RAB Capital plc
(“RAB” or “the Company”)

Announcement of audited results for the year ended 31 December 2008

25 March 2009

2008 trading summary

- Net income down 69% to £43.1 million (2007: £137.1 million)
- Profit before tax and exceptional charges £3.8 million (2007: £51.1 million)
- Loss before tax after exceptional charges £13.9 million (2007: profit £51.1 million)
- Basic earnings per Ordinary share (3.38)p (2007: 6.70p)
- Diluted earnings per Ordinary share (3.38)p (2007: 6.28p)
- Assets under management down 74% to $1.9 billion (2007: $7.2 billion)
- Rationalisation of product offering to focus on core strengths of natural resources, long/short equity and market neutral funds
- Positive cash generation

Year end financial position

- Strong balance sheet
- Net current assets and investments £115.4 million (2007: £140.9 million) after outlay of £31.8 million (2007: £28.9 million) on buybacks and dividends
- Net current assets and investments per Ordinary share 23.6p* (2007: 26.9p)
- Proposed final dividend of 1.80p per Ordinary share (2007: 1.80p) to give total dividends of 2.40p per Ordinary share (unchanged from 2.40p in 2007)

* based on shares in issue less those held in treasury at 31 December 2008

Stephen Couttie, Chief Executive said:

“The markets continue to remain challenging, but the greater focus that we now have in our offering, the realisation of improved efficiency within our operations and the steadily improving liquidity of the Company has better positioned RAB for this difficult period.”

Michael Alen-Buckley, Executive Chairman, said:

“The Board’s confidence in the future of the business is reflected in unchanged dividends - covered by free cash earnings after taxation and further justified by our balance sheet strength.”

For more information contact:

RAB Capital plc	Marc Popiolek	020 7389 7116
M Communications	Nick Miles/Charlotte Kirkham	020 7153 1530

Nominated Adviser & Corporate Broker:

KBC Peel Hunt	Jonathan Marren	020 7418 8900
	Matthew Tyler	

Chairman's Statement

There is little doubt that conditions in the global financial markets in 2008 were the toughest in the working lifetimes of the current generation of practitioners. The world's leading financial institutions, central banks and governments were presented with unprecedented challenges amidst far-reaching market upheaval.

Faced with challenges of this magnitude, several RAB funds did not properly anticipate just how difficult markets would become and the outcomes were regrettably disappointing. At the same time we recognise those RAB investment managers who did well to preserve capital in 2008.

In last year's very difficult environment, three issues gave particular cause for concern: heightened volatility; the withdrawal of liquidity from formerly active markets; and the need for fund investors, both in RAB funds and in those of its competitors, to access liquidity by redeeming investments.

The combined impact of these factors on certain segments of the investment universe was far-reaching. In smaller capitalisation equities, where several RAB funds have invested, the FTSE AIM 100 Index fell 64% over the course of 2008, ending the year 69% off its high in 2007.

In September 2008, we brought forward a planned change in the executive leadership of the Group. Stephen Couttie was appointed Chief Executive in place of Philip Richards, who now focuses on his fund management responsibilities whilst remaining an executive Director. At the same time Charles Kirwan-Taylor was appointed as an executive Director, taking on the role of Chief Investment Officer in December 2008.

Before commenting further on 2008, it is right to recognise our indebtedness to Robert Shrager, a non-executive Director, who sadly died on 28 February 2009. Robert made a very valuable contribution since joining the Board in 2004 and his wise counsel and guidance will be sorely missed.

We tightened our product range during the second half of 2008 and in February 2009 we announced the disposal of the Northwest funds, selling these back to the original principals. The current suite of RAB funds now focuses on investment strategies, be they market neutral, long/short equity or deep value natural resources investing, which are founded on our core competency in fundamental research.

Reflecting our confidence in the future of the business, the Board has recommended an unchanged final dividend of 1.80 pence per Ordinary share, payable on 8 May 2009, giving a total of 2.40 pence per Ordinary share for the year. The proposed final dividend and the total dividend for 2008 were covered by last year's free cash earnings after taxation.

The restructuring of our fund range will continue to have some impact on assets under management, which were $1.5 billion as at 1 March 2009 including $300 million in the Northwest strategies (completion of the disposal is expected on 2 April). We fully expect trading in 2009, in particular during the first six months, to remain challenging.

I would like to thank our fund investors, shareholders and employees for their support. We will continue to do our very best for our investors in the coming year.

MICHAEL ALEN-BUCKLEY
Executive Chairman
24 March 2009

RAB CAPITAL

Chief Executive's Statement

Overview of 2008

2008 was an unprecedented year for the Company and presented challenges at many levels. A trend of deteriorating financial markets which started in the middle of 2007 was reinforced by worsening news flows from the real economy. Concerns about the banking sector both elevated counterparty risks and raised the spectre of governments' worst systemic fears being realised. These weakening conditions were reflected in financial markets in many ways, but the attributes that most affected RAB were more prominent value destruction among natural resource companies (at the beginning of 2008 approximately 50% of RAB's assets under management ("AuM") were focused on the natural resources sector), and a drying up of liquidity in most asset classes. Liquidity constraints have impacted negatively in a number of different ways. These included:

- tighter financing terms for our funds;
- structural deleveraging at both institutional and private levels and the resulting effect of investors looking to their fund investments as a source of liquidity;
- an inability of smaller companies in the development stage to access financing;
- the market for smaller companies being relatively badly hit as investors' sell orders impacted more severely on lower market turnovers and levels of capitalisation; and
- dislocation of long held relationships between financial assets and the consequential realisation of basis risks.

This combination of illiquidity, and the fact that both the natural resources sector and smaller companies have been in the 'eye of the storm' has resulted in an extremely difficult period for a number of the larger RAB investment strategies. These included the RAB Special Situations and RAB Energy strategies in respect of which the fund boards requested restructured liquidity terms, and a number of fund of funds products that invested in these strategies. It is also worth noting that a number of RAB's strategies demonstrated excellent defensive qualities, with RAB-Pi Asia, RAB Cross Europe, RAB Gold, and RAB Europe all producing very respectable results. Furthermore some assistance was provided by the strengthening of the US Dollar in the context of a structural long US Dollar position. However, the overall influence of the above factors had a major business impact, including a significant reduction in AuM, a number of funds below their high water marks, and a consequential reduction in RAB's profitability and revenue opportunity going forward. It is the principal purpose of this report to provide some background on how these events are reflected in the financial results for 2008 and to explain to shareholders the structural and strategic initiatives the Board has taken to protect and promote the business.

Financial results

- revenues declined by 59%, principally attributable to a significant fall in performance fees
- administrative expenses fell by 56%, mainly due to a reduction in incentive compensation charges
- the business remained cash generative and profitable before exceptional charges
- exceptional charges required in respect of the impairment of intangibles of £14.3 million and restructuring £3.4 million
- a Group loss after tax of £17.1 million
- the balance sheet remained strong and included £115.4 million of net current assets and investments at the end of the year

With regard to the consolidated income statement, lower management fees, significantly reduced performance fees, and the need to reflect some impairment charges in respect of our investment portfolio resulted in net income falling by 69% to £43.1 million, (2007: £137.1 million). Administrative expenses also fell by 56%, due to a significant reduction in incentive compensation, and allowed the Group to retain positive cash flow and operating profitability. The Group has also had to recognise some exceptional impairment and restructuring costs as we have sought to rationalise our offering and achieve better economics in the business generally. These exceptional costs totalled £17.7 million (2007: £nil) and result in a loss before tax of £13.9 million (2007: profit £51.1 million).

As part of the rationalisation of the business, in February 2009 we announced our intention to dispose of the Northwest business to its original founders who will leave RAB as part of the transaction. An exceptional charge of £9.4 million in respect of impairment of goodwill and intangibles has been taken in 2008 in anticipation of the transaction completing at the beginning of April 2009. This charge does not affect the net current assets and investments of the Group, and notwithstanding the loss being recognised in 2008, our ownership of Northwest was accretive to shareholders. The Group also recognised an exceptional charge of £4.9 million in respect of the impairment of the intangible assets from the Pi acquisition where AuM has fallen significantly since acquisition, and £3.4 million in respect of a redundancy programme and other costs associated with reducing the scale of operations. Specifically with regard to the charge in respect of Pi, while this properly reflects the requirements of International Financial Reporting Standards ("IFRS") it does not reflect the Board's assessment of this enterprise's long term commercial value stemming from the performance of the RAB-Pi Asia fund and a credible presence in Asia.

In respect of the balance sheet, the fact that the business continued to generate positive cash flow resulted in a good liquidity position at year end with £115.4 million in net current assets and investments. The comparative value for 2007 was £140.9 million, while approximately £32 million has been returned to shareholders through dividends and buy backs.

More details concerning the financial statements are contained in the Business Review.

Internal structural changes

Business model
The results of 2008 indicate that there is a degree of resilience in the business model, principally founded on the elasticity of costs, which includes a high percentage of incentive-related compensation. However, it is the intention of the Board to orientate manager compensation even more towards fund performance in 2009 and beyond, and by so doing accommodate the ability to reward excellence in marketing. It is also intended to build in retentive qualities into Group compensation arrangements.

Product offering
It has been the practice of the Company to look for talented managers across a broad array of disciplines and to seek to build those strategies through a combination of seeding, marketing, and support from anchor investors. This has resulted in a large number of funds, some of which reached sub economic levels in the context of the redemption pressure noted above. It was also the case that the number of varied products presented marketing challenges, and in some cases resulted in strategies that were less of a good fit with the Group's infrastructure. RAB has therefore sought to rationalise its offering down to the products where a good long or short term record can be demonstrated, and where it can claim a clear comparative advantage. We anticipate that the medium term consequences of this initiative will be to have a smaller number of larger funds each of which play to the Group's core strengths in fundamental securities analysis.

This rationalisation has been at times a very difficult process, but strategically positions RAB much better to face the challenges of 2009 and beyond. It also has implications for the Group's fixed cost base which are discussed further below.

RAB CAPITAL

Investment Strategies

	31 December 2008 $m	31 December 2007 $m	AuM Increase/ (decrease) %
Natural resources	**841**	3,464	(76)
Long/short	**174**	919	(81)
Market neutral	**125**	290	(57)
Fund of funds	**196**	414	(53)
Retail	**12**	109	(89)
Northwest	**344**	793	(57)
Discontinuing*	**175**	1,253	(86)
	1,867	7,242	(74)

*Individual funds being wound up including the RAB Multi Strategy Fund

Operating platform
For all companies engaged in financial markets 2008 was a year which tested operations, risk processes and counterparty risk management. During the year RAB took steps to strengthen all of these areas: firstly, in respect of counterparty risk the Company was prepared for the uncertain markets that characterised September through December with multiple cash depositories and other solutions to limit the impact of any impairment in counterparty credit. Secondly, we have taken steps to improve the risk governance of strategies managed by RAB through the appointment of a Chief Investment Officer who is independent of the fund management activity as well as the appointment of a new Chief Risk Officer. Thirdly, we also confirmed the standards of independence, valuations processing, and governance that surround all of RAB's funds in preparedness for the Hedge Fund Standards Board disclosures which became effective on 31 December 2008.

While these steps do not represent a fundamental change from where the Group was positioned, we recognise that the industry-wide events of 2008 have resulted in the need to give more prominence to the quality of operating standards particularly insofar as they relate to the independence of critical functions.

Cost structure and balance sheet
The rationalisation has resulted in a significantly lower fixed cost base than was the case in 2008. We anticipate that the measures we have taken will, by the end of the first half of 2009, result in a monthly run rate of costs 40% below their peak in June 2008. The Group is taking all reasonable measures, such as are consistent with the maintenance of a high quality operating platform, to contain costs and maintain the strength of the balance sheet. However, the Group is not shedding resources in a way which will limit its future strategic options and is retaining capacity to add new businesses.

As at 31 December 2008 the value of investments and net current assets stood at approximately £115.4 million and the Group is seeking to maintain this value, as adjusted for distributions to shareholders and the costs of any strategic initiatives. More details about the Income Statement and Balance Sheet are contained in the Business Review.

The anticipated medium term consequences of these internal initiatives are:

- a business model that improves the quality of earnings;
- a framework that better promotes our marketing objectives;
- a lower level of absolute fixed costs;
- a focused offering that plays to the Group's core strengths; and
- a more efficient infrastructure and the maintenance of a high quality operating platform.

We believe these steps are critical to being able to rebuild the business in the context of an extremely challenging industry landscape that is likely to persist for some time to come.

Strategic considerations

Significant outflows from the hedge fund industry through 2009, and the pressure of redemptions continues to be felt in a number of areas. The middle or base case outcome emerging from most industry commentators is that the industry world-wide will have halved in size from its peak to a total AuM of circa $1 trillion before the end of 2009, with a bear case for AuM falling to as low as $500 billion. In addition to outflows, the market remains extremely uncertain with little in the way of directional themes, and worsening macro economical news.

This indicates that there is likely to be significant consolidation within the industry in the search for critical mass, shared resources, broader pools of investment talent, more balanced offerings, or access to new distribution channels.

It is the Board's view that businesses that will find it easiest to survive and grow in this environment will have certain attributes both at the fund and management company levels. These are likely to include, but are not limited to:

- maintenance of a strong capital base;
- strategies with generally low levels of gearing;
- institutionalised management companies or platforms;
- strong management of operational and portfolio risk with a particular focus on independent administration;
- transparency in communications with investors; and
- appropriate regulation of management companies by respected authorities.

RAB has assembled a business which addresses each of these points, and seeks to promote high standards across all aspects of its operations generally. Within the funds themselves, RAB's strategies have never relied on significant leverage and the Group's structural attributes, its level of capitalisation, its business model, and low fixed cost base also provide a solid foundation from which to develop its business.

In this regard, the key areas of focus are distribution and the selective addition of strategies which are both of meaningful size and which represent compelling opportunities in the markets that confront us today. At any one time the Executive Committee is considering a number of opportunities in these two categories.

Conclusion

There is no question that the current environment remains extremely tough for fund management companies, particularly those engaged in alternative investment strategies. It is also clear that volatile asset prices, elevated counterparty risks and the uncertainties which surround the efficient operation of the markets themselves will be with us for some time to come. That said, RAB firmly believes that it has equipped itself to deal with a prolonged period of market difficulty.

I would like to conclude by thanking our investors and shareholders for their continued support and our employees for the exceptional efforts they made during 2008.

STEPHEN COUTTIE
Chief Executive
24 March 2009

Business review

Income statement and balance sheet
The main impact of the difficult market conditions experienced in 2008 was a reduction in assets under management. Declining market values, redemptions and fund closures resulted in the assets under management falling to $1.9 billion from $7.2 billion. Management fees totalled £41.8 million (2007: £52.8 million) and performance fees £9.0 million (2007: £72.0 million). Variable incentive compensation charges amounted to £11.5 million (2007: £58.8 million) and fixed costs, including amortisation of intangible assets, totalled £27.9 million (2007: £27.2 million). In addition to the above the Group was required to make some impairment charges to reflect the reduction in value of its available–for-sale financial assets, and resulted in an overall loss on the Group's investing activities of £10.7 million (2007: profit £10.9 million). Further exceptional charges of £17.7 million (2007: £nil) were required to write down intangible assets which arose on strategic acquisitions and to provide for restructuring costs. In total the Group achieved an operating profit before amortisation and exceptional charges for the year of £6.5 million (2007: £52.9 million), and a loss after tax of £17.1 million (2007: profit £36.0 million). Non-cash charges, including impairments of intangibles and available-for-sale financial assets, in the income statement totalled £32.9 million (2007: £7.9 million).

The fall in the share price of RAB and the impairment of available-for-sale financial assets have severely reduced our ability to recognise deferred tax assets in relation to these non-cash charges, significantly increasing our effective tax rate in 2008. However, a recovery in the share price of RAB or value of the available-for-sale financial assets in future periods could reduce our future tax charge and effective tax rate.

The Group remained well capitalised and maintained a liquid balance sheet. The sum of available-for-sale financial assets and net current assets was £115.4 million at the year end (2007: £140.9 million) and this was after the distribution of £31.8 million (2007: £28.9 million) to shareholders during the year through either dividend or buy backs. The significant majority of the Group's holdings in available-for-sale financial assets are investments in funds managed by RAB and are stated at fair value, based on independently certified net asset values.

Structural changes in the business
The Group has sought to adapt to the changing conditions of the market by reducing the number of smaller strategies and otherwise contracting the size of the business where it can do so without impacting on the quality of the investment activity or client servicing. The goal has been to improve the overall economics of the business for a given size of assets under management, simplify the offering, and to focus on the Group's core strength in fundamental securities' research.

Consistent with this strategy, the Company announced in February 2009 that it was selling the Northwest business back to its original owners. As an acquired business its disposal not only results in lower cash costs, but removes a significant proportion of the Group's intangible amortisation costs.

Overall, this program of rationalising and refocusing the business will result in significantly reduced fixed overhead in respect of the Group's current stable of products.

Shareholder returns
During the year the Company bought back in excess of 45 million Ordinary shares for a total consideration of £19.7 million. Both the Group and Company continue to be well capitalised and the Board remains confident about the future of the business. As a consequence the Board has proposed maintaining last year's final dividend of 1.80 pence per Ordinary share, making the total dividend for the year 2.40 pence per Ordinary share.

The Company has continued to buy back shares into treasury at the beginning of 2009 to be used in conjunction with the Group's Unapproved Share Options Scheme or as part of a program to bring new teams onto RAB's platform.

STEPHEN COUTTIE
Finance Director and Chief Operating Officer
24 March 2009

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.

Copies of this announcement are available on the RAB website at www.rabcap.com.

Consolidated income statement
For the year ended 31 December 2008

	Note	2008 £000s	2007 £000s
Revenue	3	**51,883**	125,192
Net (loss)/gain on available-for-sale financial assets	10	**(10,663)**	10,931
Interest receivable and similar income		**3,150**	4,159
Gross income		**44,370**	140,282
Cost of sales		**(1,226)**	(3,223)
Net income		**43,144**	137,059
Administrative expenses		**(36,653)**	(84,153)
Operating profit before amortisation and exceptional charges		**6,491**	52,906
Amortisation of intangible assets	9	**(2,769)**	(1,815)
Share of post-tax results from associates		**54**	(3)
Profit before exceptional charges		**3,776**	51,088
Impairment of goodwill and intangible assets	9	**(14,270)**	-
Restructuring costs	5	**(3,424)**	-
(Loss)/profit before taxation	4	**(13,918)**	51,088
Taxation	6	**(3,176)**	(15,052)
(Loss)/profit after taxation attributable to equity holders of the parent		**(17,094)**	36,036
Basic earnings per Ordinary share	8	**(3.38)p**	6.70p
Diluted earnings per Ordinary share	8	**(3.38)p**	6.28p

All of the above amounts relate to continuing activities.

Statement of recognised income and expense

	Note	2008 £000s	2007 £000s
(Loss)/profit for the financial year		**(17,094)**	36,036
Net (loss)/gain on the revaluation of available-for-sale financial assets	10	**(13,577)**	11,675
Amounts transferred to the income statement	10	**10,663**	(10,931)
Tax credit recognised in respect of the exercise of options		**-**	2,898
Deferred tax in respect of share-based payments	12	**(4,811)**	16
Deferred tax in respect of available-for-sale financial assets	12	**522**	(102)
Total recognised gains and losses attributable to equity holders of the parent		**(24,297)**	39,592

RAB CAPITAL

Balance sheet
at 31 December 2008

	Note	2008 £000s	2007 £000s
Assets			
Non-current assets			
Goodwill	9	**8,075**	19,061
Other intangible assets	9	**864**	16,997
Investment in associates		**316**	262
Property, plant and equipment		**2,044**	2,599
Deferred tax assets	12	**-**	1,921
Available-for-sale financial assets	10	**59,240**	96,780
Total non-current assets		**70,539**	137,620
Current assets			
Assets held for sale	11	**825**	-
Trade and other receivables		**15,815**	58,286
Current tax assets		**1,514**	-
Cash and cash equivalents		**54,450**	53,120
Total current assets		**72,604**	111,406
Total assets		**143,143**	249,026
Liabilities			
Non-current liabilities			
Deferred tax liabilities	12	**(3,043)**	(65)
Total non-current liabilities			
Current liabilities			
Trade and other payables		**(13,484)**	(62,534)
Provisions		**(2,964)**	(593)
Current tax liabilities		**(24)**	(4,141)
Total current liabilities		**(16,472)**	(67,268)
Total liabilities		**(19,515)**	(67,333)
Net assets		**123,628**	181,693
Equity			
Called up share capital	13	**504**	547
Share premium account		**46,428**	43,535
Other reserves		**17,507**	38,454
Retained earnings		**59,189**	99,157
Equity attributable to the equity holders of the parent		**123,628**	181,693

RAB CAPITAL

Cash flow statement
For the year ended 31 December 2008

	2008 £000s	2007 £000s
Cash flows from operating activities		
(Loss)/profit on ordinary activities after taxation	**(17,094)**	36,036
Share of post-tax results from associates	**(54)**	3
Amortisation of intangible assets	**2,769**	1,815
Impairment of goodwill and intangible assets	**14,270**	-
Depreciation of property, plant and equipment	**1,013**	714
Share-based payments charge	**3,198**	5,398
Net loss/(gain) on available-for-sale financial assets	**10,663**	(10,931)
Interest receivable and similar income	**(3,150)**	(4,159)
Taxation expense	**3,176**	15,052
	14,791	43,928
Changes in operating assets and liabilities		
Decrease in trade and other receivables	**42,471**	21,633
Decrease in trade and other payables	**(49,050)**	(1,033)
Increase in Provisions	**2,371**	275
Cash generated from operating activities	**10,583**	64,803
Taxation paid	**(5,797)**	(12,445)
Net cash inflow generated from operating activities	**4,786**	52,358
Cash flows generated from investing activities		
Interest received	**2,880**	4,085
Dividends received	**270**	74
Acquisition of investment in associates	**-**	(265)
Consideration paid for acquisitions	**-**	(4,128)
Purchase of property, plant and equipment	**(503)**	(1,906)
Purchase of available-for-sale financial assets	**(27,282)**	(102,794)
Disposal of available-for-sale financial assets	**51,245**	87,350
Net cash inflow generated from/(outflow used in) investing activities	**26,610**	(17,584)
Cash flows generated from financing activities		
Equity dividends paid	**(12,161)**	(10,476)
Issue of Ordinary share capital	**1,471**	13,415
Purchase of own shares by Employee Benefit Trust	**-**	(2)
Repurchase of own shares	**(19,670)**	(18,431)
Net cash outflow used in financing activities	**(30,360)**	(15,494)
Net increase in cash and cash equivalents	**1,036**	19,280
Effect of exchange rate changes	**294**	-
Cash and cash equivalents at 1 January	**53,120**	33,840
Cash and cash equivalents at 31 December	**54,450**	53,120

RAB CAPITAL

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 2008.

The results for the year ended 31 December 2008 are audited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the years ended 31 December 2007 or 2008. The financial information for 2007 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 2009 and will be delivered to the Registrar of Companies after the Annual General Meeting to be held on 5 May 2009 at The Royal Society of Arts, 8 John Adam Street, London WC2N 6EZ.

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:

	2008 £000s	2007 £000s
Management fees	**41,765**	52,752
Performance fees	**8,991**	72,011
Other fees	**1,127**	429
	51,883	125,192

4. (Loss)/profit for the year

	2008 £000s	2007 £000s
(Loss)/profit for the year has been arrived at after charging:		
Staff costs	**27,500**	74,017
Operating leases	**1,271**	680
Amortisation of intangible assets	**2,769**	1,815
Depreciation of property, plant and equipment	**1,013**	714
Foreign exchange (gain)/loss	**(3,579)**	99

Free cash earnings after taxation

		2008 £000s	2007 £000s
(Loss)/profit before taxation		**(13,918)**	51,088
Impairment of available-for-sale financial assets		**11,641**	-
Impairment of intangible assets		**14,270**	-
Amortisation of intangible assets		**2,769**	1,815
Depreciation of property, plant and equipment		**1,013**	714
Share-based payments charge		**3,198**	5,398
Free cash earnings before taxation		**18,973**	59,015
Effective tax charge	- income statement charge	**(3,176)**	(15,052)
	- tax credit recognised in respect of the exercise of options	**-**	2,898
Free cash earnings after taxation		**15,797**	46,861

RAB CAPITAL

5. Restructuring Costs

The restructuring costs of £3,424,000 (2007: £nil) relate to a redundancy programme and other costs associated with reducing the scale of operations.

6. Taxation

(A) Analysis of tax charge for the year

	2008 £000s	2007 £000s
Current tax on income for the year	**222**	16,735
Adjustments in respect of previous periods	**(33)**	(149)
Current tax charge	**189**	16,586
Deferred tax charge/(credit)	**2,987**	(1,534)
Tax expense in the consolidated income statement	**3,176**	15,052

(B) Factors affecting the tax charge for the year

	2008 £000s	2007 £000s
(Loss)/profit on ordinary activities before taxation	**(13,918)**	51,088
Tax (credit)/expense on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28.5% (2007: 30%)	**(3,966)**	15,326
Effect of:		
Disallowed expenses and non-taxable income	**2,896**	113
Marginal rate relief in subsidiaries	**(4)**	(12)
Change in effective tax rate	**(170)**	(192)
Capital losses in excess of realised and unrealised capital gains	**2,708**	-
Share based payments in excess of tax credits recognised	**1,754**	-
Share of results of associated companies	**(15)**	1
Adjustments in respect of prior period	**(33)**	(149)
Other	**6**	(35)
Tax expense in the income statement	**3,176**	15,052
Effective tax rate	**(22.8)%**	29.5%

7. Dividends

	2008 £000s	2007 £000s
Amounts recognised as distributions to equity holders in the year:		
Prior year final paid: 1.80p (2007: 1.35p) per 0.1p Ordinary share	**9,131**	7,196
Current year interim paid: 0.60p (2007: 0.60p) per 0.1p Ordinary share	**3,030**	3,280
Total dividends paid in the year	**12,161**	10,476

The Directors have proposed a final dividend in respect of the financial year ending 31 December 2008 of 1.80p per Ordinary share (2007: 1.80p), or £8,792,000 (2007: £9,434,000) based on the Ordinary shares in issue and excluding those held in treasury at 31 December 2008. The proposed dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

RAB CAPITAL

8. Earnings per Ordinary share

The calculation of basic and diluted earnings per Ordinary share are based on the loss for the year of £17,094,000 (2007: profit £36,036,000) and on the following share capital data:

	2008	2007
Basic weighted average number of Ordinary shares	**505,727,283**	537,550,297
Dilutive effect of share-based payments	**7,794,871**	33,668,633
Dilutive effect of convertible shares	**404,322**	1,406,172
Dilutive effect of shares to be issued for acquisition of the Pi business	**3,366,669**	1,210,052
Diluted weighted average number of Ordinary shares	**517,293,145**	573,835,154

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.

9. Goodwill and intangible assets

(A) Movement in fair value

	Goodwill £000s	**Intangible assets £000s**	**Total £000s**
Cost			
At 1 January 2007	17,927	11,985	29,912
Acquisitions	1,134	7,326	8,460
At 31 December 2007	19,061	19,311	38,372
Acquisition adjustments	(9,316)	-	(9,316)
Transferred to assets held for sale	(1,670)	(11,985)	(13,655)
At 31 December 2008	8,075	7,326	15,401
Amortisation and impairment			
At 1 January 2007	-	499	499
Amortisation charge for year	-	1,815	1,815
At 31 December 2007	-	2,314	2,314
Amortisation charge for year	-	2,769	2,769
Impairment charge	1,670	12,600	14,270
Transferred to assets held for sale	(1,670)	(11,221)	(12,891)
At 31 December 2008	-	6,462	6,462
Net book amount			
At 1 January 2007	17,927	11,486	29,413
At 31 December 2007	19,061	16,997	36,058
At 31 December 2008	8,075	864	8,939

Intangible assets comprise capitalised investment management and non-compete agreements acquired as part of business combinations.

(B) Acquisition adjustments

At 31 December 2008 the Group was negotiating the disposal of the business and assets vested in the Northwest brand (the "Northwest business") back to the original principals. This negotiation was part of the Company's restructuring which included rationalising its offering. As a result of the disposal the principals will forfeit 6,704,108 Ordinary shares (valued at £6.9 million on the date of the acquisition) issued as contingent consideration when the Company purchased Northwest Investment Management Limited in 2006. Forfeited consideration has been credited to goodwill and debited to retained reserves, offset by an equal transfer from the merger reserve to retained reserves. £2.4 million of deferred tax liability has been released against goodwill reversing the original debit, less amortisation, recognised when intangible assets were identified as part of the Company's acquisition.

RAB CAPITAL

(C) Impairment charge

	2008 £000s	2007 £000s
Goodwill		
- Northwest	**1,670**	-
Intangible assets		
- Northwest	**7,726**	-
- The Pi business	**4,874**	-
	12,600	-
Impairment charge	**14,270**	-

The consideration for the disposal of the Northwest business is £1 million payable in cash and the expected completion date is 2 April 2009. At 31 December 2008 the fair value of intangible assets, being the consideration of £1 million less the fair value of property, plant and equipment and expected sale costs, included in the disposal was £764,000. Consequently, impairment of intangible assets and goodwill was £7.7 million and £1.7 million respectively. Assets included in the disposal have been reclassified as 'assets held for sale' in current assets.

A fall in assets across the Pi funds and the closure of a managed account indicated that intangible assets acquired in the purchase of the Pi business may be impaired. To determine whether there was impairment an estimate of the assets' recoverable amount, based on value in use, was calculated. The discount rate used in the value in use calculation was 10% and an impairment charge of £4.9 million was recognised. Intangible assets relating to the Pi business were fully impaired except for £864,000 relating to non-compete agreements which are still in force and therefore not considered impaired.

10. Available-for-sale financial assets

(A) Movement in fair value

	2008 £000s	2007 £000s
At 1 January	**96,780**	69,661
Additions	**27,282**	102,794
Disposals	**(51,245)**	(87,350)
(Loss)/gain on movement in fair value	**(13,577)**	11,675
At 31 December	**59,240**	96,780
Included within available-for-sale financial assets are:		
Uncrystallised net gain	**3,130**	6,045
Impairments	**(11,641)**	-

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

	2008 £000s	2007 £000s
Proceeds on disposal	**51,245**	87,350
Original book cost	**(50,267)**	(76,419)
Net gain on disposal	**978**	10,931
Impairment charge	**(11,641)**	-
Net (loss)/gain	**(10,663)**	10,931

11. Assets held for sale

	2008 £000s	2007 £000s
Other intangible assets	**764**	-
Property, plant and equipment	**61**	-
	825	-

Assets held for sale relate to the disposal of the Northwest business, announced by the Company on 2 February 2009 (see Notes 9(B) and 14).

12. Deferred taxation

Deferred tax asset and liability balances are as follows:

	2008 £000s	2007 £000s
Deferred tax assets		
Realised and unrealised capital losses on available-for-sale financial assets	**881**	-
Depreciation in excess of capital allowances	**67**	23
Lease incentive	**-**	8
Share-based payments	**24**	6,251
Other	**118**	71
Deferred tax assets	**1,090**	6,353
Deferred tax liabilities		
Unrealised gains on available-for-sale financial assets	**1,170**	1,692
Intangible assets	**-**	2,805
Undistributed profits in overseas subsidiaries	**2,917**	-
Other	**46**	-
Deferred tax liabilities	**4,133**	4,497
Net deferred tax (liability)/asset	**(3,043)**	1,856
Disclosed as:		
Deferred tax assets	**-**	1,921
Deferred tax liabilities	**(3,043)**	(65)
Net deferred tax (liability)/asset	**(3,043)**	1,856

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 capital gains in future periods. This is usually the level of the Group's unrealised capital gains at the balance sheet date. The amount of unrecognised deferred tax asset in respect of unrealised losses at 31 December 2008 is £2.7 million (2007: £nil).

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 credited to the income statement, the excess deferred tax asset is credited to equity. The reduction in the intrinsic value of the options since 31 December 2007, caused by the reduction in the price of the underlying shares, has resulted in a significant reduction in the deferred tax asset.

RAB CAPITAL

The movements on deferred tax assets during the year were:

	2008 £000s	2007 £000s
Net deferred tax assets at 1 January	**1,856**	408
Transferred to goodwill on disposal (see Note 9(B))	**2,377**	-
Credited/(charged) to the income statement (see Note 6(A))		
Depreciation in excess of capital allowances	**44**	(18)
Lease incentive	**(8)**	(8)
Share-based payments	**(1,416)**	904
Intangible assets	**428**	641
Realised and unrealised losses offsetable against unrealised gains on available-for-sale financial assets	**881**	-
Undistributed profits in overseas subsidiaries	**(2,917)**	-
Other	**1**	15
	(2,987)	1,534
Credited/(charged) to equity		
Share-based payments	**(4,811)**	16
Fair value movement on available-for-sale financial assets	**522**	(102)
	(4,289)	(86)
Net deferred tax (liability)/asset at 31 December	**(3,043)**	1,856

13. 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 2007	519,849,465	520	3,050,000	-	520
Issued for option exercises	25,620,000	25			25
Conversion of C1 Convertible shares	1,878,398	2	(2,050,000)	-	2
At 31 December 2007	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

Consisting of:	**2008**	2007
Held in treasury awaiting cancellation	**-**	23,244,850
Held in treasury	**15,285,071**	-
With voting rights	**488,418,289**	524,103,013
	503,703,360	547,347,863

Convertible shares

The issued Convertible shares comprise 1,000,000 C2 Convertible shares (2007: 1,000,000). The C2 Convertible shares have no right to participate in the profits of the Group but are convertible by the holder into Ordinary shares for a conversion premium of 24.999p per share at any time from 26 February 2009 to 25 August 2009.

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 2008 the Company renewed the Directors' authority to make share buybacks. During the year the Company bought 45,020,488 Ordinary shares (2007: 23,244,850) for a total consideration of £19.7 million (2007: £18.4 million). Total consideration included transaction costs of £0.2 million (2007: £0.1 million).

RAB CAPITAL

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.

14. Events after the balance sheet date

On 2 February 2009 the Group announced that it had entered into an agreement to dispose of the Northwest business. The consideration for the disposal is £1 million payable in cash and the transaction is due to be completed on 2 April 2009. The effect of the disposal was considered at the balance sheet date and appropriate accounting entries were made. Assets included in the sale have been reclassified from fixed assets to assets held for sale, a category within current assets.