

Announcement of interim results for the six months ended 30 June 2007

Financial Highlights

- Assets under management up 69% to \$6.7 billion (June 2006: \$4.0 billion; December 2006: \$5.2 billion) - \$7.0 billion including the recently announced Pi acquisition*.
- Pre-tax profit up 58% to £22.7 million (June 2006: £14.4 million**).
- Revenue increased by 66% to £46.5 million (June 2006: £28.0 million**).
- Basic earnings per Ordinary share up 29% to 2.91p (June 2006: 2.25p**) and diluted earnings per Ordinary share up 46% to 2.71p (June 2006: 1.85p**).
- Interim dividend per Ordinary share increased by 140% to 0.60p (June 2006: 0.25p); increased weighting of the interim dividend given growing first half fee crystallisation.
- Net asset value per share of 32.3p (June 2006: 20.0p**) and cash/investments per share of 25.5p (June 2006: 20.2p**).

* agreement to acquire the business of Pi Investment Management Limited, announced in June 2007

** restated for IFRS

Operating Highlights

- Good performance across the range of RAB strategies.
- Acquisition of Pi and three new launches advance RAB's growth strategy.
- Winner of 'Best Overall Group' and (for RAB Special Situations) 'Best Energy/Natural Resources Strategy' at the *Hedge Funds Review* European Performance Awards 2007 following success in January 2007 as *EuroHedge* 'Management Firm of the Year 2006'.

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

"The first half has seen all-round progress at RAB, and we are pleased to have a second investment strategy, RAB Energy, above the billion dollar mark, among fourteen strategies in all above one hundred million dollars."

Michael Alen-Buckley, Executive Chairman said:

"Much effort in recent months has been directed towards both reinforcing the core of the business and advancing our growth strategy - recent hires and launches strengthen and diversify the Group for 2008 onwards."

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Assets under management by strategy

Strategies:	30 June 2007 \$m	31 December 2006 \$m	30 June 2006 \$m
RAB Special Situations	2,267	1,594	1,274
RAB Energy	1,014	711	569
RAB Multi Strategy*	495	409	294
RAB Cross Europe	411	316	280
RAB EMEA	395	335	285
RAB Northwest	372	252	-
RAB UK	304	356	400
RAB External Managers	255	251	156
RAB Europe	190	168	277
RAB Octane	175	159	134
RAB European Loan	147	100	62
RAB Northwest China Opportunities	133	75	-
RAB Northwest Japan	127	176	-
RAB European Dynamic	111	89	57
RAB European Credit Opportunities**	92	73	56
Cross Credit	-	-	48
<i>RAB Development Funds</i>	254	176	98
	6,742	5,240	3,990
Pi***	219		
Pro-forma total including Pi	6,961		

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

** *Formerly RAB European High Yield, and includes RAB Income Plus*

*** *Acquisition of the business of Pi Investment Management Limited comprising two funds, was announced in June 2007*

Financial overview

In the first half of 2007, RAB Capital continued to grow robustly and achieved strong increases in both revenue (up 66% to £46.5 million) and pre-tax profits (up 58% to £22.7 million). Earnings per Ordinary share, restated for the adoption of International Financial Reporting Standards (IFRS), rose by 29% to 2.91 pence and diluted earnings per Ordinary share, similarly restated, rose by 46% to 2.71 pence. On the back of this advance, and the strength of the balance sheet, the Board has declared an interim dividend of 0.60 pence per share (2006: 0.25 pence per share). Given that certain of our funds now pay biannual performance fees, the Board believes that it is appropriate to increase the weight of the interim dividend within the year's overall dividend payment. The interim dividend will be paid on 7 September 2007 to shareholders on the register as at 10 August 2007. Dividend cover remains strong and the Board intends to pursue a progressive dividend policy.

Assets under management continued to grow strongly over the course of the first half, reflecting both the Company's improved distribution capability and good investment performance across an increasingly diversified portfolio. As at 30 June 2007, assets under management stood at \$6.7 billion, up 69% versus June 2006 and 29% versus December 2006. In addition the Company has agreed to acquire two Asian

strategies with a further \$219 million in assets under management. Management fees increased by 62% to £24.0 million. These first half achievements leave the Company well positioned for another year of successful business development.

A growing number of RAB investment strategies are crystallising performance fees in the first six months of the year. The largest contributors of crystallised fees in the first half of 2007 were the RAB Northwest, RAB Northwest China Opportunities and RAB EMEA strategies and performance fees increased by 70% to £22.4 million. The realisation of investments in RAB funds produced gains on disposal of fixed assets 33% higher at £6.76 million.

Administrative costs rose by 67% to £31.0 million in the first half, including a bonus provision of £18.6 million (versus £11.6 million). Other costs, excluding bonuses but including staff salaries, IT systems and legal and professional costs, rose by 77% to £12.4 million and included a non-cash item of £2.6 million (versus £1.1 million) related to the issuance of employee share options. The principal impact of IFRS on the income statement is that the majority of the tax benefit to the Company when options are exercised is now taken directly to reserves, resulting in a tax charge in the income statement that will track the official rate (currently 30%), subject to disallowable costs. The change to IFRS does not impact free cash earnings, which remain extremely strong.

The Group balance sheet at 30 June 2007 showed cash of £58.9 million. This was down by 6% from June 2006 following an injection of £31.25 million of the Group's own capital into RAB Multi Strategy at the end of 2006. Partly as a result, investments in RAB funds of £80.6 million were up 203% from June 2006. The Board continues to believe that a strong balance sheet is of benefit to RAB in preserving the flexibility to provide launch capital for new investment strategies and to develop the business through selective acquisitions. Under IFRS, investments are now shown on the balance sheet at market value. Net assets were up 99% at £176.3 million (2006: £88.7 million) or 32.3 pence per share.

Business review

Performance was good across the range of RAB strategies during the first six months of 2007 and market corrections in both February and June failed to disrupt overall progress. Net inflows contributed approximately half of the increase in assets under management during the first half. RAB now has two funds larger than one billion dollars out of fourteen (two multi strategy, twelve single strategy) larger than one hundred million dollars. Our product quality continues to be validated against the competition - at the *Hedge Funds Review* European Performance Awards 2007, RAB Capital won 'Best Overall Group'. This follows success in January 2007 as *EuroHedge* 'Management Firm of the Year 2006'.

RAB's natural resources investing franchise, accounting for approximately half of assets under management, continued to stand out. RAB Special Situations passed \$2 billion under management, in large part due to good performance, and also won a *Hedge Funds Review* European Performance Award against competition

in the natural resources/energy sector. RAB Energy became our second investment strategy to reach one billion dollars-plus.

Many other RAB investment strategies - an increasingly diverse range - contributed to the growth in assets under management. Of particular significance was the progress made by recently acquired strategies. RAB Cross Europe is now running two thirds more assets than when we purchased Cross Asset Management two years ago, and we recently strengthened the Cross team by appointing a co-manager for the investment strategy. The four Northwest strategies have raised their assets under management by 41% to \$708 million in ten months of ownership by RAB. Particular mention should be made of RAB Northwest China Opportunities, which has successfully capitalised upon volatility in the Chinese market and was our best performing strategy in the first half.

By expanding the fund management team behind the high-achieving RAB EMEA strategy, last year we created the spin-off RAB Emerging Markets Opportunities strategy, which is attracting significant interest. Other strategies which grew rapidly in the first half included our internal fund of funds, RAB Multi Strategy, and RAB European Loan, which has demonstrated very low volatility. Our portfolio of development funds at 30 June comprised RAB Innovations, RAB Emerging Market Opportunities, RAB Gold and RAB Northwest Warrant.

Group strategy and acquisitions

We have taken several important steps in the first half to advance RAB's growth. Last month we announced our agreement to acquire the business of Hong Kong-based Pi Investment Management Limited for a maximum consideration of £13 million in cash and shares. This is RAB's third strategic acquisition and had \$219 million of assets under management at the end of June; completion is expected in the third quarter of 2007. We are in the process of establishing a new subsidiary in the region, RAB Capital (Asia) Limited, and have taken office space in Hong Kong. The Pi transaction adds two long/short equity absolute return strategies, Pi Asia and Pi Japan. It further diversifies the business and gives us greater depth of expertise in one of the world's most important regions.

Earlier this month we launched the RAB Asian Fixed Income investment strategy. Next month we will launch the RAB Markets Cycles strategy and in the autumn the RAB Global Financials strategy. Following the success of our Lipper award-winning RAB European Dynamic Fund we intend to enter the UK retail market through the launch of three new strategies.

We recently created a new role of Chief Risk Officer, strengthening our risk management capability. Our investment risk committee, chaired by Rod Barker, ensures that the RAB strategies remain within their agreed exposures and conducts scenario analysis for the firm and the individual strategies.

A successful asset management firm needs to grow its distribution capability hand in hand with its fund management ability. Several new senior hires have been made in marketing recently. However, in view of

the rapid expansion of the product range detailed above, we expect to make significant additional investment in the distribution side of the business in coming months, including the introduction of specialisation by product/asset class to the distribution and client services teams.

We will continue to seek acquisition opportunities where they will enhance overall shareholder value.

Outlook

The key engine of growth for RAB remains our assets under management, and we enter the second half of 2007 with 69% more assets under management than at June 2006. We also have more unrecognised performance fees than at the same stage twelve months ago. These unrecognised performance fees are subject to fund performance during the remainder of 2007, many of the larger RAB investment strategies having only one performance period, ending on 31 December of each year.

In the light of this, the Board looks forward to the second half with confidence, and wishes to thank all of the staff at RAB, and our investors and shareholders, for their support.

Michael Alen-Buckley
Philip Richards
23 July 2007

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 \$6.7 billion of assets under management as at 30 June 2007. RAB Capital currently manages 14 absolute return strategies with assets in excess of \$100 million (12 single strategy and 2 multi strategy) and also manages the AIM-quoted RAB Special Situations 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.

Consolidated income statement for the six months to 30 June 2007

	Notes	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Revenue	2	46,489	28,026	119,856
Gains on disposal of financial assets		6,761	5,088	12,122
Interest receivable and similar income		2,347	859	2,447
Gross income		55,597	33,973	134,425
Cost of sales		(1,903)	(986)	(1,849)
Net fees		53,694	32,987	132,576
Administrative expenses		(31,004)	(18,607)	(81,953)
Profit on ordinary activities before taxation	3	22,690	14,380	50,623
Taxation		(7,253)	(4,606)	(15,539)
Profit on ordinary activities after taxation		15,437	9,774	35,084
Basic earnings per Ordinary share	5	2.91p	2.25p	7.82p
Diluted earnings per Ordinary share	5	2.71p	1.85p	6.53p

All of the items in the above statements are derived from continuing operations.

Consolidated statement of recognised income and expense

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Profit for the financial period	15,437	9,774	35,084
Gains on the revaluation of available-for-sale investments	7,465	4,213	4,817
Revaluation reserve transfer on sale of available-for-sale financial assets	(6,761)	(5,088)	(12,122)
Tax credit recognised in respect of employee share options	2,783	-	8,819
Deferred tax in respect of employee share options	1,044	2,261	3,993
Deferred tax in respect of available-for-sale financial assets	(215)	263	2,192
Total recognised gains and losses	19,753	11,423	42,783

The accompanying notes on pages 9 to 17 form part of these financial statements.

Consolidated balance sheet as at 30 June 2007

	Notes	30 June 2007		30 June 2006		31 December 2006	
		£000s	£000s	£000s	£000s	£000s	£000s
Non-current assets							
Goodwill		17,927		6,942		17,927	
Intangible assets		10,738		-		11,486	
Property, plant and equipment		1,390		989		1,404	
Available-for-sale financial assets	6	80,599		26,579		69,661	
Deferred tax assets		1,812		-		598	
Total non-current assets			112,466		34,510		101,076
Current assets							
Receivables		32,375		14,486		79,919	
Cash at bank and in hand		58,850		62,895		33,840	
Total current assets			91,225		77,381		113,759
Total assets			203,691		111,891		214,835
Non-current liabilities							
Deferred tax liabilities			(163)		(128)		(190)
Current liabilities							
Trade and other payables		(21,980)		(12,742)		(63,885)	
Current tax liabilities		(5,254)		(10,279)		(2,913)	
Total current liabilities			(27,234)		(23,021)		(66,798)
Total liabilities			(27,397)		(23,149)		(66,988)
Net assets			176,294		88,742		147,847
Capital and reserves							
Called up share capital	7/8	545		444		520	
Share premium account	7	43,403		16,508		30,147	
Merger reserve	7	27,373		13,509		27,373	
Revaluation reserve	7	4,200		8,212		3,711	
Other reserves	7	11,778		5,112		8,125	
Retained earnings	7	88,995		44,957		77,971	
Total shareholders' funds – equity interests			176,294		88,742		147,847

The accompanying notes on pages 9 to 17 form part of these financial statements.

Consolidated cash flow statement for the six months to 30 June 2007

	Notes	6 months to 30 June 2007		6 months to 30 June 2006		Year to 31 December 2006	
		£000s	£000s	£000s	£000s	£000s	£000s
Cash flows generated from operating activities							
Cash generated from operations	9	25,200		46,190		62,741	
Tax paid		(2,541)		-		(10,239)	
Net cash inflow generated from operating activities			22,659		46,190		52,502
Cash flows generated from investing activities							
Consideration paid for acquisitions		-		-		(6,597)	
Cash acquired with acquisitions		-		-		1,646	
Purchase of property, plant and equipment		(261)		(457)		(984)	
Purchase of available-for-sale financial assets		(48,605)		(905)		(55,826)	
Disposal of available-for-sale financial assets		45,132		12,174		24,617	
Net cash outflow generated from/(used in) investing activities			(3,734)		10,812		(37,144)
Cash flows generated from financing activities							
Equity dividends paid	4	(7,196)		(2,833)		(3,948)	
Issue of share capital	8	13,281		3,355		17,059	
Net cash inflow generated from financing activities			6,085		522		13,111
Net increase in cash and cash equivalents			25,010		57,524		28,469
Cash and cash equivalents at start of period			33,840		5,371		5,371
Cash and cash equivalents at end of period			55,850		62,895		33,840

The accompanying notes on pages 9 to 17 form part of these financial statements.

1. Principal accounting policies

RAB Capital PLC is a public limited company registered in England and Wales. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Adoption of International Financial Reporting Standards (“IFRS”) in the financial year ending 31 December 2007

In the current year RAB Capital PLC and its subsidiaries (together referred to as “the Group”) have adopted all of the standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2007. The adoption of these standards and interpretations has resulted in changes to the Group’s accounting policies and the principal impacts of the adoption of IFRS on the results for the year ended 31 December 2006 are set out in Note 11 to these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted in the European Union and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

At the date of authorisation of these financial statements IFRS 8 ‘Operating Segments’ was in issue but not yet effective. The Group has not adopted this Standard and does not anticipate it will have any material impact on these financial statements when it comes into effect.

The financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’.

The publication of non-statutory accounts

The financial information contained in this interim report does not constitute statutory accounts as defined in s240 of the Companies Act 1985. The financial information for the six months ended 30 June 2007 and 2006 has not been audited. The information for the year ended 31 December 2006 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies, subject to audited amendments reflecting the changes in accounting standards from UK GAAP to IFRS. The report of the independent auditor on those financial statements contained no qualification or statement under s237(2) or (3) of the Companies Act 1985. 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings).

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill arising on each acquisition is reviewed separately at each reporting date for impairment which, where appropriate, is charged to the income statement. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

On disposal of a subsidiary undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – acquired

The value of intangible assets such as fund management contracts acquired as part of a business combination are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The fund management contracts are recorded initially at fair value and then amortised over their useful lives on a straight line basis. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the fund management contracts in place at the date of acquisition. At each reporting date, an assessment is made as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property, plant and equipment

Property, plant and equipment are stated at cost, or fair value on acquisition, less depreciation and accumulated impairment provisions. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is estimated taking into account obsolescence, technological developments and expected proceeds on disposal. The principal annual rate for this purpose is 25% per annum on a straight-line basis.

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the income statement.

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments

Investments are initially recognised at fair value, being the consideration given together with any acquisition costs associated with the investment. The Group's investments in the funds that it manages are designated as "available-for-sale" investments and are included in non-current assets. Such investments are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in equity. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When derecognition occurs a realised gain or loss is recognised in the income statement, calculated as the difference between the net sales proceeds and the original cost of the financial asset. Any fair value gains or losses previously recognised directly in equity are recycled into the income statement as part of this calculation of the gain or loss arising on derecognition.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement, which if subsequently reversed, are taken through reserves and not the income statement.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are measured at initial recognition at fair value and subsequently measured at amortised cost.

Income recognition

Revenue

Revenue represents fees receivable for investment management and advisory services provided during the period and arising from continuing activities. Management fees are recognised as the services are provided. Performance fees are recognised when the amount receivable can be measured reliably and it is probable that the fee will crystallise. This is at the end of the performance period. Commission and distribution fees payable to third parties are presented separately from revenue as cost of sales.

Gains on disposal of financial assets

Unrealised gains and losses on available-for-sale financial assets are initially recognised through the consolidated statement of recognised income and expense. Upon disposal, any gain or loss previously taken through the consolidated statement of recognised income and expense is reversed out and the full gain or loss from purchase, after any impairment charge previously recognised, is taken through the consolidated income statement.

Interest receivable and similar income

Interest income is recognised as it accrues using the effective interest method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

Cost of sales

Cost of sales comprises fees and commissions payable to third parties in respect of the management of investment management contracts. Commissions and distribution fees payable to third parties are recognised over the period for which the service is provided.

Operating leases

Amounts payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Foreign currency

The individual financial statements of each subsidiary undertaking are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, income and expense items of the Group's foreign operations are translated at the average exchange rates for the period. Assets and liabilities are expressed in pounds sterling using exchange rates prevailing on the balance sheet date. Exchange differences arising from the translation of the assets and liabilities of foreign operations are shown as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Income tax relating to items charged or credited directly to equity is also dealt with in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. However, deferred tax is not accounted for if it arises from goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

2. Revenue

All of the Group's revenue is generated in the United Kingdom from one business class of managing absolute return funds. The Group has no geographical or business segments.

The Group is subject to seasonal variations in the level of performance fees recognised. A growing number of investment strategies crystallise performance fees in the first six months of the year. However, many of the larger investment strategies, including Special Situations, only have one performance period, ending on 31 December of each year.

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Management fees	24,043	14,822	33,591
Crystallised performance fees	22,409	13,164	86,152
Advisory and distribution fees	37	40	113
Revenue	46,489	28,026	119,856

3. Profit on ordinary activities before taxation

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Profit on ordinary activities before taxation is stated after charging:			
Staff costs			
- staff related fixed costs	4,227	2,811	8,204
- staff bonuses	18,567	11,582	63,508
- employee share options charge	2,609	1,105	2,387
Amortisation of intangible assets	749	-	499
Depreciation of tangible fixed assets	274	197	408

4. Dividends

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s
Prior year final paid: 1.35p (2005: 0.65p) per 0.1p Ordinary share	7,196	2,833

The Directors have proposed an interim dividend in respect of the financial year ending 31 December 2007 of 0.60p (2006: 0.25p) per Ordinary share.

5. Earnings per Ordinary share

The calculation of earnings per Ordinary share is based on the profit for the period of £15,437,000 (June 2006: £9,774,000) and on 530,166,070 (June 2006: 434,170,083) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The calculation of diluted earnings per Ordinary share is based on the profit for the period of £15,437,000 (June 2006: £9,774,000) and on 568,721,577 (June 2006: 527,293,921) Ordinary shares, calculated as follows:

	6 months to 30 June 2007 number	6 months to 30 June 2006 number	Year to 31 December 2006 number
Basic weighted average number of shares	530,166,070	434,170,083	448,691,917
Dilutive effect of options	36,446,848	46,817,526	45,468,789
Dilutive effect of Convertible shares	2,108,659	46,306,312	43,042,002
	568,721,577	527,293,921	537,202,708

6. Available-for-sale financial assets

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
At beginning of period	69,661	33,635	33,635
Additions	48,605	905	55,826
Gain on movement in fair value	7,465	4,213	4,817
Disposals	(45,132)	(12,174)	(24,617)
At end of period	80,599	26,579	69,661

The Group's investments are principally in the funds it manages, some of which are listed.

7. Reconciliation of equity

	Share capital £000s	Share premium £000s	Merger reserve £000s	Revaluation reserve £000s	Other reserves £000s	Retained earnings £000s	Total £000s
At 1 January 2007	520	30,147	27,373	3,711	8,125	77,971	147,847
Profit for the financial period	-	-	-	-	-	15,437	15,437
Equity dividends paid	-	-	-	-	-	(7,196)	(7,196)
Issue of share capital	27	13,256	-	-	-	-	13,283
Purchase of own shares	(2)	-	-	-	-	-	(2)
Employee share option charge	-	-	-	-	2,609	-	2,609
Tax credit recognised in respect of employee share options	-	-	-	-	-	2,783	2,783
Gains on the revaluation of available-for-sale financial assets	-	-	-	7,465	-	-	7,465
Revaluation reserve transfer on sale of available-for-sale financial assets	-	-	-	(6,761)	-	-	(6,761)
Movements in deferred tax	-	-	-	(215)	1,044	-	829
At 30 June 2007	545	43,403	27,373	4,200	11,778	88,995	176,294

8. Shares issued during the period

During the period the Company issued the following shares:

	Number	Price (pence)	Cash proceeds £000s	Premium arising £000s
Option exercises over Ordinary shares	24,870,000	8-100	13,281	13,256
Conversion of C1 Convertible shares	1,878,398	0.1	2	-
	26,748,398		13,283	13,256

The weighted average share price at the date of exercise of share options was 102.4p.

9. Notes to the Cash Flow Statement

(A) Reconciliation of profit before taxation to cash generated from operations

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Cash flows from operating activities			
- Profit on ordinary activities before tax	22,690	14,380	50,623
- Employee share options charge	2,609	1,105	2,387
- Amortisation of intangible assets	749	-	499
- Depreciation of tangible fixed assets	274	197	408
- Decrease / (increase) in receivables	47,544	28,862	(35,962)
- (Decrease) / increase in trade and other payables	(41,905)	6,734	56,908
- Gain on disposal of available-for-sale financial assets	(6,761)	(5,088)	(12,122)
Cash generated from operations	25,200	46,190	62,741

(B) Free cash earnings after tax

	6 months to 30 June 2007 £000s	6 months to 30 June 2006 £000s	Year to 31 December 2006 £000s
Cash flows from operating activities			
- Profit on ordinary activities before tax	22,690	14,380	50,623
- Employee share options charge	2,609	1,105	2,387
- Amortisation of intangible assets	749	-	499
- Depreciation of tangible fixed assets	274	197	408
Cash generated from ordinary activities	26,322	15,682	53,917
- Effective tax charge - profit and loss charge	(7,253)	(4,606)	(15,539)
- employee share option credit	2,783	-	8,819
Free cash earnings after tax	21,852	11,076	47,197

10. Business combination

On 28 June 2007 the Group announced that it had agreed to acquire the business of Hong Kong-based Pi Investment Management Limited, for a maximum consideration of £13 million, payable in cash and shares.

As part of the transaction, RAB Capital (Asia) Limited was incorporated in Hong Kong on 25 June 2007 for the purposes of providing investment management and advisory services. Management anticipates trading activities to start in the third quarter of 2007 subject to regulatory approval being granted by the Hong Kong Securities and Futures Commission ("SFC").

11. IFRS transition

First time adoption of IFRS

The transition date to IFRS from UK GAAP was 1 January 2006. The accounting policies are based on IFRS applied retrospectively, except for one exemption relating to goodwill which is permitted under IFRS 1 "First-Time Adoption of IFRS", and have been applied by the Group in arriving at its transition date balance sheet amounts as follows:

Goodwill

The Group has not applied IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before 1 January 2006. Therefore, the carrying amount of goodwill in the UK GAAP balance sheet at 1 January 2006 has been brought forward into the opening IFRS balance sheet for such transactions.

Reconciliation from UK GAAP to IFRS

The tables below reconcile total shareholders' funds at 1 January 2006 and 31 December 2006 under UK GAAP to total equity under IFRS, and the profit after taxation for the year ended 31 December 2006 from UK GAAP to IFRS.

Reconciliation of shareholders' funds under UK GAAP to shareholders' equity under IFRS

	31 December 2006 £000s	30 June 2006 £000s	1 January 2006 £000s
UK GAAP - Total shareholders' funds - equity interests	139,482	77,643	66,159
IFRS transition adjustments:			
(2) Amortisation of goodwill	716	178	-
(3) Recognition of other intangible assets and associated amortisation net of deferred tax	(349)	-	-
(4) Reverse lease premium, net of deferred tax	(38)	(48)	(57)
(5) Deferred tax asset relating to share options	4,325	2,757	762
(6) Fair value of investments, net of deferred tax	3,711	8,212	8,824
IFRS - Total shareholders' funds - equity interests	147,847	88,742	75,688

Reconciliation of profit after taxation under UK GAAP to profit after taxation under IFRS

	Year to 31 December 2006	6 months to 30 June 2006
	£000s	£000s
UK GAAP - Profit on ordinary activities after taxation	43,876	9,853
IFRS pre-tax transition adjustments:		
(2) Amortisation of goodwill	716	178
(3) Recognition of other intangible assets and associated amortisation	(499)	-
(4) Reverse lease premium	28	14
(7) Foreign exchange gain on the retranslation of the opening reserves of overseas subsidiary undertaking	71	-
	316	192
IFRS tax transition adjustments:		
(3) Release of deferred tax liability associated to identified intangible assets	150	-
(4) Associated tax charge on lease premium reversal	(9)	(5)
(5) Tax on share options	(9,249)	(266)
	(9,108)	(271)
IFRS - Profit on ordinary activities after taxation	35,084	9,774

IFRS transition adjustments relating to profit after taxation and shareholders' equity

(1) Offsetting revenue and commissions payable

Under IAS 18 the Group is required to present revenue before any deduction of commissions and fees payable to third parties. Commissions and fees payable are recorded as cost of sales. Under UK GAAP commissions and fees payable were deducted from management and performance fees within turnover. This has no impact on profit after taxation.

(2) Amortisation of goodwill

The Group has elected to apply IFRS 3 from the date of transition, and consequently the value of goodwill from acquisitions prior to that date has been frozen at its value at that date, and the amortisation charged during 2006 has been reversed.

(3) Recognition of other intangibles and associated amortisation

As part of its application of IFRS 3 from the date of transition the Group has reviewed the intangible assets acquired as part of business combinations subsequent to the date of transition. This has resulted in the recognition of additional intangible assets which are required to be reported separately under IFRS 3, together with associated amortisation and the corresponding deferred tax liability.

(4) Reverse lease premium

The Group has amortised the reverse lease premium received on the inception of a lease over the length of the lease instead of over the period to the first rent review, and has recognised the corresponding deferred tax asset.

(5) Tax on share options

Under IAS 12 the Group has recognised a deferred tax asset in relation to the corporation tax deduction which is expected to arise on the future exercise of share options which had not been exercised at the balance sheet date. Under UK GAAP the value of this asset was restricted by reference to both vested options and the cost associated with the share options which had been recognised in the profit and loss account. IAS 12 also differs from UK GAAP in relation to the value of income tax deductions arising on the exercise of share options which can be recognised in the income statement. Under UK GAAP the full value of corporation tax deductions was recognised in the income statement whereas under IAS12 the tax effect of a deduction exceeding the accounting cost previously recognised is taken directly to equity.

(6) Fair value of investments

The Group has designated the investments held at the transition date as "available-for-sale", and they have therefore been valued at fair value, together with the recognition of the corresponding deferred tax liability.

(7) Foreign exchange gain relating to overseas subsidiary

The Group has applied the guidance set out in IAS 21 in relation to the functional currency of overseas subsidiary undertakings, and concluded that although the local currency of its overseas subsidiary is US Dollars the functional currency is Sterling. Under UK GAAP the foreign exchange movement relating to the retranslation of the opening reserves was recognised as a movement on reserves. Under IFRS no such retranslation occurs as the functional currency is Sterling and all foreign exchange movements are reflected in the consolidated income statement. IFRS transition adjustments relating to the cash flow statement.

IFRS transition adjustments relating to the cash flow statement**(A) Deconsolidation of Employee Benefit Trusts**

The Group has applied the provisions of IAS 19 to its bonus arrangements with employees, and as a result the assets and liabilities of the Employee Benefit Trusts established in previous reporting periods are no longer consolidated into the Group's results. This has no impact on either the profit for the year ended 31 December 2006 or the net assets at that date as reported under UK GAAP. However, as the Group was required under UK GAAP to consolidate the cash balances and short term deposits held by the Employee Benefit Trusts at 31 December 2006, these balances and related cash flows previously included in the consolidated cash flow statement under UK GAAP have been deconsolidated from the consolidated cash flow statement presented under IFRS.

(B) Presentation of short term deposits

Under UK GAAP the Group's short term deposits were required to be excluded from the Group's cash balances included in the consolidated cash flow statement. Under IFRS these short-term deposits have been reported within the Group's cash balances included in the consolidated cash flow statement.