

**RAB Capital plc
("RAB" or "the Company")**

Announcement of audited results for the year ended 31 December 2009

23 March 2010

Summary

- Negative trends in AUM flows reversed: assets under management \$1.35 billion (June 2009: \$1.26 billion, December 2008: \$1.9 billion)
- Encouraging overall risk-adjusted performance by RAB investment strategies
- Improved liquidity in restructured funds
- Better context for asset gathering in 2010

Year End Position

- Strong balance sheet: net current assets and investments £98.7 million (2008: £115.4 million) after outlay of £12.5 million (2008: £31.8 million) on buybacks and dividends
- Net current assets and investments per Ordinary share 20.9p* (2008: 23.6p)
- Second interim dividend of 0.50p per Ordinary share (2008 final: 1.80p) declared to give total dividends for the year of 1.10p per Ordinary share (2.40p in 2008)

** based on 472,481,481 shares in issue excluding shares held in treasury at 31 December 2009*

2009 Trading Summary

- Net income down 58% to £18.2 million (2008: £43.1 million)
- Reduced loss after tax of £3.1 million (2008: loss £17.1 million after tax)
- Basic and diluted loss per Ordinary share 0.65p (2008: loss 3.38p)
- Free cash (loss)/earnings after taxation of (£659,000) (2008: earnings £15.8 million)

Stephen Couttie, Chief Executive, said:

"We are encouraged by the performance of the RAB investment strategies and other achievements in 2009. RAB is now in a strong position to continue rebuilding the business."

Michael Alen-Buckley, Executive Chairman, commented:

"Our balance sheet strength and the business stability achieved following earlier restructuring initiatives bode well for further progress in 2010."

Further Enquiries:

RAB Capital plc
Marc Popiolek

020 7389 7116

M: Communications
Nick Miles

020 7920 2321



Caroline Villiers

Nominated Adviser: Fox-Pitt, Kelton Limited
Marc Milmo
Jonny Franklin-Adams

020 7065 2000

Chairman's and Chief Executive's statement

Summary

2009 was a year of transition for the RAB group (the "Group"), in which we needed to complete the restructuring of our offering and finalise a series of operational improvements that would establish strong foundations for the business going forward. Our goal has been to anchor the Group with sound risk practices, a better alignment of interests with investors, and an improved business model, while ensuring that the performance in RAB funds could support compelling investment propositions. We were able to achieve this at the same time as reversing a negative trend in flows which had characterised 2008.

Although the Group recorded a small after tax loss of £3.1 million for the year, the Group's activities and the performance in the funds has provided a better context for asset gathering and fee generation in 2010 and beyond.

Key successes in the funds included:

- A number of exceptional returns for investors in 2009 including: RAB Energy (+86.9%), Global Mining and Resources (+76.5%), RAB Emerging Market Opportunities (+30.6%), RAB European Credit Opportunities (+46.4%);
- Good returns in lower volatility long short funds such as RAB-Pi Asia (+12.9%) and RAB Europe (+9.0%);
- Significant progress on improving the liquidity of funds that were restructured in 2008.

Key successes in the business included:

- Continued operational improvements;
- Better alignment of compensation with fund investor interests;
- Significant reduction in fixed costs;
- Better connection with institutional investor groups.

The purpose of this report is to explain more completely the changes to the business that occurred through 2009, and to examine how these changes have improved the position for 2010 and beyond.

Assets under management ("AUM")

AUM is a key measure of the earnings capability of the business. During the course of 2009, the Group completed its planned fund closures and in April sold the Northwest business, which collectively amounted to approximately \$680 million of the AUM outstanding on 1 January 2009 (\$1,867 million). In addition to this headwind, certain RAB funds (particularly RAB Special Situations) contained a number of unlisted investments which struggled in the tighter liquidity that characterised the beginning of 2009 and resulted in write downs amounting to over \$200m across all portfolios. The Group continued to see net redemptions in the first half of 2009, but was able to record positive net flows into continuing funds in the second half. The reported AUM as at 30 June 2009 of \$1,262 million increased to \$1,353 million at the year end. Approximately one half of the \$90 million increase in second half AUM was attributable to net flows.

The Group has traditionally targeted high net worth investing constituencies, including private banks and family offices. RAB has augmented this with a program of engaging more closely with institutional investors, and there are early signs that this is beginning to bear fruit. The products which gained the most traction from an asset raising perspective in 2009 were low volatility liquid products such as RAB-Pi Asia, and RAB Cross Europe.

Fund performance

A generally better market for commodities underpinned a good performance in RAB funds invested in natural resources-related equities. RAB Global Mining and Resources, which is invested in large capitalisation stocks, achieved a return of 76.5% on an average net exposure of 30%, and RAB Energy's ongoing class achieved a return for investors of 86.9%, placing it in the top decile of performance as reported by EuroHedge. RAB's long/short activities also achieved very good risk-adjusted returns

particularly our European Credit, Asian equity long/short, and emerging markets opportunities strategies.

| | 31 December 2009 | 30 June 2009 | 31 December 2008 |
|---|---------------------|-----------------|---------------------|
| Assets under management by investment strategy | \$m | \$m | \$m |
| Natural resources | 865 | 829 | 841 |
| Long/short | 185 | 160 | 148 |
| Market neutral | 151 | 118 | 125 |
| Fund of funds | 146 | 140 | 196 |
| Retail | 6 | 10 | 12 |
| Northwest | - | - | 344 |
| Discontinuing | - | 5 | 201 |
| | 1,353 | 1,262 | 1,867 |

An important component of the Group's approach to risk management is the Investment and Risk Committee ("IRC") which in addition to the risk oversight provided by the risk department and the Chief Investment Officer will review fund positioning, set limits and subject each management team to informed enquiry in respect of recent performance and prospects. The committee may instruct a team to reduce the size of a position and has to approve any acquisition of unlisted paper by any fund within the Group. Within the risk department the Group has also maintained resources to design and implement hedging strategies, and has refined the delivery of risk metrics to both fund managers and the IRC. The consequences of this has been a more active risk management overlay on top of fundamentally driven investment processes, one expression of which is much greater variability in directional risks being run in RAB funds. Overall, the Board are pleased with the way in which the risk infrastructure and governance within the business has developed.

The Group has also made good progress in improving the liquidity position of its restructured funds. RAB Special Situations was able to remove all leverage and to significantly reduce the unlisted percentage of the Fund, at the same time as producing a small positive return. Recently we have initiated a secondary auction process via Credit Suisse for those investors in Special Situations who either wish to realise liquidity or raise their exposure to the strategy. In 2008 we also created a redemption class of the RAB Energy Fund that would be repaid as quickly as possible to investors at the same time as maximising the return of the class. We are pleased to report that this entire class has now been repaid to investors, while generating returns of +68.9% over 2009 and January 2010, the last NAV date before repayment. The less liquid RAB Octane Fund also had a redemption class of which approximately one third has been repaid to investors while the return from the start of 2009 to the end of February 2010 was +13.7%.

Financial performance

2009 was a transitional year for the Group. The business needed a more focused offering, significantly reduced overheads, and yet had to improve fund performance and maintain the quality of operations. We also had to maintain a reasonable spread in the portfolio of our investment strategies such that we could maximise the opportunity for asset gathering and provide a basis for improved quality of earnings as the business recovers.

We are comfortable that these goals have been broadly achieved. Overheads, as adjusted for foreign exchange gains and losses, have been reduced by some 40%, we believe that the quality of operations has actually improved, and we are pleased with fund performance.

The Group reported a small after tax loss of £3.1 million for the year. The fact that the benefits of cost reduction in the business could not, in some cases, be realised until the second half, the percentage of AUM at or close to high water mark, and the fee structure of restructured investment strategies all had an influence on this outcome. That said, the operating loss from a cash perspective was limited to £700,000 and the goal we set of maintaining tangible book value per share, as adjusted for distributions, was broadly achieved. More details of the performance and financial position of the Group are discussed in the business review.

Dividend

The Board declared a second interim dividend payable on 31 March 2010 of 0.50p per share, and will not be recommending the payment of a final dividend (2008 final: 1.80p). The total dividend for the year was 1.10p (2008: 2.40p).

Outlook

An emerging bearishness about the speed of recovery in the global economy from the events of 2008, particularly insofar as it affects Eurozone economies, has begun to take hold. It is far from certain that the better investing environment that seemed to be emerging through 2009 will continue to favour equity markets and risk assets generally. On the upside, growth in commodity prices and somewhat better liquidity conditions have helped to support the equity of natural resource companies as has the accelerating growth of emerging economies, particularly China. Overall, 2010 presents an uncertain outlook that will make investing intentions hard to determine.

Within the Group, and using such visibility as we have, greater stability in flows, good fund performance and a significantly higher percentage of assets at or close to their high water marks, provides a better context for fee generation in 2010. The benefit of cost saving initiatives completed during 2009 will be felt over a full twelve month period in 2010. We continue to strive for greater efficiencies. Strategically, the Group has looked at, and continues to review, new teams or businesses to combine onto the platform albeit by reference to high thresholds in terms of quality and materiality. By way of an example, the Group recently recruited a team to manage Asian deep value assets and anticipates that the AUM managed by this team will exceed \$100million by the end of 2010. In terms of distribution the Group is tireless in its efforts to link with new networks of investors and to open new distribution channels. In addition, and in common with many hedge fund managers, RAB is looking closely at the advantages that UCITS III products could bring to our distribution efforts.

In summary, while the Group is in a much improved position and there are opportunities to exploit, the overall environment for investing could still prove challenging in the short to medium term.

A trading update will be issued for the first quarter in early April.

We would like to conclude by thanking our investors and shareholders for their continued support and our employees for their hard work in 2009.

Stephen Couttie & Michael Alen-Buckley
Chief Executive Officer & Executive Chairman
22 March 2010

Business review

Financial review

The results for the year ended 31 December 2009 reflect the challenges faced by RAB during the past year including tightening our product range and strengthening our operating platform. The Group has been through a transition this year with the result that we have improved the quality of our operations whilst reducing our fixed cost base and provided improved fund performance through a more focused offering. The cost reduction initiatives have impacted the cost base in 2009 and will continue to yield results in 2010.

The Group continues to maintain a robust operating platform for future expansion.

Income statement and balance sheet

AUM at the end of 2009 was US\$1.353 billion, a decrease of 28% over the prior year (2008: US\$1.867 billion). This reduction in AUM includes approximately \$680 million related to the planned reduction in fund offerings and the disposal of the Northwest business. Net flows were positive in the continuing single strategy funds with good fund performance across most of the funds.

Management fees in the year decreased by 74% from the prior year to £10.7 million (2008: £41.8 million) and performance fees totalled £2.8 million (2008: £9.0 million).

Prospectively, the percentage of AUM at or close to its high water mark is increasing as fund performance moves the net values towards previous highs. Performance fees are typically only payable on an increase in net asset values above the highest level the fund has previously achieved or the value at which a new investor enters the fund.

In addition to the above, the Group made net gains of £3.3 million on available-for-sale financial assets (2008: loss £10.7 million). No exceptional charges were taken this year (2008: loss £17.7 million).

Fixed costs, including amortisation of intangible assets, fell to £19.3 million from £27.9 million due to continued operational improvements and a focus on increased efficiency. Variable incentive compensation charges also fell to £5.7 million (2008: £11.5 million) with the majority of the decrease reflecting the fall in profit related staff performance awards earned during the year.

In total, the Group's operating loss before amortisation and exceptional charges is £6.4 million (2008: profit £6.5 million) and loss after taxation is £3.1 million (2008: loss £17.1 million). Non cash charges, including amortisation and share based payments in the income statement totalled £2.4 million (2008: £32.9 million).

The tax credit this year is £3.9 million (2008: charge £3.2 million). This credit includes adjustments in respect to prior periods largely relating to the reversal of tax charges and increased recognition of tax credits on disposals of available-for-sale investments.

RAB has continued to maintain a strong balance sheet with over £98 million in net current assets and available-for-sale investments at the year end (2008: £115.4 million). The sum of available-for-sale assets fell during the year from £59.2 million to £47.3 million primarily due to disposals. The significant majority of the Group's holdings in available-for-sale financial assets are investments in funds managed by RAB, including an uncrystallised net gain of £1.2 million (2008: £3.1 million).

Group net assets at the end of 2009 were £107.3 million compared to £123.6 million at the beginning of the year, reflecting the fact that the Group spent £1.2 million repurchasing shares and paid £11.3 million in dividends during the year, with movements in reserves accounting for the remainder.

Shareholder returns

In line with the Group strategy of continuing to pay dividends, on 11 March 2010 the Board declared a second interim dividend of 0.5 pence per Ordinary share in respect of the year ended 31 December 2009. As a result, total dividends declared in respect of 2009 were 1.10 pence per Ordinary share compared to

2.40 pence in respect of 2008. In view of the financial performance of the Group, the Board felt that a reduction in the total dividend is appropriate. The dividend policy will be kept under review in light of the Group's performance and the strength of the balance sheet.

During the year the Group bought back in excess of 9.3 million shares ordinary shares for total consideration of £1.2 million. Both the Group and Company continue to be well capitalised and the Board remains confident about the future of the business.

Risk Management

The Group takes its governance and risk management obligations very seriously and has put in place an infrastructure that aims to deliver standards consistent with these obligations. Its key components comprise the initial establishment and closure of a fund, fund governance, regulation of the relevant management company, independent fund administration, independent prime brokers and custodians, external fund audits, and a framework of internal systems and controls.

Regulation

RAB has two operating companies, London-based RAB Capital plc and Hong Kong-based RAB Capital (Asia) Limited, which are regulated by the Financial Services Authority ("FSA") and the Securities and Futures Commission ("SFC") respectively. As such the Group is subject to the conduct of business rules, compliance requirements and minimum capital standards of those bodies.

RAB is also admitted to trading on the Alternative Investment Market of the London Stock Exchange and is subject to the disclosure requirements and governance processes that this status demands.

Risk framework

The Executive Committee has resolved that the appropriate governing body for the risk framework within the Group is the Investment and Risk Committee ("IRC"). However, formal ratification and approval of high level risk appetites is performed by the Board.

The IRC empowers the business to be entrepreneurial and to actively take on risk; however, risk must be fully understood and adequately measured to ensure that the risk exposure is appropriate for the returns anticipated, and is consistent with the Group's long-term goals and obligations to its stakeholders. The objective is to safeguard the assets both of the Group and its clients, whilst allowing sufficient operating freedom to secure a satisfactory return.

The Group's 'Statement of Risk Appetite' defines the level and nature of risks to which senior management considers it is acceptable to expose the Group. It therefore defines the boundaries of activity that the Board intends for the firm. The IRC sets and approves on an annual basis, risk appetite statements for all areas of actual or potential significant risk to the business. Adherence to these risk appetites is monitored on a regular basis and is part of the overarching risk management framework operating within the Group.

Principal risks

The Group's principal risks are considered to be operational risk, employee risk and business risk. The Group is also exposed to credit risk and market risk arising from the assets and liabilities on its balance sheet.

Operational risk

Operational risk is the potential for economic loss and/or reputational damage due to a serious error or failure of operations. The Group has implemented an operational risk framework designed to monitor and assess operational risks across the business.

Operational risk is further managed through organisational and financial controls. The controls of each department have been assessed by managers who have sufficient experience to determine key risks within their department.

If losses are incurred through specified risks the Group has insurance to mitigate the cost of any such loss. The insurance policy will only be activated in the event of a serious control failure or significant unforeseen circumstances. The following operational risk areas are insured: professional indemnity and fraud, directors' and officers' liability insurance, business interruption and employer's and public liability.

Employee risk

In common with most businesses, the Group's employees are essential to its continued growth and success. The ability to attract, retain and develop talented people is vital for delivering stakeholder value and also for managing the other principal risks.

The Group offers competitive remuneration packages to employees, including a discretionary bonus scheme. All staff receive training to ensure competence in their role. Controls over the recruitment process are also critical to minimising employee risks. Human Resources work with department heads to prepare and review job descriptions, which are a valuable tool for matching required skills and competencies to those of the prospective employees. Recruitment methods are regularly reviewed by Human Resources and department heads ensuring they remain fit for purpose.

Business risk

The Group's income is largely derived from managing investors' assets. Fund managers make investment decisions with the aim of delivering good returns over time whilst managing the investment risk of the fund. Business risk is the risk that sustained poor performance and conditions in global markets negatively affect investment sentiment and ultimately the Group's core income stream.

In aggregate the RAB funds are exposed to the global equity, credit and fixed income markets. The firm is also exposed to the risk of redemptions undermining the earnings base of the business.

The governance processes that are followed for the management of investment risk in the funds are intended to follow a cycle that commences with limit setting, continues through oversight of fund/risk management, and concludes with a process of regular informed enquiry. Each strategy will have a limit structure put in place that will address many tighter constraints than those imposed by the relevant fund's prospectus.

Credit risk

Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from fees due from funds and deposits placed with financial institutions. Fees due from funds are continually reviewed to ensure timely collection of amounts due. An impairment provision will only be made if there is objective evidence that future cash flows will be adversely affected by an impairment event.

Credit risk associated with cash and cash equivalents is managed by placing all deposits with banks or financial institutions with a long-term credit rating of 'A' (according to Moody's and Standard & Poors) or higher. No more than one third of the Group's cash is placed with any single institution of credit rating 'AA' or higher and no more than one quarter is placed with any institution with a single 'A' credit rating.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange and equity prices, affect the Group's income and/or the value of certain assets. The Group's exposure to market risk stems primarily from fees being earned predominantly in US Dollars and Euros and from its holdings in available-for-sale financial assets. To manage foreign exchange risk all non-Sterling revenues are usually converted to Sterling promptly on receipt and forward foreign exchange contracts are sometimes used to hedge non-Sterling debtors.

Industry Best Practices

Consistent with the goal of setting high operating standards RAB was an original member of the UK/European based Hedge Fund Working Group, which initiated and established the Hedge Fund Standards Board ("HFSB") best practice standards. RAB was also a founder signatory to the HFSB Standards. These standards were developed in response to concerns about the industry, including financial stability and systematic risk, and address essential areas of fund management such as disclosure to stakeholders, governance and risk management. RAB is required to make an annual declaration in respect of conformity of these standards.

Regulatory capital

From 1 January 2008, the Group fully adopted the new FSA rules, which implement the Capital Requirements Directive ("CRD") and prescribe a minimum capital requirement. For regulated limited licence investment firms the minimum capital requirement is the higher of:

- base capital requirement of €125,000; or
- the fixed overhead requirement; or
- the credit risk requirement and market risk requirement.

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements. The Group also maintains sufficient capital to allow investment to seed or promote funds managed by the Group, or make strategic business investments. As a minimum the Group seeks to hold enough cash and cash equivalents to cover its FSA imposed Fixed Overhead Requirement and working capital requirement together with a capital cushion.

Group's regulatory capital position

| | Group | |
|--|----------------|---------|
| | 2009 | 2008 |
| | £000s | £000s |
| Equity attributable to the equity holders of the parent | | |
| | 107,258 | 123,628 |
| Less goodwill and other intangibles | | |
| - Goodwill | (8,075) | (8,075) |
| - Other intangible assets | (370) | (864) |
| Material holdings deduction | | |
| - Investment in Prestige Asset Management Co., Ltd | (215) | (316) |
| Capital resources | 98,598 | 114,373 |

At 31 December 2009 the Group had regulatory capital resources of £98.6 million (2008: £114.4 million), significantly in excess of its minimum requirement. The reduction in regulatory capital resources is principally as a result of £12.5 million returned to shareholders through dividends and share buy backs.

Risk management

The Group's risk landscape has been simplified by the rationalisation of its offering. Notwithstanding this, the Group continues to develop its risk management systems and has modified its processes to elevate the level and frequency of engagement of the Group's risk team with each investment strategy.

Adam Grant
Finance Director and Chief Operating Officer
22 March 2010

Consolidated income statement For the year ended 31 December 2009

| | Note | 2009 £000s | 2008 £000s |
|--|------|----------------|-----------------|
| Revenue | 3 | 13,934 | 51,883 |
| Net gain/(loss) on available-for-sale financial assets | 8 | 3,327 | (10,663) |
| Interest receivable and similar income | | 913 | 3,150 |
| Gross income | | 18,174 | 44,370 |
| Cost of sales | | (12) | (1,226) |
| Net income | | 18,162 | 43,144 |
| Administrative expenses | | (24,516) | (36,653) |
| Operating (loss)/profit before amortisation and exceptional charges | | (6,354) | 6,491 |
| Amortisation of intangible assets | | (494) | (2,769) |
| Share of post-tax results from associates | | (101) | 54 |
| (Loss)/profit before exceptional charges | | (6,949) | 3,776 |
| Impairment of goodwill and intangible assets | | - | (14,270) |
| Restructuring costs | | - | (3,424) |
| Loss before taxation | 4 | (6,949) | (13,918) |
| Taxation | 5 | 3,852 | (3,176) |
| Loss after taxation attributable to equity holders of the parent | | (3,097) | (17,094) |
| Basic loss per Ordinary share | 7 | (0.65)p | (3.38)p |
| Diluted loss per Ordinary share | 7 | (0.65)p | (3.38)p |

All of the above amounts relate to continuing activities.

Consolidated statement of comprehensive income

| | 2009 £000s | 2008 £000s |
|--|----------------|-----------------|
| Loss for the financial year | (3,097) | (17,094) |
| Net loss on available-for-sale financial assets, net of tax | (941) | (2,392) |
| Currency translation differences | (133) | 334 |
| Total comprehensive income attributable to equity holders of the parent | (4,171) | (19,152) |

**Consolidated balance sheet
As at 31 December 2009**

| | Note | 2009 £000s | 2008 £000s |
|--|------|-----------------|-----------------|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | | 8,075 | 8,075 |
| Other intangible assets | | 370 | 864 |
| Investment in associates | | 215 | 316 |
| Property, plant and equipment | | 1,881 | 2,044 |
| Deferred tax assets | 9 | 645 | - |
| Available-for-sale financial assets | 8 | 47,290 | 59,240 |
| Total non-current assets | | 58,476 | 70,539 |
| Current assets | | | |
| Assets held for sale | | - | 825 |
| Trade and other receivables | | 8,643 | 15,815 |
| Current tax assets | | 5,344 | 1,514 |
| Cash and cash equivalents | | 45,479 | 54,450 |
| Total current assets | | 59,466 | 72,604 |
| Total assets | | 117,942 | 143,143 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 9 | (2,671) | (3,043) |
| Current liabilities | | | |
| Trade and other payables | | (7,377) | (13,484) |
| Provisions | | (636) | (2,964) |
| Current tax liabilities | | - | (24) |
| Total current liabilities | | (8,013) | (16,472) |
| Total liabilities | | (10,684) | (19,515) |
| Net assets | | 107,258 | 123,628 |
| Equity | | | |
| Called up share capital | 10 | 505 | 504 |
| Share premium account | | 47,827 | 46,428 |
| Other reserves | | 15,198 | 17,507 |
| Retained earnings | | 43,728 | 59,189 |
| Equity attributable to the equity holders of the parent | | 107,258 | 123,628 |

**Consolidated statement of changes in equity
For the year ended 31 December 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 |
| Loss for the financial year | | - | - | - | (17,094) | (17,094) |
| Other comprehensive income: | | | | | | |
| - Net loss on available-for-sale financial assets, net of tax | | - | - | (2,392) | - | (2,392) |
| - Currency translation differences | | - | - | - | 334 | 334 |
| Transactions with equity holders: | | | | | | |
| - Option exercises over Ordinary shares | | 8 | 1,463 | - | - | 1,471 |
| - Share-based payments charge | | - | - | - | 3,198 | 3,198 |
| - Deferred tax in respect of share-based payments | | - | - | (4,811) | - | (4,811) |
| - Purchase of own shares | 10 | - | - | - | (19,670) | (19,670) |
| - Transfer on shares bought back and cancelled | | (53) | - | 53 | - | - |
| - Transferred from shares to be issued | | 2 | 1,430 | (1,432) | - | - |
| - Forfeiture of contingent consideration shares | | - | - | - | (6,940) | (6,940) |
| - Dividends paid | 6 | - | - | - | (12,161) | (12,161) |
| - Transferred from merger reserve | | - | - | (12,365) | 12,365 | - |
| At 31 December 2008 | | 504 | 46,428 | 17,507 | 59,189 | 123,628 |
| Loss for the financial year | | - | - | - | (3,097) | (3,097) |
| Other comprehensive income: | | | | | | |
| - Net loss on available-for-sale financial assets, net of tax | | - | - | (941) | - | (941) |
| - Currency translation differences | | - | - | - | (133) | (133) |
| Transactions with equity holders: | | | | | | |
| - Option exercises using shares held in treasury | | - | 32 | - | - | 32 |
| - Share-based payments charge | | - | - | - | 307 | 307 |
| - Purchase of own shares | 10 | - | - | - | (1,245) | (1,245) |
| - Transferred from shares to be issued | | 1 | 1,367 | (1,368) | - | - |
| - Dividends paid | 6 | - | - | - | (11,293) | (11,293) |
| At 31 December 2009 | | 505 | 47,827 | 15,198 | 43,728 | 107,258 |

RAB CAPITAL

Consolidated cash flow statement For the year ended 31 December 2009

| | Note | 2009 £000s | 2008 £000s |
|--|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Loss on ordinary activities after taxation | | (3,097) | (17,094) |
| Share of post-tax results from associates | | 101 | (54) |
| Amortisation of intangible assets | | 494 | 2,769 |
| Impairment of goodwill and intangible assets | | - | 14,270 |
| Depreciation of property, plant and equipment | | 825 | 1,013 |
| Share-based payments charge | | 307 | 3,198 |
| Net (gain)/loss on available-for-sale financial assets | | (3,327) | 10,663 |
| Interest receivable and similar income | | (913) | (3,150) |
| Taxation | | (3,852) | 3,176 |
| | | (9,462) | 14,791 |
| Changes in operating assets and liabilities | | | |
| Decrease in trade and other receivables | | 7,172 | 42,471 |
| Decrease in trade and other payables | | (6,107) | (49,050) |
| (Decrease)/increase in provisions | | (2,328) | 2,371 |
| | | (10,725) | 10,583 |
| Cash (used in)/generated from operating activities | | (10,725) | 10,583 |
| Taxation refund/(paid) | | 4 | (5,797) |
| Net cash (outflow)/inflow generated from operating activities | | (10,721) | 4,786 |
| Cash flows generated from investing activities | | | |
| Interest received | | 668 | 2,880 |
| Dividends received | | 245 | 270 |
| Decrease in assets held for sale | | 825 | - |
| Purchase of property, plant and equipment | | (713) | (503) |
| Disposal of property, plant and equipment | | 24 | - |
| Purchase of available-for-sale financial assets | | (42,745) | (27,282) |
| Disposal of available-for-sale financial assets | | 56,114 | 51,245 |
| Net cash inflow generated from investing activities | | 14,418 | 26,610 |
| Cash flows generated from financing activities | | | |
| Equity dividends paid | 6 | (11,293) | (12,161) |
| Issue of Ordinary share capital | | 32 | 1,471 |
| Repurchase of own shares | 10 | (1,245) | (19,670) |
| Net cash outflow used in financing activities | | (12,506) | (30,360) |
| Net (decrease)/increase in cash and cash equivalents | | (8,809) | 1,036 |
| Effect of exchange rate changes | | (162) | 294 |
| Cash and cash equivalents at 1 January | | 54,450 | 53,120 |
| Cash and cash equivalents at 31 December | | 45,479 | 54,450 |

Notes to the accounts

1. Statutory accounts

In the current year the Company and 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 2009.

The results for the year ended 31 December 2009 are audited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the years ended 31 December 2008 or 2009. The financial information for 2008 has been derived from the statutory accounts for that year which have been delivered to the Registrar of Companies and include the Independent Auditor's report on those accounts which was unqualified. The accounts are expected to be sent to shareholders no later than 8 April 2010 and will be delivered to the Registrar of Companies after the Annual General Meeting to be held on 4 May 2010 at the Company's registered office, 1 Adam Street, London WC2N 6LE.

Further copies of the report will be available from the Company Secretary at the registered office address, and on the Company's website at www.rabcap.com.

2. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available-for-sale financial assets and derivative financial instruments.

3. Revenue

Key components of revenue are:

| | 2009 £000s | 2008 £000s |
|------------------|---------------|---------------|
| Management fees | 10,748 | 41,765 |
| Performance fees | 2,846 | 8,991 |
| Other fees | 340 | 1,127 |
| Revenue | 13,934 | 51,883 |

4. Loss on ordinary activities before taxation

(A) Loss for the year

| | 2009 £000s | 2008 £000s |
|--|---------------|---------------|
| Loss for the year has been arrived at after charging: | | |
| Staff costs | 15,311 | 27,500 |
| Operating leases | 1,451 | 1,271 |
| Amortisation of intangible assets | 494 | 2,769 |
| Depreciation of property, plant and equipment | 825 | 1,013 |
| Foreign exchange loss/(gain) | 460 | (3,579) |

(B) Free cash (loss)/earnings after taxation

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

| | 2009 £000s | 2008 £000s |
|--|----------------|---------------|
| Loss before taxation | (6,949) | (13,918) |
| Impairment of available-for-sale financial assets | 812 | 11,641 |
| Impairment of intangible assets | - | 14,270 |
| Amortisation of intangible assets | 494 | 2,769 |
| Depreciation of property, plant and equipment | 825 | 1,013 |
| Share-based payments charge | 307 | 3,198 |
| Free cash (loss)/earnings before taxation | (4,511) | 18,973 |
| Effective tax credit/(charge) - income statement credit/(charge) | 3,852 | (3,176) |
| Free cash (loss)/earnings after taxation | (659) | 15,797 |

5. Taxation

(A) Analysis of tax charge for the year

| | 2009 £000s | 2008 £000s |
|--|---------------|---------------|
| Current tax on income for the year | (2,070) | 222 |
| Adjustments in respect of previous periods | (1,732) | (33) |
| Current tax (credit)/charge | (3,802) | 189 |
| Deferred tax (credit)/charge | (50) | 2,987 |
| Tax (credit)/charge in the consolidated income statement | (3,852) | 3,176 |

(B) Factors affecting the tax charge for the year

| | 2009 £000s | 2008 £000s |
|--|---------------|---------------|
| Loss on ordinary activities before taxation | (6,949) | (13,918) |
| Tax credit on loss on ordinary activities at standard UK corporation tax rate of 28% (2008: 28.5%) | (1,946) | (3,966) |
| Effect of: | | |
| Disallowed expenses and non-taxable income | 88 | 2,896 |
| Marginal rate relief in subsidiaries | (1) | (4) |
| Change in effective tax rate | - | (170) |
| Adjustments in respect of available-for-sale financial assets | (124) | 2,708 |
| Share-based payments in excess of tax credits recognised | 33 | 1,754 |
| Share of results of associate companies | 28 | (15) |
| Utilisation of non-trading losses brought forward | (31) | - |
| Adjustments in respect of prior periods | (1,732) | (33) |
| Other | (167) | 6 |
| Tax (credit)/charge in the income statement | (3,852) | 3,176 |
| Effective tax rate | 55.4% | (22.8)% |

6. Dividends

| | 2009 £000s | 2008 £000s |
|---|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year: | | |
| Prior year final paid: 1.80p (2008: 1.80p) per 0.1p Ordinary share | 8,469 | 9,131 |
| Current year interim paid: 0.60p (2008: 0.60p) per 0.1p Ordinary share | 2,824 | 3,030 |
| Total dividends paid in the year | 11,293 | 12,161 |

The Directors have declared a second interim dividend in respect of the financial year ending 31 December 2009 of 0.50p per Ordinary share (final dividend 2008: 1.80p), or £2,362,000 (2008: £8,792,000) based on the Ordinary shares in issue and excluding those held in treasury at 31 December 2009. The second interim dividend (2008: final dividend) has not been included as a liability in these financial statements.

7. Loss per Ordinary Share

The calculations of basic and diluted loss per Ordinary share are based on the loss for the year of £3,097,000 (2008: loss £17,094,000) and on the following share capital data:

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Basic weighted average number of Ordinary shares | 475,937,418 | 505,727,283 |
| Dilutive effect of share-based payments | 1,526,065 | 7,794,871 |
| Dilutive effect of convertible shares | - | 404,322 |
| Dilutive effect of shares to be issued for acquisition of the Pi business | 2,986,755 | 3,366,669 |
| Diluted weighted average number of Ordinary shares | 480,450,238 | 517,293,145 |

Where the Group has incurred a loss for the year 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 year.

8. Available-for-sale financial assets

(A) Movement in fair value

| | 2009 £000s | 2008 £000s |
|---|---------------|---------------|
| At 1 January | 59,240 | 96,780 |
| Additions | 42,745 | 27,282 |
| Disposals | (56,114) | (51,245) |
| Gain/(loss) on movement in fair value | 1,419 | (13,577) |
| At 31 December | 47,290 | 59,240 |
| Included within available-for-sale financial assets are: | | |
| Uncrystallised net gain | 1,222 | 3,130 |
| Impairments | (5,550) | (11,641) |

(B) Fair value hierarchy

The table below analyses available-for-sale financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset are not based on observable market data (unobservable inputs).

| | 2009 £000s |
|---------|-----------------------------|
| Level 1 | 3,090 |
| Level 2 | 22,870 |
| Level 3 | 21,330 |
| | 47,290 |

During the year there were no transfers between Level 1 and Level 2 valuation methods, and no transfers into or out of Level 3 valuation method.

The following table is a reconciliation of the movements in financial assets classified as Level 3:

| | 2009 £000s |
|--|-----------------------------|
| Fair value at 1 January | 39,583 |
| Additions | 5,921 |
| Disposals | (23,200) |
| Fair value movements recognised in the statement of comprehensive income | (162) |
| Impairment recognised in the consolidated income statement | (812) |
| Fair value at 31 December | 21,330 |

The starting point for determining the fair value of investments in funds managed by the Group is the net asset value (the "NAV") of the fund which is calculated by a third party. In rare circumstances it may be necessary to adjust the reported NAV for factors that would cause it to differ from fair value.

When classifying the hierarchical level of an available-for-sale financial asset the portfolio hierarchy of the fund is taken into account. If a significant proportion of the fund is made up from assets categorised as Level 3 then the Company's investment is categorised as Level 3.

Included in Level 3 are investments in funds which have been impacted by the administration of Lehman Brothers International (Europe) ("LBIE"). Management have assessed each type of investment impacted by the administration of LBIE to form a view on the recoverability of such assets. During 2009 the view on recoverability was positively impacted by a High Court ruling confirming ownership of certain assets. Investments impacted by the administration of LBIE have been written down to their fair value through other comprehensive income.

C) Net gain/(loss) recognised in income statement

| | 2009 £000s | 2008 £000s |
|--|---------------|-----------------|
| Proceeds on disposal | 56,114 | 51,245 |
| Original book cost less impairment charges | (51,975) | (50,267) |
| Net gain on disposal | 4,139 | 978 |
| Impairment charge in year | (812) | (11,641) |
| Net gain/(loss) | 3,327 | (10,663) |

9. Deferred taxation

Deferred tax asset and liability balances are as follows:

| | 2009 £000s | 2008 £000s |
|---|----------------|----------------|
| Deferred tax assets | | |
| Realised and unrealised losses on available-for-sale financial assets | 396 | 881 |
| Depreciation in excess of capital allowances | 112 | 67 |
| Trading losses carried forward | 329 | - |
| Share-based payments | 62 | 24 |
| Other | 95 | 118 |
| Deferred tax assets | 994 | 1,090 |
| Deferred tax liabilities | | |
| Unrealised gains on available-for-sale financial assets | 349 | 1,170 |
| Undistributed profits in overseas subsidiaries | 2,647 | 2,917 |
| Other | 24 | 46 |
| Deferred tax liabilities | 3,020 | 4,133 |
| Net deferred tax liability | (2,026) | (3,043) |
| Disclosed as: | | |
| Deferred tax assets | 645 | - |
| Deferred tax liabilities | (2,671) | (3,043) |
| Net deferred tax liability | (2,026) | (3,043) |

A deferred tax asset is recognised in respect of realised and unrealised losses on available-for-sale financial assets to the extent that management believes they are recoverable against realised gains in future periods. This is usually the level of the Group's unrealised gains at the balance sheet date. The amount of unrecognised deferred tax asset in respect of unrealised losses at 31 December 2009 is £1.1 million (2008: £2.7 million).

To the extent that dividends remitted from overseas subsidiaries and associates are expected to result in additional taxes, appropriate amounts have been provided for.

The deferred tax asset in respect of equity settled share-based payments is calculated as the difference between market price of the share and exercise price of the option ("intrinsic value") at the end of the period multiplied by the proportion of the vesting period that has elapsed and the expected tax rate at exercise. To the extent that the deferred tax asset exceeds the related cumulative employee share-based payments charge multiplied by the tax rate less cumulative tax credits on the exercise of share options

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credited to the income statement, the excess deferred tax asset is credited to equity.

The movements on deferred tax assets during the year were:

| | 2009 £000s | 2008 £000s |
|---|----------------|----------------|
| Net deferred tax (liability)/asset at 1 January | (3,043) | 1,856 |
| Transferred to goodwill on disposal | - | 2,377 |
| Credited/(charged) to the income statement | | |
| Depreciation in excess of capital allowances | 45 | 44 |
| Lease incentive | - | (8) |
| Share-based payments | 38 | (1,416) |
| Intangible assets | - | 428 |
| Realised and unrealised losses offsetable against unrealised gains on available-for-sale financial assets | (631) | 881 |
| Unutilised trading losses in year | 329 | - |
| Undistributed profits in overseas subsidiaries | 270 | (2,917) |
| Other | (1) | 1 |
| | 50 | (2,987) |
| Credited/(charged) to equity | | |
| Share-based payments | - | (4,811) |
| Fair value movement on available-for-sale financial assets | 967 | 522 |
| | 967 | (4,289) |
| Net deferred tax liability at 31 December | (2,026) | (3,043) |

10. Called up share capital

Allotted, called up and fully paid

| | Ordinary shares | | Convertible shares | | Total |
|---------------------------------------|------------------|-------|--------------------|-------|-------|
| | Number of shares | £000s | Number of shares | £000s | £000s |
| At 1 January 2008 | 547,347,863 | 547 | 1,000,000 | - | 547 |
| Issued for option exercises | 7,795,000 | 8 | | | 8 |
| Transfer from shares to be issued | 1,540,764 | 2 | | | 2 |
| Cancellation of shares bought back | (52,980,267) | (53) | | | (53) |
| At 31 December 2008 | 503,703,360 | 504 | 1,000,000 | - | 504 |
| Transfer from shares to be issued | 1,540,764 | 1 | | | 1 |
| Cancellation of C2 Convertible shares | | | (1,000,000) | - | - |
| At 31 December 2009 | 505,244,124 | 505 | - | - | 505 |

| Consisting of: | 2009 | 2008 |
|--------------------|--------------------|--------------------|
| Held in treasury | 32,762,643 | 15,285,071 |
| With voting rights | 472,481,481 | 488,418,289 |
| | 505,244,124 | 503,703,360 |

Convertible shares

There were no Convertible shares in issue at the year end (2008: 1,000,000). On 25 September 2009 the Convertible shares were transferred to the Company for nil consideration and were cancelled.

Option exercises

The Group operates share-based incentive schemes for employees which can be settled by issuing new shares or from shares held in treasury.

Ordinary share buyback

At the AGM in May 2009 the Company renewed the Directors' authority to make share buybacks. During the year the Company bought 9,315,065 Ordinary shares (2008: 45,020,488) for a total consideration of £1.2 million (2008: £19.7 million). Total consideration included transaction costs of £7,428 (2008: £0.2 million).

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.

Shares held in treasury

| | 2009 | 2008 |
|---|-------------------|------------|
| At 1 January | 15,285,071 | - |
| Forfeited contingent consideration shares | 6,704,109 | - |
| Purchased from Employee Benefit Trust | 1,878,398 | - |
| Shares purchased back by the Company | 9,315,065 | 15,285,071 |
| Used for option exercises | (420,000) | - |
| At 31 December | 32,762,643 | 15,285,071 |