

# RAB CAPITAL

**RAB Capital plc**  
**(“RAB” or “the Company”)**  
**Announcement of interim results for the six months ended 30 June 2009**  
**Published 29 July 2009**

## **Highlights**

- Encouraging performance by RAB investment strategies
- Achievement of cost reduction and restructuring objectives
- Business focused on core strengths of natural resources, long/short equity and market neutral funds
- Assets under management \$1.3 billion (December 2008: \$1.9 billion) after reduction of over \$600 million from restructuring, including sale of the Northwest business
- Asset flows into RAB single strategies recommence in second quarter

## **Mid-Year Financial Position**

- Strong balance sheet: net current assets and investments £102 million (December 2008: £115 million) after outlay of £8.5 million on dividends
- Net current assets and investments per Ordinary share 21.7 pence<sup>1</sup> (December 2008: 23.6 pence)
- Interim dividend of 0.60 pence per Ordinary share (June 2008: 0.60 pence)

## **First Half 2009 Trading Summary**

- Net income down 75% to £9.45 million (June 2008: £37.8 million)
- Loss before tax £2.75 million (June 2008: profit £12.5 million)
- Basic loss per Ordinary share (0.43) pence (June 2008: earnings 1.70 pence)
- Diluted loss per Ordinary share (0.43) pence (June 2008: earnings 1.63 pence)

## **Stephen Couttie, Chief Executive, said:**

‘In the first half we achieved all of our restructuring objectives, and were encouraged by the performance of the RAB investment strategies’.

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## **Nominated Adviser & Corporate Broker:**

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<sup>1</sup> Based on shares in issue less those held in treasury

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

RAB Capital's interim results for the six months to 30 June 2009 were largely as anticipated in March at the time of the annual results announcement. During the period the Group has maintained a strong balance sheet with £102 million (December 2008: £115 million) of net current assets and investments after paying dividends of £8.5 million in the first half. Moreover, in the second quarter of 2009 the Group began to see asset flows into RAB single strategies.

As we indicated in March the opening six months of the year were not easy. Revenues of £7.7 million (June 2008: £35.4 million) reflected relatively few performance fees and lower management fees due to a considerably smaller base of assets under management. Following disposal of the Northwest range of funds, assets under management were \$1.3 billion at 30 June 2009 (December 2008: \$1.9 billion and June 2008: \$5.9 billion). Over \$600 million of this reduction in assets under management in the six months to June 2009 arose through restructuring, including the sale of the Northwest business.

Cost reductions mitigated part of the impact of lower revenues with administrative costs falling to £11.9 million (June 2008: £24.0 million) and by June 2009 the monthly run rate of administrative costs was 40% below that of June 2008. Notwithstanding, the Group incurred a first half loss before tax of £2.7 million (June 2008: £12.5 million profit). The loss, and diluted loss, per Ordinary share was 0.43 pence (June 2008: earnings per Ordinary share 1.70 pence; diluted earnings per Ordinary share 1.63 pence).

When allowance is made for non-cash charges of £1.5 million (June 2008: £4.4 million) the first half cash outflow was £0.5 million. Cash resources, which were £35.5 million at 30 June 2009 (December 2008: £54.5 million), are expected to rise by over £20 million as liquidity is released from restructured funds. As described above the Group balance sheet remains strong with net current assets and investments equivalent to 21.7 pence per Ordinary share (June 2008: 24.4 pence).

## **RAB strategies' investment performance**

This has been a challenging period with a continued spell of very volatile markets in both equity and credit, and despite a firmer tone to the markets recently, the fact remains that by 30 June major equity markets had yet to recover their 2009 opening levels. Notwithstanding this difficult background, the Company's strength in stock selection, active hedging and a cautious approach to directional risks have rewarded a number of RAB strategies with strong returns. Importantly, RAB's strategies generally performed well in both the first and second quarters of 2009, even recording strong relative performance during the most challenging period at the beginning of the year.

It is also the case that certain aspects of the markets' evolution in 2009 have provided a better context for some RAB funds than for the market more generally. Firmer commodity prices have stimulated a rally among natural resources producers and in that sector and more generally in smaller capitalisation markets a number of successful new financings have provided some evidence of improving liquidity. Nevertheless, overall this has been a nervous environment which has seen the more liquid RAB strategies take low levels of directional risk, typically edging up from January's market neutral stance to modest net long positions at the end of the first half.

<b>Investment Strategies</b>	<b>30 June 2009 \$m</b>	<b>31 December 2008 \$m</b>	<b>30 June 2008 \$m</b>
Natural resources	829	841	2,711
Long/short	160	148	575
Market neutral	118	125	270
Fund of funds	140	196	424
Retail	10	12	105
Northwest	0	344	744
Discontinuing	5	201	1100
	<b>1,262</b>	<b>1,867</b>	<b>5,929</b>

## Business Review

The Group has continued to develop the strength of its infrastructure with the appointment of Adam Grant as Director of Finance and Chief Operating Officer. Adam has recently joined us from the Noble Group before which he enjoyed a long career at Morgan Stanley. This is the final key appointment that completes the operational line up at RAB.

Management believes that the principal risks faced by the Group remain the same as disclosed in the Company's annual accounts for the year ended 31 December 2008.

As stated previously, RAB has sought to rationalise its offering to those products where we can demonstrate a comparative advantage in fundamental securities analysis. The Group also had regard to matters of scale, infrastructure and distribution in determining the range of its products. In this context, and pursuant to announcements made in September 2008 in connection with the Northwest range of products, the Group concluded that a complete disposal of this activity best served the wider interests of the business and the transaction took effect in early April. RAB is still represented in the market neutral space by the RAB Cross Europe Fund and in the Asian market by the RAB-Pi Asia Fund, both of which have strong long and short term performance records.

Redemption pressures eased significantly over the first half of the year although asset-raising conditions remain challenging. When the effects of restructuring are excluded, underlying net flows into RAB single strategies were negative in the first quarter and marginally positive in the second quarter.

The Board remains confident in the future of the business and has decided to pay an unchanged interim dividend of 0.60 pence per Ordinary share, payable on 4 September 2009 to shareholders on the register on 7 August 2009.

The Board is aware of the fact that the Company is well capitalised for the current scale of operations. Having regard to business development opportunities we will be looking to release an element of excess capital to shareholders over time as conditions in global markets stabilise and the operating performance of the Group returns to a steady state.



We continue, selectively, to review various business development opportunities available to the Group. These have grown in number in current market conditions. We will only pursue opportunities where they are accretive for shareholders.

**Outlook**

It is far too early to predict an outcome for 2009, and even the last two months have indicated how volatile markets remain, notwithstanding marginally improving economic news. That said we are encouraged by the performance of our strategies year-to-date and will continue to work hard to maximise risk-adjusted investment returns for our investors as the year progresses.

*Michael Alen-Buckley (Executive Chairman) and Stephen Couttie (Chief Executive) 28 July 2009*

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## Consolidated income statement For the six months to 30 June 2009

	Note	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
Revenue	2	7,693	35,388	51,883
Net gain/(loss) on available-for-sale financial assets	7	1,357	1,921	(10,663)
Interest receivable and similar income		476	1,801	3,150
<b>Gross income</b>		<b>9,526</b>	<b>39,110</b>	<b>44,370</b>
Cost of sales		(78)	(1,268)	(1,226)
<b>Net income</b>		<b>9,448</b>	<b>37,842</b>	<b>43,144</b>
Administrative expenses		(11,905)	(23,969)	(36,653)
<b>Operating (loss)/profit before amortisation and exceptional charges</b>		<b>(2,457)</b>	<b>13,873</b>	<b>6,491</b>
Amortisation of intangible assets		(247)	(1,384)	(2,769)
Share of post-tax results from associates		(41)	29	54
<b>(Loss)/profit before exceptional charges</b>	3	<b>(2,745)</b>	<b>12,518</b>	<b>3,776</b>
Impairment of goodwill and intangible assets		-	-	(14,270)
Restructuring costs		-	-	(3,424)
<b>(Loss)/profit before taxation</b>		<b>(2,745)</b>	<b>12,518</b>	<b>(13,918)</b>
Taxation		689	(3,838)	(3,176)
<b>(Loss)/profit after taxation attributable to equity holders of the parent</b>		<b>(2,056)</b>	<b>8,680</b>	<b>(17,094)</b>
Basic (loss)/earnings per Ordinary share	6	(0.43)p	1.70p	(3.38)p
Diluted (loss)/earnings per Ordinary share	6	(0.43)p	1.63p	(3.38)p

All of the above amounts relate to continuing activities.

## Consolidated statement of comprehensive income For the six months to 30 June 2009

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
(Loss)/profit for the financial year	(2,056)	8,680	(17,094)
Net loss on available-for-sale financial assets, net of tax	(1,579)	(4,109)	(2,392)
Cash flow hedges, net of tax	47	-	-
Currency translation differences	(166)	28	334
Deferred tax in respect of share-based payments	-	(4,811)	(4,811)
<b>Total comprehensive income attributable to equity holders of the parent</b>	<b>(3,754)</b>	<b>(212)</b>	<b>(23,963)</b>

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## Consolidated balance sheet As at 30 June 2009

	Note	30 June 2009 £000s	30 June 2008 £000s	31 December 2008 £000s
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		8,075	19,061	8,075
Other intangible assets		617	15,613	864
Investment in associates		275	291	316
Property, plant and equipment		1,755	2,453	2,044
Deferred tax assets		76	399	-
Available-for-sale financial assets	7	65,003	80,014	59,240
<b>Total non-current assets</b>		<b>75,801</b>	<b>117,831</b>	<b>70,539</b>
<b>Current assets</b>				
Assets held for sale		-	-	825
Trade and other receivables		4,885	21,412	15,815
Current tax assets		2,466	-	1,514
Cash and cash equivalents		35,482	43,307	54,450
<b>Total current assets</b>		<b>42,833</b>	<b>64,719</b>	<b>72,604</b>
<b>Total assets</b>		<b>118,634</b>	<b>182,550</b>	<b>143,143</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		(2,724)	(1,605)	(3,043)
<b>Current liabilities</b>				
Trade and other payables		(4,168)	(15,768)	(13,484)
Provisions		(1,450)	(718)	(2,964)
Current tax liabilities		(25)	(4,629)	(24)
<b>Total current liabilities</b>		<b>(5,643)</b>	<b>(21,115)</b>	<b>(16,472)</b>
<b>Total liabilities</b>		<b>(8,367)</b>	<b>(22,720)</b>	<b>(19,515)</b>
<b>Net assets</b>		<b>110,267</b>	<b>159,830</b>	<b>123,628</b>
<b>Equity</b>				
Called up share capital	8	504	509	504
Share premium account		46,429	44,815	46,428
Other reserves		15,928	29,578	17,507
Retained earnings		47,406	84,928	59,189
<b>Equity attributable to the equity holders of the parent</b>		<b>110,267</b>	<b>159,830</b>	<b>123,628</b>

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## Consolidated statement of changes in equity For the six months to 30 June 2009

	Note	Called up share capital £000s	Share premium account £000s	Other reserves £000s	Retained earnings £000s	Total equity £000s
At 1 January 2008		547	43,535	38,454	99,157	181,693
Profit for period					8,680	8,680
Other comprehensive income:						
- Net loss on available-for-sale financial assets, net of tax				(4,109)		(4,109)
Currency translation differences					28	28
- Deferred tax in respect of share- based payments				(4,811)		(4,811)
Employee share option schemes:						
- Option exercises over Ordinary shares		6	1,280	-	-	1,286
- Share-based payments charge		-	-	-	1,908	1,908
Transactions with equity holders:						
- Purchase of own shares	8	-	-	-	(15,714)	(15,714)
- Transfer on shares bought back and cancelled		(44)	-	44	-	-
- Dividends paid	5	-	-	-	(9,131)	(9,131)
<b>At 30 June 2008</b>		<b>509</b>	<b>44,815</b>	<b>29,578</b>	<b>84,928</b>	<b>159,830</b>
Loss for period					(25,774)	(25,774)
Other comprehensive income:						
- Net gain on available-for-sale financial assets, net of tax				1,717		1,717
- Currency translation differences					306	306
- Deferred tax in respect of share- based payments				-		-
Employee share option schemes:						
- Option exercises over Ordinary shares		2	183	-	-	185
- Share-based payments charge		-	-	-	1,290	1,290
Transactions with equity holders:						
- Purchase of own shares	8	-	-	-	(3,956)	(3,956)
- Transfer on shares bought back and cancelled		(9)		9	-	-
- Transferred from shares to be issued		2	1,430	(1,432)	-	-
- Forfeiture of contingent consideration shares		-	-	-	(6,940)	(6,940)
- Dividends paid	5	-	-	-	(3,030)	(3,030)
Transferred from merger reserve		-	-	(12,365)	12,365	-
<b>At 31 December 2008</b>		<b>504</b>	<b>46,428</b>	<b>17,507</b>	<b>59,189</b>	<b>123,628</b>
Loss for period					(2,056)	(2,056)
Other comprehensive income:						
- Net loss on available-for-sale financial assets, net of tax				(1,579)		(1,579)

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- Cash flow hedges, net of tax				47	47
- Currency translation differences				(166)	(166)
Employee share option schemes:					
- Option exercises over Ordinary shares	-	1	-	-	1
- Share-based payments charge	-	-	-	106	106
Transactions with equity holders:					
- Purchase of own shares	8	-	-	(1,245)	(1,245)
- Dividends paid	5	-	-	(8,469)	(8,469)
<b>At 30 June 2009</b>		<b>504</b>	<b>46,429</b>	<b>15,928</b>	<b>47,406</b>
				<b>47,406</b>	<b>110,267</b>

## Consolidated cash flow statement For the six months to 30 June 2009

	Note	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
<b>Cash flows from operating activities</b>				
(Loss)/profit on ordinary activities after taxation		(2,056)	8,680	(17,094)
Share of post-tax results from associates		41	(29)	(54)
Amortisation of intangible assets	3	247	1,384	2,769
Impairment of goodwill and intangible assets		-	-	14,270
Depreciation of property, plant and equipment	3	396	565	1,013
Share-based payments charge	3	106	1,908	3,198
Net (gain)/loss on available-for-sale financial assets	7	(1,357)	(1,921)	10,663
Interest receivable and similar income		(476)	(1,801)	(3,150)
Taxation (credit)/expense		(689)	3,838	3,176
		<b>(3,788)</b>	<b>12,624</b>	<b>14,791</b>
<b>Changes in operating assets and liabilities</b>				
Decrease in trade and other receivables		10,930	36,874	42,471
Decrease in trade and other payables		(9,316)	(46,766)	(49,050)
(Decrease)/increase in provisions		(1,514)	125	2,371
<b>Cash (outflow used in) / inflow generated from operating activities</b>		<b>(3,688)</b>	<b>2,857</b>	<b>10,583</b>
Taxation paid		-	(3,473)	(5,797)
<b>Net cash (outflow used in) / inflow generated from operating activities</b>		<b>(3,688)</b>	<b>(616)</b>	<b>4,786</b>
<b>Cash flows generated from investing activities</b>				
Interest received		472	1,750	2,880
Dividends received		4	51	270
Decrease in assets held for sale		825	-	-
Purchase of property, plant and equipment		(167)	(419)	(503)
Disposal of property, plant and equipment		23	-	-

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Purchase of available-for-sale financial assets	7	<b>(24,647)</b>	(23,010)	(27,282)
Disposal of available-for-sale financial assets	7	<b>18,000</b>	35,990	51,245
<b>Net cash inflow generated from / (outflow used in) investing activities</b>		<b>(5,490)</b>	14,362	26,610
<b>Cash flows generated from financing activities</b>				
Equity dividends paid	5	<b>(8,469)</b>	(9,131)	(12,161)
Issue of Ordinary share capital		<b>1</b>	1,286	1,471
Repurchase of own shares	8	<b>(1,245)</b>	(15,714)	(19,670)
<b>Net cash outflow used in financing activities</b>		<b>(9,713)</b>	(23,559)	(30,360)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(18,891)</b>	(9,813)	1,036
Effect of exchange rate changes		<b>(77)</b>	-	294
<b>Cash and cash equivalents at 1 January</b>		<b>54,450</b>	53,120	53,120
<b>Cash and cash equivalents at end of period</b>		<b>35,482</b>	43,307	54,450

## Notes to The Financial Statements For the six months to 30 June 2009

### 1. Principal accounting policies

RAB Capital plc ("the Company") is a public limited company registered in England and Wales. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group"). The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual report and financial statements for the year ended 31 December 2008.

#### Basis of preparation

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 2009 and 2008 has not been audited. The comparative figures for the financial year ended 31 December 2008 do not constitute the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. Further copies of the statutory accounts are available from the Company Secretary at the registered office and on the Company's website at [www.rabcap.com](http://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

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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.

## 2. Revenue

The Group is managed as a single business segment, namely investment management. This is considered by management to be the Group's primary segment.

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 RAB Special Situations, only have one performance period, ending on 31 December of each year.

Key components of revenue are:

	<b>6 months to 30 June 2009 £000s</b>	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
Management fees	<b>5,899</b>	26,770	41,765
Performance fees	<b>1,583</b>	8,319	8,991
Other fees	<b>211</b>	299	1,127
Revenue	<b>7,693</b>	35,388	51,883

## 3. (Loss)/profit on ordinary activities before taxation (A) (Loss)/profit for the period

	<b>6 months to 30 June 2009 £000s</b>	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
(Loss)/profit for the period has been arrived at after charging:			
Staff costs			
- staff related fixed costs	<b>4,702</b>	6,546	12,802
- staff bonus charge including related social security costs	<b>2,000</b>	10,220	11,500
- employee share-based payments charge	<b>106</b>	1,908	3,198
Amortisation of intangible assets	<b>247</b>	1,384	2,769
Depreciation of property, plant and equipment	<b>396</b>	565	1,013

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## (B) Free cash earnings after taxation

Management views free cash earnings after taxation as an important measure of performance. The measure excludes non-cash charges.

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
(Loss)/profit before taxation	<b>(2,745)</b>	12,518	(13,918)
Impairment of available-for-sale financial assets	<b>784</b>	582	11,641
Impairment of intangible assets	<b>-</b>	-	14,270
Amortisation of intangible assets	<b>247</b>	1,384	2,769
Depreciation of property, plant and equipment	<b>396</b>	565	1,013
Share-based payments charge	<b>106</b>	1,908	3,198
Free cash earnings before taxation	<b>(1,212)</b>	16,957	18,973
Effective tax charge - income statement charge	<b>689</b>	(3,838)	(3,176)
Free cash earnings after taxation	<b>(523)</b>	13,119	15,797

## 4. Share-based payments

The Group has in issue the following options over Ordinary shares of the Company:

	6 months to 30 June 2009		6 months to 30 June 2008		Year to 31 December 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at start of period	<b>73,595,000</b>	<b>69.0p</b>	104,290,000	68.5p	104,290,000	68.5p
Granted during period	<b>38,500,000</b>	<b>23.0p</b>	2,125,000	91.8p	2,125,000	91.8p
Exercised during period	<b>(20,000)</b>	<b>8.0p</b>	(5,495,000)	23.6p	(7,795,000)	19.0p
Lapsed during period	<b>(13,860,000)</b>	<b>83.7p</b>	(8,710,000)	76.9p	(25,025,000)	84.4p
Outstanding at end of period	<b>98,215,000</b>	<b>48.8p</b>	92,210,000	70.9p	73,595,000	69.0p
Vested but not exercised at end of period	<b>40,480,000</b>	<b>55.6p</b>	31,805,000	57.6p	26,300,000	56.2p

The weighted average share price at the date of exercise of options during the period was 19.0p (June 2008: 53.6p).

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## 5. Dividends

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
Final paid in respect of 2008: 1.80p (2007: 1.80p) per 0.1p Ordinary share	8,469	9,131	9,131
Interim paid in respect of 2008: 0.60p per 0.1p Ordinary share	-	-	3,030
<b>Total dividends paid in period</b>	<b>8,469</b>	<b>9,131</b>	<b>12,161</b>

The Directors have declared an interim dividend in respect of the financial year ending 31 December 2009 of 0.60p per Ordinary share (2008: 0.60p).

## 6. Earnings per Ordinary share

The calculation of basic and diluted earnings per Ordinary share are based on the loss for the period of £2,056,000 (June 2008: profit £8,680,000) and on the following share capital data:

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
Basic weighted average number of Ordinary shares	480,385,619	510,652,029	505,727,283
Dilutive effect of share-based payments	1,456,637	16,295,689	7,794,871
Dilutive effect of convertible shares	-	576,557	404,322
Dilutive effect of shares to be issued for acquisition of the Pi business	3,366,669	4,907,433	3,366,669
<b>Diluted weighted average number of Ordinary shares</b>	<b>485,208,925</b>	<b>532,431,708</b>	<b>517,293,145</b>

Where the Group has incurred a loss for the period no dilution arises, despite the diluted weighted average number of Ordinary shares being greater than the basic weighted average number of Ordinary shares. As a result the basic and diluted loss per Ordinary share are the same for the period.

## 7. Available-for-sale financial assets (A) Movement in fair value

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
At beginning of period	59,240	96,780	96,780
Additions	24,647	23,010	27,282
Disposals	(18,000)	(35,990)	(51,245)
Loss on movement in fair value	(884)	(3,786)	(13,577)
<b>At end of period</b>	<b>65,003</b>	<b>80,014</b>	<b>59,240</b>

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

Included in available-for-sale financial assets are investments in funds which are in the process of being wound up. Consequently, such funds hold a high proportion of cash and cash equivalents.

## (B) Net gain/(loss) recognised in income statement

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
Proceeds on disposal	18,000	35,990	51,245
Original book cost less impairment charges	(15,859)	(33,487)	(50,267)
Net gain on disposal	2,141	2,503	978
Impairment charge in period	(784)	(582)	(11,641)
Net gain/(loss)	1,357	1,921	(10,663)

## 8. Share capital

### Allotted, called up and fully paid 0.1p Ordinary shares

	6 months to 30 June 2009 £000s	6 months to 30 June 2008 £000s	Year to 31 December 2008 £000s
At beginning of period	503,703,360	547,347,863	547,347,863
Issued for option exercises	-	5,495,000	7,795,000
Transfer from shares to be issued	-	-	1,540,764
Cancellation of shares bought back	-	(43,808,000)	(52,980,267)
At end of period	503,703,360	509,034,863	503,703,360

Consisting of:

Held in treasury awaiting cancellation	-	4,250,000	-
Held in treasury	33,162,643	-	15,285,071
With voting rights	470,540,717	504,784,863	488,418,289
	503,703,360	509,034,863	503,703,360

During the period the Company bought back 9,315,065 Ordinary shares (June 2008: 24,813,150; December 2008: 45,020,488) for a total consideration of £1.2 million (June 2008: £15.7 million; December 2008: £19.7 million). Total consideration included transaction costs of £1,000 (June 2008: £0.1 million; December 2008: £0.2 million).

Following the completion of the disposal of the Northwest business on 2 April 2009 6,704,108 Ordinary shares were forfeited by the original principals and are held in treasury.

On the 21 April 2009 the Company transferred the 1,878,398 Ordinary shares held by an employee benefit trust to its treasury account.

The cost of the Ordinary shares bought back has been deducted from retained earnings. Upon cancellation the capital redemption reserve is credited with the nominal value of the Ordinary shares cancelled.

### Convertible shares

The issued Convertible shares comprise 1,000,000 0.001p C2 Convertible shares (June 2008: 1,000,000).