

## RAB Capital plc

("RAB" or "the Group")

Announcement of interim results for the six months ended 30 June 2010

Published 28 July 2010

### Overview

- Encouraging performance across a number of RAB investment strategies
- Assets under management \$1.26 billion (December 2009: \$1.35 billion) after reduction of over \$63 million from restructured funds
- Continued challenging environment for asset gathering

### Mid-Year Financial Position

- Strong balance sheet: net current assets and investments £93.6 million (December 2009: £98.7 million) after outlay of £2.4 million on dividends
- Net current assets and investments per Ordinary share 19.8 pence<sup>1</sup> (December 2009: 20.9 pence)
- Interim dividend of 0.10 pence per Ordinary share (June 2009: 0.60 pence)
- Cost base continues to fall

### First Half 2010 Trading Summary

- Net income down 13.6% to £8.2 million (June 2009: £9.4 million)
- Loss before tax £3.3 million (June 2009: loss £2.7 million)
- Basic and diluted loss per Ordinary share 0.49 pence (June 2009: loss 0.43 pence)

### Stephen Couttie, Chief Executive, said:

"It has been a tough start to the year with volatile markets impacting on investor allocation decisions, particularly for equity products. However, a combination of some compelling investment opportunities in RAB funds, fund performance, and the early signs of improving investor appetite mean that we remain positive about the outlook for new asset gathering."

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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 plc's interim results for the six months to 30 June 2010 reflect the difficult investment environment in the last few months. Although we made generally good progress against a challenging market in the first quarter, the more volatile environment of May and June made it hard for long/short managers to generate value opportunities. Nonetheless RAB's credit, event driven and energy funds all recorded good results as at the end of the half year, RAB Energy in particular delivering over 20% performance in the period and recording positive results even in the most challenging of months. RAB Special Situations continued to improve its liquidity position at the same time as ending the half up by approximately 4%.

During the period the Group has maintained a strong balance sheet with £93.6 million (December 2009: £98.7 million) of net current assets and investments after paying dividends of £2.4 million in the first half.

Revenue in the first six months of the year fell to £5.7 million (June 2009: £7.7 million) predominantly due to the sale of Northwest which contributed £1.6 million in the first half of 2009, and a fall in performance fees in other strategies of approximately £0.6 million. Assets under management were \$1.26 billion at 30 June 2010 (December 2009: \$1.35 billion and June 2009: \$1.26 billion). Although the Group experienced limited net outflows during this period, this fall of \$90 million also includes repayments on restructured or closed funds of \$63 million and a foreign exchange impact of approximately \$50 million. The RAB Energy redemption class is now fully repaid and marketing has recommenced.

Cost reductions mitigated part of the impact of lower revenues with administrative costs falling to £11.2 million (June 2009: £11.9 million). Despite this, the Group incurred a first half loss before tax of £3.3 million, a marginal increase in loss compared with the same period last year (June 2009: loss £2.7 million). The loss, and diluted loss, per Ordinary share was 0.49 pence (June 2009: loss 0.43 pence).

When allowance is made for non-cash charges of £1.3 million (June 2009: £1.5 million), the cash outflow during the first half of the year was £1.1 million after tax. Cash resources were £39.8 million at 30 June 2010 (December 2009: £45.5 million). As described above, the Group balance sheet remains strong with net current assets and investments equivalent to 19.8 pence per Ordinary share (December 2009: 20.9 pence) after payment of a dividend of 0.5 pence in the period.

Two specific events after the end of the first half, namely the drop in price of a Special Situations portfolio stock following disappointing oil exploration findings, and the proposed repatriation of capital by a European bank from RAB's fund of funds product have reduced AUM further. However, the Group continues to see exciting opportunities to bring more strategies and investors to the business and to progress initiatives to improve the efficiency of the platform.

Investment Strategies	30 June 2010 \$m	31 December 2009 \$m	30 June 2009 \$m
Natural resources	808	865	829
Long/short	143	185	160
Market neutral	122	151	118
Fund of funds	180	146	140
Retail	4	6	10
Discontinuing	-	-	5
	<b>1,257</b>	<b>1,353</b>	<b>1,262</b>

## Business Review

The management believes that the principal risks faced by the Group remain the same as disclosed in the Group's annual accounts for the year ended 31 December 2009.

As stated previously, RAB has sought to rationalise its offering to those products where we can demonstrate a comparative advantage in fundamental securities analysis and we will continue to monitor carefully our funds to ensure they remain appropriate in terms of scale and value to the business.

The hedge fund industry recorded negative net flows for first quarter 2010, according to *industry sources*<sup>2</sup>, and this has been reflected within RAB through both renewed redemption pressures and tough asset-raising conditions, particularly for equity products.

The Board has decided to pay a reduced interim dividend of 0.10 pence per Ordinary share, payable on 3 September 2010 to shareholders on the register on 6 August 2010.

## Outlook

The uncertainties in the global markets, and the challenging asset raising environment, mean that it is too early to predict an outcome for the full year. That said, the Group achieved some encouraging fund performance numbers in the first half which should provide a better context for asset gathering as the year progresses. We will continue to work hard to maximise risk-adjusted investment returns for our investors as well as monitoring strategic opportunities for expansion and reviewing the breadth of our fund range.

*Michael Alen-Buckley (Executive Chairman) and Stephen Couttie (Chief Executive) 27 July 2010*

<sup>2</sup> Lipper Tass Asset Flows Report

### 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. The forward-looking statements and forecasts are based on information known to the Directors at the date of this announcement and represent their current view. The Directors do not undertake to update or revise any such forward-looking statements in the light of new information, future events or otherwise, and nothing in this announcement should be construed as a profit forecast.*

## Consolidated income statement For the six months to 30 June 2010

	Note	6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Revenue	2	5,666	7,693	13,934
Net gain on available-for-sale financial assets	7	2,415	1,357	3,327
Interest receivable and similar income		139	476	913
<b>Gross income</b>		<b>8,220</b>	<b>9,526</b>	<b>18,174</b>
Cost of sales		(53)	(78)	(12)
<b>Net income</b>		<b>8,167</b>	<b>9,448</b>	<b>18,162</b>
Administrative expenses		(11,224)	(11,905)	(24,516)
<b>Operating loss before amortisation</b>		<b>(3,057)</b>	<b>(2,457)</b>	<b>(6,354)</b>
Amortisation of intangible assets		(247)	(247)	(494)
Share of post-tax results from associates		(30)	(41)	(101)
<b>Loss before taxation</b>	3	<b>(3,334)</b>	<b>(2,745)</b>	<b>(6,949)</b>
Taxation		999	689	3,852
<b>Loss after taxation attributable to equity holders of the parent</b>		<b>(2,335)</b>	<b>(2,056)</b>	<b>(3,097)</b>
Basic loss per Ordinary share	6	(0.49)p	(0.43)p	(0.65)p
Diluted loss per Ordinary share	6	(0.49)p	(0.43)p	(0.65)p

All of the above amounts relate to continuing activities.

## Consolidated statement of comprehensive income For the six months to 30 June 2010

		6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Loss for the financial year		(2,335)	(2,056)	(3,097)
Net loss on available-for-sale financial assets, net of tax		(369)	(1,579)	(941)
Cash flow hedges, net of tax		-	47	-
Currency translation differences		124	(166)	(133)
<b>Total comprehensive income attributable to equity holders of the parent</b>		<b>(2,580)</b>	<b>(3,754)</b>	<b>(4,171)</b>

## Consolidated balance sheet As at 30 June 2010

	Note	30 June 2010 £000s	30 June 2009 £000s	31 December 2009 £000s
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		8,075	8,075	8,075
Other intangible assets		123	617	370
Investment in associates		185	275	215
Property, plant and equipment		1,520	1,755	1,881
Deferred tax assets		1,227	76	645
Deferred acquisition costs		773	-	-
Available-for-sale financial assets	7	44,829	65,003	47,290
<b>Total non-current assets</b>		<b>56,732</b>	<b>75,801</b>	<b>58,476</b>
<b>Current assets</b>				
Trade and other receivables		9,935	4,885	8,643
Current tax assets		3,136	2,466	5,344
Cash and cash equivalents		39,757	35,482	45,479
<b>Total current assets</b>		<b>52,828</b>	<b>42,833</b>	<b>59,466</b>
<b>Total assets</b>		<b>109,560</b>	<b>118,634</b>	<b>117,942</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		(2,880)	(2,724)	(2,671)
<b>Current liabilities</b>				
Trade and other payables		(3,508)	(4,168)	(7,377)
Provisions		(517)	(1,450)	(636)
Current tax liabilities		-	(25)	-
<b>Total current liabilities</b>		<b>(4,025)</b>	<b>(5,643)</b>	<b>(8,013)</b>
<b>Total liabilities</b>		<b>(6,905)</b>	<b>(8,367)</b>	<b>(10,684)</b>
<b>Net assets</b>		<b>102,655</b>	<b>110,267</b>	<b>107,258</b>
<b>Equity</b>				
Called up share capital	8	505	504	505
Share premium account		47,827	46,429	47,827
Other reserves		14,829	15,928	15,198
Retained earnings		39,494	47,406	43,728
<b>Equity attributable to the equity holders of the parent</b>		<b>102,655</b>	<b>110,267</b>	<b>107,258</b>

**Consolidated statement of changes in equity  
For the six months to 30 June 2010**

	Note	Called up share capital £000s	Share premium account £000s	Other reserves £000s	Retained earnings £000s	Total equity £000s
At 1 January 2009		504	46,428	17,507	59,189	123,628
Loss for the period		-	-	-	(2,056)	(2,056)
Other comprehensive income:						
- Net loss on available-for-sale financial assets, net of tax		-	-	(1,579)	-	(1,579)
- Cash flow hedges, net of tax		-	-	-	47	47
- Currency translation differences		-	-	-	(166)	(166)
Transactions with equity holders:						
- Option exercises over Ordinary shares		-	1	-	-	1
- Share-based payments charge		-	-	-	106	106
- Purchase of own shares		-	-	-	(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>110,267</b>
Loss for the period		-	-	-	(1,041)	(1,041)
Other comprehensive income:						
- Net gain on available-for-sale financial assets, net of tax		-	-	638	-	638
- Cash flow hedges, net of tax		-	-	-	(47)	(47)
- Currency translation differences		-	-	-	33	33
Transactions with equity holders:						
- Option exercises over Ordinary shares		-	31	-	-	31
- Share-based payments charge		-	-	-	201	201
- Transferred from shares to be issued		1	1,367	(1,368)	-	-
- Dividends paid	5	-	-	-	(2,824)	(2,824)
<b>At 31 December 2009</b>		<b>505</b>	<b>47,827</b>	<b>15,198</b>	<b>43,728</b>	<b>107,258</b>
Loss for the period		-	-	-	(2,335)	(2,335)
Other comprehensive income:						
- Net loss on available-for-sale financial assets, net of tax		-	-	(369)	-	(369)
- Currency translation differences		-	-	-	124	124
Transactions with equity holders:						
- Share-based payments charge		-	-	-	339	339
- Dividends paid	5	-	-	-	(2,362)	(2,362)
<b>At 30 June 2010</b>		<b>505</b>	<b>47,827</b>	<b>14,829</b>	<b>39,494</b>	<b>102,655</b>

**Consolidated cash flow statement  
For the six months to 30 June 2010**

	Note	6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
<b>Cash flows from operating activities</b>				
Loss on ordinary activities after taxation		(2,335)	(2,056)	(3,097)
Share of post-tax results from associates		30	41	101
Amortisation of intangible assets	3	247	247	494
Depreciation of property, plant and equipment	3	478	396	825
Amortisation of deferred acquisition costs		11	-	-
Share-based payments charge	3	339	106	307
Net gain on available-for-sale financial assets	7	(2,415)	(1,357)	(3,327)
Interest receivable and similar income		(139)	(476)	(913)
Taxation credit		(999)	(689)	(3,852)
		<b>(4,783)</b>	<b>(3,788)</b>	<b>(9,462)</b>
<b>Changes in operating assets and liabilities</b>				
(Increase) / decrease in trade and other receivables		(1,292)	10,930	7,172
Decrease in trade and other payables		(3,869)	(9,316)	(6,107)
Decrease in provisions		(119)	(1,514)	(2,328)
		<b>(10,063)</b>	<b>(3,688)</b>	<b>(10,725)</b>
<b>Cash outflow used in operating activities</b>		<b>(10,063)</b>	<b>(3,688)</b>	<b>(10,725)</b>
Taxation refund		2,199	-	4
<b>Net cash outflow used in operating activities</b>		<b>(7,864)</b>	<b>(3,688)</b>	<b>(10,721)</b>
<b>Cash flows generated from investing activities</b>				
Interest received		139	472	668
Dividends received		-	4	245
Decrease in assets held for sale		-	825	825
Purchase of property, plant and equipment		(127)	(167)	(713)
Disposal of property, plant and equipment		-	23	24
Purchase of available-for-sale financial assets	7	(22,793)	(24,647)	(42,745)
Disposal of available-for-sale financial assets	7	28,003	18,000	56,114
Deferred acquisition costs		(780)	-	-
<b>Net cash inflow generated from / (outflow used in) investing activities</b>		<b>4,442</b>	<b>(5,490)</b>	<b>14,418</b>
<b>Cash flows generated from financing activities</b>				
Equity dividends paid	5	(2,362)	(8,469)	(11,293)
Issue of Ordinary share capital		-	1	32
Repurchase of own shares	8	-	(1,245)	(1,245)
<b>Net cash outflow used in financing activities</b>		<b>(2,362)</b>	<b>(9,713)</b>	<b>(12,506)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,784)</b>	<b>(18,891)</b>	<b>(8,809)</b>
Effect of exchange rate changes		62	(77)	(162)
<b>Cash and cash equivalents at 1 January</b>		<b>45,479</b>	<b>54,450</b>	<b>54,450</b>
<b>Cash and cash equivalents at end of period</b>		<b>39,757</b>	<b>35,482</b>	<b>45,479</b>

## Notes to The Financial Statements For the six months to 30 June 2010

### 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 2009.

#### 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 s435 of the Companies Act 2006. The financial information for the six months ended 30 June 2010 and 2009 has not been audited. The comparative figures for the financial year ended 31 December 2009 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 498 (2) or (3) of the Companies Act 2006. 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 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 has one operating segment, namely investment management. Strategic and financial management decisions are determined by the Board and information is reported on an aggregated basis. The result of that operating segment is therefore disclosed in these interim accounts.

The Group is subject to seasonal variations in the level of performance fees recognised. A 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:

	6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Management fees	5,017	5,899	10,748
Performance fees	486	1,583	2,846
Other fees	163	211	340
Revenue	<b>5,666</b>	7,693	13,934

### 3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

#### (A) Loss for the period

	6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Staff costs			
- staff related fixed costs	4,500	4,702	9,266
- staff bonus charge including related social security costs	2,000	2,000	5,738
- employee share-based payments charge	339	106	307
Amortisation of intangible assets	247	247	494
Depreciation of property, plant and equipment	478	396	825

In addition to the amounts shown above, £591,000 (2009: £nil) of payments relating to employees in connection with the acquisition of new business are included in additions to deferred acquisition costs in the period.

#### (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 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Loss before taxation	(3,334)	(2,745)	(6,949)
Impairment of available-for-sale financial assets	207	784	812
Amortisation of intangible assets	247	247	494
Depreciation of property, plant and equipment	478	396	825
Share-based payments charge	339	106	307
Free cash earnings before taxation	<b>(2,063)</b>	(1,212)	(4,511)
Effective tax charge - income statement charge	999	689	3,852
Free cash earnings after taxation	<b>(1,064)</b>	(523)	(659)

## 4. SHARE-BASED PAYMENTS

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

	6 months to 30 June 2010		6 months to 30 June 2009		Year to 31 December 2009	
	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>86,985,000</b>	<b>47.0p</b>	73,595,000	69.0p	73,595,000	69.0p
Granted during period	-	-	38,500,000	23.0p	40,500,000	23.0p
Exercised during period	-	-	(20,000)	8.0p	(420,000)	8.0p
Lapsed during period	<b>(2,330,000)</b>	<b>32.6p</b>	(13,860,000)	83.7p	(26,690,000)	72.0p
Outstanding at end of period	<b>84,655,000</b>	<b>47.4p</b>	98,215,000	48.8p	86,985,000	47.0p
Vested but not exercised at end of period	<b>38,740,000</b>	<b>59.0p</b>	40,480,000	55.6p	30,650,000	55.2p

No share options were exercised in the six months to June 2010 (the weighted average share price for options exercised in the six months to June 2009 was 19.0p).

## 5. DIVIDENDS

	6 months to 30 June 2010 £000s	6 months to 30 June 2009 £000s	Year to 31 December 2009 £000s
Final paid in respect of 2009: 1.80p (2008: 1.80p) per 0.1p Ordinary share	-	8,469	8,469
Second interim paid in respect of 2009: 0.50p (2009: nil) per 0.1p Ordinary share	<b>2,362</b>	-	-
Interim paid in respect of 2009: 0.60p per 0.1p Ordinary share	-	-	2,824
Total dividends paid in period	<b>2,362</b>	8,469	11,293

The Directors have declared an interim dividend in respect of the financial year ending 31 December 2010 of 0.10p per 0.1p Ordinary share (2009: 0.60p).

## 6. LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per Ordinary share is based on the loss for the period of £2,335,000 (June 2009: loss £2,056,000) and on the following share capital data:

	<b>6 months to 30 June 2010</b>	6 months to 30 June 2009	Year to 31 December 2009
Basic weighted average number of Ordinary shares	<b>472,481,481</b>	480,385,619	475,937,418
Dilutive effect of share-based payments	<b>1,150,284</b>	1,456,637	1,526,065
Dilutive effect of shares to be issued for acquisition of the Pi business	<b>1,825,905</b>	3,366,669	2,986,755
Diluted weighted average number of Ordinary shares	<b>475,457,670</b>	485,208,925	480,450,238

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

	<b>6 months to 30 June 2010</b>	6 months to 30 June 2009	Year to 31 December 2009
	<b>£000s</b>	£000s	£000s
At beginning of period	<b>47,290</b>	59,240	59,240
Additions	<b>22,793</b>	24,647	42,745
Disposals	<b>(28,003)</b>	(18,000)	(56,114)
Profit/(loss) on movement in fair value	<b>2,749</b>	(884)	1,419
At end of period	<b>44,829</b>	65,003	47,290

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

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

	<b>6 months to 30 June 2010</b>	6 months to 30 June 2009	Year to 31 December 2009
	<b>£000s</b>	£000s	£000s
Proceeds on disposal	<b>28,003</b>	18,000	56,114
Original book cost less impairment charges	<b>(25,381)</b>	(15,859)	(51,975)
Net gain on disposal	<b>2,622</b>	2,141	4,139
Impairment charge in period	<b>(207)</b>	(784)	(812)
Net gain	<b>2,415</b>	1,357	3,327

## 8. SHARE CAPITAL

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

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
At beginning of period	505,244,124	503,703,360	503,703,360
Transfer from shares to be issued	-	-	1,540,764
At end of period	<b>505,244,124</b>	503,703,360	505,244,124
Consisting of:			
Held in treasury	<b>32,762,643</b>	33,162,643	32,762,643
With voting rights	<b>472,481,481</b>	470,540,717	472,481,481
	<b>505,244,124</b>	503,703,360	505,244,124

No Ordinary shares were bought back by the Company during the period (June 2009: 9,315,065 for a total consideration of £1.2 million, including transaction costs of £1,000).

## 9. CONTINGENT LIABILITIES

The Group is currently subject to challenge by HMRC into the level of Pay As You Earn ("PAYE") and National Insurance Contributions ("NIC") applied on certain historic bonuses. HMRC have issued a determination for £897,000 in respect of the PAYE and NIC and may seek to impose interest and penalties. The Group is actively disputing this claim and believes no further PAYE nor NIC is payable.