We are delighted to have a promising distribution partnership with Hargreaves Lansdown, as well as one with Saga.

The strengthening and broadening of the shareholder base initiated last year was further enhanced by the consolidation of Sofina's strategic shareholding in the Company to 9%. In May we were pleased to appoint Sofina representative Xavier Coirbay to the Board as a non-executive Director. Earlier this month Stephen Couttie, who joined RAB in July 2005 as Chief Operating Officer, was appointed to the Board as an Executive Director, and Ros Mash joined as Head of Compliance. As ever, we would like to thank all of the staff at RAB, and our investors and shareholders, for their support.

Our experience at RAB is that the second half of the financial year generally makes a more important contribution to the full year result than the first. We only recognise performance fees once they have crystallised, which happens on 31 December for the majority of our funds. Market liquidity and trading patterns often seem to be at their best between September and year end. We enter the second half of 2006 with 77% more assets under management than at June 2005 and with several times more unrecognised performance fees than this time last year. These unrecognised performance fees are subject to fund performance and therefore may not be recognised if fund performance is negative. Finally, as we seek to advance the strategic development of RAB Capital, including the screening of several acquisition opportunities, we reiterate that any acquisition or strategic initiative we undertake will be judged on its ability to build shareholder value for the longer term. The Board looks forward to the future with confidence.

**Michael Alen-Buckley**

**Philip Richards**

**28 July 2006**

***Forward-looking statements***

*This announcement contains certain forward-looking statements with respect to the financial position and business of RAB Capital plc. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.*

**Notes for editors**

*Founded in 1999, RAB Capital has grown into a multi-strategy absolute return investment management company with \$4 billion of assets under management. RAB Capital currently manages 15 single strategy hedge funds (including development funds), five funds-of-funds, three hedged investment funds and the RAB Special Situations Company, an AIM-listed closed-end investment company.*

*RAB Capital's philosophy is to find highly talented investment managers and provide them with a strong institutional platform where they can successfully dedicate themselves to running focused investment strategies.*

*RAB Capital plc is a constituent of the FTSE AIM UK 50 Index and is authorised and regulated by the Financial Services Authority. The website can be found at [www.rabcap.com](http://www.rabcap.com).*

**Consolidated profit and loss account  
for the six months to 30 June 2006**

		6 months to 30 June 2006	6 months to 30 June 2005 (restated)	Year to 31 December 2005 (restated)
	Notes	£000s	£000s	£000s
Turnover				
- management fees		14,813	6,979	17,364
- crystallised performance fees		12,427	2,353	39,409
- advisory and distribution fees		40	68	145
Total turnover		27,280	9,400	56,918
Operating expenses				
- staff related costs (ex-bonus)	3	(4,383)	(3,106)	(6,694)
- bonuses paid and provided for		(11,582)	(3,071)	(27,446)
- other		(3,074)	(1,138)	(5,189)
Total administrative expenses		(19,039)	(7,315)	(39,329)
<b>Operating profit</b>		<b>8,241</b>	<b>2,085</b>	<b>17,589</b>
Profit on disposal of fixed asset investments		5,088	2,312	7,193
Interest receivable and similar income		859	442	834
<b>Profit on ordinary activities before taxation</b>		<b>14,188</b>	<b>4,839</b>	<b>25,616</b>
Taxation	11	(4,335)	(1,438)	(6,638)
<b>Profit on ordinary activities after taxation</b>		<b>9,853</b>	<b>3,401</b>	<b>18,978</b>
Ordinary dividends on equity shares	4	(2,833)	(1,547)	(2,170)
<b>Retained profit for the period</b>		<b>7,020</b>	<b>1,854</b>	<b>16,808</b>
Basic earnings per ordinary share	6	2.27p	0.89p	4.70p
Diluted earnings per ordinary share	6	1.87p	0.69p	3.78p

**Consolidated balance sheet  
as at 30 June 2006**

		<b>30 June 2006</b>	<b>30 June 2005 (restated)</b>	<b>31 December 2005 (restated)</b>
	<b>Notes</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Fixed assets</b>				
Intangible assets		6,764	7,072	6,942
Tangible assets		989	632	778
Investments	9	14,847	27,127	21,029
Investments (held by Employee Benefit Trusts)		9,156	2,870	5,531
		<b>31,756</b>	<b>37,701</b>	<b>34,280</b>
<b>Current assets</b>				
Debtors		13,741	5,530	43,348
Deferred tax		615	65	283
Cash at bank and in hand	5	87,498	33,189	35,880
		<b>101,854</b>	<b>38,784</b>	<b>79,511</b>
<b>Creditors: amounts falling due within one year</b>		<b>(22,208)</b>	<b>(12,788)</b>	<b>(11,592)</b>
<b>Net current assets</b>		<b>79,646</b>	<b>25,996</b>	<b>67,919</b>
<b>Total assets less current liabilities</b>		<b>111,402</b>	<b>63,697</b>	<b>102,199</b>
<b>Provision for liabilities and charges</b>				
Liability in respect of Employee Benefit Trusts		(33,759)	(14,086)	(36,040)
		<b>77,643</b>	<b>49,611</b>	<b>66,159</b>
<b>Capital and reserves</b>				
Share capital	7	444	413	423
Share premium account		16,508	12,352	13,171
Merger reserve		13,509	13,019	13,509
Other reserves		2,049	224	943
Shares to be issued		-	620	-
Profit and loss account		45,133	22,983	38,113
<b>Total shareholders' funds</b>		<b>77,643</b>	<b>49,611</b>	<b>66,159</b>

**Consolidated cash flow statement  
for the six months to 30 June 2006**

		6 months to 30 June 2006	6 months to 30 June 2005 (restated)	Year to 31 December 2005 (restated)
	Notes	£000s	£000s	£000s
<b>Net cash inflow from operating activities</b>				
Operating profit		8,241	2,085	17,589
Depreciation charges		375	137	559
Employee share options	3	1,105	224	885
Decrease/(increase) in debtors		29,607	22,120	(14,661)
(Decrease)/increase in creditors		3,671	(1,350)	23,516
		42,999	23,216	27,888
Returns on investments and servicing of finance		832	442	834
Taxation		-	(2,000)	(5,890)
Capital expenditure and financial investment		7,265	(6,083)	(605)
Acquisitions and disposals		-	878	(3,128)
Equity dividends paid		(2,833)	(1,547)	(2,170)
<b>Net cash inflow before financing</b>		48,263	14,906	16,929
<b>Financing</b>				
Issue of share capital	8	3,355	1,535	2,203
<b>Increase in cash and short term deposits</b>		<b>51,618</b>	<b>16,441</b>	<b>19,132</b>
<b>Reconciliation of net cash flow to movement in cash</b>				
		6 months to 30 June 2006	6 months to 30 June 2005	Year to 31 December 2005
		£000s	£000s	£000s
<b>Increase in cash for the period</b>		51,618	16,441	19,132
<b>Cash and short term deposits brought forward</b>		35,880	16,748	16,748
<b>Cash and short term deposits carried forward</b>		<b>87,498</b>	<b>33,189</b>	<b>35,880</b>

## Notes

### 1. Statutory accounts

The interim results for the six months ended 30 June 2005 and 30 June 2006 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. Statutory accounts for the year to 31 December 2005, upon which the auditors have given an unqualified report and have made no statement under Sections 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies. Further copies of the report are available from the Company Secretary at the registered office, and on the Company's website at [www.rabcap.com](http://www.rabcap.com).

### 2. Basis of preparation and change in accounting policy

These interim statements have been prepared using the historical cost convention and the accounting policies applied to the most recent audited statutory accounts, with the exception of FRS 20 'Share-based Payment', which was adopted from 1 January 2006 (see Note 3).

The Company will adopt the requirements of International Financial Reporting Standards and International Accounting Standards for the first time for the purpose of preparing financial statements for the year ending 31 December 2007.

Performance fees have only been recognised to the extent that they were due or had been received at the balance sheet date.

### 3. Employee share options

Under FRS 20, the fair value of options granted to employees after 7 November 2002 under the Company's equity-settled share option programmes and not vested as at 1 January 2006 is recognised as an expense with a corresponding increase in equity.

The fair value is calculated at grant date using an options pricing model and this cost is recognised over the period in which the service conditions are fulfilled. This replaced previous treatment under UITF Abstract 17 (revised 2003) 'Employee Share Schemes' where the intrinsic value of share options was charged to the profit and loss account over the period to which employee performance related. The non-cash charge under FRS 20 for the six months ended 30 June 2006 was £1.1m (June 2005 (restated): £0.2m, December 2005 (restated): £0.9m).

### 4. Dividends

The final 2005 dividend of £2.8m which was paid on 12 May 2006 is, under FRS 21 'Events after the Balance Sheet Date', disclosed in the current year profit and loss account.

An interim dividend of 0.25p (2005: 0.15p) per share was declared by the Board on 27 July 2006 and will be paid on 8 September 2006 to qualifying shareholders on the register as at 11 August 2006. Accordingly, under FRS 21, this dividend is not provided for at the balance sheet date.

**5. Cash at bank and in hand**

Cash at bank and in hand is analysed as follows:

	<b>30 June 2006</b>	<b>30 June 2005 (restated)</b>	<b>31 December 2005 (restated)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash held by RAB Capital plc and subsidiaries	62.9	22.0	5.4
Cash held by Employee Benefit Trusts	24.6	11.2	30.5
<b>Total cash at bank and in hand</b>	<b>87.5</b>	<b>33.2</b>	<b>35.9</b>

**6. Earnings per ordinary share**

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

	<b>30 June 2006 number of shares millions</b>	<b>30 June 2005 number of shares millions</b>	<b>31 December 2005 number of shares millions</b>
Basic weighted average number of shares	434	384	403
Effect of dilutive securities	93	106	99
	<b>527</b>	<b>490</b>	<b>502</b>

**7. Share capital**

During the period the Company issued 21.02m fully paid ordinary shares of 0.1p:

<b>Issue details</b>	<b>Number of shares issued millions</b>
Employee share options exercised at 1.67p per share	2.40
Employee share options exercised at 8p per share	12.65
Employee share options exercised at 25p per share	0.50
Employee share options exercised at 35p per share	0.20
Employee share options exercised at 40p per share	5.27
<b>Total shares issued</b>	<b>21.02</b>

**8. Proceeds from issue of share capital**

Issue details	Proceeds from share issue £000s
Employee share options exercised at 1.67p per share	40
Employee share options exercised at 8p per share	1,012
Employee share options exercised at 25p per share	125
Employee share options exercised at 35p per share	70
Employee share options exercised at 40p per share	2,108
<b>Total proceeds</b>	<b>3,355</b>

**9. Fixed asset investments**

In accordance with the Company's normal accounting policies stated in the statutory accounts, fixed asset investments are reported at cost. In the opinion of the Directors, the market value of these investments is as follows:

	30 June 2006 £m	30 June 2005 (restated) £m	31 December 2005 (restated) £m
Cost	14.8	27.1	21.0
Unrealised gain	11.7	10.4	12.6
<b>Market value</b>	<b>26.5</b>	<b>37.5</b>	<b>33.6</b>

**10. Prior year adjustment**

The adoption of FRS 20 (see Note 3) decreased profit before tax for the period to 30 June 2005 by £0.2m and increased profit before tax for the year ended 31 December 2005 by £0.1m. Tax-related balances have been restated to take account of the tax effect of these changes.

**11. Corporation tax charge**

The corporation tax charge is based on an estimated average annual effective tax rate consistent with the Group's annual assessment of taxes.