

POLAR CAPITAL HOLDINGS plc
Preliminary Group Results for the year ended 31 March 2007

26 June 2007

Polar Capital Holdings plc (“Polar Capital”), the specialist asset management group, announces preliminary results ahead of expectations at IPO

FINANCIAL HIGHLIGHTS

- Assets under management at 31 March 2007 up 36% at \$3.4bn (2006: \$2.5bn)
- Pre tax core profitability up 42% at £2.7m (2006 £1.9m)
- Pre tax post manager distribution performance fees £8m (after exceptionally strong 2006 £10.4m)
- Pre tax profits before IPO costs of £11.7m (2006: £11.9m)
- Basic undiluted earnings per share 14.7p (2006: 16.9p)
- Adjusted diluted earnings per share (pre IPO costs) of 14.4p (2006: 15.1p)
- Second interim dividend of 5.5p making a total distribution for the year of 7.75p per share held.
- Increase in shareholders funds to £31.5m (2006: £14.6m) including £31.4m of cash (2006:19.4m).

CONFIDENT OUTLOOK

- Investment performance strong across the firm
- Fund flows for the first two months of the year are encouraging with assets under management up to \$3.8bn at the end of May
- Newer funds beginning to get traction
- Considerable operating leverage potential
- A number of new fund manager recruitment initiatives in place

Mark Kary, Chief Executive, commented:

“The past financial year witnessed significant development for Polar Capital, culminating in our successful flotation in February. Achievements include the finalisation of a seeding arrangement with XL Capital, considerable investment in fund management teams and the addition of key personnel.

We believe we have built a strong business model and operational platform which provides the opportunity to leverage growth in the current financial year. Trends in the Asset Management industry and our own funds’ performance support this view and we look forward to the future with confidence.”

For further information on Polar Capital Holdings plc please contact:

Mark Kary, Chief Executive or John Mansell, Chief Operating Officer

+44 (0)20 7227 2700

OR

Financial Dynamics

Ed Gascoigne-Pees +44 (0)20 7269 7132 / Felicity Murdoch +44 (0)20 7269 7243

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Extracts from the Chief Executive's Statement

Review of the Year

The fiscal year 2006/7 has been an unusually busy year for Polar Capital, dominated by a significant number of investments made to facilitate future growth and by some important strategic management milestones. Over the course of the year we launched five new hedge funds and recruited three new investment management teams. In the early part of the Spring 2006 we launched the European equity long/short Conviction Fund, the FX/Macro Discovery Fund, the Russia/CIS focused Elbrus Fund and the Latin America Fund. In the early Summer 2006 we seeded our Asia equity long/short Lotus Fund and then in February 2007 the Global Emerging Markets equity long/short Columbus Fund. We are very pleased with the progress that these funds have made and believe that they represent significant potential for the future.

We continued to make important investments in our infrastructure to ensure that both our portfolio managers and investors in our funds are well supported. During the year we recruited a Chief Portfolio Risk Officer a director of Sales and Marketing.

At the end of October we finalised a seeding arrangement with a subsidiary of XL Capital Ltd (NYSE: XL) whereby they undertook to provide US\$175m in aggregate of seed capital for a number of fund launches over the next two year period. They also made a significant equity investment in Polar Capital. XL Capital is a Bermuda based New York Stock Exchange listed insurance, reinsurance and risk management business that is well known for taking a selective number of strategic stakes in alternative asset management companies. We are delighted to have them on board as a shareholder and seeding partner and access to such capital should contribute significantly in our efforts to continue to recruit talented managers to the Polar Capital platform.

On 7 February 2007 Polar Capital listed its shares on AIM raising approximately £4.6m (net of expenses) of additional capital to facilitate Polar Capital's ability to seed selectively future fund launches. The intention to float dated back to when the Company was founded in 2001, the belief being that it would be important for a company built around the ownership of equity to create both a value and liquidity for that equity. We also believe that the transparency that the listing brings should significantly enhance our brand and reputation.

Fund Performance

Assets under management during the year grew by 36% from \$2.5bn to \$3.4bn. Given that 2006/7 was a year of significant investment we are very pleased with progress made. Net inflows contributed \$729m and performance \$220m. Core operating profit increased 42% from £1.9m in 2006, to £2.7m in 2007. As expected, performance fees were down from £25.8m to £20.6m on a very difficult comparison with 2005/6 and, net of performance fee distributions and bonuses, from £10.4m to £8.0m.

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At the individual fund level the trends are encouraging. Not only have we established a number of new funds with considerable scope for growth, but there have been further positive developments in longer standing funds. Most notably, the Japan equity long/short fund has performed well in an especially difficult environment for Japanese hedge funds and has seen its assets increase from \$93m to \$407m over the year. The Paragon Fund has been spun out of the UK business unit to form a new Global Opportunities unit; its assets under management have grown from \$254m to \$437m over the year and it has enjoyed another year of strong returns.

Dividend

The Board's dividend policy is to return surplus earnings to shareholders which are over and above that required to fund the growth of the business. In the absence of unforeseen circumstances this involves paying out a material portion of net profits before performance fees together with a majority of net performance fees.

The Board has declared a second interim dividend for the year of 5.5p. The interim dividend will be paid on 3 August 2007 to ordinary shareholders on the Company's Register of members at the close of business on 6 July 2007. The ex-dividend date is 4 July 2007.

Current trading and Outlook

Although stock markets around the world have enjoyed very strong performance over the last four years, our business is becoming increasingly less sensitive to overall market direction. Over 50% of our assets are now in hedged strategies and our long only business continues to become more differentiated and less correlated. We believe that the traditional asset management industry is undergoing a very meaningful long term change, firstly as investors increase their allocations to absolute return strategies to seek better risk/return ratios, and secondly as asset allocators increase commitments to more focused, less benchmarked and less correlated long only investment strategies. We believe that Polar Capital is well positioned to benefit from both of these important trends. All this having been said, it should not be forgotten that we are today a business very focused on equity markets and inevitably therefore at least partly exposed to their direction.

Coming into the new fiscal year the business has strong momentum. Since the year end assets under management have grown 12% to \$3.8bn as at 31 May 2007 and now comprise 39% in long only equity strategies, 54% in hedge funds and 7% in advisory and managed accounts. Our longer established businesses all have the opportunity to grow significantly; our longer term investment outlook for the Technology sector has become considerably more constructive; our Japanese business is benefiting from the recruitment of additional research analysts in Tokyo; and our UK business appears successfully to be rebuilding its performance record after an indifferent year in 2006/7. Equally many of our newer funds have now built initial track records which should permit successful marketing efforts as the year progresses, most notably the European Conviction Fund, some of our Emerging Market Funds, and the Global Utilities Fund. We calculate that in the existing funds in the current environment we have approximately \$4.5bn of spare capacity.

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Furthermore our strategy has been to try to launch one or two additional business units each year; such additions will be focused on areas that have synergies with our existing fundamental research based platform and are focused on opportunities in hedge fund strategies in the sectoral and credit space, and in the long only business on more differentiated value and thematic strategies.

Staff and shareholders

I would like to say a big thank you to all our staff for their efforts in what has been an especially busy year, to our longer standing investors for all their support, and to our new shareholders for joining us on what we think will be a very exciting journey.

M R Kary
26 June 2006

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Group profit & loss account
for the year ended 31 March 2007

	Unaudited Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Turnover	41,269	40,963
Operating Expenses	<u>(16,045)</u>	<u>(14,416)</u>
Operating (loss)/ profit	25,224	26,547
Interest receivable and other income	1,108	347
Interest payable and similar charges	(9)	-
Loss on disposal of fixed assets	(6)	-
Profit on ordinary activities before taxation	<u>26,317</u>	<u>26,894</u>
Taxation	<u>(2,537)</u>	<u>(3,977)</u>
Profit on ordinary activities after taxation	23,780	22,917
Minority Interest	(15,630)	(15,194)
Retained profit for the year	<u><u>8,150</u></u>	<u><u>7,723</u></u>
Basic earning per ordinary share	14.7p	16.9p
Diluted earnings per ordinary share	12.8p	14.7p
Adjusted diluted earnings per ordinary share	14.4p	15.1p

All the above revenue and expense items arose from continuing operations

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Group balance sheet
at 31 March 2007

	Unaudited	
	As at	As at
	31 March	31 March
	2007	2006
	£'000	£'000
Fixed assets		
Tangible assets	537	595
Investments	3,709	1,001
	<u>4,246</u>	<u>1,596</u>
Current assets		
Debtors	4,228	4,780
Deferred tax asset	2	-
Cash and short-term deposits	31,403	19,403
	<u>35,633</u>	<u>24,183</u>
Total assets	39,879	25,779
Creditors - amounts falling due within one year	(8,291)	(11,109)
	<u>31,588</u>	<u>14,670</u>
Total assets less current liabilities		
Minority Interests	(64)	(56)
	<u>31,524</u>	<u>14,614</u>
Net assets	<u>31,524</u>	<u>14,614</u>
Capital and Reserves		
Called up share capital	1,673	1,271
Share premium account	15,050	1,016
Investments in own shares	(558)	(764)
Profit and loss account	14,804	12,482
Capital Reserve	555	609
	<u>31,524</u>	<u>14,614</u>
Shareholders' funds	<u>31,524</u>	<u>14,614</u>

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Group cash flow statement
for the year ended 31 March 2007

	Unaudited	31 March
	2007	2006
	£'000	£'000
Operating activities		
Operating profit for the year	25,224	26,547
Depreciation charge	228	160
(Increase)/ decrease in trade and other receivables	554	(2,524)
Increase/ (decrease) in trade and other payables	(1,794)	(174)
Share based payment	52	38
Other non-cash reserve movements	(55)	(79)
Net cash flow from operating activities	<u>24,209</u>	<u>23,968</u>
Returns on investment and servicing of finance		
Interest received and similar income	1,108	347
Interest paid and similar charges	(9)	-
Issue of preference share capital by subsidiary undertaking	7	10
Distributions to minority interests	(15,630)	(8,675)
Net cash inflow from returns on investments and servicing of finance	<u>(14,524)</u>	<u>(8,318)</u>
Taxation paid	(3,563)	(2,633)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(176)	(520)
Payments to acquire fixed asset investments	(2,708)	(1,000)
Payment to acquire current asset investment	(550)	(945)
Receipts on disposal of current asset investments	756	752
	<u>(2,678)</u>	<u>(1,713)</u>
Dividend paid	(5,880)	(1,200)
Net cash inflow before financing	<u>(2,436)</u>	<u>10,104</u>
Financing		
Issue of share capital	<u>14,436</u>	<u>1,020</u>
Increase in cash and cash equivalents	12,000	11,124
Cash and cash equivalents at the beginning of the year	<u>19,403</u>	<u>8,279</u>
Cash and cash equivalents at the end of the year	<u><u>31,403</u></u>	<u><u>19,403</u></u>

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NOTES

General Information

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and under the historical cost convention. The Group financial statements consolidate the financial statements of the Company and its subsidiaries drawn up to 31 March 2007.

Earnings per ordinary share

Earnings have been calculated by taking the profit on ordinary activities after taxation less the minority interest. The calculation of basic earnings per ordinary share is based on the profit for the year as calculated per above of £8,150,091 (2006: £7,723,297) and on 55,584,556 (2006:45,705,661) ordinary shares, being the weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per ordinary share is based on the profit for the year as calculated per above of £8,150,091(2006:£7,723,297) and 63,634,996 (2006:52,630,271) ordinary shares, being the weighted average number of ordinary shares allowing for all dilutive options and shares not yet issued under a crystallisation event.

The calculation of adjusted diluted earnings per ordinary share is based on the profit for the year before IPO costs of £9,180,385 (2006:£7,933,297) and 63,634,996 (2006: 52,630,271) ordinary shares, being the weighted average number of ordinary shares allowing for all dilutive options and shares not yet issued under a crystallisation event.

Geographical analysis (based on the residency of the source)

	Unaudited Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
UK	3,731	3,254
Ireland	7,656	14,769
Cayman	29,072	21,191
Canada	454	607
Other	356	1,142
	41,269	40,963

The analysis of turnover is as follows:

Investment management fees	20,184	14,495
Investment advisory fees	490	669
Investment performance fees	20,595	25,799
	41,269	40,963

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	Unaudited Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Operating profit	25,224	26,547
This is stated after charging:		
Staff costs	7,675	7,545
Depreciation	228	160
Auditor's remuneration		
Audit services	40	37
Other services relating to taxation	48	40
Services relating to corporate finance transactions	215	60
Other services	42	24
	Unaudited Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Summary financial information:		
Net core revenues	18,514	13,398
Total operating expenses	(15,737)	(11,495)
Core operating profit	2,777	1,903
Net performance fee	8,041	10,365
Net operating profit	10,818	12,268
Net interest	914	347
HMRC settlement	(15)	(705)
Profit before tax & listing fees	11,717	11,910
Listing fees	(1,030)	(210)
Profit before tax	10,687	11,700
Taxation	(2,537)	(3,977)
Profit after tax	8,150	7,723

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Status of preliminary announcement

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2007 or 2006. The statutory accounts for the year ended 31 March 2007 have not been delivered to the Registrar of Companies, nor have the auditors yet reported on them. The statutory accounts for the year ended 31 March 2007 will be finalised on the basis of the information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies.

The statutory accounts for the year ended 31 March 2006 have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

Copies of Report and Accounts

The full annual report and accounts will be posted to shareholders in July 2007 and copies will be available thereafter from the Company Secretary at the Company's Registered Office, 4 Matthew Parker Street, London SW1H 9NP (020 7227 2700) or from the company's website at www.polarcapital.co.uk

Annual General Meeting

The Annual General Meeting will be held at 10.00 am on 19 September 2007 at the St. Stephen's Club, 34 Queens Anne's Gate, London SW1H 9AB

Forward looking statements

This preliminary announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses and plans for Polar Capital Holdings plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of different factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Nothing in this statement should be construed as a profit forecast.

The release, publication, transmission or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, transmitted or distributed should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.