



POLAR CAPITAL HOLDINGS plc

Placing and Admission to AIM by Bridgwell

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document prepared in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

Application has been made for the whole of the issued share capital of Polar Capital Holdings plc (the “Company” or “Polar Capital”) to be admitted to trading on the AIM market of the London Stock Exchange (“AIM”). The Ordinary Shares are not dealt in on any other recognised investment exchange and no application is being or has been made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List. Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled “Risk Factors” set out in Part II of this document. All statements regarding the Company’s business should be viewed in light of these risk factors.

It is expected that the Ordinary Shares of the Company will be admitted to trading on AIM on 6 February 2007.

This admission document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of Ordinary Shares. Accordingly, any person making or intending to make any offer within the EEA of Ordinary Shares which are the subject of the placement contemplated in this admission document should only do so in circumstances in which no obligation arises for the Company or Bridgewell Limited (“Bridgewell”) to produce a prospectus for such offer. Neither the Company nor Bridgewell has authorised, nor do they authorise, the making of any offer of Ordinary Shares through any financial intermediary, other than offers made by Bridgewell which constitute the final placement of Ordinary Shares contemplated in this admission document.

Polar Capital Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with company number 4235369)

**Placing of 9,575,000 Ordinary Shares at 2.5 pence per Share
and**

Admission to Trading on AIM

Nominated Adviser and Broker

Bridgewell

Bridgewell has been appointed as nominated adviser and broker to the Company. In accordance with the AIM Rules, Bridgewell has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Bridgewell for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible. The Company, whose registered office appears on page 3 of this document, and the Directors of the Company, whose names appear on page 3 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Bridgewell is regulated by the Financial Services Authority and is acting exclusively for the Company and no-one else in connection with the Admission. Bridgewell will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Bridgewell nor for providing advice in relation to the transactions and arrangements detailed in this document. Bridgewell is not making any representation or warranty, express or implied, as to the contents of this document.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under any applicable securities laws of Australia, the Republic of South Africa, Canada or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Australia, the Republic of South Africa, Canada or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States, Australia, the Republic of South Africa, Canada or Japan. This document does not constitute an offer to sell or to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Copies of this document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Herbert Smith, Exchange House, Primrose Street, London, EC2A 2HS from the date of this document until one month from Admission.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Charles Hale, <i>Non-Executive Chairman</i> Mark Kary, <i>Chief Executive Officer</i> John Mansell, <i>Chief Financial Officer and Chief Operating Officer</i> Brian Ashford-Russell, <i>Director</i> Tim Woolley, <i>Director</i> Peter Buckley, <i>Non-Executive Director</i> Jamie Cayzer-Colvin, <i>Non-Executive Director</i> Sarah Street, <i>Non-Executive Director</i>
Company Secretary	Neil Taylor
Registered Office	4 Matthew Parker Street London SW1H 9NP
Nominated Adviser and Broker	Bridgewell Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ
Solicitors to the Company	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Reporting Accountants and Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors to the Nominated Adviser and Broker	Addleshaw Goddard LLP 150 Aldersgate Street London EC1A 4EJ
Financial PR	Financial Dynamics Holborn Gate 26 Southampton Buildings London WC2A 1PB
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006;
“Act”	the Companies Act 1985, the Companies Act 1989 and any regulations made under these Acts;
“Admission”	the admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM becoming effective as provided in Rule 6 of the AIM Rules;
“AGM”	annual general meeting;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange in relation to AIM traded securities;
“Articles of association” or “Articles”	the articles of association of the Company from time to time;
“AuM”	assets under management;
“Board”	the board of Directors of the Company for the time being, including a duly constituted committee of the Directors;
“Bridgewell”	Bridgewell Limited of Old Change House, 128 Queen Victoria Street, London EC4V 4BJ;
“Business”	the business of the Group;
“CAGR”	compound annual growth rate;
“Caledonia”	Caledonia Investments plc of Cayzer House, 30 Buckingham Gate, London SW1E 6NN;
“CEO”	Chief Executive Officer;
“CFO”	Chief Financial Officer;
“COO”	Chief Operating Officer;
“CRO”	Chief Risk Officer;
“City Code”	the City Code on Takeovers and Mergers (as amended or interpreted from time to time);
“Combined Code”	the principles of good governance and the code of best practice as appended to, but not forming part of, the Listing Rules, published in June 2006 by the Financial Reporting Council;
“Company” or “Polar Capital”	Polar Capital Holdings plc;
“Core Operating Profit”	operating profit before performance fees and related distributions;
“CREST”	the UK system of paperless settlement of UK trades and the holding of shares and other securities without certificates administered by CRESTCo Limited;
“Directors”	the directors of the Company as set out on page 3 of this document, and “Director” means any one of them;
“EBT”	the Polar Capital Employee Benefit Trust;
“EEA”	European Economic Area;
“EGM”	extraordinary general meeting;
“EMI”	Enterprise Management Incentive;
“EMI Scheme”	the Polar Capital Holdings plc Enterprise Management Incentive Scheme;
“Equity Incentive Plan” or “EIP”	the Polar Capital Holdings plc Equity Incentive Plan;
“Existing Ordinary Shares”	the 1,504,692 Ordinary Shares of £1.00 each in issue as at the date of this document;
“FSA”	the Financial Services Authority;

“GEM”	Global Emerging Markets;
“Group”	the Company together with its subsidiary undertakings and PCLLP;
“HMRC”	HM Revenue & Customs;
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003 (as amended);
“Listing Rules”	the listing rules of the UK Listing Authority;
“London Stock Exchange”	London Stock Exchange plc;
“Manager Preference Shares”	the issued preference shares of 10p each in PCPL;
“Model Code”	the model code on dealing in securities as defined in the Listing Rules;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares”	ordinary shares in the Company;
“PCLLP”	Polar Capital LLP;
“PCPL”	Polar Capital Partners Limited, a wholly owned subsidiary of the Company and the controlling partner of PCLLP;
“PCTT”	the Polar Capital Technology Trust plc;
“Placing”	the conditional placing by Bridgewell of 9,575,000 Ordinary Shares at the Placing Price;
“Placing Agreement”	the conditional agreement dated 29 January 2007 between the Company, the Directors and Bridgewell, further details of which are set out in paragraph 12.1 of Part VIII of this document;
“Placing Price”	190 pence per Ordinary Share;
“Placing Shares”	the 3,244,320 new Ordinary Shares of 2.5 pence each to be issued on Admission pursuant to the Placing;
“Sale Agreements”	the conditional agreements dated 29 January 2007 between Bridgewell and certain Selling shareholders, further details of which are set out in paragraph 12.2 of Part VIII of this document;
“Selling shareholders”	Brian Ashford-Russell, Nicholas Brandt, Charles Hales, Philip Hardy, Rupert Kimber, David Magliocco, Emma Jane Parkinson, James Salter and Tim Woolley;
“Shareholder”	holder of Ordinary Shares in the Company;
“Share Split”	the subdivision of each of the Existing Ordinary Shares in the capital of the Company into 40 Ordinary Shares of 2.5 pence each, conditional upon Admission and as described at paragraph 2.4.10 of Part VIII;
“Sharesave Scheme”	the Polar Capital Holdings plc Sharesave Scheme;
“Subsidiaries”	the subsidiaries of the Company as defined in sections 736 and 736A of the Act;
“UCITS”	undertakings for collective investment in transferable securities;
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“Unapproved Scheme”	the PCP Holdings plc Unapproved Share Option Scheme;
“XL Capital”	XL Capital Ltd of XL House, One Bermudiana Road, Hamilton, HM 11, Bermuda and its subsidiaries and controlled affiliates, including, without limitation, XL Re Ltd of the same address (“XL Re”). Notwithstanding anything contained herein that may imply anything to the contrary, XL Re is the sole XL signatory and party to each of the seeding agreements described as the XL Re Ltd Agreement in paragraph 11.1 of Part VIII hereof and elsewhere herein and the Third Restated Shareholders Agreement described in paragraph 11.2 of Part VIII hereof and is a shareholder in Polar Capital as described herein.

GLOSSARY

The following technical terms are used in this document:

“alpha”	the excess return that an active manager seeks to add relative to a given market index;
“beta”	the extent to which the returns of an investment reflect the returns of a market;
“crystallisation”	the conversion of a manager’s notional equity held in his business unit into equity in Polar Capital (see paragraph 7 in Part VIII for more details);
“hedge fund”	the term “hedge fund” is not a specific legal term but is used to differentiate funds that are usually lightly regulated and which are (because of their lighter regulation) generally open only to a limited number and type of investor. Because of the reduced regulatory oversight hedge funds have a great deal of flexibility in terms of investment strategies they can adopt. Depending on their investment guidelines and the style of the fund, hedge funds may be long or short the market and may enter into futures, swaps and other derivative contracts. In this way, hedge funds are able to create more complex investment strategies which may, for example, profit in times of market volatility, or even in a falling market;
“long only”	a fund which only engages in buying securities, with the expectation that the asset will rise in value, and does not engage in short selling;
“long biased”	a fund which is predominantly but not exclusively long invested.

PLACING STATISTICS

Placing Price	190 pence
Number of Ordinary Shares being issued pursuant to the Placing	3,244,320
Number of Ordinary Shares in issue following the Placing and Admission	63,432,000*
Percentage of enlarged issued Ordinary Share Capital being issued	5.1%
Market capitalisation at the Placing Price	£120.5 million
Approximate net proceeds of the Placing receivable by the Company	£4.6 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence on AIM	6 February 2007
CREST accounts credited	6 February 2007
Despatch of definitive share certificates	20 February 2007

Each of the dates in the above timetable is subject to change at the absolute discretion of Bridgewell

** On the assumption that the Placing Shares are taken up in full*

PART I

Key Information

The following information does not purport to be complete and is derived from, qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in the document.

Any decision to invest in Ordinary Shares should be based on consideration of this document as a whole.

See the section entitled “Risk Factors” on page 13 for a discussion of certain factors that should be taken into account when considering whether to acquire Ordinary Shares.

1. Introduction

Polar Capital is a specialist asset management group which seeks to build a broad family of funds diversified by asset class, geographical and sectoral specialisation, strategy and structure. Polar Capital's objective is to achieve strong and sustainable earnings and dividend growth through the achievement of excellent investment performance, filling the capacity of its existing funds and adding further fund management teams.

2. Group strategy and overview

Polar Capital aims to combine the best of the institutional and boutique fund management models. Polar Capital provides a centralised sales, operational and regulatory platform to which it has attracted a growing number of successful fund managers who run semi-autonomous business units under the Polar Capital umbrella. Polar Capital believes strongly in the importance of providing an entrepreneurial environment for fund managers combined with a culture which emphasises cooperation, transparency and an identity of interest between all the Group's stakeholders.

Polar Capital's objective is to deliver strong and sustainable earnings and dividend growth by following a strategy focused on building a highly diversified family of long only, long bias, equity long short and other fundamentally driven hedge fund strategies managed under the Polar Capital brand.

A key element of this strategy is the primacy given to investment performance over asset gathering. Polar Capital seeks to limit the size of individual funds to avoid any trade off between size and performance. At 31 December 2006, Polar Capital managed assets in its eight business units totalling \$3.3 billion, comprising \$3.0 billion managed across a total of 15 funds, two advisory relationships with \$0.2 billion and one managed account with \$72 million. At that date, 57 per cent. of the AuM consisted of long only and long biased funds with 43 per cent. in hedge funds. All the funds managed by Polar Capital have the potential to generate performance fees in addition to management fees.

Over the last twenty months, Polar Capital has invested heavily in its operational platform. This has included strengthening its management team with the appointment of a Chief Executive in April 2005, a Chief Risk Officer in September 2006 and a Sales and Marketing Director in December 2006. Polar Capital has also broadened its shareholder base to include a strategic relationship with XL Capital in addition to its long standing relationship with Caledonia. The Board believes these developments should enable the controlled expansion of Polar Capital's longer established strategies and support both the recent programme of new fund launches and those anticipated in the future. During the nine months to 31 December 2006, Polar Capital has launched five new funds versus four in the preceding three years combined.

3. Business unit ownership structure

A distinguishing feature of Polar Capital is its business unit ownership structure. This has been designed to give fund managers direct control over and economic participation in their funds' performance whilst linking them to the performance of the Group as a whole. The objective is to align the interests of all Polar Capital's stakeholders be they investors in Polar Capital funds, managers at Polar Capital, or shareholders in Polar Capital.

The main attribute of the structure is that Polar Capital's fund management teams are organised into separate business units, each of which draws on a shared platform for sales and marketing, operations, information technology, finance, compliance and risk management. Each business unit is a separate profit centre and the fund managers responsible receive each year a payment which comprises a share of their unit's Core operating profit (the "Core Element") and performance fees (the "Performance Fee Element"). This structure has the benefit of providing fund managers with significant investment autonomy, making them directly accountable and focusing them on maximising profitability.

In addition to the payment structure described above, each fund management team is offered the prospect of an interest in the capital of the Company through the purchase of an individual class of Manager Preference Share in PCPL. These Manager Preference Shares have been structured in such a way as to become convertible into cash, or at the option of the Company, Ordinary Shares upon the occurrence of certain trigger events. Upon the conversion of Manager Preference Shares, the fund managers concerned will no longer be eligible to receive the Core Element payment and will receive the Performance Fee Element payment but at a reduced level. In effect, conversion allows a fund manager to obtain an interest in the capital of the Company, with the prospect of a dividend return going forward based on the diversified multi-strategy earnings stream of the Group, in return for giving up a major proportion of the payment previously earned on the basis of the performance of his business unit alone. From the Company's perspective, the conversion ratio applied in calculating the number of Ordinary Shares to be issued is such that the transaction is intended to be earnings enhancing for the Group. Further details are set out in paragraph 7.1 of Part VIII.

The issue of Ordinary Shares or cash on conversion is ordinarily staggered in four tranches of 10%, 30%, 30% and 30% over a three year period, thus providing a lock-in mechanism to managers who receive such equity.

In conclusion, the proposition that the Company has created enables managers to exchange after a minimum of three years their interest in the Core operating profit of their business unit for equity in the Company. The benefit to a manager is that whilst retaining a significant interest in their own performance fees they are provided the opportunity to capitalise their interest in their Core operating profit into a more diversified concern, being the Group as a whole. Such a mechanism is intended to strengthen the bond between a fund manager and the Group.

4. Seeding arrangements

From its inception, Polar Capital's founders have actively looked to recruit talented fund managers and they, together with the Company's principal external shareholder Caledonia, have historically supported the development of Polar Capital's funds through the provision of seed capital. Their objective has been to enable new managers to establish funds and build a meaningful track record under the Polar umbrella before marketing them to Polar Capital's wider client base.

In order to enhance further the Group's capacity to launch new funds, on 31 October 2006 Polar Capital entered into a seeding agreement with XL Re which has substantially increased the pool of funds available for this purpose. XL Re has committed to invest up to \$175 million in aggregate into certain Polar-sponsored funds over the next four to five years. Individual fund commitments generally extend for 18 months. Further details can be found in paragraph 7 of Part III of this document.

5. Assets under management

Since winning its initial mandate for the management of the PCTT in February 2001 Polar Capital has achieved strong growth in AuM to \$3.3 billion as at 31 December 2006 in 15 funds, two advisory relationships and one managed account.

6. Capacity

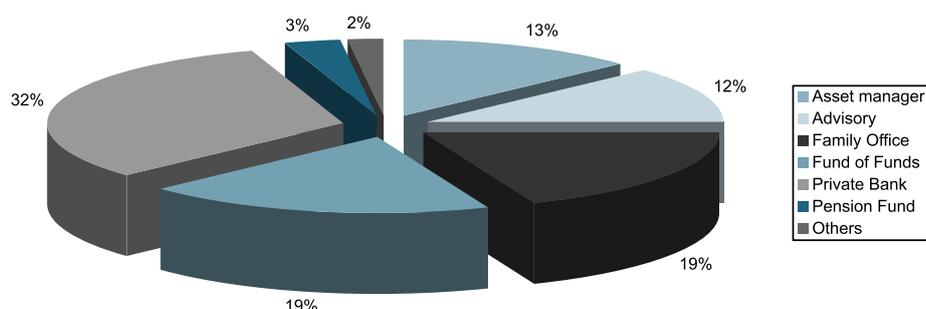
The Directors currently believe that, subject to market conditions, the Group's existing strategies have medium term potential of approximately \$5 billion in additional capacity from both the development of the more recently established funds and Polar Capital's established investment strategies. In addition, the Directors anticipate that the Group will continue to add new investment strategies.

7. Marketing and distribution

Since its inception in 2001, Polar Capital has believed that an effective sales and marketing plan is a key ingredient to its strategy for growth. The Sales and Marketing team is today six strong, and Polar Capital has recently invested further in this effort by recruiting Robert Blaxland, who joined as Sales and Marketing Director in December 2006.

Sales of Polar Capital's products continue to gain momentum. Gross subscriptions increased from approximately \$531 million in the twelve months to March 2006 to approximately \$953 million in the first nine months to 31 December 2006, an annualised increase of 139.3 per cent.

The client base as at 31 March 2006 is shown by the pie chart below.



8. Summary financial information

Financial year	Year to 31 March			6 Months to	6 Months to	6 Months to
	2004	2005	2006	30 Sep 2005	31 Mar 2006	30 Sep 2006
Average AuM (\$m)	1,596	2,153	2,248	2,070	2,280	2,558
	£'000	£'000	£'000	£'000	£'000	£'000
Net Core Revenues ²	8,364	12,722	13,398	6,102	7,296	8,406
Total Operating Expenses	(7,526)	(9,952)	(11,495)	(4,704)	(6,791)	(7,184)
Core Operating Profit	838	2,770	1,903	1,398	505	1,222
Performance Related Profitability ¹	4,006	1,674	10,365	26	10,339	180
Net Operating Profit	4,844	4,444	12,268	1,424	10,844	1,402
Other operating data						
Net core revenue margin (bps)	92.1	110.1	107.5	107.6	112.2	118.6
Core operating margin	10.0%	21.8%	14.2%	22.9%	6.9%	14.5%
Operating margin	26.7%	26.0%	31.3%	23.1%	32.8%	15.8%
Number of fund launches	2	1	1	–	1	5

¹ Performance fees which may be due to the Company from each fund are calculated over the twelve month accounting period for each fund and are payable only after each fund's year end. Performance fees are not accrued.

² Net Core Revenue is revenue prior to performance fees and net of distribution costs.

The table above sets out key operating statistics for Polar Capital for each of the three years to 31 March 2006 and six months ended 30 September 2005, 31 March 2006 and 30 September 2006:

- Average AuM has grown steadily at a CAGR of 20.8 per cent. from 31 March 2004 to 30 September 2006;
- Net core revenues grew at a CAGR of 26.6 per cent. between 31 March 2004 and 31 March 2006 and continued to grow at a CAGR of 32.7 per cent. in the six months to 30 September 2006;
- Core operating margin improved from 10.0 per cent to 22.9 per cent from the year to 31 March 2004 to the six months to 30 September 2005, but fell to 6.9 per cent. in the six months to 31 March 2006 as the Group invested in its operational platform and in new fund launches to support the next stage of growth. For more details please see paragraph 15 of Part III of this document, Summary financial information;

- Following this investment, Polar Capital has increased sharply the number of new fund launches, launching five new funds in the nine months to December 2006 compared to four new fund launches in the preceding three years.

9. Current trading and prospects

Since 30 September 2006 the Group has performed well. Seeding arrangements with XL Re were concluded on 31 October 2006 and total AuM have increased to \$3.3 billion at 31 December 2006. Performance fees before distributions of £18.9 million have been earned for the 9 months ending 31 December 2006.

The Directors believe that the investment made in the infrastructure of the Group over the past 20 months will facilitate a significant increase in the level of business conducted by the Group.

10. Employee share ownership

The Directors believe that employee share ownership is an important part of the Group's recruitment, incentivisation and retention policy.

	<i>Prior to Admission</i>		<i>Following Admission</i>	
	<i>No. of Ordinary Shares of £1.00</i>	<i>%</i>	<i>No. of Ordinary Shares of 2.5p</i>	<i>%</i>
Directors, investment management personnel, key employees and connected persons	951,457	63.2%	31,927,600	50.3%
Other employees	58,489 ¹	3.89%	2,339,560	3.69%

Note Assuming the successful issue of all Placing Shares and sale of all Ordinary Shares proposed to be sold on behalf of Selling Shareholders.

¹Including shares held in the EBT

In addition, Manager Preference Shares that may convert into new Ordinary Shares of Polar Capital are held by all key fund managers, save those fund managers whose Manager Preference Shares have already crystallised.

The above figures do not include Ordinary Shares, options or other equity securities which may be granted under applicable incentive plans, or future crystallisations, further details of which can be found in paragraphs 7.1, 7.2 and 7.3 of Part VIII of this document.

11. Lock-in arrangements

Under the terms of the Placing Agreement, the Directors have agreed not to dispose of any Ordinary Shares which they own or have a beneficial interest in, otherwise than pursuant to the Placing, until 28 February 2008 or, if earlier, the publication of a trading update for the 9 months to 31 December 2007 in relation to the year ending 31 March 2008.

Caledonia, XL Re and certain fund managers have similarly agreed not to dispose of any Ordinary Shares which they own or have a beneficial interest in for the same period of time.

12. Dividend policy

Since the Company's inception the Directors have implemented a policy of returning to shareholders surplus earnings, historically by means of a dividend, which are over and above that required to fund the growth of the business. The Directors expect to continue with this policy, absent unforeseen circumstances, which involves paying out a material proportion of net profits before performance fees together with the majority of net performance fees. Although this may produce some variability in the overall dividend paid, the Directors believe that the inherently cash generative nature of Polar Capital's business justifies a pay out ratio in respect of periods of high performance related profitability that may comfortably exceed 50 per cent. of attributable post tax profits.

It is expected that, in the absence of unforeseen circumstances, and subject to the Company having distributable profits, the Group will pay a first and second interim dividend in respect of each financial year in November and June respectively. In view of the fact that performance fees are substantially received in the second half of the financial year, it is envisaged that the second interim dividend will represent the greater proportion of the total dividend.

It is expected that, in the absence of unforeseen circumstances, the first dividend to be paid by the Company following Admission will be payable in June 2007 as a second interim dividend.

The Company may revise its dividend policy from time to time.

13. Reasons for Admission and the Placing

Since inception Polar Capital has adopted a corporate structure to encourage broad equity ownership across the Group so as to align interests and facilitate the growth of the business. The Board regard obtaining a listing as an important step in developing this culture, to provide liquidity for existing Shareholders and to give visibility to the fund management teams of the value of their Manager Preference Shares.

The Directors also believe that obtaining a quotation will enhance the Group's profile and status with existing and potential clients, will help to attract talented fund managers and will provide an acquisition currency if suitable opportunities arise.

The Placing is intended to raise funds to increase Polar Capital's ability to selectively seed future fund launches, to pay the expenses of the listing, and to enable certain existing Shareholders of Polar Capital to partially realise their investment.

PART II

Risk Factors

Prior to making an investment decision in respect of Ordinary Shares, prospective investors should carefully consider all the information in this document, including the following risk factors. The risks described below should not be considered to be an exhaustive list of the risks which prospective investors should consider before investing in Ordinary Shares. Additional risks not presently known to the Company or that the Company currently considers to be immaterial may also impair the Group's business operations. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The trading price of the Ordinary Shares could decline due to any of these risks and investors could lose part or all of their investment.

Prospective investors interested in acquiring Ordinary Shares in the Company should inform themselves as to (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition, (ii) any foreign exchange restrictions or exchange control requirements which they might incur on the acquisition or sale of Ordinary Shares, and (iii) the income tax and other taxation consequences which might be relevant to the acquisition, holding or disposal of Ordinary Shares.

Risks related to the Group

There can be no assurance that the growth the Group has experienced will continue. Further implementation of Polar Capital's growth strategy may lead to increased costs and lower profitability if growth in revenues is not achieved.

The Group has achieved rapid growth in a relatively short period of time. Since winning its initial mandate for the management of the PCTT in February 2001, Polar Capital has achieved strong growth in AuM to \$3.3 billion as at 31 December 2006. The Group's growth in profits primarily depends on increasing its AuM, launching new funds and generating superior performance within such funds. There can be no assurance that the Group will be able to continue to grow its business either as a result of geographic expansion, the launch of new funds or otherwise, or to maintain its performance at historical levels or at currently anticipated levels. Polar's growth strategy may lead to increased costs which impact profitability. Failure by the Group to continue to grow its revenues (whether or not as a result of a failure to increase AuM), expand its business or control its cost base could have a material adverse effect on Polar's business, results of operations or financial condition.

Sustained poor investment performance

In addition, if Polar Capital's investment performance is unsatisfactory over a period of time, existing clients may decide to reduce or liquidate their investments or transfer mandates to other asset managers. If Polar Capital's investment performance were to remain unsatisfactory for a prolonged period it might be unable to win new asset management or advisory business. As a result, investment underperformance could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Principal investment by the Group in funds

The Group may, from time to time, make investments as principal in underlying funds managed by the Group. In the event that the performance of such investee funds was poor, the Group could sustain losses in addition to the other potential risks of poor performance described above. Thus, the overall financial impact to the firm of poor investment performance could be significantly greater than would have been the case had no investment as principal been made.

Performance fees

A significant proportion of the Group's revenues may be derived from performance fees. Performance fees are payable to the Group at the accounting year-end of each performance fee paying fund if the NAV of the relevant fund exceeds its target NAV which itself will be dependent on the nature of the fund. The amount (if any) of the performance fees is therefore dependent on the NAV of the relevant fund on the relevant year-end date and is therefore subject to market volatility.

For certain funds, it is less likely that performance fees will be earned in poor market conditions. This is because the hurdle rate for these funds is linked to a high watermark such that, if the NAV of a fund at its accounting year-end date is lower than the relevant high watermark, no performance fee will be earned, even if the benchmark applicable to the relevant fund is exceeded.

Loss of key personnel

The Directors and senior management highlighted in paragraph 17 of Part III and fund managers highlighted in paragraph 10 of Part III have contributed to the growth and success of the business. The loss of a number of these employees may hinder the future growth of the business. The Group operates a streamlined management structure and individual management departures may therefore have a significant effect on the Group's operations. However the Group does have keyman insurance in place in respect of a number of key individuals, although there is no certainty that such individuals could be easily replaced.

The Group's continued success depends on its ability to attract, motivate and retain highly-skilled senior fund managers and asset management, sales, marketing and operational support personnel. The market for experienced asset management professionals is extremely competitive and is increasingly characterised by frequent movement of employees among firms. Due to the competitive market for asset management professionals, the costs of attracting and retaining key employees are significant and will likely increase over time. Further, if the Group loses any of its principal fund managers, there is a risk that it may also experience outflows from AuM or fail to win new business. As a result, any inability to attract and/or retain the necessary highly-skilled personnel could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Competition in the market

The Group operates in a highly competitive industry. If the Group is unable to compete effectively with its competitors, its business, financial condition or results of operations could be materially adversely affected.

The investment management industry in which the Group is engaged is extremely competitive. The Group competes with global, national and local specialist asset management companies as well as banks and financial services companies. Many of these organisations offer products and services that are similar to, or compete with, those offered by the Group, have substantially more personnel and greater financial resources than the Group and, unlike the Group, have proprietary access to distribution channels. Polar Capital's key areas for competition include historical investment performance, its ability to source investment opportunities, its ability to attract and retain the best investment professionals, quality of service, the level of fees generated or earned by its managers and its investment managers' stated investment strategy. The Group also competes for investment funds with banks, insurance companies and investment companies. Polar Capital's ability to compete may be adversely affected if it underperforms in comparison to relevant benchmarks or peer groups.

Polar Capital operates a premium pricing policy in relation to certain funds which may result in its fees being higher than those charged by its competitors. The competitive market environment may result in increased pressure on revenue margins (e.g. by the provision of management fee rebates). Polar Capital's profit margins and earnings are dependent in part on its ability to maintain current fee levels for the products and services that Polar Capital offers. Competition within the asset management industry could lead to pressure on Polar Capital to reduce the fees that it charges its clients for products and services. A failure to compete effectively in this environment may result in the loss of existing investors and business, and of opportunities to capture new business, each of which could have a material adverse effect on Polar Capital's business, results of operations or financial condition.

Loss of business from key investors

The Group generates a significant proportion of its revenue from certain investors. As at 31 December 2006, the top 5 investors in the open ended funds, including XL Capital and Caledonia, accounted for 13 per cent. of AuM. The concentration of the top 20 investors was 35.2 per cent.

Continuation vote and termination of the management agreement for PCTT

PCTT represents 20.1 per cent. of total AuM at 31 December 2006 and has votes for the continuation of its management agreement every five years with the next one due in 2010. Furthermore, the management agreement with PCLLP may be terminated by either party by giving 12 months' notice. Under certain circumstances PCTT may be required to pay up to one year's management fees if immediate notice is given and compensation is on a sliding scale if less than 12 months' notice is given. A vote by the shareholders to wind up PCTT or to terminate the management agreement would lead to a material adverse effect on the Group's business.

Damage to the Group's reputation

The Group's reputation is one of its most important assets since it operates in an industry where integrity and customer trust and confidence are paramount. Its relationships with institutional investors and other significant market participants are very important to its business. Any deterioration in the opinion of the Group held by one or more of these market participants could lead to a loss of business or a failure to win new fund mandates. For example, the Group is exposed to the risk that litigation, regulatory action, misconduct, operational failures, negative publicity or press speculation, whether or not valid, could harm its reputation. Factors which could adversely affect the Group's reputation include but are not limited to:

- (1) *Fraud, misconduct or improper practice by any of the Group's employees, including non-adherence by a fund manager to the investment guidelines applicable to each fund:* such actions can be particularly detrimental in the provision of financial services and could involve, for example, fraudulent transactions entered into for a client's account, diversion of funds, the intentional or inadvertent release of confidential information or failure to follow internal procedures. Such actions could expose the Group to financial losses resulting from the need to reimburse customers or other business partners or as a result of fines or other regulatory sanctions, and may significantly damage the Group's reputation.
- (2) *Mis-selling:* in the course of the sales and marketing of funds managed by the Group, there is a risk that one or more Polar employees could adopt practices or approaches, or use documentation which has not been approved through the appropriate compliance channels within the Group, such that such sales and marketing activities could subsequently give rise to a mis-selling claim from investors. A finding of mis-selling against the Group could give rise to material regulatory sanction being imposed against the Group and the payment of material damages to aggrieved investors. As such, any finding of mis-selling may significantly damage the Group's reputation.
- (3) *Failure to manage inside information:* in the course of its investment activities, Polar employees may receive inside information in relation to certain investments. If the Group does not sufficiently control the use of this inside information or any other inside information it receives, the Group and/or its employees could be subject to investigation and criminal or civil liability.
- (4) *Failure to manage conflicts of interest:* as the Group has expanded the scope of its business and client base, it is increasingly exposed to potential conflicts of interest. If the Group fails, or appears to fail, to deal appropriately with conflicts of interest, it could face significant damage to its reputation, litigation or regulatory proceedings or penalties.

Damage to the Group's reputation as a result of these or other factors could have a material adverse effect on its business, results of operations or financial condition.

Adverse changes in taxation law

Changes in taxation legislation can affect investment behaviour, making investment generally, and specific kinds of investment products in particular, either more or less appealing.

The Group cannot predict the impact of future changes made to tax legislation on its business nor can it predict the impact of future changes made to tax law on the attractiveness of its investment offerings. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decision of either existing or potential clients. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation could have a material adverse effect on the Group's

business, growth prospects, net inflows, revenues, results of operations and/or financial condition. The Group has received advice that no income tax and employer and employee National Insurance contribution charges should arise to it or its employees, in relation to shares (including Manager Preference Shares) or options in the Company currently beneficially owned by employees, as a direct consequence of the arrangements leading to Admission and/or Admission itself. However, the relevant legislation is relatively new and untested in its application in certain cases and there is a risk that HMRC could assert that charges do arise in circumstances where arrangements of this sort are made. Further, although the Group has received advice that it should not be the case, there is a risk that HMRC could assert that such charges arose in relation to the original grant of shares or options to employees or on any previous disposal of shares (including Manager Preference Shares) or exercise of options by employees or indeed on any disposal or exercise in the future. If such assertions are made and upheld, material income tax and employee National Insurance contributions (collected by the Group at source through the PAYE and National Insurance systems, which would need to be recovered from relevant employees) and employer National Insurance contributions could arise.

The impact of regulatory non-compliance or change in regulation

The activities of the Group are subject to regulation as set out in more detail in paragraph 15 of Part VIII. The Group's activities are regulated primarily by the Financial Services Authority in the UK and the Group is also subject to regulation in the various other jurisdictions in which it operates. Polar Capital distributes and offers, or intends to offer, products and services in a number of jurisdictions. Withdrawal or amendment of regulatory approval in respect of all or part of the businesses carried on by Polar Capital or in respect of the fitness of one or more individuals to perform their current role (including any of the Directors) might oblige the Group to cease conducting a particular business or modify the way in which it is conducted, or allocate responsibility for that business to different individuals. Agreements made in the course of the carrying on of regulated activities by unauthorised persons are unenforceable.

The FSA has broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. One of the principal regulatory objectives of each regulator is the protection of investors rather than shareholders or creditors.

The FSA and other regulatory authorities may from time to time make enquiries of companies within their jurisdiction regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business) and the handling and treatment of clients. In the context of the current regulatory environment, while the Group believes each of its regulated businesses dedicates sufficient resources to its compliance programme, endeavours to respond to regulatory enquiries in an appropriate way and takes corrective action when warranted, the Group faces the risk that the FSA or another governmental or regulatory body could find that it has failed to comply with applicable regulations or has not undertaken corrective action as required. In this case, regulatory proceedings could be commenced which could result in a public reprimand and/or fines or other regulatory sanctions, including the potential loss of FSA authorisation.

Regulatory proceedings could result in adverse publicity or negative perceptions regarding the Group as well as divert management's attention from the day-to-day management of the business. A significant regulatory action against a member of the Group could have a material adverse effect on its business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Any changes in the laws and regulations governing its business or adverse outcomes of regulatory reviews of relevant members of the Group could reduce the services the Group is able to offer or the fees it is able to charge, increase the costs of compliance with regulation, limit the ability of the Group to structure new funds or restrict the investment techniques available to new or existing funds, thereby potentially limiting the ability of such funds to generate positive returns, any of which would decrease the Group's revenues and profitability. In addition, a substantial change in regulatory capital requirements, or unforeseen consequences in the UK of the implementation of the Markets in Financial

Instruments Directive, which is due to come into force in the UK in January 2007 with full implementation by the FSA by November 2007, could have an adverse effect on the Group's UK business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

The impact of damage or disruption to business operations or systems

The Group's business operations, information systems and processes are vulnerable to damage or interruption from fires, floods, power loss, telecommunication failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These systems may also be subject to sabotage, vandalism, theft and similar misconduct. In particular, the Group's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious codes, and other events that have a security impact. Third-party providers upon which the Group depends may also be subject to similar vulnerabilities. If any of the Group's financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in the Group's internal processes, people or systems, the Group could suffer financial loss, disruption of or to its businesses, liability to clients, regulatory problems or damage to its reputation.

The Group's core businesses have in place disaster recovery plans covering current business requirements, which have been tested and are considered adequate. Suppliers of administration and IT services and other back office functions have disaster recovery plans and business continuity plans. However, if the disaster recovery plans are found to be inadequate, consequent interruptions in the Group's business or failure to keep current and accurate books and records could render the Group liable to disciplinary action by governmental and regulatory authorities, as well as to claims by its clients. The Group may also be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. Such liability or additional costs could have a material adverse effect on the Group's business, results of operations or financial condition.

Reliance on third party outsourcing arrangements

The Group relies, through its outsourcing arrangements, on a number of third party providers of administration and other back office functions. Any interruption in the Group's ability to rely on the services of these third parties or deterioration in their performance could impair the timing and quality of the Group's services. Furthermore, if the contracts with any of these third party providers are terminated, the Group may not find alternative outsource providers on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Inadequacy of systems and controls

The Board believes that the Group has appropriate financial and management controls in place. Any disruption to these systems or processes may result in additional costs and may negatively impact the Group's ability to execute its strategy and to analyse in a timely and efficient manner its financial and other business information, and may ultimately have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Failure to keep up with rapid technological change

The Group continues to develop its systems in response to expected growth and increased sophistication in the investment management market. However, the markets in which Polar Capital operates are characterised by rapid technological change, changes in use and client requirements and preferences, frequent product and service introductions employing new technologies and the emergence of new industry standards and practices that could render the Group's existing technology and systems obsolete.

There can be no assurance that Polar Capital will be able to anticipate and respond to the demand for new services, products and technologies in a timely and cost-effective manner, to adapt to technological advancements and changing standards or to retain its clients. The Group's failure to do any of these could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

Conflicts of interest and influence of principal shareholders

Following Admission, the current Directors, investment management personnel, key employees and connected persons will between them own approximately 63.2 per cent. in aggregate of the share capital of the Company. Accordingly, these Shareholders may be in a position to exert significant influence over the outcome of matters relating to the Group, including appointments to the Company's Board and the approval of significant change of control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of the Directors and employees and may have the effect of delaying or preventing an acquisition or other change in control of the Group.

Use of financial derivatives

The Group may enter into transactions and/or use techniques and instruments to seek to protect against fluctuation in the relevant value of its fees as a result of changes in the underlying value of the relevant funds. Although these transactions are intended to minimise the risk of loss due to a decline in the value of fees, they may also limit any potential gain that might be realised should the value of the underlying funds increase.

Potential currency exchange rates risk

UK Pounds Sterling is the Group's reporting currency. However, the Group's business is often conducted in jurisdictions which generate revenue, expenses and liabilities in currencies other than UK Pounds Sterling. Although the Company does operate a hedging policy, the Company is subject to the effects of exchange rate fluctuations with respect to any of these currencies. Accordingly the financial performance of the group could be adversely affected.

Exposure to litigation

Because of the extent and complexity of the regulatory environment in which the Group operates and the products and services which it offers, many aspects of Polar Capital's business involve substantial risks of liability. In recent years, there have been increasing incidents of litigation involving the financial services industry and any litigation brought in the future could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition. Polar Capital could also potentially face liability for claims of negligence and violation of securities laws.

The Group's insurance may not necessarily cover claims that clients or others may bring against the Group or may not be adequate to protect it against all liability that may be imposed.

Changes to Accounting Standards

AIM have confirmed that for periods beginning on or after 1 January 2007 EEA incorporated companies that prepare group accounts must use International Accounting Standards (that is International Financial Reporting Standards ("IFRS") in the UK) in their group accounts.

The agenda of the International Accounting Standards Board indicates that some of their projects could have a fundamental effect on financial reporting under IFRS and therefore there is some uncertainty about the impact of the adoption of IFRS by the Group.

In the meantime, the agenda of the UK Accounting Standards Board indicates the issue of new IFRS-based standards. The application of these will not be mandatory before a single date, currently planned to be 1 January 2009.

Therefore the transition of UK FRS to IFRS and/or the adoption of IFRS could have an impact on the Group's reported financial position and results. It is not possible for the Directors to quantify the impact at this time.

The Group's insurance arrangements may not be adequate to protect the Group

The Group's businesses entail the risk of liability related to litigation from clients or third party vendors and actions taken by regulatory agencies. There can be no assurance that a claim or claims will be covered by insurance or, if covered, will not exceed the limits of available insurance coverage, or that any insurer will remain solvent and will meet its obligations to provide the Group with coverage or that insurance coverage will continue to be available with sufficient limits at a reasonable cost. Renewals of insurance policies may expose the Group to additional costs through higher premiums or the assumption

of higher deductibles or co-insurance liability. The future costs of maintaining insurance cover or meeting liabilities not covered by insurance could have a material adverse effect on the Group's business, results of operations or financial condition.

Risks related to the markets

General market risk

The Group's revenue is predominantly derived from management fees and performance fees based on the funds it manages and the value of its AuM, and so a decline in the number of funds or the value of AuM for whatever reason could have a material adverse effect on the Group's business, growth prospects, net inflows, revenues, results of operations and/or financial condition.

The financial markets in which Polar Capital operates are directly affected by many national and international factors that are beyond its control. Any one of the following factors, among others, may cause a substantial decline in the financial markets in which the Group operates: legislative and regulatory changes; economic and political conditions in the UK, US, continental Europe and elsewhere in the world; concerns about terrorism and war; the level and volatility of equity, debt, property and commodity markets; the level and volatility of interest rates and foreign currency exchange rates; concerns over inflation and changes in institutional and consumer confidence levels.

In recent years, the financial markets have been adversely affected by acts of war, terrorism and other armed hostilities. They have also been affected by natural disasters. Uncertain economic prospects or declines in investment markets for whatever reason could result in investors withdrawing from the markets or decreasing their rate of investment.

In particular, certain sectors within which the funds managed by the Group invest, for example technology or emerging markets, may be subject to higher levels of volatility than equity markets generally and may, in certain circumstances, be considered to be high risk or speculative in nature.

Risks related to the Company's shares

The value of the Ordinary Shares may go down as well as up

Following Admission, it is likely that the Company's share price will fluctuate and may not always accurately reflect the underlying value of its businesses. The value of the Ordinary Shares may go down as well as up and investors may realise less than the original sum invested. The price that investors may realise for their holdings of Ordinary Shares, when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous. Such factors may include the possibility that the market for the Ordinary Shares is less liquid than for other equity securities and that the price of the Ordinary Shares is relatively volatile.

Future sales of Shares by Shareholders

The terms of the lock-in arrangements, further details of which are contained in paragraph 13 of Part VIII, provide for the release of the Ordinary Shares owned by certain Shareholders from the lock-in arrangements in the period following the publication of a trading update in respect of the 9 months to December 2007.

The Company is unable to predict when and if substantial numbers of Ordinary Shares, in addition to those available in the Placing, will be sold in the open market following such releases. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

Conversion of Manager Preference Shares

The fund managers of each business unit currently hold Manager Preference Shares in PCPL which may crystallise at the option of the manager after the third year, and at the option of the Company after the sixth year. At the time of conversion the Manager Preference Shares are converted for cash or, at the option of the Company, for Ordinary Shares in the Company. While this conversion process is expected to be earnings enhancing, circumstances may arise in which the conversion process is not earnings enhancing, either at the point of conversion or thereafter. Furthermore, any such issue of Ordinary Shares would result in a dilution of existing Shareholders and could result in a material adverse effect on the market price of the Ordinary Shares.

A liquid market for the Ordinary Shares may not develop

Before the Placing, there has been no trading history regarding the Ordinary Shares and Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Moreover, the Ordinary Shares have never been freely traded and there can be no assurance that, upon completion of the Placing, any active trading market for the Ordinary Shares will develop or be sustained and that investors may be able to resell the offered securities at or above the Placing Price or at all. It is likely to be more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.

Polar Capital may decide not to pay dividends

The Directors may decide not to pay any dividends. Future dividends will depend on, among other things, the Group's future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

Failure to raise additional capital in the future when required

Polar Capital may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If Polar Capital raises significant amounts of capital by these or other means, it could cause dilution for existing Shareholders. Moreover, the sale of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of Ordinary Shares. Polar Capital may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of your Ordinary Shares and the proportion of Polar Capital's share capital in which existing investors are interested.

Cautionary statement regarding forward-looking statements

Statements included herein that are not historical facts may be forward-looking statements. Such forward-looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event that such risks or uncertainties materialise, Polar Capital's results could be materially affected. The risks and uncertainties include, but are not limited to, those described in this Part II.

These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, aims, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding Polar Capital's intentions, beliefs or current expectations concerning, amongst other things, Polar Capital's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Polar Capital's actual results of operations, financial condition and liquidity, and the development of the business sector in which the Group operates, may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which Polar Capital operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, Part III of this document for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

PART III

Information on the Group

1. Introduction

Polar Capital is a specialist asset management group which seeks to build a broad family of funds diversified by asset class, geographical and sectoral specialisation, strategy and structure. Polar Capital provides a centralised sales, operational and regulatory platform to which it has attracted an entrepreneurial group of successful investment managers. Polar Capital's objective is to achieve strong and sustainable earnings and dividend growth through delivering excellent investment performance, filling the capacity of its existing funds and adding further fund management teams.

2. Business overview

Polar Capital was established in December 2000 and now manages 15 funds and two advisory relationships and one managed account with combined assets of \$3.3 billion as at 31 December 2006. Of the 15 funds, four are long only and two are long bias funds representing 56.7 per cent. of AuM with 43.3 per cent. in hedge funds. These funds are managed by eight different business units. Polar Capital's first business unit focussed on the technology sector and subsequent recruitment resulted in the establishment of the Japan and UK business units (2001), Europe (2003), Asia (2004), Utilities (2005), Global Macro (2006) and Global Emerging Markets ("GEM") (2006). A separate Global Opportunities business unit, which had previously been part of the UK business unit, was also established in December 2006.

54 people currently work at Polar Capital of whom 29 are investment professionals. Over the last 20 months, Polar Capital has invested heavily in its operational platform. This has included strengthening its management team with the appointment of a Chief Executive in April 2005, a Chief Risk Officer in September 2006 and a Sales and Marketing Director in December 2006. Polar has also broadened its shareholder base to include a strategic relationship with XL Capital in addition to its long standing relationship with Caledonia. The Board believes these developments should enable the controlled expansion of Polar Capital's longer established strategies and support both the recent programme of new fund launches and those anticipated in the future. During the nine months to 31 December 2006, Polar Capital has launched five new funds versus four in the preceding three years combined. The Company's strategy is to add at least one new investment team annually through either recruitment or acquisition for the foreseeable future.

3. History of the Company

Polar Capital was founded by Brian Ashford-Russell and Tim Woolley who were previously responsible for the management of Henderson Global Investors' technology funds. Caledonia became a founding shareholder and, together with John Mansell (Polar Capital's Chief Financial Officer and Chief Operating Officer), established the Group's corporate structure which received regulatory approval in January 2001. Henderson Technology Trust PLC together with an advisory client transferred their management contracts to Polar Capital shortly thereafter.

In March 2001, James Salter joined Polar Capital bringing with him an open ended Japan fund and later that year Philip Hardy joined from Schroder Investment Management to establish a UK unit. Rob Gurner joined Polar Capital from Ennismore Fund Management in 2003 establishing a European specialist unit. In 2004 Emil Wolter arrived from Pictet Asset Management to build a Far East unit which, with the recruitment of Samir Patel from Charlemagne Capital and Anton Khmel'nitsky from Kazimir Partners (previously Brunswick Asset Management) in April 2006, has subsequently evolved into a broader based GEM group. Three other units have been established in the last 12 months: Utilities led by Bruce Bromley who came from Ecofin, Global Macro led by Paul Lambert who was previously at Deutsche Asset Management and Global Opportunities led by Julian Barnett who came from Close Wealth Management in 2002.

Polar Capital was largely managed by the founders and John Mansell in its early years, supplemented by the appointment in 2002, as part time Executive Chairman, of Charles Hale who was previously Chairman of Donaldson Lufkin and Jenrette International. In April 2005, Mark Kary, who was

previously head of Morgan Stanley's Northern European Ultra High Net Worth Wealth Management business, was appointed as Chief Executive. Since Mark's arrival, significant investment has been made developing the Group's platform for growth. This investment has included enhancing the sales platform including the recruitment of Robert Blaxland as Sales and Marketing Director who joined in December 2006; developing the operational platform, including the recruitment of James Hanson as Chief Risk Officer in September 2006; accelerating the recruitment of new fund management units with five new funds launched in the nine months to 31 December 2006; and establishing material seeding arrangements with XL Re in October 2006.

4. Group strategy

Polar Capital's objective is to deliver strong and sustainable earnings and dividend growth by building a highly diversified family of long only, long bias, equity long short and other fundamentally driven hedge fund strategies managed under the Polar Capital brand. Key elements of this strategy are:

- recruitment of talented fund managers through the provision of an incentivised, entrepreneurial and attractive operating environment together, where necessary, with the provision of seed capital for new funds;
- delivery of excellent investment performance by allowing fund managers to focus fully on fund management;
- ensuring an alignment of interests between shareholders, fund investors and fund managers by restricting the size and number of funds in order to avoid the trade-off between asset accumulation and performance;
- broadening and deepening fund investor relationships to ensure the full utilisation of Polar Capital's existing capacity while laying the groundwork for the launch of future funds;
- reducing the volatility of the Group's revenues by broadening the existing fund range into other less correlated asset classes; and
- maintaining and enhancing the levels of service provided to both fund managers and clients by investing as necessary in Polar Capital's operational, sales and regulatory platform.

Over the last 20 months, Polar Capital has invested in broadening and deepening its business platform. As a consequence, the Directors believe that there is now considerable opportunity to leverage the business and deliver strong earnings growth through attracting additional assets. To this end, Polar Capital intends to recruit and/or acquire additional investment management teams as well as to grow net sales of existing products which are performing well and where capacity is available.

Since 31 March 2006, Polar Capital has launched five new funds following recruitment of three additional management teams. The Group's strategy is to add at least one new investment team annually through either recruitment or acquisition for the foreseeable future. In general, Polar Capital targets operating profitability from each new business unit within two years of establishment and regards all funds less than two years old as in "seeding" mode. Of the 15 funds currently under management, the Board regards six to be at the seed stage.

5. Industry background

The Directors believe that there are a number of current trends in the fund management industry which have benefited and should continue to benefit Polar Capital. These include:

- an increase in overall savings as developed country populations increase their savings rates;
- an increase in asset allocations to alternative asset classes and absolute return strategies and subsequently the growing use of risk adjusted performance measurements;

- a growing polarisation between alpha and beta strategies causing a shift in asset allocation away from traditional investment houses to, on the one hand, quantitative houses offering cheap and effective ways to track market indices (beta strategies) and, on the other hand, to managers such as Polar who offer better risk adjusted returns through hedge funds, property, commodities, private equity, and more specialist asset management products (alpha strategies);
- the move of a number of private banking and wealth management groups to an open architecture environment, whereby a range of products managed by independent asset managers are offered to their customers so as to increase choice. These changes have the effect of opening up captive client pools to independent asset managers such as Polar Capital;
- the desire of many fund managers to have the freedom to manage funds in line with their own convictions rather than centrally imposed parameters and to have a direct financial participation in the performance of the funds they manage; and
- increasing compliance, regulatory and financial reporting burdens making it more attractive for managers to share a common operating and sales and marketing platform than setting up their own stand alone ventures.

The Directors consider that the long term sectoral trends in the fund management industry combined with the operating structure it has in place to attract and incentivise fund managers to deliver superior investment performance will benefit the Group.

6. Business unit ownership structure

A distinguishing feature of Polar Capital is its business unit ownership structure. This has been designed to give fund managers direct control over and economic participation in their funds' performance whilst linking them to the performance of the Group as a whole. The objective is to align the interests of all Polar Capital's stakeholders being investors in Polar Capital funds, managers at Polar Capital and shareholders in Polar Capital.

The main attribute of the structure is that Polar Capital's fund management teams are organised into separate business units, each of which draws on a shared platform for sales and marketing, operations, information technology, finance, compliance and risk management. Each business unit is a separate profit centre and the fund managers responsible receive each year a payment which comprises a share of their unit's Core operating profit (the "Core Element") and performance fees (the "Performance Fee Element"). This structure has the benefit of providing fund managers with significant investment autonomy, making them directly accountable and focusing them on maximising profitability.

In addition to the bonus payment structure described above, each fund management team is offered the prospect of an interest in the capital of the Company through the purchase of an individual class of Manager Preference Share in PCPL. These Manager Preference Shares have been structured in such a way as to become convertible into cash, or at the option of the Company, Ordinary Shares upon the occurrence of certain trigger events. Upon the conversion of Manager Preference Shares, the fund managers concerned will no longer be eligible to receive the Core Element payment and will receive the Performance Fee Element but at a reduced level. In effect, conversion allows a fund manager to obtain an interest in capital of the Company, with the prospect of a dividend return going forward based on the diversified multi-strategy earnings stream of the Group, in return for giving up a major proportion of the payment previously earned on the basis of the performance of his business unit alone. From the Company's perspective, the conversion ratio applied in calculating the number of Ordinary Shares to be issued is such that the transaction is intended to be earnings enhancing for the Group. Further details are set out in paragraph 7.1 of Part VIII.

The issue of Ordinary Shares or cash on conversion is ordinarily staggered in four tranches of 10%, 30%, 30% and 30% over a three year period, thus providing a lock-in mechanism to managers who receive such equity. In the interim, the manager will be entitled to receive a bonus equal to the dividend that would have been received on the notional Ordinary Shares outstanding and due to be issued to the manager.

In conclusion, the proposition that the Company has created enables managers to exchange after a minimum of three years their interest in the Core operating profit of their business unit for equity in the Company. The benefit to a manager is that whilst retaining a significant interest in their own performance fees they are provided the opportunity to capitalise their interest in their Core operating profit into a more diversified concern, being the Group as a whole. Such a mechanism is intended to strengthen the bond between a fund manager and the Group.

The next annual opportunity for managers to convert their Core operating profits into Polar equity is at 1 April 2007. At that point there are two business units that have the ability, having been in existence for three full financial years, to convert if they so wish.

7. Seeding arrangements

From its inception Polar Capital's founders have actively looked to recruit outstanding fund managers and they, together with the Company's principal outside shareholder Caledonia, have supported the development of Polar Capital's funds through the provision of seed capital. Their objective has been to enable new managers to establish funds and build a meaningful track record under the Polar umbrella before marketing them to Polar Capital's wider investor base.

With the exception of the technology business unit, all of Polar Capital's established business units have developed through the provision of seed capital. In the nine months to 31 December 2006 Polar Capital has launched five seed funds. These are shown in the table in section 9 on page 27.

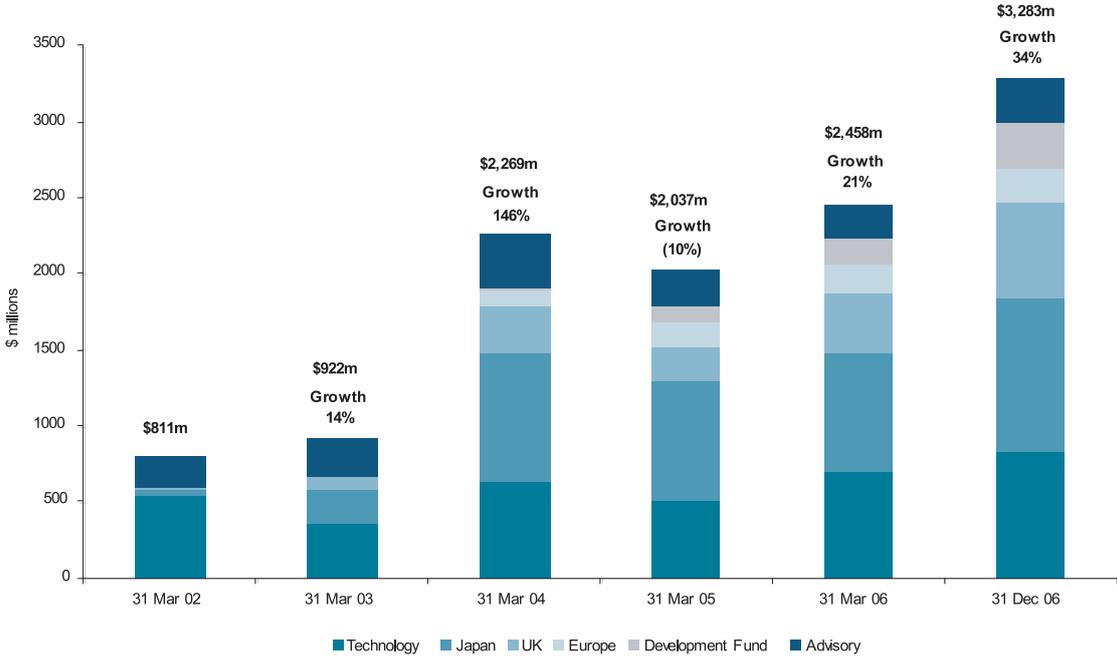
In order to enhance further the Group's capacity to launch new funds, on 31 October 2006 Polar Capital entered into a seeding agreement with XL Re which has substantially increased the pool of funds available for this purpose. XL Re has committed to invest up to \$175 million in aggregate into certain Polar-sponsored funds over the next four to five years. Individual fund commitments generally extend for 18 months.

8. Assets under management

Since winning its initial mandate for the management of the PCTT in February 2001, Polar Capital has achieved strong growth in AuM from \$811 million at 31 March 2002 to \$3.3 billion as at 31 December 2006, representing a CAGR of 34.2 per cent.

	2002	As at 31 March				As at
	2003	2004	2005	2006	2006	31 Dec
	\$m	\$m	\$m	\$m	\$m	\$m
AuM	811	922	2,269	2,037	2,458	3,283
Growth		13.7%	146.1%	(10.2%)	20.7%	33.6%

The chart below sets out the proportion of the Group’s AuM accounted for by Polar Capital’s earliest business units, Technology and Japan, which were both established in 2001, UK and Europe respectively established in 2001 and 2003, its development funds comprising an additional three business units (GEM, Utilities and Global Macro) and its advisory funds.



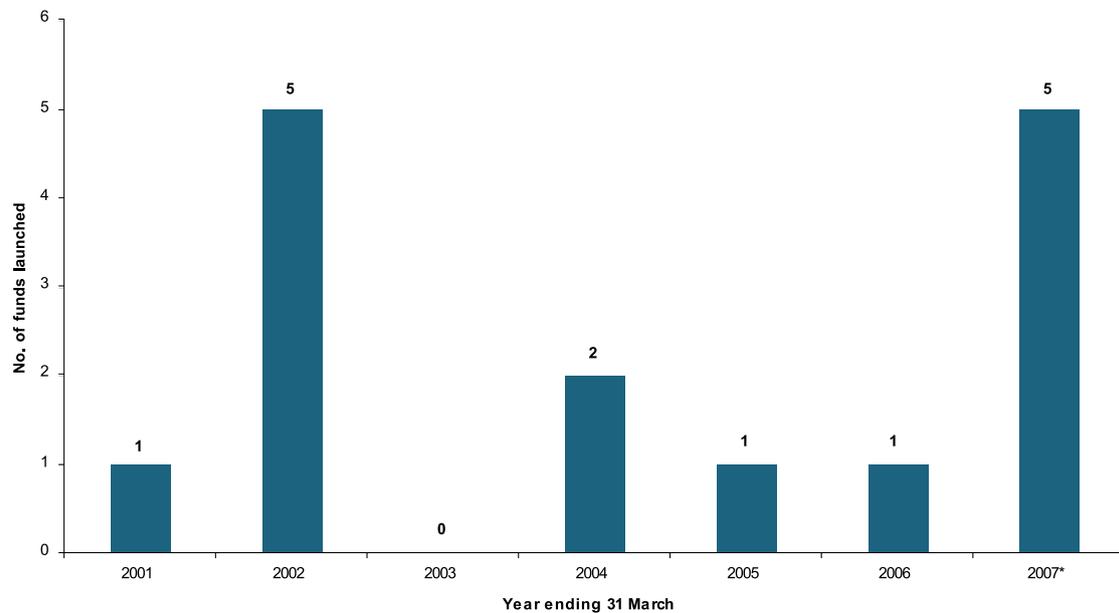
For the year ended 31 March 2004 growth in AuM was driven primarily by the strong performance of the Technology and Japan long only funds and the growth in new assets of both the Japanese and UK hedge funds. In the year to March 2005 and 2006 AuM trends were negatively influenced by the impact of indifferent performance by the UK Market Neutral Fund and the Japan hedge fund respectively. The year to 31 March 2007 has seen a significant reacceleration in AuM growth across the broader and more diversified Polar Capital platform culminating in AuM at 31 December 2006 of \$3.3 billion.

Polar Capital’s Technology and Japan business units continue to represent the majority, though a declining proportion of the Group’s overall AuM, accounting for 54.6% of AuM at 31 December 2006. Whilst an important part of the Group’s strategy is to reduce reliance on these units by developing others, the Board believes there remains considerable scope to increase AuM in both business units.

Relatively little marketing attention has been applied to the technology business over the last five years reflecting the team’s caution on the outlook for their sector. However, the technology team believes that, following a prolonged downturn in their sector, a new multi-year cycle is getting underway. Consequently, renewed focus has been given in recent months to marketing the team’s long only and long/short products.

Similarly, the Board believes there is considerable scope to increase the AuM of the Japanese, UK and European business units, each of which have established the track records to enable them to expand further.

An important ingredient in Polar Capital’s strategy is to develop a broad range of investment strategies diversified by asset class, geographical and sectoral specialisation, strategy and structure. Polar Capital has looked to accelerate this process as the Group has matured. Indeed, having invested in its operational platform over the last 18 months, Polar Capital has launched five new funds in the first half of the current financial year versus four in the preceding three years combined.



* as at 31 December 2006

AuM also comprise a mixture of long only, long bias and hedge fund mandates, the investment trust, a managed account and two advisory relationships.

AuM as at 31 December 2006

	<i>Number</i>	<i>\$m</i>	<i>%</i>
Hedge funds	9	1,423	43.3%
Long only and long bias	5	921	28.0%
Investment Trust	1	660	20.1%
Managed	1	72	2.2%
Advisory relationships	2	207	6.3%
TOTAL		<u>3,283</u>	<u>100%</u>

9. Investment performance

The delivery of a strong long-term investment performance track record is a key component of Polar Capital's success. Polar Capital aims to deliver outperformance of the relevant benchmarks in all market conditions.

The following table sets out Polar Capital's fund investment performance since launch (net of fees) and volatility to 31 December 2006, excluding managed and advisory relationships. Funds in italics are currently still in their seed phase:

	<i>Launch Date</i>	<i>AUM \$m</i>	<i>Return since Launch Date %</i>	<i>Comparable Index</i>	<i>Comparable Index Return %</i>	<i>Out/(Under) Performance %</i>	<i>Annualised Return since Launch Date %</i>	<i>Volatility³ %</i>
Technology								
Technology Trust	Feb 2001 ²	660	-23.1% ⁴	DJ World Tech	-50.8%	27.7%	3.5%	22.9%
Global Technology Fund	Jun 2001	107	40.0%	Russell 2000	20.4%	19.6%	6.7%	28.0%
Technology Hedge Fund	Jun 2001	67	85.2%	Tremont LS	61.0%	24.2%	12.0%	11.2%
		<u>834</u>						
Japan								
Japan Fund	Oct 2001	629	82.8%	Topix	59.8%	23.0%	12.4%	17.8%
Japan Hedge Fund	Dec 2001	256	70.8%	Tremont LS	63.5%	7.3%	11.3%	7.7%
		<u>885</u>						
UK								
UK Hedge Fund	Nov 2001	205	54.0%	Tremont MN	45.6%	8.5%	8.9%	5.7%
Europe								
Forager Hedge Fund	Jun 2003	220	78.0%	Tremont LS	30.1%	48.0%	18.9%	5.6%
<i>Conviction Hedge Fund</i>	<i>Apr 2006</i>	137	<i>n/a¹</i>		<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>
		<u>357</u>						
Global								
Paragon Hedge Fund	Mar 2004	426	144.2%	Tremont LS	26.6%	117.6%	38.4%	15.4%
Global Emerging Markets								
Asia ex Japan Fund	Oct 2004	121	53.4%	MSCI	80.4%	-27.0%	21.8%	16.5%
<i>Latam Fund</i>	<i>Jul 2006</i>	20	<i>n/a¹</i>		<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>
<i>Elbrus Fund</i>	<i>Apr 2006</i>	44	<i>n/a¹</i>		<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>
<i>Lotus Hedge Fund</i>	<i>May 2006</i>	20	<i>n/a¹</i>		<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>
		<u>205</u>						
Utilities								
Utilities Hedge Fund	Nov 2005	39	4.3%	Tremont LS	17.4%	-13.2%	3.6%	4.9%
Macro								
<i>Discovery Hedge Fund</i>	<i>May 2006</i>	53	<i>n/a¹</i>		<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>	<i>n/a¹</i>

Note: ¹Insufficient data to calculate meaningful value

²Date that Polar took over the investment management contract

³Volatility is defined as the annualised standard deviation of monthly returns

⁴Return lowered due to exercise of warrants

Source: Polar Capital, as at 31 December 2006

As at 31 December 2006 all of Polar Capital's funds, with the exception of PCTT, the Japan Fund and the Asia ex-Japan Fund, were above their high watermarks for performance fees. Polar Capital is in the process of revising the mandate for the Asia ex-Japan Fund. As a result, new investors in that fund will have a redesigned performance fee high watermark to reflect the amended investment objective of the fund.

Management keep close review of the investment performance and profitability of each business unit and, whilst aiming to preserve the independence of each team, works with them to address any shortfalls in order to help maintain the overall reputation of Polar Capital's brand. This may involve from time to time closing funds.

10. Fund management business units and products

Polar Capital's fund management operations are organised into business units which operate as relatively autonomous entities, drawing upon shared operational, sales, finance and regulatory resource. Details of the lead managers for each business unit are set out below:

Technology

The founders, Brian Ashford-Russell and Tim Woolley (the profiles for whom can be found at page 36) continue to participate in the day to day management and direction of the technology funds managed by Polar Capital. In addition, the following lead managers manage the PCTT and the Technology Hedge Fund:

Ben Rogoff – *Manager of the Polar Capital Technology Trust plc*

Ben joined the Group in May 2003, and became the lead manager of PCTT in May 2006. He is responsible for Polar Capital's US technology portfolios and is joint manager, to become sole manager, of the Global Technology Fund. Ben began his career in US equity sales at Dean Witter International, before moving to Clerical Medical Investment Management as Associate Director responsible for coverage of the technology sector. In 1998 he moved to Aberdeen Asset Management where he became a senior fund manager on the technology desk.

Craig Mercer – *Technology Fund Manager*

Craig joined the Group in September 2002 to run the Japanese and Asian technology portfolios. He currently manages the Technology Hedge Fund and is deputy fund manager of PCTT. He works closely with the Japan Team on Japanese technology investments. He was previously at Aegon Asset Management (formerly Scottish Equitable) where he was a Japanese generalist for 5 years.

Japan

James Salter – *Head of the Japan Team*

James joined the Group in March 2001, starting the Japanese business unit with the launch of the Japanese Fund in October of that year, and the Japanese Hedge Fund in December of the same year. He worked as an assistant fund manager at Foreign & Colonial in 1989, moving to Martin Currie in 1992 where he was a director and joint fund manager of the Martin Currie Japan Unit Trust. From 1996 to 1999 he was a senior fund manager at Schroder Investment Management managing the Schroder Japan Growth Fund plc. He was subsequently a founding Director of Bonfield Asset Management where he managed the Bonfield Japan Growth Fund and Bonfield Japan Hedge Fund.

Celia Farnon – *Japan Fund Manager*

Celia joined Polar Capital in July 2001 to assist James Salter in the establishment of the Japanese Team. She currently runs the Japan Hedge Fund. Celia worked as an analyst for Citicorp Scrimgeour Vickers in Tokyo from 1984 to 1988, then as an analyst for just under two years at Jardine Fleming Securities in Tokyo. Subsequently she moved to Nomura Securities, working in Japanese institutional sales for ten years in their Sydney branch and London and Tokyo headquarters. She then worked a further two years at Nikko Salomon Smith Barney in Japanese institutional sales in Tokyo, before leaving to join Polar Capital in 2001.

Rupert Kimber – *Japan Fund Manager*

Rupert Kimber joined Polar Capital in September 2005 as Head of Research Japanese Equities. He worked for Cazenove & Co for nineteen years, starting as a trainee in 1984 and moving up through research and sales. He became a partner in charge of Japanese business in 1997 and managing director in 2001. He left Cazenove in 2003 to join KBC, Tokyo originally as an executive director, and ultimately as managing director of the Japanese equity business.

UK

Philip Hardy – *Head of the UK Team*

Philip joined the Group in August 2001 and is the lead investment manager for the UK Hedge Fund, which was launched in November of the same year. From 1986 to 1988 he worked as a stockbroker for Laing & Cruickshank. In 1988 he joined Schroder Investment Management UK, where he was manager

of the Schroder UK Equity Fund, and in 1991 was a founding member of Schroder's Specialist UK Equity Team. From 1999 to 2001 he managed Pan European equities on behalf of US institutional clients.

Europe

Robert Gurner – Head of the European Team

Robert joined the Group in June 2003, and is currently the lead investment manager for both the Conviction and Forager hedge funds. He began his career as a graduate trainee with Royal & Sun Alliance Investment Management in 1995, moving to Baring Asset Management as a pan-European smaller companies analyst in 1997. He left Barings in 1998, and worked for Ennismore Fund Management as fund manager in the same field until he joined Polar Capital in 2003.

Global Opportunities

Julian Barnett – Head of Global Opportunities Team

Julian joined the Group in May 2002 as a fund manager on the UK team. He launched the Paragon Fund with Philip Hardy in April 2004 as the lead manager. Prior to joining Polar Capital, he was an assistant investment manager at Close Wealth Management for 2 years, joining in 1999 as a project manager, building the software and computer systems for the newly formed company within the Close Brothers group.

Global Emerging Markets

Emil Wolter – Head of the Asia Team

Emil joined the Group in September 2004 and launched the Asia Fund in October that year. He worked briefly at Total Research in 1995 before moving to Datastream International later that year as an analyst in the pan-European markets. In 1997 he joined Pictet Asset Management where he remained for seven years, leaving as a senior investment manager on the Asia ex-Japan/ Emerging Markets desks.

Samir Patel – Head of the Latin America Team

Samir joined the Group to head up the LATAM Fund, which was launched in May 2006. He joined Datastream International as an analyst in 1989, moving to Fidelity Investments in 1994. In 1995 Samir joined Pictet Asset Management as an analyst. There he concentrated on emerging markets countries, including India, Eastern Europe and Latin America, leaving as a senior investment manager in 2004 to join Charlemagne Capital where he managed two Latin America dedicated funds from inception, and managed the Latin America investments in the global emerging markets products.

Anton Khmelnitski – Head of Eastern European Team

Anton joined the Group in April 2006 as an Eastern Europe specialist, based in Moscow. From 1998 to 2003, Anton worked with Samir Patel and Emil Wolter at Pictet Asset Management, where he was a fund manager responsible for Eastern European portfolios and investment in oil within the global emerging markets sector. In 2003 he moved to Brunswick Asset Management as Head of Equities (Kazimir Partners acquired Brunswick Asset Management in 2004).

Utilities

Bruce Bromley – Head of Utilities Team

Bruce joined the Group in August 2005 from Ecofin Utilities Hedge Fund and became head of the Utilities Team in January 2007. He has over ten years of utilities and financial markets experience, having worked as a pan-European Utilities analyst for HSBC, and before that with Crédit Lyonnais Securities. Bruce has been a top ten ranked analyst in the water, electricity and gas sectors in the main investor surveys. Bruce also worked for international strategy consultancy, LEK Consulting.

Global Macro

Paul Lambert – Head of the Global Macro Team

Paul joined the Group in November 2005, with the Discovery Hedge Fund being launched in May 2006. Paul began his career in 1990 as an economist with the Bank of England. He has since held positions at UBS as a senior currency and proprietary desk strategist and with Citibank where he was the

European Chief Currency Strategist. He joined Polar Capital from Deutsche Asset Management (DeAM) where he had been since 2000, and where he was Global Head of Currency and the senior investor on a wider global macro platform. In addition to these roles, Paul was also the chair of DeAM's economic forum and a member of the fixed income portfolio selection team.

11. Revenues

Polar Capital's principal sources of revenue are management and performance fees. In addition it receives advisory fees on its two advisory relationships. The revenue breakdown by fund demonstrates the diversified sources of Polar Capital's revenue:

<i>Financial year</i>	<i>Year to 31 March</i>			<i>6 Months to</i>	<i>6 Months to</i>	<i>6 Months to</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>30 Sep</i> <i>2005</i>	<i>31 Mar</i> <i>2006</i>	<i>30 Sep</i> <i>2006</i>
Average AuM (\$m)	1,596	2,153	2,248	2,070	2,280	2,558
	£'000	£'000	£'000	£'000	£'000	£'000
Management Fees						
Hedge funds	3,606	5,533	5,154	2,444	2,710	3,831
Long only and long bias	5,419	7,870	9,033	4,047	4,986	5,146
Managed accounts	—	253	309	140	169	157
Total Management fees	9,025	13,656	14,495	6,631	7,864	9,133
Advisory Fees	920	698	669	269	400	228
Core Revenues	9,945	14,354	15,164	6,900	8,264	9,361
Distribution Costs	(1,581)	(1,632)	(1,766)	(798)	(968)	(955)
Net Core Revenues	8,364	12,722	13,398	6,102	7,296	8,406
<i>As a percentage of Total Fees</i>	46.0%	74.4%	34.2%	98.9%	22.1%	94.9%
Performance Fees						
Hedge funds	4,289	4,226	16,038	70	15,968	450
Long only and long bias	5,511	112	8,966	—	8,966	—
Managed accounts	—	—	795	—	795	—
Total Performance Fee Revenues	9,800	4,378	25,799	70	25,729	450
<i>As a percentage of Total Fees</i>	54.0%	25.6%	65.8%	1.1%	77.9%	5.1%
Total Net Revenues	18,164	17,100	39,197	6,172	33,025	8,856
Other operating data						
<i>Net Core Revenue margin (bps)</i>	92.1	110.1	107.5	107.6	112.2	118.6
<i>Net Core Revenue growth</i>		52.1%	5.3%	nm ¹	19.6%	15.2%
<i>Total Performance Fee growth</i>		(55.3%)	489.3%	nm ¹	nm ¹	nm ¹

Note: ¹Not meaningful value

Management and performance fees

Management fees are charged as a percentage of assets under management. Depending on the type of fund, the gross fee rates vary from 0.75 per cent. to 2.0 per cent. with the majority at 1.5 per cent. Over the last two years, the average fee rate net of distribution costs rose from 0.93 per cent. in the year to 31 March 2004 to 1.19 per cent. in the six months to 30 September 2006 as more hedge fund products were launched with higher management fees and the relatively low fee from PCTT reduced in importance as a percentage of total AUM, as did distribution costs in the form of trail commission.

Performance fees are charged as a percentage of a fund's absolute performance in the case of hedge funds and as a percentage of performance relative to a benchmark index in the case of long only funds. Most performance fees are subject to high water marks and the majority crystallise in the first and fourth quarters of the calendar year. Performance fees are inherently volatile. Polar Capital's performance fees fell sharply in the year ending 31 March 2005 but rose by a factor of 4.9 times in the year to 31 March 2006. As Polar Capital's diversification increases through the launch of new funds, the Directors expect the volatility of the Company's performance fee income will diminish.

Gross performance fees of £18.9 million have been earned for the 9 months ending 31 December 2006.

The Company currently anticipates that in future it will issue a trading update every January, when the performance fees earned to 31 December on a number of units, including the Technology, Japan, UK, Global Opportunities, European Forager and Utilities units, will be known.

Advisory Fees

Polar Capital holds two advisory relationships. Fees are charged at between 0.25 per cent. and 0.50 per cent. dependent on performance. The fall in advisory fees in the years ended 31 March 2005 and 2006 was a result of decreases in advisory AuM.

12. Marketing, distribution, and clients

Since its inception in 2001, Polar Capital has maintained the belief that an effective sales and marketing plan is a key ingredient to its strategy for growth. The Sales and Marketing team is today six strong, and Polar Capital has recently invested further in this effort by recruiting Robert Blaxland, who joined as Sales and Marketing Director in December 2006.

Marketing

Limited capacity: Polar Capital's philosophy is to align the interests of investors in its products with its own interests through the delivery of superior performance and to avoid the temptation to be solely driven by asset gathering. Polar Capital therefore works very closely with its fund managers to internally establish conservative capacity targets for its funds and strategies. This should ensure that the degradation of performance which the Board believes is associated with the management of excessive AuM does not take place.

Client service: The identification, development and maintenance of deep relationships with selected clients is fundamental and lies at the core of the marketing strategy. An important feature of the Sales and Marketing team has been the investment in the delivery of superior client service as a key to maintaining strong client relationships and business momentum.

Types of funds: Polar Capital's marketing initiative is focused around a range of open end products managed by the firm that fall into two main categories, long only UCITS qualifying funds domiciled in Ireland and Cayman resident hedge funds.

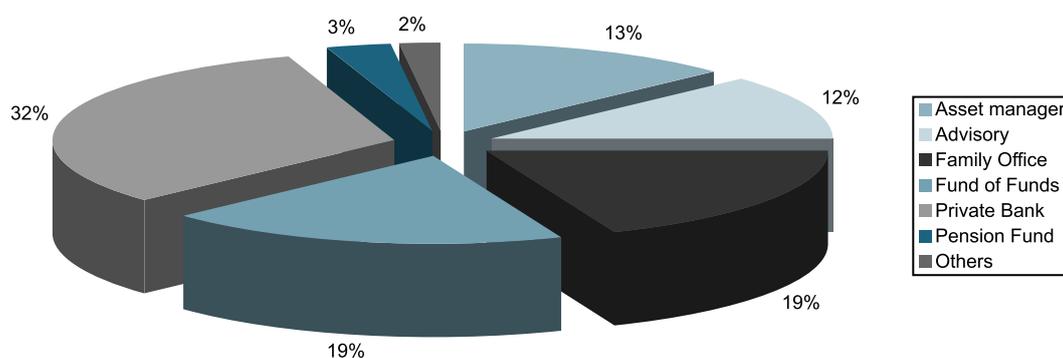
Polar Capital Technology Trust: This Investment Trust is currently the only closed ended vehicle that Polar Capital manages. While there is no current plan to raise new funds within this vehicle, it is central to the Group's overall technology franchise and to future efforts to raise additional funds for Polar Capital's other technology funds.

Managed and Advisory accounts: The one managed account and the two advisory relationships are all legacy businesses. Historically, Polar Capital has as a strategy shied away from managed accounts believing that the profitability of such business can be limited and that it can soak up scarce investment capacity. However, as Polar Capital deepens its relationships with a select group of larger clients, it is possible that it may take on a small number of larger managed accounts in strategies and funds where capacity is available.

Distribution

Client Type: As shown by the following pie chart, Polar Capital has focused on a client base that includes private wealth management companies, private banks, fund of funds, family offices and some endowments and large pension funds. As at 31 December 2006, the top 5 investors in the open ended funds, including XL Capital and Caledonia, accounted for 13 per cent. of AuM.

The client base as at 31 March 2006 is shown by the pie chart below.



Geography: Polar Capital has a large number of investor relationships, but has focused its efforts in several key areas: The UK and Channel Islands; Continental Europe (Switzerland, France and Italy); and the east coast of the United States.

Strategy: After nearly six years Polar Capital has developed a large number of investor relationships. As the business moves to the next level the strategy is to increase the degree of focus on both individual geographical areas and particular client types with a view to building a small number of more meaningful and strategic relationships with large investors. Polar Capital believes that by focusing on deepening the relationships with what is currently a first rate list of current and prospective investors, it can significantly enhance asset growth and quality. The sales effort is based entirely around the internal sales and marketing team, and at this stage Polar Capital has not felt the need to put in place any third party marketing arrangements.

Effective sales and distribution have been a key element of Polar Capital's success and are at the heart of the Group's growth strategy.

Gross subscriptions increased from approximately \$531 million in the twelve months to March 2006 to approximately \$953 million in the first 9 months to 31 December 2006, an annualised increase of 139.3 per cent.

13. Risk management

Polar Capital manages risk in broadly three categories: portfolio risk; operational risk; and regulatory risk, although there is an element of overlap between the groupings.

Portfolio Risk

The firm's Chief Risk Officer is James Hanson, who reports to Mark Kary, CEO. His prime responsibility is to ensure both managers and the executive of the firm are aware of, and conform to, the risk restrictions that define each product managed by the firm. The role also encompasses the performance measurement, attribution and peer group analysis functions within the organisation. In addition the CRO works alongside managers to both challenge each relevant portfolio's construction from the perspective of risk and to help managers design programs to mitigate risk.

Operational Risk

The Basel Committee on Banking Supervision has suggested that operational risk is 'the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events'. Polar Capital customises this broad definition to encompass any unexpected events or actions that could have a negative effect on the financial position or the reputation of the Company. The Company has designed a risk mitigation plan that includes an analysis of the operational risks that it faces and which sets out the controls in place to avoid or detect any lapses in the operational environment. The product of the control work (which is the responsibility of John Mansell, the CFO and COO), is presented regularly at board meetings.

Regulatory Risk

Polar Capital operates within a regulated environment. The FSA requires there to be in existence a formal risk plan and requires firms to comply with relevant regulatory rules issued by the FSA. Polar Capital's formal risk assessment, regulatory procedures and risk management controls have evolved since the firm was founded in line with the increased scrutiny in the financial services industry paired with the growth rate of the firm. PCLLP is the group entity registered with the FSA and John Mansell is the designated compliance officer. Polar Capital uses the services of two compliance consultancies to assist it in the design and implementation of a thorough and effective regulatory process.

14. Operations and information technology

Polar Capital's operational infrastructure, including the middle and back office functions, risk and performance measurement, finance, human resources, compliance and information technology systems, are founded upon the principles of integration, scalability and reliability. Although trading is carried out within the respective fund management teams the remaining non-fund management support services are managed centrally and delivered to each team in a consistent and cost effective manner. The Company has a strategy of, where possible, outsourcing its central services to third party providers. Such a policy

delivers reduced fixed costs whilst also ensuring flexibility and continuity, and also enables the more routine and repetitive activities to be outsourced enabling the more analytical, value added and Polar Capital specific activities to be retained in house. The Directors believe that the selective use of third party providers for certain middle and back office functions has delivered an operational platform which is robust, scaleable, cost effective and low risk.

Polar Capital performs all corporate-related functions in-house from its office in London. The corporate accounting team handles all accounting matters including cash flow control, fee invoicing, payment of creditors, the provision of monthly management information and regulatory returns. The physical processing of the payroll is outsourced to local service providers in the countries concerned namely, the UK, Japan, Jersey and the United States.

Custody, registration and valuation services for each fund are outsourced to fund administrators/custodians. The funds currently utilise five different custodians and three administrators. These relationships are managed by the operations team.

The fund managers and the operations team currently execute and administer settlement of approximately 2,000 trades per month. Polar Capital has appointed HSBC Institutional Fund Services to act as its back and middle office; it is this organisation that receives all trade activity from Polar Capital (electronically), matches and reconciles such activity to the market before generating settlement instructions to respective custodians and sending transactional data to administrators. The trade process has no duplication of input and straight through processing is achieved. Such an environment delivers speed of processing, accuracy and the ability to be relatively insensitive to volumes. Polar Capital's systems have been designed and implemented to accommodate future growth in activity levels as well as substantial growth in funds and AuM, working largely on the basis of automated matching and settlement facilities.

Polar Capital's information technology and communications strategy aims to deliver up to date, secure and dependable systems to all areas within the firm to enable the efficient functioning of the business. It is headed by the Company's head of information technology who utilises, when necessary, an outsourced information technology support company to deliver additional resource. The information technology manager has responsibility for the group's network, applications, application support, all system interfaces, all voice and data communications, data supplier relationships, hardware, software and disaster recovery contingencies.

The Directors believe that Polar Capital's operational platform has the capacity for managing an increased level of funds and AuM without a substantial increase in the fixed cost base.

15. Summary financial information

Financial year	Year to 31 March			6 Months to	6 Months to	6 Months to
	2004	2005	2006	30 Sep 2005	31 Mar 2006	30 Sep 2006
Average AuM (\$m)	1,596	2,153	2,248	2,070	2,280	2,558
AuM at period end (\$m)	2,269	2,037	2,458	2,102	2,458	2,658
Average AuM (£m)¹	909	1,156	1,246	1,134	1,302	1,417
Exchange rate used: £1=\$	1.84	1.89	1.74	1.77	1.74	1.87
	£'000	£'000	£'000	£'000	£'000	£'000
Total Management Fees	9,025	13,656	14,495	6,631	7,864	9,133
Advisory Fees	920	698	669	269	400	228
Core Revenues	9,945	14,354	15,164	6,900	8,264	9,361
Distribution Costs	(1,581)	(1,632)	(1,766)	(798)	(968)	(955)
Net Core Revenues	8,364	12,722	13,398	6,102	7,296	8,406
Salary costs and other staff benefits	(2,431)	(3,185)	(4,181)	(2,046)	(2,135)	(2,540)
Bonuses	(479)	(902)	(1,070)	(602)	(468)	(1,144)
Distributions from core revenues	(1,230)	(2,421)	(908)	(412)	(496)	(997)
Other operating costs	(3,386)	(3,444)	(5,336)	(1,644)	(3,692)	(2,503)
Total Operating Expenses	(7,526)	(9,952)	(11,495)	(4,704)	(6,791)	(7,184)
Core Operating Profit	838	2,770	1,903	1,398	505	1,222
Total Performance Fees	9,800	4,378	25,799	70	25,729	450
Performance Fee distributions / bonuses ² (inc. minorities)	(5,794)	(2,704)	(15,434)	(44)	(15,390)	(270)
Performance Related Profitability	4,006	1,674	10,365	26	10,339	180
Net Operating Profit	4,844	4,444	12,268	1,424	10,844	1,402
Other income	—	—	—	—	—	75
Net Interest	70	293	347	86	261	222
Profit before tax and exceptional items	4,914	4,737	12,615	1,510	11,105	1,699
Exceptional items	—	—	(915)	—	(915)	(529)
Profit before tax	4,914	4,737	11,700	1,510	10,190	1,170
Tax	(1,541)	(1,487)	(3,977)	(468)	(3,509)	(505)
Profit after tax	3,373	3,250	7,723 ³	1,042 ³	6,681 ³	665 ³
Other operating data						
Net core revenue margin (bps)	92.1	110.1	107.5	107.6	112.2	118.6
Revenue margin including performance fees (bps)	199.9	147.9	314.5	108.9	507.5	125.0
Core operating margin	10.0%	21.8%	14.2%	22.9%	6.9%	14.5%
Operating margin	26.7%	26.0%	31.3%	23.1%	32.8%	15.8%
Average number of full time employees						
Investment personnel	15	18	22	22	22	29
Non-investment personnel	13	17	20	20	20	21
	28	35	42	42	42	50
Number of new Fund launches	2	1	1	—	1	5

Note: ¹ Translated into pounds sterling at the relevant year end exchange rate at the dates indicated

² Profit allocation to members of PCPL incorporated on 15 August 2005, shown as minority interests in the Group's consolidated profit and loss account, has been included in performance fee distribution/bonuses to enable year on year comparison of Performance Related Profitability.

³ Equals profit after tax and minority interest for all periods ending after 15 August 2005.

The table above sets out key summary financial information and operating statistics for Polar Capital for the three years ended 31 March 2006 and six months ended 30 September 2005, 31 March 2006 and 30 September 2006. These illustrate a number of key themes.

First the Group has achieved growth of average AuM from \$1.6bn for the year to 31 March 2004 to \$2.6 billion for the six months to 30 September 2006 representing a CAGR of 20.8 per cent. Owing to the increase in the proportion of higher fee mandates, net revenues before performance fees increased at a CAGR of 26.6 per cent. between 31 March 2004 and 31 March 2006 from £8.4 million to £13.4 million and have continued to grow strongly in the first six months of the current financial year to 30 September 2006.

Secondly and reflecting Polar Capital's operational gearing, Core operating profits increased substantially between 31 March 2004 and 30 September 2005, but then declined in the second half of the year to 31 March 2006 as the Group increased operational expenditure in preparation for future expansion. Core operating profits grew from £0.8 million for the year ended 31 March 2004 to £2.8 million for the year ended 31 March 2005 and to £1.4 million for the six months ended 30 September 2005. This improvement reflected an increase of core operating margins from 10.0 per cent. to 22.9 per cent. However, this ratio declined in the second half of the financial year ended 31 March 2006 to 6.9 per cent. as a result of a 44.3 per cent. increase in operating expenses. The principal element of this increase was accounted for by other operating costs which rose 124.6 per cent. as the Group recruited a number of additional fund management teams and support staff and incurred an associated increase in premises and systems costs. Certain of these expenses, most notably recruitment costs, were of a one-off or lumpy nature and this is reflected in the fact that other operating costs were 32.2 per cent. lower in the first six months of the current financial year than during the preceding six month period.

Thirdly, having made the additional investment in the operational platform during the second half of the financial year ended 31 March 2006, Polar Capital increased the number of new fund launches during the first half of the current financial year, with five launches versus four in the preceding three years combined. Although the Board believes that the full benefits of these launches have yet to be reflected in the financial performance of the Group, core operating margins improved from 6.9 per cent. for the six months ended 31 March 2006 to 14.5 per cent. for the six months ended 30 September 2006 and assets under management since this date have continued to show positive momentum. At 31 December 2006 they stood at \$3.3 billion, an increase of 33.6 per cent. since 31 March 2006.

16. Current trading and prospects

Since 30 September 2006 the Group has performed well. Seeding arrangements with XL Re were concluded on 31 October 2006 and total AuM have increased to \$3.3 billion at 31 December 2006. Gross performance fees of £18.9 million have been earned for the 9 months ending 31 December 2006.

Looking ahead, the Directors believe that the investment made in the infrastructure of the Group over the past 20 months will facilitate a significant increase in the level of business conducted by the Group. Accordingly, the Directors consider that the fundamental prospects for the business are attractive subject to satisfactory market conditions and the continued delivery of strong investment performance.

17. Directors and key management

Brief biographies of the Directors and key management are set out below:

Directors

Charles Hale (71) – *Non-Executive Chairman*

Charles joined Polar Capital in January 2002 as Executive Chairman, moving to the role of Non-Executive Chairman in March 2005. He served as Managing Director of AG Becker International from 1970 to 1983 and as a general partner of Lehman Brother Kuhn Loeb until September 1984 when he joined Donaldson, Lufkin & Jenerette International, becoming Chairman in 1995 until the firm's merger with Credit Suisse First Boston in 2000. Charles served as Vice Chairman of CSFB Europe until joining Polar Capital.

The Company intends to appoint a new independent Non-Executive Chairman to the Board at such point in time as a suitable candidate can be identified. Charles will then step down as Chairman.

Mark Kary (48) – *Chief Executive*

Mark joined Polar Capital in April 2005 as Chief Executive Officer. He began his career in finance at Chemical Bank in 1982. He subsequently joined Morgan Stanley's UHNW Private Wealth Management Group in 1986 where he advised UK and European family offices, charities and endowments on asset allocation and investments. From 2002 until he joined Polar Capital, he was the Managing Director in charge of Morgan Stanley's Northern European UHNW business.

Brian Ashford-Russell (48) – Executive Director/Founder

Brian was head of the technology team at Henderson Global Investors (and prior to that Touche Remnant) from 1987 until his resignation in September 2000 to set up Polar Capital. He was the appointed fund manager of PCTT, previously named Henderson Technology Trust plc and its predecessor TR Technology Trust plc, from its launch in 1988 through to 2006, when Ben Rogoff took over the position. He continues to be a director of the trust. He also managed the Henderson Global Technology Unit Trust from its launch in 1984 to 1996 and has been the recipient of numerous investor awards.

Tim Woolley (48) – Executive Director/Founder

Along with Brian, Tim left Henderson Global Investors to start Polar Capital in 2000, where he continues to be a director and fund manager. After university Tim began a career in computing in financial services, before becoming a trainee investment analyst with Scottish Provident in 1987. In 1993 Tim was appointed lead manager of the Prolific Global Technology unit trust. In 1996 he joined up with Brian at Henderson Investors and became lead manager of the Henderson Global Technology Unit Trust, subsequently launched and managed the Henderson Horizon Global Technology offshore fund, and has also been the recipient of numerous investor awards.

John Mansell (47) – Chief Financial Officer and Chief Operating Officer

John joined the Group in December 2000 as a director, and is responsible for the Operations, Compliance, Finance, IT and Human Resource functions within the Group. Before joining Polar Capital he spent eleven years at Lazard Asset Management where he was Head of Securities Operations. John is a Fellow of the Institute of Chartered Accountants of England and Wales.

Peter Buckley (64) – Non-Executive Director

Peter joined British and Commonwealth Holdings plc in 1967 and became a director of Caledonia Investments Plc in 1976, Chief Executive in 1987 and Chairman in 1994. He is a Non-Executive director of Close Brothers Group Plc, and Bristow Group Inc. He is a member of the Institute of Chartered Accountants of Scotland.

Jamie Cayzer-Colvin (41) – Non-Executive Director

Jamie worked for Whitbread and GEC prior to joining Caledonia in 1995. He worked at Amber Chemical before transferring to the investment team in 1999 as an investment executive. He was appointed an associate director of Caledonia Investments Plc in 2002, and in April 2005 became an executive director of that company, a position he continues to hold. He is a Non-Executive director of Rathbone Brothers Plc.

Sarah Street (44) – Non-Executive Director

Sarah is Executive Vice President and Chief Investment Officer of XL Capital Ltd. Sarah has responsibility for all of XL Capital Ltd's investment activities, including investment strategy, asset allocation, compliance and risk management. Sarah also oversees XL Capital Ltd's asset management strategy through the execution and management of XL Capital Ltd's strategic partnership stake program where the firm purchases minority equity positions in specialty asset management firms.

Prior to joining XL Capital Ltd, Sarah worked at JPMorganChase for 16 years, the last ten of which were focused on hedge funds. Sarah was managing director in Chase's investment bank where she ran the corporate finance practice for the leveraged and hedge fund industry, providing banking and advisory services to hedge funds and the fund managers' operating companies.

Additional key management

Details of the Group's key fund managers are included in section 10 of this Part III. Other key members of the management team include:

Robert Blaxland (42) – Sales and Marketing Director

Robert joined the Group in December 2006. He began his career at James Capel in the European equity group as an institutional salesman and moved to BZW in 1989, working in both London and New York in the same role. He subsequently worked at Morgan Stanley's European Institutional sales team from 1994, first as a salesman and then working as liaison between capital markets and distribution. In 2000 he moved to run the Product Development and Marketing group for the UK and European Equity division, being involved directly with the creation and distribution of the top rated Equity Research product.

18. Corporate governance

The Board is responsible for the proper governance of the Company and meets regularly. Following Admission, the Board of Directors intends to comply with the requirements of the corporate governance guidelines for AIM companies published by the Quoted Companies Alliance (the "QCA Guidelines"), other than as set out below. The Board also intends to comply with certain of the principal requirements of the Combined Code although strictly the Combined Code does not apply to the Company. Since 31 March 2006 the Directors have appointed 1 additional Non-Executive Director, following which the Board comprises 8 Directors, of whom 4 are Executive and 4 are Non-Executive. The posts of Chairman and Chief Executive are held by different directors. The Board considers, having regard to the QCA Guidelines, that there are currently no independent Non-Executive Directors.

The Directors are aware that the composition of the Board is not fully in compliance with the QCA Guidelines. They consider, however, that at the time of Admission the composition of the Board is appropriate for a rapidly growing entrepreneurial company where a significant proportion of the equity is owned by employees and their related interests. Following Admission, the Company intends to appoint additional independent Non-Executive Directors and a Non-Executive Chairman to the Board as soon as suitable candidates can be identified. At such point in time, Charles Hale will step down as Chairman.

The Board has established guidelines requiring specific matters to be decided by the full Board of Directors, including material acquisitions and disposals, investments and capital projects. In addition, the Board has established with effect from Admission an audit committee and a remuneration committee with formally delegated duties and responsibilities within written terms of reference.

The audit committee is chaired by Jamie Cayzer-Colvin and its other member is Charles Hale. Brian Ashford-Russell and Tim Woolley will be entitled to attend all meetings of the audit committee as observers. The audit committee will formally meet at least twice a year. The CEO, CFO and COO and other directors may be invited to attend for all or part of the meetings. The external auditors of the Company will attend the meetings on a regular basis and will have unrestricted access to the committee and its chairman. The purpose of the audit committee is to assist the Board in discharging its corporate governance responsibilities in relation to the Company's external auditors and to provide assurance regarding the reliability and appropriateness of the disclosure of the financial statements.

The remuneration committee is chaired by Charles Hale and its other members are Jamie Cayzer-Colvin, Brian Ashford-Russell, Tim Woolley and Sarah Street. The remuneration committee will meet as required and at least once each year. Other senior management and external advisers may be invited to attend meetings as the remuneration committee considers appropriate. The remuneration committee will consider all material elements of remuneration policy, remuneration and incentives of executive directors and senior employees with reference to independent remuneration research and professional advice and will make recommendations to the Board on the framework for executive remuneration and its costs. The Board is then responsible for implementing its recommendations and agreeing the remuneration packages of individual Directors. The remuneration of Brian Ashford-Russell and Tim Woolley will be determined by the members of the remuneration committee other than themselves. Non-Executive Directors' fees will be determined by the full Board.

19. Employee share ownership and incentivisation

The Directors believe that ongoing share ownership is an important part of the Company's incentivisation and retention policy.

	<i>Prior to Admission</i>		<i>Following Admission</i>	
	<i>No. of Ordinary Shares of £1.00</i>	<i>%</i>	<i>No. of Ordinary Shares of 2.5p</i>	<i>%</i>
Directors, investment management personnel, key employees and connected persons	951,457	63.2%	31,927,600	50.3%
Other employees	58,489 ¹	3.89%	2,339,560	3.69%

Note: Assuming the successful issue of all Placing Shares and sale of all Ordinary Shares proposed to be sold on behalf of Selling Shareholders.

¹Including shares held in the EBT.

Immediately prior to Admission and prior to adjustments to options following the Share Split (as described in paragraph 2.4.10 of Part VIII) there were outstanding options over 6,770,440 Ordinary Shares held by Directors, investment management personnel and other employees.

A number of investment management personnel and key employees also hold Manager Preference Shares in PCPL. These can be exchanged, subject to certain conditions being met, for Ordinary Shares as more fully described in paragraph 7.1 of Part VIII of this document.

Compensation System – Salary and Bonus

Fund managers receive compensation comprising salary or partnership drawings and a discretionary bonus or profit share, based on the profitability and performance of the fund manager's business unit.

All employees of PCPL receive compensation comprising salary and a discretionary profit-based bonus. Employees who are also partners may receive a profit allocation.

Polar Capital has tailored its compensation schemes to align the interests of fund managers, other employees and shareholders by linking the discretionary bonus calculation to individual, fund and group profitability.

Staff turnover has been very low and the Directors believe that the compensation scheme reduces employment related fixed costs, while incentivising staff on the basis of fund and corporate profitability.

Compensation System – Incentive Plans

The Company recognises the importance of retaining and incentivising key executives. In addition to the existing discretionary bonus schemes which the Directors believe closely align the interest of fund managers, employees and shareholders, the Company has granted options over Ordinary Shares to selected employees under the terms of the EMI Scheme, individual EMI option agreements, the Unapproved Scheme, an unapproved option agreement and the Sharesave Scheme (together the "Existing Share Schemes").

The Company has also procured the issue of Manager Preference Shares in PCPL to investment management personnel and key employees, as more fully described in paragraph 7.1 of Part VIII of this document.

In addition, the Equity Incentive Plan will be adopted prior to Admission.

The Equity Incentive Plan can operate over newly issued shares in the Company, treasury shares, or shares purchased in the market by the trustees of the EBT.

Further details of the Existing Share Schemes, the EBT and the Equity Incentive Plan are set out in paragraphs 7 to 9 of Part VIII of this Document.

Lock-in arrangements

Under the terms of the Placing Agreement, the Directors have agreed not to dispose of any Ordinary Shares which they own or have a beneficial interest in, otherwise than pursuant to the Placing, until 28 February 2008 or, if earlier the publication of a trading update in relation to the 9 months to December 2007.

Caledonia, XL Re and certain fund managers have similarly agreed not to dispose of any Ordinary Shares which they own or have a beneficial interest for the same period of time.

The Company's share-dealing code

Ordinary Shares held by Directors and employees released from the Lock-in Arrangements may only be sold in accordance with the provision of the Company's employee share dealing code. The purpose of the code is to ensure that Directors, certain employees and persons connected with them do not abuse, and do not place themselves under suspicion of abusing unpublished price sensitive information, especially in periods leading up to an announcement of the Company's results.

The code includes rules defining the times during a financial year when Directors and employees of the Group may, or may not, deal in Ordinary Shares. The code provides that Directors and their connected persons shall not deal in any Ordinary Shares during a "close period". A close period arises when the Company is in possession of unpublished price-sensitive information in relation to the Ordinary Shares, and effectively includes the two month period prior to the publication of the Company's financial results. The only general exceptions to this rule is where the individual has entered in to a binding commitment prior to the Company being in such a close period, where it was not reasonably foreseeable at the time the commitment was made that a close period was likely. In addition, the Board may permit a Director or applicable employee to sell Ordinary Shares during a close period to alleviate severe personal hardship (such as the urgent need for a medical operation or to satisfy a court order where no other funds are available).

20. Compliance and regulation

John Mansell is Polar Capital's compliance officer and is responsible for overseeing the primary reporting processes on a daily, weekly, monthly, quarterly, semi annual and annual basis. Polar Capital also utilises third party compliance consultants to ensure that appropriate controls and procedures are in place throughout Polar Capital's business.

PCLLP is subject to capital adequacy and financial resources requirements. The Capital Requirements Directive has been implemented in the UK with effect from 1 January 2007 and the Markets in Financial Instruments Directive is due to be enacted in November 2007. The Directors believe that the Group will continue to be able to meet its likely revised capital requirements with little or no impact on the Group's ability to pay dividends in accordance with the policy set out in paragraph 22 of this Part III.

Further details relating to the Group's regulatory environment are set out in paragraph 15 of Part VIII.

21. Tax

Polar Capital pays corporate taxes at the normal rates set for companies resident in the UK.

Other subsidiaries are either resident in jurisdictions where no corporate taxes are payable or pay immaterial levels of taxation.

The Directors believe that the average rate of taxation borne by the Group on its operating profits for the 2006 financial year is representative of the Group's ongoing tax rate, assuming no material changes to the business mix or to applicable tax regimes or to the bases on which relevant tax authorities have hitherto sought to tax the Group.

22. Dividend policy

Since the Company's inception the Directors have implemented a policy of returning to shareholders surplus earnings, historically by means of a dividend, which are over and above that required to fund the growth of the business. The Directors expect to continue with this policy absent unforeseen circumstances, which involves paying out a material proportion of net profits before performance fees together with the majority of net performance fees. Although this may produce some variability in the overall dividend paid, the Directors believe that the inherently cash generative nature of Polar Capital's business justifies a pay out ratio in respect of periods of high performance related profitability that may comfortably exceed 50 per cent. of attributable post tax profits.

It is expected that, in the absence of unforeseen circumstances and subject to the Company having distributable profits, the Group will pay a first and second interim dividend in respect of each financial year in November and June respectively. In view of the fact that performance fees are substantially received in the second half of the financial year, it is envisaged that the second interim dividend will represent the greater proportion of the total dividend.

It is expected that, in the absence of unforeseen circumstances, the first dividend to be paid by the Company following Admission will be payable in June 2007 as a second interim dividend.

The Company may revise its dividend policy from time to time.

23. Reasons for the Admission and the Placing

Since inception Polar Capital has adopted a corporate structure to encourage broad equity ownership across the Group so as to align interest and facilitate the growth of the business. The Board regard obtaining a listing as an important step in developing this culture, to provide liquidity for existing Shareholders and to give visibility to the fund management teams of the value of their preference shares.

The Directors also believe that obtaining a quotation will enhance the Group's profile and status with existing and potential clients, will help to attract talented fund managers and will provide an acquisition currency if suitable opportunities arise.

The Placing is intended to raise funds to increase Polar Capital's ability to selectively seed future fund launches and to pay the expenses of the listing. In order to provide a degree of liquidity in the Ordinary Shares once admitted to trading, certain of the existing Shareholders have agreed with Bridgewell to make a limited number of Ordinary Shares available in the Placing.

PART IV

Details of the Placing

1. Placing

Pursuant to the Placing, which has been arranged by Bridgewell, the Placing Shares have been conditionally placed with institutional investors in the United Kingdom at the Placing Price.

Subject to the Placing becoming unconditional, the Placing will raise at least £6.2 million before expenses (approximately £4.6 million net of expenses) for the Company.

The Placing Shares will represent approximately 5.1 per cent. of the issued share capital of the Company immediately following Admission. The Placing Shares will be issued as fully paid and will, on issue, rank *pari passu* with the Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid.

Application has been made for the Placing Shares to be admitted to trading on AIM. The Placing Shares have not been marketed in whole or in part to the public in conjunction with the application for Admission.

The Placing is conditional, *inter alia*, upon:

- (a) the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; and
- (b) Admission taking place on 6 February 2007 or such later date as Bridgewell may determine.

Further details of the Placing Agreement are set out in paragraph 12 of Part VIII of this document.

2. Admission to AIM and Dealings

The ISIN number and SEDOL code for the Ordinary Shares are GB00B1GCLT25 and B1GCLT2, respectively. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 6 February 2007.

All of the Ordinary Shares will be in registered form and may be delivered in certificated or uncertificated form. Temporary documents of title will not be issued pending the despatch by post of definitive certificates, which is expected to take place by 20 February 2007. Share certificates will be despatched at the shareholder's risk. Pending the despatch of such certificates, transfers will be certified against the register of the Company.

Where Ordinary Shares have been requested to be issued in uncertificated form, the Company will arrange for CREST to be instructed on 6 February 2007 (or as soon as possible thereafter) to credit the appropriate stock accounts in CREST of the Shareholders concerned with their respective entitlements to Ordinary Shares. Ordinary Shares initially issued in certificated form may subsequently be deposited into CREST in accordance with normal CREST procedures.

Under the Placing, Ordinary Shares are being made available to institutional and certain other investors in the United Kingdom. However, Ordinary Shares will not be offered or sold within the United States, Australia, Canada, South Africa, or Japan or to, or for the account or benefit of, any national, resident or citizen of the United States, Australia, Canada, South Africa, or Japan.

PART V

Accountants' Report on the Company

 **ERNST & YOUNG**

1 More London Place
London
SE1 2AF

The Directors
Polar Capital Holdings plc
4 Matthew Parker Street
London
SW1H 9NP

31 January 2007

Dear Sirs

Introduction

We report on the financial information set out on pages 44 to 54. This financial information has been prepared for inclusion in the AIM admission document dated 31 January 2007 of Polar Capital Holdings plc on the basis of the accounting policies set out in note 1 of the Notes to the accounts set out on pages 46 to 47. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibility

The Directors of Polar Capital Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1 of the Notes to the Accounts set out on pages 46 to 47.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 31 January 2007, a true and fair view of the state of affairs of Polar Capital Holdings plc and its subsidiaries as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 of the Notes to the accounts set out on pages 46 to 47.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

1. Consolidated profit and loss account

	Note	Year Ended 31 March		
		2004 £000	2005 £000	2006 £000
Turnover	2	19,745	18,732	40,963
Operating expenses		(14,901)	(14,288)	(14,416)
Operating profit	3	4,844	4,444	26,547
Interest receivable and similar income		125	304	347
Interest payable and similar charges	6	(55)	(11)	–
Profit on ordinary activities before taxation		4,914	4,737	26,894
Taxation on profit on ordinary activities	7	(1,541)	(1,487)	(3,977)
Profit on ordinary activities after taxation		3,373	3,250	22,917
Minority interests – profit allocation to members of the LLP incorporated on 15 August 2005 (note 4)	14	–	–	(15,194)
Profit for the year		<u>3,373</u>	<u>3,250</u>	<u>7,723</u>

All the above revenue and expense items arose from continuing operations.

There were no recognised gains or losses other than those passing through the profit and loss account.

2. Consolidated balance sheet

	Note	As at 31 March for each year stated		
		2004 £000	2005 £000	2006 £000
Fixed assets				
Tangible assets	9	80	235	595
Investments	10	1	1	1,001
Current assets				
Debtors	11	2,370	2,424	4,780
Cash at bank and in hand	18	6,641	8,279	19,403
		9,011	10,703	24,183
Creditors: amounts falling due within one year	12	(2,432)	(3,588)	(11,109)
Net current assets		<u>6,579</u>	<u>7,115</u>	<u>13,074</u>
Total assets less current liabilities		6,660	7,351	14,670
Provisions for liabilities and charges		–	–	–
Creditors: amounts falling due after more than one year	13	(1,000)	–	–
Minority interests	14	(17)	(18)	(42)
Net assets		<u>5,643</u>	<u>7,333</u>	<u>14,628</u>
Capital and reserves				
Called-up share capital	15	1,084	1,084	1,271
Share premium account	16	200	200	1,016
Own shares	16	(592)	(572)	(764)
Profit and loss account	16	4,238	5,921	12,482
Capital reserve		713	700	623
Total shareholders' funds		<u>5,643</u>	<u>7,333</u>	<u>14,628</u>

3. Consolidated cash flow statement

	<i>Note</i>	Year ended 31 March		
		<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Net cash inflow from operating activities	17	3,937	6,324	23,968
Returns on investments and servicing of finance				
Interest received		125	303	347
Interest paid		(55)	(11)	–
Issue of preference share capital by subsidiary undertaking		4	1	10
Distributions to minority interests		–	–	(8,675)
Net cash (outflow) / inflow from returns on investments and servicing of finance		74	293	(8,318)
Taxation paid		(196)	(2,203)	(2,633)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(54)	(204)	(520)
Payment to acquire fixed asset investments		–	–	(1,000)
Payment to acquire current asset investment		–	–	(945)
Receipts on disposal of fixed asset investments		6	–	–
Receipts on disposal of investments		77	–	752
		29	(204)	(1,713)
Dividend paid		–	(1,592)	(1,200)
Net cash inflow before financing		3,844	2,618	10,104
Financing				
Issue of share capital		–	–	1,020
Repayment of loan		–	(1,000)	–
Receipts from loan granted		–	20	–
		–	(980)	1,020
Increase in cash	18	<u>3,844</u>	<u>1,638</u>	<u>11,124</u>

4. NOTES TO THE ACCOUNTS

1. *Significant accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries for the three years ended 31 March 2006.

During the year ended 31 March 2006 the Group resolved to adopt FRS 20. This has led to a prior year adjustment in respect of share based payments, previously not recognised. As a result of this, Group profit for the year ended 31 March 2005 has reduced by £25,000 and by £11,000 for the year ended 31 March 2004 and a corresponding increase in equity has been recognised.

During the year ended 31 March 2006, the Group also adopted FRS 21. This represents a change in accounting policy with regard to dividends as these are now recognised in the period in which they are paid or approved by the members. Previously they were recognised in the period in respect of which they were declared. This change of accounting policy has resulted in a restatement of prior year reserves.

FRS 17 Retirement benefits, and FRS 25 Financial instruments: disclosure and presentation, became effective for the Group for the year ending 31 March 2006 but, apart from the deduction of own shares from equity (see note 16) have no impact on the financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Turnover

Turnover represents fees receivable (excluding value added tax) during the period for discretionary investment management and advisory services. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which performance is measured.

Depreciation

Depreciation is provided to write off the cost of each tangible fixed asset over its expected useful life. Depreciation is charged on a straight-line basis as follows:

Leasehold improvements	25%
Computer equipment	30%
Office furniture	30%

Pensions

The Group operates a defined contribution money purchase pension scheme covering the majority of its employees. The costs of the pension scheme are charged to the profit and loss account in the period in which they are incurred.

Share based payments

Where employees (including directors) receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled'), the payments are accounted for in accordance with FRS 20.

FRS 20 is mandatory for accounting periods beginning on or after 1 January 2006. However, the Group resolved to adopt FRS 20 early for the year ended 31 March 2006.

The cost of equity-settled transactions with employees is measured by reference to the directors' estimate of their fair value at the date of grant. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the employees become fully entitled to the award ('vesting period').

Taxation and Deferred taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

Investments

Fixed assets investments are included at cost less provision for any diminution in value. Current asset investments are included at the lower of cost and net realisable value.

Hedging

The Group enters into forward foreign currency contracts in order to hedge against exposure to currency fluctuations. Exchange gains and losses in relation to these contracts are recognised on maturity of the contracts.

2. **Turnover**

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Investment management fees	9,025	13,656	14,495
Investment advisory fees	920	698	669
Investment performance fees	9,800	4,378	25,799
	<u>19,745</u>	<u>18,732</u>	<u>40,963</u>
	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
<i>Analysis by location of fund</i>			
United Kingdom	2,622	3,198	3,254
Ireland	8,329	4,816	14,769
Cayman	7,895	9,814	21,191
Canada	874	619	607
Other	25	285	1,142
	<u>19,745</u>	<u>18,732</u>	<u>40,963</u>

The group has one business segment, being investment management services.

3. **Operating profit**

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
This is stated after charging:			
Staff costs (note 4)	9,934	9,212	6,399
Depreciation (note 9)	66	49	160
Performance fee foregone	612	–	–
Auditors' remuneration – audit services	22	24	37
– non audit services	90	40	124
Trail commission	1,581	1,632	1,766
	<u>1,581</u>	<u>1,632</u>	<u>1,766</u>

4. *Staff costs including directors' emoluments*

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Salaries, bonuses and manager distributions	9,375	8,262	5,260
Social security costs	360	694	810
Pensions costs	188	231	291
Share based payments	11	25	38
	<u>9,934</u>	<u>9,212</u>	<u>6,399</u>

PCLLP was formed on 15 August 2005 and was authorised to conduct investment business by the FSA on 19 October 2005. PCPL transferred its investment management business to PCLLP on 1 November 2005 and became a member of PCLLP. As a result, certain of the directors and employees of Group companies became partners in PCLLP also, and from 1 November 2005, received profit allocations from PCLLP which, in the Group profit and loss account appears as minority interest. Prior to this they received salary and bonus which was included in operating expenses in the profit and loss account.

Pensions costs outstanding at the year-end amounted to £nil (2005: £nil; 2004: £nil).

Average number of full time employees:

Fund management	15	18	22
Administration	13	17	20
	<u>28</u>	<u>35</u>	<u>42</u>

5. *Directors' emoluments*

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Emoluments	873	1,010	1,215
Company contributions paid to money purchase pension schemes	49	52	68

The amounts in respect of the highest paid director are as follows:

	<i>£000</i>	<i>£000</i>	<i>£000</i>
Emoluments	221	228	342
Company contributions paid to money purchase pension schemes	10	13	20

The number of directors who are accruing benefits under the Company pension scheme is as follows:

	<i>No</i>	<i>No</i>	<i>No</i>
Money purchase scheme	4	4	5

6. *Interest payable and similar charges*

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Interest payable on subordinated loan per note 13.	55	11	–

7. *Taxation on profit on ordinary activities*

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
UK Corporation tax			
UK Corporation tax on profits of the year	1,548	1,468	3,981
Adjustments in respect of previous periods	<u>2</u>	<u>15</u>	<u>–</u>
<i>Total current tax</i>	1,550	1,483	3,981
Deferred tax			
Originating and reversal of timing differences	<u>(9)</u>	<u>4</u>	<u>(4)</u>
<i>Total tax</i>	<u>1,541</u>	<u>1,487</u>	<u>3,977</u>

Reconciliation of tax charge:

The tax assessed on the profit on ordinary activities during the year differs from the standard rate of corporation tax of 30%. The differences are reconciled below:

	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Profit on ordinary activities before tax	<u>4,914</u>	<u>4,737</u>	<u>26,894</u>
Tax on profit on ordinary activities at standard rate of 30% (2005 and 2004: 30%)	1,474	1,421	8,068
Depreciation in excess of capital allowances	9	(4)	34
Adjustments in respect of previous periods	2	15	–
Disallowed expenses	61	47	402
Other short term timing differences	–	–	48
Revenue items in capital	–	–	(1)
Income taxable on individual members of the LLP	–	–	(4,569)
Small companies tax rate and relief	–	–	(1)
Adjustment in relation to adoption of FRS 20	<u>4</u>	<u>4</u>	<u>–</u>
<i>Total current tax</i>	<u>1,550</u>	<u>1,483</u>	<u>3,981</u>

8. *Subsidiary undertakings*

Details of the Polar Capital Holdings PLC subsidiary undertakings at 31 March 2006 are as follows:

<i>Principal subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Polar Capital Partners Limited	Great Britain	Services company
Polar Capital Secretarial Services Limited	Great Britain	Dormant
Polar Capital Partners (Jersey) Limited	Channel Islands	International holding company
Polar Capital Partners (America) Corporation	USA	Payroll administration
Polar Capital Limited Liability Partnership	Great Britain	Investment management

All of the above entities were wholly owned except for PCLLP in which the Group has contributed 99.5% of the capital. All subsidiaries are owned indirectly, other than PCPL.

9. *Group tangible fixed assets*

	<i>Leasehold improvements £000</i>	<i>Office furniture £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
<i>Cost</i>				
At 1 April 2003	–	69	125	194
Additions	–	7	47	54
At 31 March and 1 April 2004	–	76	172	248
Additions	163	6	35	204
At 31 March and 1 April 2005	163	82	207	452
Additions	431	30	59	520
Disposals	–	–	(2)	(2)
At 31 March 2006	594	112	264	970
<i>Depreciation</i>				
At 1 April 2003	–	36	66	102
Charge for the year	–	23	43	66
At 31 March and 1 April 2004	–	59	109	168
Charge for the year	–	11	38	49
At 31 March and 1 April 2005	–	70	147	217
Charge for the year	105	13	42	160
Disposals	–	–	(2)	(2)
At 31 March 2006	105	83	187	375
<i>Net book value</i>				
At 31 March 2006	489	29	77	595
At 31 March 2005	163	12	60	235
At 31 March 2004	–	17	63	80

10. *Group fixed asset investments*

The value of investments represents interests in open-ended vehicles managed by the Company. The investments are held for the purpose of keeping certain currency share classes open and available for use by future investors, and for seeding certain funds.

	<i>£000</i>
Cost as at 1 April 2003	5
Additions	1
Disposals	(5)
Cost as at 31 March and 1 April 2004	1
Additions	–
Cost as at 31 March and 1 April 2005	1
Additions	1,000
Cost as at 31 March 2006	1,001

11. **Debtors**

	2004 £000	2005 £000	2006 £000
Trade debtors	1,976	1,692	3,666
Other debtors	90	436	797
Prepayments and accrued income	148	128	317
Corporation tax	156	168	–
	<u>2,370</u>	<u>2,424</u>	<u>4,780</u>

12. **Creditors: amounts falling due within one year**

	2004 £000	2005 £000	2006 £000
Corporation taxation	1,550	843	2,019
Deferred taxation	–	4	–
Other taxes and Social Security costs	–	1,922	1,076
Trade creditors	–	–	95
Other creditors	777	613	7,224
Accruals and deferred income	105	206	695
	<u>2,432</u>	<u>3,588</u>	<u>11,109</u>

Deferred Taxation is in relation to capital allowances.

13. **Creditors: amounts falling due after more than one year**

	2004 £000	2005 £000	2006 £000
Fixed rate subordinated loan	<u>1,000</u>	<u>–</u>	<u>–</u>

Caledonia Investments Plc, a significant shareholder in the Company, granted this loan. Interest was payable at a rate of LIBOR +2%. The loan was repaid in full in May 2004.

14. **Minority interests**

Minority interests represent amounts attributable to external members of PCLLP and holders of non-voting preference shares in PCPL.

15. **Called-up share capital**

<i>Group</i>	2004 £000	2005 £000	2006 £000
Authorised:			
Comprising 5,000,000 Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid:			
Ordinary Shares of £1 each	<u>1,084</u>	<u>1,084</u>	<u>1,271</u>

16. Reconciliation of movement in shareholders' funds

Group	<i>Shares Capital £000</i>	<i>Own Shares £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Capital reserve £000</i>	<i>Total shareholders funds £000</i>
At 1 April 2003 (as previously reported)	1,084	(668)	200	854	709	2,179
Prior year adjustment in respect of FRS 21	–	–	–	1,592	–	1,592
Issue/(redemption) of shares	–	76	–	–	4	80
Retained profit for the year	–	–	–	1,781	–	1,781
Share based payments	–	–	–	11	–	11
At 1 April 2004 (as restated)	1,084	(592)	200	4,238	713	5,643
Issue/(redemption) of shares	–	20	–	–	(13)	7
Profit for the year	–	–	–	3,250	–	3,250
Dividend	–	–	–	(1,592)	–	(1,592)
Share based payments	–	–	–	25	–	25
At 1 April 2005 (as restated)	1,084	(572)	200	5,921	700	7,333
Issue/(redemption) of shares	187	(192)	816	–	(77)	734
Profit for the year	–	–	–	7,723	–	7,723
Dividends	–	–	–	(1,200)	–	(1,200)
Share based payments	–	–	–	38	–	38
At 31 March 2006	<u>1,271</u>	<u>(764)</u>	<u>1,016</u>	<u>12,482</u>	<u>623</u>	<u>14,628</u>

The Group has made a loan to the Polar Capital Employee Benefit Trust to enable it to acquire ordinary shares in Polar Capital Holdings plc. In accordance with UTIF 32, the assets of the Employee Benefit Trust are included on the Group's Balance Sheet and the investment in own shares is deducted from equity as required by FRS 25.

17. Reconciliation of operating profit to net cash inflow from operating activities

	<i>2004 £000</i>	<i>2005 £000</i>	<i>2006 £000</i>
Operating profit	4,844	4,444	26,547
Depreciation charges	66	49	160
Increase in debtors	(1,609)	(42)	(2,524)
Increase in creditors	625	1,848	(174)
Share based payment	11	25	38
Other non-cash reserve movements	–	–	(79)
Net cash inflow from operating activities	<u>3,937</u>	<u>6,324</u>	<u>23,968</u>

18. Reconciliation of net cash flow to movement in net funds

	<i>2004 £000</i>	<i>2005 £000</i>	<i>2006 £000</i>
Increase in cash in the year	3,844	1,638	11,124
Net cash at 1 April	2,797	6,641	8,279
Net cash at 31 March	<u>6,641</u>	<u>8,279</u>	<u>19,403</u>

19. *Operating lease commitments*

The Group had annual commitments under operating leases as follows:

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Land and buildings – leases expiring in 2 to 5 years	252	415	653
Non-land and buildings – leases expiring in less than 1 year	<u>181</u>	<u>170</u>	<u>53</u>

20. *Contingent liabilities and financial commitments*

PCPL is the appointed manager of a UK listed investment trust. PCPL is aware that the Association of Investment Trust Companies along with one of its members has initiated legal proceedings against the HM Customs and Excise to challenge UK VAT legislation, which does not exempt the management expenses of investment trusts. It is not expected that the success or failure of this appeal will be known for several years. In the event that the challenge is successful, after any possible appeal and reference to the European Court of Justice, PCPL may find itself in the position of having to reimburse its investment trust client for VAT levied. It is expected that a proportion of any such repayment will not be able to be reclaimed from the Customs and Excise and we estimate that any liability will not exceed £529,000.

In order to hedge against risks associated with fees being dependent on dollar denominated investment portfolios, PCPL enters into a number of forward foreign currency contracts. At the year end there were four open contracts to sell a total of USD 3,000,000 for a total value of £1,708,051 over the following year.

21. *Share based payments*

Manager and Team Preference Shares

Certain employees of the Group and partners of PCLLP hold Manager Preference Shares (“Manager Shares”) or Team Member Preference Shares (“Team Member Shares”) in PCPL, a Group company.

The terms of the Manager Shares entitle their holders at their option and at a future date, to a value calculated on the basis of the relative contribution of the holder to the Group as a whole. This value may be (at the discretion of the Company) satisfied by the issue of Ordinary Shares. The issue of the preference shares in PCPL constitutes a share based payment under FRS 20 and the value of this payment, which reflects estimates of the fair value of the Ordinary Shares and the entitlement to future income streams which the preference shareholders forego on receipt on these Ordinary Shares, has been calculated as nil.

The rights of the Manager Shares, and in certain restricted circumstances Team Member Shares, provide that the holders have the ability to convert annually any time after completion of three complete financial years. The Group may impose conversion after the completion of six full financial years. There were 15,200, 8,000 and 7,000 Manager Shares and Team Manager Shares in issue at 31 March 2006, 2005 and 2004 respectively. The only conversions in the period to 31 March 2006 were in relation to 800 shares. 3,200 of the preference shares in issue at 31 March 2006 were past their earliest holder conversion date at 31 March 2006 (nil at 31 March 2005 and 2004) and the weighted average period from 31 March 2006 to earliest conversion for the remaining 12,000 shares was three years.

Management incentive schemes

Share options in the Company are granted to directors and employees of PCPL under an enterprise management incentive scheme and under an unapproved share option scheme. The expense recognised by the group for share based payments in this respect during the years ended 31 March 2006, 2005 and 2004 are £38,685, £24,571 and £11,606 respectively.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2004 No.	2004 WAEP £	2005 No.	2005 WAEP £	2006 No.	2006 WAEP £
Outstanding at beginning of year	7,250	4	75,793	10.22	87,793	11.55
Granted during the year	107,166	10.85	59,250	20	71,500	20
Exercised	(38,373)		(47,250)		(29,500)	
Lapsed	(250)				(10,000)	
Outstanding at end of year	75,793	10.22	87,793	11.55	119,793	13.81

Included within this balance are options over 7,000 (2005 - 7,000) Ordinary Shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

The weighted average fair value of options granted during the year was £1.75 (2005 - £1.77; 2004 - £0.99). The range of exercise prices for options outstanding at the end of each of the years ended 31 March 2006, 2005 and 2004 was £4 - £20. None of the options granted are exercisable before 2 October 2006 and the latest exercise date is 31 March 2015. The weighted average period to the latest exercise date is 8 years and 1 month.

The fair value of equity-settled share options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2006, 31 March 2005 and 31 March 2004.

Dividend yield (%)	14.22%
Weighted average share price	£14.32
Expected share price volatility	36.00%
Risk free interest rate	4.45%
Expected life of options	Vesting period

No other features of options granted were incorporated into the measurement of fair value. Expected volatility has been determined by reference to volatility of comparable listed shares.

Exercise of the options is conditional upon remaining in the employment of the group. There are no other conditions attached, except that exercise of 5,000 of the options is dependent on achievement of pre-determined performance targets.

22. *Related party transactions*

B J D Ashford-Russell is a director of both the Company and the Polar Capital Technology Trust plc ("PCTT"). The Company is the appointed investment manager of PCTT. The total fees received by the Company as investment manager of PCTT were £3,253,956 (2005: £3,198,109) (2004: £2,621,470). The amounts receivable at the year-end are disclosed in note 12.

At the year-end £Nil was due from an officer of the Company (2005: £45,000)(2004: £90,000).

23. *Events after the balance sheet date*

On 12 April 2006, PCPL paid a dividend to Polar Capital Holdings plc and Polar Capital Holdings plc paid a final dividend of £4.35 per share.

The dividend was not proposed until after the year end and has not been recognised in these financial statements in accordance with the requirements of FRS 21.

On 31 October 2006, Polar Capital Holdings plc issued 200,000 Ordinary Shares (£1 par value) at £38 per share to XL Re Ltd.

On 12 January 2007, Polar Capital Holdings plc passed a written resolution that each of the Ordinary Shares in the Company be subdivided into 40 Ordinary Shares of 2.5p each.

PART VI

Interim Report and Accounts

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 September 2006 which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement, and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. This report is made solely to the Company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

Ernst & Young LLP

PART VI

Consolidated Profit and Loss Account

For the six months to 30 September 2006

	<i>Notes</i>	<i>6 months to 30 September 2006 £'000</i>	<i>6 months to 30 September 2005 £'000</i>	<i>Audited Year to 31 March 2006 £'000</i>
<i>Turnover</i>				
Investment management fees		9,133	6,631	14,495
Investment performance fees		450	69	25,799
Investment advisory fees		228	269	669
		9,811	6,969	40,963
<i>Operating expenses</i>				
		(7,385)	(5,545)	(14,416)
<i>Operating profit</i>				
		2,426	1,424	26,547
Other income		75	–	–
Interest receivable and similar income		222	86	347
		2,723	1,510	26,894
<i>Profit on ordinary activities before taxation</i>				
Taxation on ordinary activities	7	(505)	(468)	(3,977)
		2,218	1,042	22,917
<i>Profit on ordinary activities after taxation</i>				
Dividends	4	(4,825)	(1,200)	(1,200)
Minority interests	6	(1,553)	–	(15,194)
		(4,160)	(158)	6,523
<i>Retained profit for the year</i>				
<i>Dividends</i>				
Dividend rate per ordinary share (£)		4.35	1.13	1.13

Consolidated Balance Sheet

	<i>Note</i>	<i>At 30 September 2006 £'000</i>	<i>At 30 September 2005 £'000</i>	<i>Audited At 31 March 2006 £'000</i>
<i>Fixed assets</i>				
Tangible assets		519	425	595
Investments		3,210	1	1,001
		3,729	426	1,596
<i>Current assets</i>				
Debtors		3,107	2,507	4,780
Cash at bank and in hand		14,556	5,420	19,403
		17,663	7,927	24,183
<i>Creditors:</i> amounts falling due within one year		(10,301)	(1,679)	(11,109)
<i>Net current assets</i>		7,362	6,248	13,074
<i>Total assets less current liabilities</i>				
Minority interests	6	11,091	6,674	14,670
		(42)	(18)	(42)
<i>Net assets</i>		11,049	6,656	14,628
<i>Capital and reserves</i>				
Called up share capital		1,299	1,118	1,271
Share premium account		1,539	250	1,016
Investment in own shares		(734)	(1,175)	(764)
Profit and loss account		8,322	5,809	12,482
Capital reserve		623	700	623
<i>Equity shareholders' funds</i>		11,049	6,656	14,628

Consolidated Cash Flow Statement

	<i>6 Months to 30 September 2006 £'000</i>	<i>6 Months to 30 September 2005 £'000</i>	<i>Audited Year to 31 March 2006 £'000</i>
<i>Net cash inflow/(outflow) from operating activities</i>			
Operating profit	2,426	1,424	26,547
Depreciation charge	108	72	160
Employee share options	–	–	38
Decrease/(increase) in debtors	1,841	81	(174)
Increase/(decrease) in creditors	113	(1,726)	(2,524)
Other non-cash reserve movements	–	–	(79)
	<u>4,488</u>	<u>(149)</u>	<u>23,968</u>
<i>Returns on investment and servicing of finance</i>			
Interest received	222	86	347
Rental income	75	–	–
Issue of preference share capital by subsidiary undertaking	–	–	10
Distributions to minority interests	(960)	–	(8,675)
	<u>(663)</u>	<u>86</u>	<u>(8,318)</u>
<i>Taxation paid</i>	(2,187)	(815)	(2,633)
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets	(32)	(262)	(520)
Payments to acquire fixed asset investments	(2,209)	–	(1,000)
Payments to acquire current asset investments	(550)	(603)	(945)
Receipts from disposal of investments	580	–	752
	<u>(2,211)</u>	<u>(865)</u>	<u>(1,713)</u>
<i>Dividend paid</i>	(4,825)	(1,200)	(1,200)
<i>Net cash (outflow)/inflow before financing</i>	(5,398)	(2,943)	10,104
<i>Financing</i>			
Issue of share capital	551	84	1,020
Net cash (outflow)/inflow	<u>(4,847)</u>	<u>(2,859)</u>	<u>11,124</u>
<i>Reconciliation of net cash flow to movement in net funds</i>			
(Decrease)/increase in cash in the year	(4,847)	(2,859)	11,124
Net cash at beginning of period	19,403	8,279	8,279
Net cash at end of period	<u>14,556</u>	<u>5,420</u>	<u>19,403</u>

1. Statutory accounts

The interim results for the six months ended 30 September 2005 and 30 September 2006 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. Statutory accounts for the year to 31 March 2006, upon which the auditors have given an unqualified report and have made no statement under Sections 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies. Further copies of the report are available from the Company Secretary at the registered office.

2. Basis of preparation

These interim statements have been prepared using the historical cost convention and the accounting policies applied to the most recent audited statutory accounts.

Performance fees have only been recognised to the extent that they were due or had been received at the balance sheet date.

3. Employee share options

Under FRS 20, the fair value of options granted to employees after 7 November 2002 under the Company's equity-settled share option programmes and not vested as at 1 January 2006 is recognised as an expense with a corresponding increase in equity. The fair value is calculated at grant date using an options pricing model and this cost is recognised over the period in which the service conditions are fulfilled.

4. Dividends

The final 2006 dividend of £4.8 million which was paid on 12 April 2006, is under FRS 21 'Events after the Balance Sheet Date', disclosed in the current year profit and loss account. An interim dividend amounting to £1.1m was paid on 24 October 2006. This has not been included in the accounts for the period ended 30 September 2006.

5. Share capital

During the period the Company issued 27,500 fully paid ordinary shares of £1. These shares were issued at £20 each.

6. Minority interests

Minority interests represent amounts attributable to external members of Polar Capital LLP and holders of non-voting preference shares in Polar Capital Partners Limited.

7. Corporation tax charge

The corporation tax charge is based on an estimated average effective tax rate consistent with the Group's annual assessment of taxes.

PART VII

Unaudited Pro Forma Statement of Net Assets

The following unaudited pro forma statement of net assets (“pro forma statement”) of the Company and its subsidiaries has been prepared on the bases set out in the notes below and is presented for illustrative purposes only in order to give an indication of the net assets of the Group had the changes to the capital structure relating to the Placing had been completed on 30 September 2006. The pro forma statement, because of its nature, may not give a true picture of the financial position of the Group. The pro forma statement is based on:

- i) the financial information relating to the Company as at 30 September 2006 extracted from the interim accounts in Part VI of this document;
- ii) the estimated net proceeds of the Placing; and
- iii) adjusted for the matters set out below.

	<i>Net assets of the Group at 30 September 2006 £'000</i>	<i>Sale of shares to XL Re Ltd £'000</i>	<i>Adjustments Notes £'000</i>	<i>Pro forma net assets of the Group £'000</i>
Fixed assets				
Tangible Assets	519			519
Investments	3,210			3,210
	3,729			3,729
Current assets				
Debtors	3,107			3,107
Cash at bank and in hand	14,556	7,600 ¹	5,762 ²	27,918
	17,663	7,600	5,762	31,025
Creditors: amounts falling due within one year	(10,301)	–	(289)	(10,590)
Net current assets	7,362	7,600	5,473	20,435
Minority interests	(42)	–		(42)
Net assets	11,049	7,600	5,473	24,122

Notes to the pro-forma financial information

1. Proceeds from the issue of 200,000 Ordinary Shares (£1 par value) at £38 per share to XL Re Ltd on 31 October 2006.
2. The net proceeds of the Placing receivable by the Company will be approximately £5.8m reflecting the gross proceeds less the commission and other expenses payable. These net proceeds are to be used to seed future fund launches. The increase in cash at bank and in hand of £5.8m represents the net cash impact of the transaction described above.

The increase in creditors: amounts falling due in less than one year represents the remainder of issue costs not included in the financial statements at 30 September 2006 of £0.3m.

No adjustment has been made to reflect any trading or other transactions since 30 September 2006 other than those disclosed above.

PART VIII

Additional Information

1. THE COMPANY

1.1 *Incorporation*

1.1.1 The Company was incorporated on 15 June 2001 as a public company limited by shares with the name Whitelegacy Public Limited Company and registered number 4235369. Its name was changed by special resolution on 22 March 2002 to PCP Holdings plc, and was then changed by special resolution on 11 September 2006 to Polar Capital Holdings plc. On 29 April 2002, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.

1.1.2 The principal legislation under which the Company was formed and now operates is the Act and regulations made under the Act. The Company is domiciled in the United Kingdom.

1.1.3 The address and telephone number of the registered office of the Company is 4 Matthew Parker Street, London SW1H 9NP, 020 7227 2700.

1.1.4 The Group trades under the name Polar Capital.

1.1.5 The liability of the members of the Company is limited.

1.2 *The Group and principal activities*

1.2.1 The Company's principal activity is that of a holding company. It is the ultimate parent company of a group of companies and one limited liability partnership comprising the Company and the Subsidiaries set out in paragraph 1.2.2 below. The principal activity of the Group is the management of third party assets.

1.2.2 The Company currently has the following subsidiary undertakings within the meaning of section 258 of the Act:

<i>Name</i>	<i>Country of Incorporation or residence</i>	<i>Field of activity</i>	<i>Issued share capital</i>	<i>Proportion of capital held by the Company, directly or indirectly, and the proportion of voting power held</i>
Polar Capital Partners Limited	England and Wales	Service company and intermediate holding company	£1,018,266	The Company holds 100% of the ordinary shares. Only ordinary shares have the right to vote at a general meeting. Holders of Manager Preference Shares may only vote on variations to class rights.
Polar Capital Secretarial Services Limited (currently dormant)	England and Wales	Dormant	£2	100 per cent.

<i>Name</i>	<i>Country of Incorporation or residence</i>	<i>Field of activity</i>	<i>Issued share capital</i>	<i>Proportion of capital held by the Company, directly or indirectly, and the proportion of voting power held</i>
Polar Capital LLP	England and Wales	Investment management	None	PCPL has contributed as capital the investment management business of PCPL as at 31 October 2005 and £3,000,000 cash. Each of the 14 individual members has contributed £1,000 each. No resolution of the members of PCLLP may be passed unless approved by PCPL. Each member of PCLLP otherwise has one vote on each resolution.
Polar Capital Partners (America) Corporation	Delaware (USA)	Payroll administration	US\$1	100 per cent.
Polar Capital Partners (Jersey) Limited	Jersey	International holding company	£2	100 per cent.

1.2.3 The funds management business of the Group was conducted by PCPL until 31 October 2005. On that date the fund management business was transferred to PCLLP. Shortly prior to that date, certain key employees resigned from PCPL and they later joined PCLLP as members. Certain other employees remained employees of PCPL but also became members of PCLLP. Please see paragraph 11.3 for a summary of the limited liability partnership agreement governing PCLLP.

1.2.4 Save as set out in paragraphs 1.2.5 and 1.2.6 below, the registered office of each of the above subsidiary undertakings is 4 Matthew Parker Street, London SW1H 9NP.

1.2.5 The registered office of Polar Capital Partners (America) Corporation is 2711 Centreville Road, Suite 400, Wilmington 19808, New Castle, Delaware, USA.

1.2.6 The registered office of Polar Capital Partners (Jersey) Limited is Channel House, 7 Esplanade, St Helier, Jersey, Channel Islands JE2 3QL.

2. SHARE CAPITAL

2.1 As at 31 March 2006, being the date of the most recent balance sheet of the Company included in Part V "Accountants Report on the Company", the authorised and issued and fully paid share capital of the Company was as follows:

	<i>Authorised</i>	<i>Issued</i>
Nominal Value	£5,000,000	£1,271,192
Number	5,000,000	1,271,192

2.2 The maximum number of new Ordinary Shares of 2.5 pence to be issued pursuant to the Placing will be 3,244,320. On the basis that the Placing is fully subscribed, the Company's authorised and issued ordinary share capital at the date of this document and immediately following the Placing will be as follows:

	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>Amount</i>	<i>No. of Ordinary Shares of £1.00 each</i>	<i>Amount</i>	<i>No. of Ordinary Shares of 2.5 pence each</i>
Authorised	£5,000,000	5,000,000	£5,000,000	200,000,000
Issued and fully paid	£1,504,692	1,504,692	£1,585,800	63,432,000

- 2.3 The following table shows the issued share capital of the Company at the beginning of each financial year (being 1 April) and the end of each financial year (being 31 March) of the period covered by the Financial Information contained in Part V:

	<i>At 1 April Issued (Ordinary Shares of £1 each)</i>		<i>At 31 March Issued (Ordinary Shares of £1 each)</i>	
	<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>
2003/4	£1,083,332	1,083,332	£1,083,332	1,083,332
2004/5	£1,083,332	1,083,332	£1,083,332	1,083,332
2005/6	£1,083,332	1,083,332	£1,271,192	1,271,192

- 2.4 The following changes in the authorised and issued share capital of the Company have occurred between 1 April 2003 (being the first day of the period covered by the Financial Information in Part V) and 29 January 2007 (being the latest practicable date prior to the date of this document).

2.4.1 As at 1 April 2003, the authorised share capital of the Company was £5,000,000 divided into 5,000,000 Ordinary Shares of £1 each of which 1,083,332 Ordinary Shares were in issue.

2.4.2 On 29 March 2005, 34,963 Ordinary Shares were allotted pursuant to the exercise of options. Of these, each Ordinary Share was allotted at par value (£1 per share) except for 16,963 Ordinary Shares which were allotted at £3.93 per Ordinary Share.

2.4.3 On 24 October 2005, 18,150 Ordinary Shares were allotted in consideration of the acquisition by the Company of Manager Preference Shares in PCPL.

2.4.4 On 1 December 2005, 25,342 Ordinary Shares were allotted pursuant to the exercise of options. Of these, 2,500 Ordinary Shares were allotted at £2.00 per Ordinary Share, 5,000 were allotted at £20.00 per Ordinary Share, 8,000 were allotted at £7.15 per Ordinary Share and the remaining 9,842 were allotted at £10.16 per Ordinary Share.

2.4.5 On 7 February 2006, 54,954 Ordinary Shares were allotted pursuant to the exercise of options. Of these, 21,000 Ordinary Shares were allotted at £2.00 per Ordinary Share, 8,454 Ordinary Shares were allotted at £3.93 per Ordinary Share and 25,500 Ordinary Shares were allotted at £20.00 per Ordinary Share.

2.4.6 On 31 March 2006, 54,451 Ordinary Shares were allotted in the consideration of the acquisition by the Company of Manager Preference Shares in PCPL.

2.4.7 On 1 August 2006, 27,500 Ordinary Shares were allotted at £20.00 per Share.

2.4.8 On 31 October 2006, 200,000 Ordinary Shares were allotted at £38.00 per Share.

2.4.9 On 5 December 2006, 6,000 Ordinary Shares were allotted at £4 per Share.

2.4.10 On 12 January 2007 the members of the Company approved by written resolution, conditional upon the Ordinary Shares then in issue or allotted being admitted to trading on AIM in accordance with the AIM rules not later than 30 April 2007: (a) the subdivision of each of the Existing Ordinary Shares in the capital of the Company into 40 Ordinary Shares of 2.5 pence each; and (b) authorisation of the allotment of up to 4,000,000 Ordinary Shares pursuant to the Placing; and (c) authorisation of the allotment otherwise than pursuant to 2.4.10(b) above, of equity securities up to an aggregate nominal value of £80,235.

- 2.5 All of the Ordinary Shares in issue are fully paid.

2.6 **Outstanding options**

2.6.1 The Company operates option schemes as detailed in paragraphs 7 to 9 of this Part VIII.

2.6.2 Details of the options outstanding at 29 January 2007 (being the latest practicable date prior to the date of this document) are given in the table below:

<i>Date granted</i>	<i>Number of options</i>	<i>Price</i>	<i>1st Exercise date</i>
October 2002	1,000	£4.00	4 years from date of grant*+
May 2003	28,985	£7.15	4 years from date of grant*+
October 2003	7,500	£10.16	4 years from date of grant*+
February 2004	18,308	£10.16	3 years from date of grant*
October 2004	5,000	£20.00	3 years from date of grant*
November 2004	9,000	£20.00	4 years from date of grant*
March 2005	12,000	£20.00	4 years from date of grant*
April 2005	22,000	£20.00	3 years from date of grant**
November 2005	10,000	£20.00	4 years from date of grant*
April 2006	10,650	£20.00	4 years from date of grant*
August 2006	22,100	£20.00	4 years from date of grant*
November 2006	7,718	£38.00	5 years or 7 years from the start of the related Sharesave Scheme contract*
December 2006	15,000	£38.00	4 years from date of grant*

Options will be adjusted following the Share Split to maintain the same economic value of the Options as shown in the table below:

<i>Date granted</i>	<i>Number of options following share split</i>	<i>Price after share split</i>	<i>1st Exercise date</i>
October 2002	40,000	£0.10	4 years from date of grant*+
May 2003	1,159,400	£0.1787	4 years from date of grant*+
October 2003	300,000	£0.254	4 years from date of grant*+
February 2004	732,320	£0.254	3 years from date of grant*
October 2004	200,000	£0.50	3 years from date of grant*
November 2004	360,000	£0.50	4 years from date of grant*
March 2005	480,000	£0.50	4 years from date of grant*
April 2005	880,000	£0.50	3 years from date of grant**
November 2005	400,000	£0.50	4 years from date of grant*
April 2006	426,000	£0.50	4 years from date of grant*
August 2006	884,000	£0.50	4 years from date of grant*
November 2006	308,720	£0.95	5 years or 7 years from the start of the related Sharesave Scheme contract*
December 2006	600,000	£0.95	4 years from date of grant*

Key

+ In addition, these options become exercisable upon the Ordinary Shares being listed, and will hence be exercisable from Admission.

* In addition, these options become exercisable in the event of a takeover.

** In respect of 5,000 shares under option. Otherwise, options in respect of 17,000 Ordinary Shares become exercisable in equal tranches on the date on which the accounts for the years ending 31 March 2009 and 2010 are approved by the auditors provided certain performance conditions are met. In addition these options become exercisable on a takeover or asset sale.

2.7 *Manager Preference Shares*

2.7.1 The Company's subsidiary PCPL has issued Manager Preference Shares, details of which are provided in paragraph 7.1. The Company has the right to acquire, in certain specified circumstances, any issued preference shares for cash or at its option in exchange for Ordinary Shares, as described at paragraph 7.1.

2.7.2 At 29 January 2007 (being the latest practicable date prior to the date of this document), the following Manager Preference Shares were in issue:

- (A) 600 A Manager Preference Shares of 10 pence each;
- (B) 600 A1 Manager Team Member Preference Shares of 10 pence each;

- (C) 1000 B Manager Preference Shares of 10 pence each;
- (D) 1000 B1 Manager Team Member Preference Shares of 10 pence each;
- (E) 1000 C Manager Preference Shares of 10 pence each;
- (F) 1000 E Manager Preference Shares of 10 pence each;
- (G) 1000 F Manager Preference Shares of 10 pence each;
- (H) 1000 G Manager Preference Shares of 10 pence each;
- (I) 1000 G1 Manager Team Member Preference Shares of 10 pence each;
- (J) 1000 G2 Manager Team Member Preference Shares of 10 pence each;
- (K) 1000 H Manager Preference Shares of 10 pence each;
- (L) 1000 J Manager Preference Shares of 10 pence each;
- (M) 1000 J1 Manager Team Member Preference Shares of 10 pence each;
- (N) 1000 J2 Manager Team Member Preference Shares of 10 pence each;
- (O) 1000 J3 Manager Team Member Preference Shares of 10 pence each;
- (P) 1000 K Manager Preference Shares of 10 pence each;
- (Q) 1000 K1 Manager Team Member Preference Shares of 10 pence each;
- (R) 1000 L Manager Preference Shares of 10 pence each; and
- (S) 1000 L1 Manager Team Member Preference Shares of 10 pence each.

2.7.3 Each of the Manager Preference Shares are held in bearer form by fund managers of the Group.

2.7.4 On 1 April 2005 the A Manager Preference Shares and A1 Manager Team Member Preference Shares were crystallized. 400 A Manager Preference Shares and 400 A1 Manager Team Member Preference Shares have since been acquired by the Company in consideration for the issue of an aggregate of 72,601 Existing Ordinary Shares. Subject to and in accordance with the terms of the PCPL Preference Share Scheme, as described more fully at paragraph 7.1 of Part VIII of this document:

- (A) an aggregate of 3,920,560 new Ordinary Shares of 2.5 pence each will be issued by the Company in two tranches on 31 March 2007 and 31 March 2008 in consideration for the acquisition of the outstanding 600 A Manager Preference Shares; and
- (B) an aggregate of 435,640 new Ordinary Shares of 2.5 pence each will be issued by the Company in two tranches on 31 March 2007 and 31 March 2008 in consideration for the acquisition of the outstanding 600 A1 Manager Team Member Preference Shares.

2.7.5 By agreement between PCLLP and Kurt Holmes, the membership of Kurt Holmes in PCLLP was terminated with effect from 12 January 2007. In addition, PCPL has served notice upon Peter Tsu of its intention to terminate his contract of employment on three months' notice. Upon expiration of these notices, the 1000 G Manager Preference Shares held by Mr Holmes and the 1000 G2 Manager Team Member Preference Shares held by Mr Tsu will crystallise on good leaver terms. The Company has served a Manager Leaver Election on Bruce Bromley, the holder of G1 Manager Team Member preference Shares (see paragraph 7.1.31 below for further details).

2.8 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act. The Ordinary Shares are denominated in pounds Sterling.

2.9 The Ordinary Shares are in registered form. They are capable of being held in certificated form or in uncertificated form and traded on CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by CRESTCo and Lloyds TSB.

2.10 All of the Ordinary Shares in issue at 29 January 2007 (being the latest practicable date prior to the date of this document) rank *pari passu* in all respects including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.

- 2.11 There have been no public takeover bids by third parties for all or any part of the Company's equity share capital during the last financial year of the Company or the period up to and including the date immediately prior to the date of this document.
- 2.12 The City Code applies to all takeover and merger transactions in relation to the Company and operates principally to ensure fair and equitable treatment of shareholders in relation to takeovers and an orderly framework within which takeovers are conducted.
- 2.13 Subject to various conditions, the Act enables an offeror to acquire compulsorily the remaining shareholdings of shareholders who, in respect of each class of shares for which an offer under the City Code is made, have not accepted such offer in circumstances where the offer has been accepted in respect of 90 per cent. (by value) of the relevant class of the Company's shares within four months of making the offer.
- 2.14 None of the Ordinary Shares has been marketed or is being made available to the public in whole or in part in conjunction with the application for Admission.
- 2.15 Save as disclosed in this document:
- 2.15.1 during the three years immediately preceding the date of this document, the Company has not issued any shares, fully or partly paid, either for cash or any other consideration;
- 2.15.2 no share or loan capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option; and
- 2.15.3 save in connection with the allotment and issue of Ordinary Shares pursuant to options already granted by the Company or in connection with the acquisition of Manager Preference Shares (as described in paragraphs 2.6 and 7, respectively of this Part VIII) there is no present intention to issue any of the authorised but unissued share capital of the Company.

3. MEMORANDUM OF ASSOCIATION

The Memorandum of Association provides that the Company's object is to carry on business as a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum.

4. ARTICLES OF ASSOCIATION

The Articles of Association, which are to be adopted with effect from Admission pursuant to a special resolution of the Company passed on 12 January 2007, contain (among others) provisions to the following effect:

4.1 *Share Capital*

4.1.1 *Issue of shares*

Subject to the provisions of the Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, in the absence of such resolution, as the Directors may determine).

Subject to the provisions of the Act and the Articles, the unissued shares in the Company shall be at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons and on such terms as the Directors think fit.

4.1.2 *Changes to the share capital*

The Company may by ordinary resolution:

- increase its share capital;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- subject to the provisions of the Act, sub-divide its shares (or any of them) into a smaller amount than is fixed by its Memorandum of Association and determine that as between the shares arising from that sub-division, any of the shares have any preference or advantage as compared with the others;

- cancel shares which (at the date of the resolution) have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium reserve, in any way (subject to the Act).

4.1.3 *Redemption of shares*

Subject to the provisions of the Act, any share may be issued which is or is to be liable to be redeemed at the option of the Company or the holder in accordance with the Articles.

4.1.4 *Purchase of own shares*

Subject to the provisions of the Act, the Company may purchase its own shares (including redeemable shares) and may hold such shares as treasury shares or cancel them.

4.2 ***Rights Attaching to the Shares of the Company***

4.2.1 *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but no dividends shall exceed the amount recommended by the Directors. Subject to the provisions of the Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Subject to the provisions of the Act and except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

No dividends or other money payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.

The Company may cease to send any cheque or warrant (or to use any other method of payment) for any dividend payable in respect of a share if:

- in respect of at least two consecutive dividends payable on that share the cheque or warrant has been returned undelivered or remains uncashed (or that other method of payment has failed); or
- following one such occasion reasonable enquiries have failed to establish any new address of the holder,

but subject to the Articles may recommence sending cheques or warrants (or using another method of payment) for dividends payable on that share if the person or persons entitled so request.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

4.2.2 *Voting rights*

Subject to any rights or restrictions attached to any shares and to the provisions of the Act, every member present in person (or for a corporation present by a duly authorised representative, not himself a member entitled to vote) shall have one vote on a show of hands and on a poll every member shall have one vote for every share of which he is the holder. In the case of joint holders, the vote of the person who stands first in the register of members and who tenders a vote shall be accepted to the exclusion of any votes tendered

by the other joint holders. On a poll votes may be given personally or by proxy or (for a corporate member) by a duly authorised representative. A member entitled to more than one vote, if he votes need not use all his votes or cast all votes he uses in the same way.

No member shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by representative or proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

4.2.3 *Transfer of the shares*

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant system concerned.

In their absolute discretion and without giving any reasons, the Directors may refuse to register the transfer of a share in certificated form which is not fully paid provided that where any such shares are admitted to trading on the Official List, such refusal does not prevent dealings in the shares from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

- is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- is in respect of only one class of share; and
- is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse to register the transfer under the Uncertificated Securities Regulations 2001.

Subject to the Uncertificated Securities Regulations 2001, the registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Directors may determine.

4.2.4 *Distribution of assets on a winding-up*

If the Company is wound up, with the sanction of an extraordinary resolution and any other sanction required by law and subject to the Act, the liquidator may divide among the members in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the members or different classes of members. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may with the like sanction determine, but no member shall be compelled to accept any assets upon which there is a liability.

4.2.5 *Restrictions on rights: failure to respond to a section 212 notice*

If a member, or any other person appearing to be interested in shares held by that member, fails to provide the information requested in a notice given to him/her under the Act by the Company in relation his/her interest in shares (the “default shares”) within 14 days of the notice, sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares) also the withholding of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions).

4.2.6 *Untraced members*

Subject to certain conditions, the Company may be entitled to sell at the best price reasonably obtainable any share held by a member, or any share to which a person is entitled by transmission, if, for a period of twelve years, no cheque or warrant or other method of payment for amounts payable in respect of the share sent and payable in a manner authorised by the Articles has been cashed or been successful and no communication has been received by the Company from the member or person concerned.

The Company shall be indebted to the member or other person entitled to the share in an amount equal to the net proceeds of the sale, but no trust or duty to account shall arise and no interest shall be payable in respect of the proceeds of sale.

4.3 *Variation of Rights*

Subject to the provisions of the Act, if the capital of the Company is divided into different classes of shares, the rights attaching to any class may be varied in such manner (if any) as may be provided by those rights or if there are no such provisions either with the written consent of the holders of three quarters in nominal value of the issued shares of that class (not including any treasury shares) or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares.

Unless otherwise expressly provided by the rights attached to any class of share, those rights shall be deemed not to be varied by the purchase by the Company of any of its own shares or the holding of such shares in treasury.

4.4 *Directors of the Company*

4.4.1 *Appointment*

Unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than two. The Directors need not be members of the Company.

Subject to the Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act to be a Director (either to fill a vacancy or as an additional Director) provided that the appointment does not cause the number of Directors to exceed any number fixed as the maximum number of Directors. A person appointed as a Director by the other Directors is required to retire at the next AGM and shall then be eligible for reappointment.

Other than a Director retiring at the meeting, no person shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or notice of the intention to propose such person for appointment or reappointment executed by a member qualified to vote on the appointment or reappointment is given to the Company not less than seven nor more than 35 days before the date appointed for the meeting.

4.4.2 *Retirement*

A Director may resign his office by notice in writing to the Company.

At each AGM, all Directors who held office at the time of the two preceding AGMs and who did not retire at either of them shall retire from office by rotation and then be eligible for reappointment. If the Company does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost. If a Director retiring by rotation is neither reappointed nor deemed to have been reappointed, then he shall retain office until the meeting elects someone in his place or, if it does not do so, until the end of the meeting.

4.4.3 *Removal*

Without prejudice to the provisions of the Act, the Company may remove a Director before the expiration of his period of office by extraordinary resolution.

A Director may be removed by a notice in writing being served upon him signed by all other Directors for the time being to the effect that his office as Director shall on receipt of such notice be vacated.

4.4.4 *Disqualification*

The office of a Director shall be vacated if he ceases to be a Director by virtue of any provision of the Act or he becomes prohibited by law from being a Director, he becomes bankrupt, in a case of mental illness, or he is absent for more than six consecutive months without permission of the Directors from meetings of the Directors held during that period and the Directors resolve that his office be vacated.

In the case of a Director who holds an executive office, where his appointment as such is terminated or expires then his office of Director shall also be vacated if the Directors so resolve.

4.4.5 *Powers of Directors*

The business of the Company shall be managed by the Directors. Subject to the provisions of the Act, the Memorandum of Association and the Articles and to any directions given by special resolution, they may exercise all the powers of the Company.

4.4.6 *Borrowing powers*

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to the subsidiary undertakings so as to secure (insofar as they can) that the aggregate principle amount (including any premium payable on final repayment) outstanding of all money borrowed by the Group (excluding intra-group borrowings other than as specifically provided by the Articles) shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to one times the aggregate of:

- (a) the amount paid up on the share capital of the Company; and
- (b) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balances on the profit and loss account reserve, but excluding amounts attributable to outside shareholders in subsidiary undertakings of the Company and deducting any debit balance on any reserve, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group, but adjusted as where may be necessary in respect of any variation in the paid up share capital or share premium account of the Company since the date of that balance sheet and further adjusted as may be necessary to reflect any changes since that date in the companies comprising the Group.

4.4.7 *Voting at board meetings*

No business shall be transacted at any meeting of the Directors unless a quorum is present. The quorum may be fixed by the Directors and unless so fixed at any other number shall be two.

Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

4.4.8 *Restrictions on voting*

Save as otherwise provided by the Articles, a Director shall not vote, or count in the quorum present, at a meeting of directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within one or more of the following subparagraphs:

- the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;

- the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;
- the resolution relates in any way to a retirement benefit scheme which has been approved, or is conditional upon approval, by the Commissioners for HM Revenue and Customs (“HMRC”) for taxation purposes;
- the resolution relates to an arrangement for the benefit of employees of the Company or any of its subsidiary undertakings, including but not limited to an employees’ share scheme which does not accord a Director any privilege or advantage not generally accorded to the employees to whom the arrangement relates;
- the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of that company (or of any other company through which his interest is derived) and he is not entitled to exercise 1 per cent. or more of the voting rights available to the members of the relevant company;
- the resolution relates to the purchase or maintenance for any Director or Directors of insurance against liability.

The Company may by ordinary resolution suspend or relax to any extent, in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of Directors or a committee of the Directors.

4.4.9 *Directors’ interests*

Subject to the provisions of the Act and provided that the Director has disclosed to the other Directors the nature and extent of any material interest of his, a Director, notwithstanding his office:

- may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
- shall not, by reason of his office, be accountable to the Company for any benefit he derives from such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the grounds of such interest or benefit.

4.4.10 *Directors’ remuneration and expenses*

Until otherwise determined by the Company by ordinary resolution, the Directors (other than alternate Directors) shall be paid such fees for their services in the office of Director as the Directors may determine (not exceeding in aggregate an annual sum of £550,000 or such larger amount as the Company may by ordinary resolution decide) divided by the Directors as they may determine or, failing such determination, equally.

Any Director who performs, or undertakes to perform, services which the Directors consider to go beyond the ordinary duties of a Director may be paid such special remuneration as the Directors may determine.

4.4.11 *Directors' gratuities and pensions*

The Directors may provide benefits, whether by payments of gratuities or pensions, or by insurance or death or disability benefits or otherwise, for any Director or any former Director who holds or has held but no longer holds any executive office or employment with the Company or with any body corporate which is or has been a subsidiary of the Company or a predecessor in the business of the Company or with any such subsidiary, and for any member of his family (including a spouse or civil partner or a former spouse and former civil partner) or any such person who is or was dependent on him and may (before as well as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

4.4.12 *Indemnity*

Subject to the provisions of the Act, the Company may indemnify any person who is or was a Director directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any loss or liability whether in connection with any proved or alleged negligence, default, breach of duty or breach of trust or otherwise in relation to the Company or any associated company and/or may purchase and maintain for any such person insurance in relation to the same.

4.5 **General Meetings**

All meetings shall be called extraordinary general meetings other than the annual general meeting. A general meeting may be called by the Directors. If there are not within the United Kingdom sufficient Directors to call a general meeting, any Director may call a general meeting.

Subject to the provisions of the Act, at least 21 days' notice must be given for an AGM and an EGM called for the passing of a special resolution. All other EGMs require at least 14 days' notice to be given.

The notice of the meeting must specify the place, day and time of the meeting and the general nature of the business to be transacted. If the meeting is an AGM, the notice must specify the meeting as such. Subject to the provisions of the Act and to any rights or restrictions attached to any shares, notice shall be given to all members, all persons entitled to a share in consequence of the death or bankruptcy of a member, the Directors and the auditors.

The directors or the chairman of the meeting may direct that any person wishing to attend any general meeting should submit to such searches or other security arrangements as they or he consider appropriate. The Directors or the Chairman may in their or his absolute discretion refuse entry to any person who refuses to submit to a search or otherwise comply with such security arrangements.

The Directors or Chairman of the meeting may take such action, give such direction or put in place such arrangement as they or he consider appropriate to secure the safety of the people attending the meeting and to promote the orderly conduct of the business of the meeting.

The Directors may make arrangements for simultaneous attendance and participation (including by way of video link) at satellite meeting places, provided that all members and proxies wishing to attend the meeting are able to attend one or other of the venues.

4.6 **Notices**

Any notice to be given to or by any person pursuant to the Articles shall be in writing or, if the Directors so permit, given using electronic communications, except that a notice calling a meeting of the Directors need not be in writing or given using electronic communications.

The Company may give any notice to a member either:

4.6.1 personally;

4.6.2 by sending it by post in a prepaid envelope addressed to the member at his registered address;

4.6.3 by leaving it at that address; or

4.6.4 by giving it using electronic communications to such address (if any) for the time being notified by the member to the Company for that purpose.

Notice is also to be treated as given to a member where the Company and the member have agreed that such notices to be given to that member may instead be accessed by him on a website, and the member is notified in accordance with their agreement of the publication of the notice.

In the case of joint holders of a share, all notices and other documents shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders.

A member whose registered address is not within the UK shall not be entitled to receive any notice from the Company unless he gives the Company an address (not being an address for the purposes of electronic communication) within the UK at which notices may be given to him.

5. INTERESTS OF THE DIRECTORS AND OTHERS, MAJOR AND CONTROLLING SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

5.1 *Directors' interests*

5.1.1 The interests in the share capital of the Company at 29 January 2007 (being the latest practicable date prior to the date of this document) which: (i) have been notified to the Company pursuant to section 324 or 328 of the Act; or which (ii) are required pursuant to section 325 of the Act to be entered in the register of directors' interests referred to in that section; or which (iii) are interests of a person connected with a Director within the meaning of section 346 of the Act, and which would, if the connected person were a Director of the Company, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could with reasonable diligence be ascertained by the Director in question are as follows (all such interests being beneficial unless otherwise noted):

<i>Name</i>	<i>No. of Existing Ordinary Shares</i>	<i>No. of Ordinary Shares post Share Split</i>	<i>Per cent. of existing issued share capital</i>
Brian Ashford-Russell	302,367	12,094,680	20.09
Timothy Woolley	275,284	11,011,360	18.30
Charles Hale	60,000	2,400,000	3.99
Mark Kary	55,500 ¹	2,220,000	3.69
John Mansell	38,381 ²	1,535,240	2.55

¹ Of these shares, 25,500 are held subject to potential purchase by the EBT at £20.00 per share (or, if lower, an amount equivalent to the market value per share) in the conditions described in paragraph 6.2 of this Part VIII.

² Of these shares, 15,881 are held subject to potential purchase by the EBT at £20.00 per share (or, if lower, an amount equivalent to the market value per share) in the conditions described in paragraph 6.1 of this Part VIII.

As at 29 January 2007 (being the latest practicable date prior to the date of this document), the Executive Directors and all other employees of PCPL and its subsidiaries were potential beneficiaries in respect of a total of 48,989 unallocated Ordinary Shares held by the trustee of the EBT.

5.2 As at 29 January 2007 (being the latest practicable date prior to the date of this document), the following options to acquire Ordinary Shares had been granted to Directors under the Existing Share Schemes set out in paragraph 7.2 of this Part VIII:

	<i>Scheme</i>	<i>Price at which option is exercisable</i>	<i>Normal first exercise date (earliest of the following dates)</i>	<i>Number of Existing Ordinary Shares under Option</i>	<i>Number of Ordinary Shares under option following Share Split**</i>
Mark Kary	EMI Scheme	£20.00	3 years from date of grant or takeover	5,000	200,000
	Unapproved Option Agreement	£20.00	In equal tranches subject to performance conditions being met on the date on which the accounts for the years ending 31 March 2009 and 2010 are approved by the auditors or on a takeover or asset sale	17,000	680,000
John Mansell	EMI Scheme	£7.15	4 years from date of grant or takeover or upon the Ordinary Shares being listed	7,500	300,000
	EMI Scheme	£10.16	3 years from date of grant or takeover	1,119	44,760

** Options (including the number of shares under option and the option price per share and performance conditions where applicable) will be adjusted following the Company's Share Split

Save as disclosed in paragraphs 5.1 and 5.2 of this Part VIII, no Director, nor his immediate family, nor any person connected with any Director within the meaning of section 346 of the Act, has any interests (beneficial or non-beneficial) in the share capital of the Company or any member of the Group.

5.3 At 29 January 2007 (being the latest practicable date prior to the date of this document) there were no outstanding loans granted by any member of the Group to any Director, nor by any Director to any member of the Group, nor was any guarantee which had been provided by any member of the Group for the benefit of any Director, or by any Director for the benefit of any member of the Group, outstanding.

5.4 *Directors' service contracts and letters of appointment*

5.4.1 *Background*

Certain of the most senior individuals within the business are not employees but are instead members of PCLLP. Their relationship with PCLLP is governed by a partnership agreement (see paragraph 11.3). All of the employees, including each of the Executive Directors, are employed by PCPL. None of the employees are therefore employed by the Company.

5.4.2 *Mark Kary*

Mark Kary is Chief Executive Officer of the Group. On 1 April 2005 PCPL entered into a service contract with Mark Kary, which was amended on 7 December 2006. Mr Kary is employed at a salary of £250,000 per annum. His employment commenced on 1 April 2005. The agreement has no fixed term and is terminable by a minimum of 12 months' written notice given by either party. In the event of a change of control or merger, Mr Kary can resign giving three months' notice provided notice is served within six months of the change of control or merger. Mr Kary's service contract contains a payment in lieu of notice clause.

Under the terms of the agreement Mr Kary is eligible for a discretionary bonus, determined by the Non-Executive Directors of the Company or the remuneration committee of the Company.

Mr Kary is entitled to receive a payment contribution of ten per cent of his basic annual salary into a pension plan of his choice and to participate in a life assurance scheme. Mr Kary may not be interested, save with consent of PCPL or to a minor extent, in any other business other than the Group.

Mr Kary is also subject to covenants with regard to a non-solicitation of customers or employees and a non-deal provision which are stated to last for six months following termination and a non-compete restriction which is stated to last for three months following termination. The period of restriction in each case is set off against any period of garden leave.

Mr Kary's service contract may be terminated summarily if any of the following occur: he commits a serious or persistent material breach of his service agreement, he is guilty of conduct likely in the reasonable opinion of the board of PCPL to bring the Group into disrepute, he seriously neglects, materially fails or refuses to carry out any of his duties, becomes of unsound mind, bankrupt or compounds with his creditors or without the express consent of the board of PCPL resigns or fails to offer himself for re-election to his office as Director or if he is disqualified from being a Director.

Mr Kary became a Director of the Company on 1 April 2005.

5.4.3 *Charles Hale*

Mr Hale was employed by PCPL as an executive director from 21 January 2002 and as Chairman of the Company from 27 March 2002. He became a Non-Executive Chairman of the Company from September 2006. Mr Hale has entered into a letter of appointment effective from the date of Admission.

Under the terms of the appointment, he will receive a gross annual fee of £35,000 per annum. His appointment is for an initial term of three years commencing on the date of Admission. He may be re-elected for two further terms of three years each. Mr Hale's appointment may be terminated if (i) he is not re-elected at an AGM of the Company at which he retires and offers himself for re-election, (ii) he is required to vacate office for any reason pursuant to the articles of association or by written notice signed by a majority of the Board of the Company; (iii) he is removed as a Director or otherwise required to vacate office; or (iv) he gives written notice to the Company.

5.4.4 *John Mansell*

Mr Mansell is the Chief Financial Officer and Chief Operating Officer of the Group. On 8 December 2006 PCPL entered into a service contract with John Mansell. This replaced a previous contract. His current salary is £150,000 per annum. His employment commenced on 1 December 2000. The agreement has no fixed term and is terminable by a minimum of 12 months' notice given by either party. There is a payment in lieu of notice provision in the agreement. Mr Mansell is eligible for a discretionary bonus determined by the Non-Executive Directors of the Company or the remuneration committee of the Company.

Mr Mansell is entitled to receive a payment contribution of ten per cent of his basic annual salary into a pension plan of his choice and to participate in a life assurance scheme.

Mr Mansell became a Director of the Company on 22 March 2002.

5.4.5 *Brian Ashford-Russell*

On 8 December 2006 PCPL entered into a service contract with Brian Ashford-Russell to act as fund manager and a director of PCPL at a salary of £150,000 per annum. This replaced a previous contract. His employment commenced on 25 January 2001. The agreement has no fixed term and is terminable by a minimum 12 months' notice given by

either party. Mr Ashford-Russell's service agreement contains a payment in lieu of notice provision. He is eligible for a discretionary bonus to be determined by the Non-Executive Directors of the Company or the remuneration committee of the Company.

Mr Ashford-Russell is entitled to receive a payment contribution of ten per cent of his basic annual salary into a pension plan of his choice. Mr Ashford-Russell is entitled to participate in a life assurance scheme.

Mr Ashford-Russell became a Director of the Company on 22 March 2002.

5.4.6 *Tim Woolley*

On 8 December 2006 PCPL entered into a service contract with Tim Woolley to act as fund manager and a director of PCPL at a salary of £150,000 per annum. This replaced a previous contract. His employment commenced on 25 January 2001. The agreement has no fixed term and is terminable by a minimum 12 months' notice given by either party. Mr Woolley's service agreement contains a payment in lieu of notice provision. He is eligible for a discretionary bonus to be determined by the Non-Executive Directors of the Company or the remuneration committee of the Company.

Mr Woolley is entitled to receive a payment contribution of ten per cent of his basic annual salary into a pension plan of his choice. Mr Woolley is entitled to participate in a life assurance scheme.

Mr Woolley became a Director of the Company on 22 March 2002.

5.4.7 *James Cayzer-Colvin*

Mr Cayzer-Colvin became a Director of the Company on 22 March 2002 and serves as a Non-Executive Director. Mr Cayzer-Colvin has entered into a letter of appointment effective from the date of Admission.

Under the terms of the appointment, Mr Cayzer-Colvin or Caledonia, at its discretion will receive a gross annual fee of £20,000 per annum. His appointment is for an initial term of three years commencing on the date of Admission. He may be re-elected for two further terms of three years each. Mr Cayzer-Colvin's appointment may be terminated if (i) he is not re-elected at an AGM of the Company at which he retires and offers himself for re-election, (ii) he is required to vacate office for any reason pursuant to the articles of association, (iii) he is removed as a Director or otherwise required to vacate office; (iv) he gives written notice to the Company or (v) he ceases to be nominated by Caledonia to be their representative on the board of the Company.

5.4.8 *Peter Buckley*

Mr Buckley became a Director of the Company on 22 March 2002 and serves as a Non-Executive Director. Mr Buckley has entered into a letter of appointment effective from the date of Admission.

Under the terms of the appointment, Mr Buckley or Caledonia at its discretion will receive a gross annual fee of £20,000 per annum. His appointment is for an initial term of three years commencing on the date of Admission. He may be re-elected for two further terms of three years each. Mr Buckley's appointment may be terminated if (i) he is not re-elected at an AGM of the Company at which he retires and offers himself for re-election, (ii) he is required to vacate office for any reason pursuant to the articles of association, (iii) he is removed as a Director or otherwise required to vacate office; (iv) he gives written notice to the Company or (v) he ceases to be nominated by Caledonia to be their representative on the board of the Company.

5.4.9 *Sarah Street*

Ms Street became a Director of the Company on 31 October 2006 and serves as a Non-Executive Director. Ms Street has entered into a letter of appointment effective from the date of Admission.

Under the terms of the appointment, Ms Street or her designee is eligible to receive a gross annual fee of £20,000 per annum. Ms Street has agreed to waive this fee at present. XL Re may notify the Company at any time however, of its desire that such waiver be revoked and such fee be paid to XL Re or any of its affiliates as XL Re may designate. Her appointment is for an initial term of three years commencing on the date of Admission. She may be re-elected for two further terms of three years each. Ms Street's appointment may be terminated if (i) she is not re-elected at an annual general meeting of the Company at which she retires and offers herself for re-election, (ii) she is required to vacate office for any reason pursuant to the articles of association; (iii) she is removed as a Director or otherwise required to vacate office; (iv) she gives written notice to the Company; or (v) she ceases to be nominated by XL Re to be their representative on the board of the Company.

5.4.10 *Executive Directors' Service Agreements – Provisions Common to Executive Directors*

Bonus Provisions – All Executive Directors are eligible to participate in a bonus scheme which is awarded at the discretion of the non-executive Directors of the Company or the remuneration committee. Bonus allocations will be based on a general range of factors including the overall success of the Company and the individual's seniority, function and personal contribution.

Garden Leave – All of the Executive Directors' service contracts contain a provision in respect of garden leave for a maximum of three months, save for Mr Kary, who has a maximum of six months.

Holiday – All of the Executive Directors' service contracts contain a holiday entitlement of twenty five days' holiday per annum, other than in the case of Mr Ashford-Russell and Mr Woolley who are entitled to thirty days' holiday per annum. All contractual holiday entitlement is in addition to statutory holidays.

Benefits – All of the Executive Directors' service contracts contain an entitlement to private medical insurance in respect of the Director, his wife and any dependent children and permanent health insurance and season ticket loans in respect of the Director.

Termination Provisions – The Executive Directors' service contracts (save for Mark Kary's service contract which is summarised at paragraph 5.4.2) may be terminated summarily if any of the following occur (although this is not an exhaustive list): they become prohibited by law from being or acting as a Director, or become bankrupt, have been convicted of any criminal offence (other than an offence under the Road Traffic Acts) which may bring the Group into disrepute or been guilty of gross misconduct or gross default in the course of their employment, or are guilty of any serious or persistent breach of any of their obligations to PCPL or any associated company, refused or neglected to comply with lawful and reasonable directions by the board of PCPL or are refused permission to work in the UK, are guilty of any conduct which is likely to bring himself or the Group into disrepute or is disqualified or is disbarred by any regulatory authority which prevents him from performing his duties. All the executive Directors' service contracts may also be terminated on six months' notice if the Directors are incapacitated from performing their duties for 180 days in the last 12 months. PCPL's normal retirement age is 65 years.

Restrictive Covenants – With the exception of Mr Kary, whose restrictive covenants are set out at paragraph 5.4.2, the Executive Directors are subject to restrictive covenants with regard to non-solicitation of customers, suppliers, or employees and non-dealing with customers which are all stated to last for six months following the termination of employment. The Executive Directors are also subject to a non-compete restrictive covenant which is stated to last for three months following the termination of employment. The period of restriction in each case is set off against any period of garden leave under the agreement. The Directors are also subject to a duty of confidentiality both during the term of their employment and after it ends.

None of the Directors' service contracts provide for benefits upon termination of employment, save as indicated above.

5.5 *Major shareholders*

Save as set out in the table immediately below, the Company and the Directors are not aware of any person, other than the Directors referred to in paragraph 5.1 of this Part VIII, who is at 29 January 2007 (being the latest practicable date prior to the date of this document) or who will, immediately following Admission, be interested (within the meaning of the Act), directly or indirectly, in three per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>PRIOR TO ADMISSION</i>		<i>FOLLOWING ADMISSION</i>	
	<i>No. of Ordinary Shares of £1.00 in which interested</i>	<i>Per cent. of issued share capital</i>	<i>No. of Ordinary Shares of 2.5 pence in which interested</i>	<i>Per cent. of issued share capital*</i>
Caledonia Investments plc	266,666	17.72	10,666,640	16.8
XL Re Ltd	200,000	13.29	8,000,000	12.6
James Salter	53,207	3.54	1,328,280**	2.1

* Assuming the issue of all Placing Shares

** James Salter is also entitled to be issued 1,960,240 new Ordinary Shares of 2.5 pence each on 31 March 2007 and 1,960,320 new Ordinary Shares of 2.5 pence each on 31 March 2008 following the crystallisation on 1 April 2005 of Manager Preference Shares in PCPL held by him. See paragraph 2.7.4 of this Part VIII for further details.

- 5.6 The Company and the Directors are not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 5.7 The persons, including the Directors, referred to in paragraph 5.5 of this Part VIII, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.
- 5.8 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

5.9 *Other interests*

5.9.1 During the five years preceding the date of this document, the Directors have been directors or partners of the following companies and partnerships (excluding the Company, its subsidiaries and any funds managed or advised by a member of the Group):

<i>Director</i>	<i>Current</i>	<i>Former</i>
Charles Hale	Innospec Inc Eddington Capital Management Limited	None
Mark Kary	None	None
John Mansell	29 Orlando Road Management Company Limited	Marlin Communication Ltd (dissolved)
Brian Ashford-Russell	None	TR Technology Plc (dissolved)
Timothy Woolley	None	None
Jamie Cayzer-Colvin	Caledonia Investments plc Caledonia Overseas Investments Limited Eddington Capital Management Limited Ermitage Limited The Amber Chemical Company Limited The Sloane Club Group Limited Celerant Consulting Investments Limited Colvin Farms Partnership Eddington Triple Alpha Funds Limited India Capital Growth Fund Limited India Investment Partners Limited Rathbone Brothers Plc Children's Fire and Burns Trust	Amber Industrial Holdings plc (liquidated) Sea Lion Ventures Limited DC Capital Limited DC Management Limited Rathbone Investment Management Limited
Peter Buckley	Caledonia Investments plc Caledonia Financial Limited Caledonia Group Services Limited Caledonia Industrial & Services Limited Caledonia Investment Funds Limited Garlandheath Limited Mangalista Limited Sloane Club Holdings Limited The Cayzer Trust Company Limited Sterling Industries plc Bristow Group Inc. Bristow Aviation Holdings Limited Bristow Nominees Limited Bristow Staff Pension Scheme Trustees Limited Close Brothers Group plc Bristow Group Inc RHS Enterprises Limited RHS Special Events Ltd The Feathers Clubs Association The Royal Horticultural Society Westerhall Farms	Bridgeworth Limited (dissolved) Brookline Limited (in members' voluntary liquidation) Cayzer Limited (in members' voluntary liquidation) Hog Island Holdings Limited (in members' voluntary liquidation) McInnes Limited (dissolved) Ossabaw Holdings Limited (dissolved) Rowallan Limited (dissolved) Tapir Investments (Bahamas) Ltd (in members' voluntary liquidation) Tintagel Limited (dissolved) Battle Farm Lands Limited (dissolved) Caledonia Industrial Limited Crewkerne Investments Limited Five Ash Limited Huntley & Sparks (Lands) Limited Bristow Helicopter Group Limited English & Scottish Investors plc Telegraph Group Limited Rosegrove Limited Sun International Investments Limited Landrace Holdings Ltd Kerzner International Limited
Sarah Street	Banquo Credit Management LLP Banquo Credit Management (2) Ltd Stanfield Capital Partners LLC XL Capital Investment Partners Inc. Managed Funds Association Artemis Advisors LLC (Alternate) Artemis Partners GP, LLC (Alternate) Global Credit Analytics Inc. Garrison Investments Inc. Kensington Investments Inc. XLB Partners Inc. X.L. Investments (Barbados) Inc. XL Investment Management Ltd XL Investments Ltd	Stanfield Global Strategies LLC OneCapital Management Partners, LLC OneCapital Management, LLC Cronus Investments Limited (dissolved) Pareto II Ltd (dissolved) Exelsior Finance Ltd. (dissolved) Exelsior Inc. (dissolved) Agora Capital Management Ltd (members voluntary liquidation) FrontPoint Partners LLC TAM Investment Holdings Inc.

5.9.2 Save as disclosed in this paragraph 5.9, none of the Directors has:

- (A) any unspent convictions in relation to indictable offences;
- (B) at any time been adjudged bankrupt or been the subject of any form of individual voluntary arrangement;
- (C) been a director of a company at the time of, or within the 12 months preceding the date of, its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or composition or arrangement with its creditors generally or any class of creditors;
- (D) been a partner in a partnership at the time of, or within the 12 months preceding the date of, its compulsory liquidation, administration or partnership voluntary arrangement;
- (E) owned any asset which has been placed in receivership or been a partner of any partnership at the time at which, or within the 12 months preceding the date on which, any asset of that partnership has been placed in receivership;
- (F) been subject to any public criticism by any statutory or regulatory authority (including a recognised professional body); or
- (G) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.9.3 In February 2005 Bristow Group Inc., of which Peter Buckley is a director, made a voluntary report to the U.S. Securities Exchange Commission regarding possible breaches of the U.S. Foreign Corrupt Practices Act by foreign affiliated entities of Bristow Group Inc. Bristow Group Inc. has since conducted an internal review and is co-operating with ongoing investigations being conducted by the U.S. Securities Exchange Commission and the U.S. Department of Justice. Bristow Group Inc. has also taken disciplinary action against a number of personnel and initiated remedial action.

6. RESTRICTIONS ON DISPOSAL OF ORDINARY SHARES

- 6.1 45,516 Ordinary Shares ("Restricted Shares") were issued as a result of the exercise of options to certain of the Group's employees or members of PCLLP (excluding Mark Kary). Those persons have executed deeds in favour of the Company and its EBT permitting the Company to transfer any Restricted Shares held by any of those persons to the EBT at the price of either £10.16 or £20.00 per share (which reflects the option price) or, if lower, an amount equivalent to the market value per share at the time of resignation, should that person resign prior to certain dates specified in the deed with respect to those Restricted Shares and that person.
- 6.2 In addition to the above, 25,500 Ordinary Shares ("Kary Shares") were issued as a result of the exercise of options to Mark Kary. Mark Kary has executed a deed in favour of the Company and the EBT permitting the Company to transfer any Kary Shares held by him to the EBT at the price of £20.00 per share or, if lower, an amount equivalent to the market value per share should:
- 6.2.1 he resign prior to certain dates specified in the deed with respect to different tranches of the Kary Shares; or
 - 6.2.2 performance conditions specified in the deed with respect to different tranches of the Kary Shares not be met.
- 6.3 In addition to the agreements referred to in paragraphs 6.1 and 6.2 above, the Company is party to three further agreements restricting the sale of Ordinary Shares:
- (A) 16,015 Ordinary Shares were issued as a result of the exercise of options to Ben Rogoff. It was agreed that Ben Rogoff would sell back to the Company or sell to the EBT at a price of £23.30 per Ordinary Share: (a) 9,609 Ordinary Shares were he to resign (of his own volition) prior to 16 June 2007; and (b) 4,504 Ordinary Shares were he to resign (of his own volition) between 16 June 2007 and 16 June 2008.

- (B) Julian Barnett holds 26,550 Ordinary Shares (“Barnett Shares”). An agreement between certain vendor shareholders, Julian Barnett, the Company and the EBT, provides for restrictions on the ability of Julian Barnett to sell or dispose of any interest in the Barnett Shares (“Sale Restrictions”) linking any ability to dispose of Barnett Shares to the timing of the crystallisation of the B Class of Manager Preference Shares in PCPL (“B Class shares”), (except in certain circumstances or with the consent of the Board). B Class shares have not as yet been crystallised. Prior to a crystallisation of the B Class shares the Barnett Shares may not be disposed of. Should Julian Barnett leave the Polar Group in ‘Bad Leaver’ circumstances (as defined in the agreement) and the date of his leaving (“Leaving Date”) occurs prior to the date of the first anniversary of the crystallisation of the B Class shares (“Anniversary Date”) then Julian Barnett would be required to sell 23,894 Barnett Shares to the EBT or such other person nominated by the Board at a price of £20 per share. However, remaining Barnett Shares would be released from the Sale Restrictions. On subsequent anniversaries of crystallisation the number of Barnett Shares subject to being sold to the EBT should Julian Barnett leave in Bad Leaver circumstances decreases on a sliding scale. Correspondingly, for each subsequent anniversary of crystallisation that occurs without Julian Barnett leaving in Bad Leaver Circumstances, those Barnett Shares which are no longer subject to potentially being sold under the agreement to the EBT are released from the Sale Restrictions.
- (C) Rupert Kimber purchased 15,000 Ordinary Shares (“Kimber Shares”) from another shareholder and, by agreement with the Company and the EBT, agreed not to sell or dispose of any interest in those Ordinary Shares before 1 December 2009, except in certain circumstances or with the consent of the Board. It was agreed that if, prior to 1 December 2009, Rupert Kimber ceases to be an employee of the Group: (a) in circumstances which constitute him being a “Bad Leaver” under the terms of the agreement then he shall sell the Kimber Shares to the EBT or such other person nominated by the Board at either market value or the higher of market value and the purchase price plus agreed interest; and (b) in circumstances which constitute him being a “Good Leaver” under the terms of the agreement then he (or his personal representatives) may require the purchase of the Kimber Shares by the EBT at any time within 12 months of such event at either market value or the higher of market value and the purchase price plus agreed interest.”

7. EXISTING SHARE OPTIONS AND INCENTIVE SCHEMES

7.1 *PCPL Preference Share Scheme*

Overview

- 7.1.1 The PCPL Preference Share Scheme (the “Preference Share Scheme”) was adopted on 27 March 2002.
- 7.1.2 The Preference Share Scheme offers certain employees of PCPL or members of PCLLP (“Fund Managers”) Manager Preference Shares in PCPL which can in certain circumstances be redeemed for cash or, at the election of the Company, be exchanged for Ordinary Shares. The intention underlying the Preference Share Scheme is to incentivise Fund Managers through arrangements which economically approximate partial ownership by the Fund Manager of the business to be managed by the Fund Manager. The number of Ordinary Shares into which Manager Preference Shares are exchanged is determined by a formula which relates the profitability of the business unit managed by that Fund Manager to the overall profitability of PCPL. Invited members of the Fund Manager’s team might also participate in the scheme but they will share in the rewards which would otherwise accrue solely to the relevant Fund Manager.
- 7.1.3 Prior to or upon PCPL or PCLLP having set up the fund or funds that a Fund Manager will be responsible for (the “Fund Manager’s Business”), the Fund Manager subscribes for 1,000 shares of a class of Manager Preference Shares issued by PCPL.
- 7.1.4 The Manager Preference Shares are subscribed for at their then market value and appropriate tax elections are made so that, broadly, future increases in value in the hands of the Fund Manager will be subject to capital gains tax rather than to income tax.

- 7.1.5 The Fund Manager and any participating Team Member (as defined in paragraph 7.1.23 below) agree that they will be liable for any income tax and national insurance contributions (including secondary Class 1 contributions which may otherwise fall on PCPL) should these arise as a result of their subscription, holding and disposal of the Manager Preference Shares or, post-exchange, the Ordinary Shares. They also agree to give PCPL rights to deal with HMRC in connection with the taxation of the Manager Preference Shares or, post-exchange, the Ordinary Shares received by the Fund Manager.
- 7.1.6 The articles of association of PCPL (“PCPL Articles”) provide for certain events to be ‘Crystallising Events’ with respect to Manager Preference Shares. Crystallising Events can lead to the value of the Manager Preference Shares being calculated. Events constituting Crystallising Events are listed in paragraph 7.1.11, below.
- 7.1.7 After a Crystallising Event, the value of the Manager Preference Shares is calculated (the “Preference Share Calculation Amount”) according to a predefined equation. This equation is intended to set a value to the Fund Manager’s agreed share of the enterprise value of the business managed by that Fund Manager. The value of any ‘share’ of the business to be attributed to a participating member of the Fund Manager’s team is deducted from the Preference Share Calculation Amount. The value of Ordinary Shares is also calculated at that time, in accordance with the relevant term of the PCPL Articles.
- 7.1.8 Upon the occurrence of a Crystallising Event, the Company may exercise an option (the “Exchange Option”) to acquire the Manager Preference Shares. Under the terms of the Exchange Option, which are contained within the PCPL Articles, the consideration payable by the Company is the issue of such number of Ordinary Shares as shall have an aggregate value equal to the Preference Share Calculation Amount (see paragraph 7.1.13, below).
- 7.1.9 Alternatively, the Manager Preference Shares may be redeemed by PCPL for cash in an amount as is determined in accordance with the PCPL Articles (see paragraph 7.1.18, below). However, the Company anticipates that in usual circumstances it would exercise the Exchange Option.
- 7.1.10 The exchange of the Manager Preference Shares for the Ordinary Shares or their redemption for cash will ordinarily be staggered in four tranches over a 3 year period, split as to 10 per cent., 30 per cent., 30 per cent., 30 per cent.

Crystallising Events

7.1.11 The Crystallising Events consist of:

- (A) a notice electing to crystallise being given by the Fund Manager to PCPL. Such notice may only be given at the end of each financial year of PCPL, where such date is subsequent to the **third** anniversary of the allotment of the Manager Preference Shares;
- (B) a notice electing to crystallise being given by PCPL to the Fund Manager. Such notice may only be given at the end of each financial year of PCPL, where such date is subsequent to the **sixth** anniversary of the allotment of the Manager Preference Shares;
- (C) unless PCPL elects otherwise, on the listing of the Company;
- (D) unless PCPL elects otherwise, on a change of control of the Company;
- (E) the resignation of the Fund Manager from membership of PCLLP or the termination of the Fund Manager’s employment with the Group, (as the case may be), in Good Leaver circumstances, e.g. death, retirement, illness, resignation or 1 years notice, (a “Good Leaver Crystallising Event”); or
- (F) the expulsion of the Fund Manager from membership of PCLLP or the termination of the Fund Manager’s employment with the Group, (as the case may be), in Bad Leaver circumstances (a “Bad Leaver Crystallising Event”), which are any circumstances other than Good Leaver circumstances.

7.1.12 PCPL gave notice on 17 October 2006 to each holder of Manager Preference Shares that it had elected that the proposed listing of the Company on AIM would **not** constitute a Crystallising Event with respect to any Manager Preference Share.

Exchange or Redemption of Manager Preference Shares

(I) Basic Case of Exchange or Redemption

Step 1: Determine the Preference Share Calculation Amount

7.1.13 On the occurrence of a Crystallising Event (other than a Good Leaver Crystallising Event or a Bad Leaver Crystallising Event) with respect to a class of Manager Preference Shares, the Preference Share Calculation Amount will be calculated in accordance with a detailed formula which reflects a combination of the specified percentage of the business which the particular Fund Manager has been granted together with the profitability of his particular business unit as calculated over a three year averaged period and the price earnings ratio of the Company at that particular point in time. In addition, where a particular Fund Manager has incentivised his own staff, a deduction is made to reflect the amount which has been “given away” to staff members.

Cap on Preference Share Calculation Amount

7.1.14 The Preference Share Calculation Amount is subject to a maximum of being no greater than 25 per cent. of Group Profitability (as defined below).

Step 2: Determination of the Number of Ordinary Shares to be issued.

7.1.15 On a Crystallising Event, the value of an Ordinary Share, (“**Ordinary Share Value**”) is determined in accordance with the following formula:

$$\text{Group Profitability} \times \text{PE} \div \text{Ordinary Shares}$$

where:

Group Profitability	=	average annual operating profits of the Group for the 3 years preceding the crystallisation, or, if less than 3 years, the period between allotment of the Manager Preference Share and Crystallisation.
PE	=	the price/earnings ratio of the Company
Ordinary Shares	=	as at the crystallisation Date, the number of Ordinary Shares in issue, calculated on a fully diluted basis, but not taking into consideration the effect of any Manager Preference Shares which have not crystallised or which crystallise at the same time.

7.1.16 Once the Ordinary Share Value has been calculated, the Preference Share Calculation Amount is divided by the Ordinary Share Value to determine how many Ordinary Shares will be issued if the Exchange Option is exercised by the Company (the “**Consideration Shares**”).

Step 3: Exchange or Redemption

7.1.17 If the Company exercises its Exchange Option with respect to a class of Manager Preference Shares then the Fund Manager will (except in the case of a Good or Bad Leaver) have those shares exchanged for the Consideration Shares in four tranches. 10 per cent. will be exchanged soon after crystallisation, while the remainder will be exchanged in 3 equal tranches of 30 per cent. on the subsequent 3 anniversaries of Crystallisation.

7.1.18 Alternatively, if the Company does not exercise its Exchange Option then PCPL must redeem the Manager Preference Shares for cash. A redemption operates so that on each of the four occasions upon which the Fund Manager would have received that tranche of the Consideration Shares had the Company exercised the Exchange Option, the Fund Manager receives instead the cash equivalent to the market value (as at that time on each occasion) of that tranche of Consideration Shares.

(II) Exchange or Redemption in Good Leaver circumstances

7.1.19 On the occurrence of a Good Leaver Crystallising Event in respect of a Fund Manager, the Manager Preference Shares of the departing Fund Manager will be exchanged for Ordinary Shares in one tranche. The value of the Manager Preference Shares of that Fund Manager will be calculated on the basis of the formula given above, but adjusted to reflect the number of years the Fund Manager has held his Manager Preference Shares. This will result in a lower payment to such Fund Manager.

7.1.20 If Good Leaver circumstances arise after a Crystallising Event has occurred with respect to the Manager Preference Shares but before all of those shares have been exchanged for Ordinary Shares, then the number of Ordinary Shares to be issued to that Fund Manager will be re-calculated on the basis of the Good Leaver calculation described above and capped at that Good Leaver level (“Good Leaver Cap”). Any Ordinary Shares which are then still remaining to be issued will be issued immediately, up to the Good Leaver Cap. However, Ordinary Shares already issued to the Fund Manager are not clawed back if the number of Ordinary Shares already issued to the Fund Manager exceeds the Good Leaver Cap.

(III) Exchange or Redemption in Bad Leaver circumstances or following crystallisation within one year of allotment

7.1.21 On the occurrence of a Bad Leaver Crystallising Event or if a Crystallising Event occurs within one year of the allotment of the Manager Preference Shares, the Fund Manager’s Manager Preference Shares become reclassified under the PCPL Articles as “Deferred Shares”. Deferred Shares have very limited rights and may be redeemed by PCPL for £1.00 in aggregate per class of former Manager Preference Share. They are therefore effectively worthless.

7.1.22 If the Fund Manager leaves for Bad Leaver reasons after a Crystallising Event, then any Manager Preference Shares held by that Fund Manager not already exchanged for Ordinary Shares become Deferred Shares. However, no Ordinary Shares already issued will be clawed back.

Manager Team Member Preference Shares

7.1.23 Should a Fund Manager wish to incentivise one or more members of his funds management team (“Team Member”), and the Board agrees, then the relevant Team Member may subscribe for a special class of Manager Preference Shares (“Manager Team Member Preference Shares”). In doing so, the relevant Fund Manager effectively elects to ‘share’ what would otherwise be his or her entitlement to cash or Ordinary Shares with members of his team, for the purposes of incentivising them.

7.1.24 The rights attaching to the Manager Team Member Preference Shares are similar to but, in part, dependent upon the rights attaching to the Manager Preference Shares held by the Fund Manager responsible for that Team Member (the “Responsible Fund Manager”).

Crystallisation

7.1.25 Manager Team Member Preference Shares will crystallise:

- (A) upon a Crystallisation of the Manager Preference Shares of the Responsible Fund Manager which arises as a result of either elections to crystallise being made by the Responsible Fund Manager or PCPL, or, (unless PCPL elects otherwise), as a result of any Listing of Ordinary Shares or a change of control of the Company;

- (B) due to the Team Member leaving the Group, in either Good Leaver or Bad Leaver circumstances; or
- (C) due to the Responsible Fund Manager leaving the Group in Good Leaver or Bad Leaver circumstances, unless PCPL elects to allow the Team Member to continue to hold such shares going forward;

7.1.26 The Team Member has no individual right to elect to crystallise his or her Manager Team Member Preference Shares.

Exchange or Redemption of Manager Team Member Preference Shares

7.1.27 The Manager Team Member Preference Shares are only entitled to a specified percentage of the Preference Share Calculation Amount to which the Manager Preference Shares of their Responsible Fund Manager would be entitled, and thus their value remains dependent upon the performance of the business that is managed by the Responsible Fund Manager.

7.1.28 The value of the specified percentage depends on the agreement between the Fund Manager and the relevant Team Member and the length of time since allotment of the Manager Team Member Preference Shares in question. The Preference Share Calculation Amount of the relevant class of Manager Preference Shares is correspondingly reduced on a crystallisation by the Preference Share Calculation Amounts determined prior to or at that time of the crystallisation of each relevant class of Manager Team Member Preference Shares. Thus the issue of Manager Team Member Preference Shares will not lead to any increase in the aggregate number of Ordinary Shares to be issued by the Company or the amount of cash paid by PCPL on the exchange or redemption of the preference shares of the Team Member and the Responsible Fund Manager.

Good Leaver & Bad Leaver

7.1.29 Where a Team Member leaves in Good Leaver circumstances the Preference Share Calculation Amount is further discounted by being multiplied by a percentage reflecting the number of years the Team Member has held the shares. All of the Team Member's shares will be either exchanged into Ordinary Shares by the Company or redeemed in cash by PCPL in a single tranche.

7.1.30 Where either a Team Member or their Responsible Fund Manager leaves in Bad Leaver circumstances or a Crystallising Event occurs within one year of the allotment of the Manager Team Member Preference Shares then those shares are reclassified as Deferred Shares, with an aggregate redemption value of £1.00 for the entire class of those shares (see para. 7.1.21, above).

Manager Leaver Election

7.1.31 When a Responsible Fund Manager leaves the Group, whether in Good Leaver or Bad Leaver circumstances, then the relevant Manager Team Member Preference Shares will Crystallise unless PCPL makes an election (a "Manager Leaver Election"). Where PCPL does make a Manager Leaver Election then one Team Member will be nominated as the 'Senior Team Member' while any other Team Members are designated 'Remaining Team Members'.

7.1.32 Future Crystallising Events for the Senior Team Member will arise in circumstances equivalent to those that could have arisen for the Responsible Fund Manager. Future Crystallising Events for the Remaining Team Members will be equivalent to those that could have arisen before the Responsible Fund Manager left save that they will arise by reference to Crystallising Events in respect of that Senior Team Manager.

7.1.33 However, if:

- (A) the Responsible Fund Manager leaves for Bad Leaver reasons but PCPL does not make the Manager Leaver Election; or

(B) the Team Member leaves for Bad Leaver reasons,

then the PCPL Articles will reclassify the Manager Team Member Preference Shares as Deferred Shares, with an aggregate redemption value of £1.00 for the entire class of those shares (see para. 7.1.21, above).

7.2 *Existing Share Schemes*

Options have been granted to certain employees prior to Admission under the terms of the EMI Scheme, EMI option agreements, the Unapproved Scheme, an unapproved option agreement, and the Sharesave Scheme (together the “Existing Share Schemes”).

Options granted under the EMI Scheme and EMI option agreements have been granted as EMI options under the provisions of sections 527-541 of, and Schedule 5 to, ITEPA which may attract UK tax benefits for UK employees.

Options granted under the Sharesave Scheme have been granted as SAYE options under the provisions of sections 516-520 of, and Schedule 3 to, ITEPA which may attract UK tax benefits for UK employees.

Options have been granted under the Existing Share Schemes over Ordinary Shares.

In February 2006 and April 2006, the Company offered option holders under the Unapproved Scheme and the unapproved option agreement the opportunity to exercise their options early, on terms that the participant waives all right to dividends payable prior to a specified date or, if earlier and where applicable, a listing of the Ordinary Shares acquired on exercise, and cannot dispose of such Ordinary Shares for a specified period (being the date on which the Company considers that the options would otherwise normally have vested subject to the achievement of performance conditions in the case of the unapproved option agreement). In addition, if the participant resigns from the Group prior to that date, the participant is required to sell the said Ordinary Shares at the option price (i.e. either £10.16 or £20 per share) or, if lower, market value at the date of resignation.

At 29 January 2007 (being the latest practicable date prior to the date of this document) there were outstanding options over 169,261 Ordinary Shares. These options will be adjusted following the Share Split conditional on Admission, so that outstanding options will relate to 6,770,440 Ordinary Shares.

It is intended that the Sharesave Scheme will continue to be operated post Admission. The EMI Scheme (which will form part of the Equity Incentive Plan) may also be operated post Admission provided that the Company continues to satisfy the legislative requirements. However, no further options will be granted under the other Existing Share Schemes.

The principal terms of the EMI Scheme, EMI option agreements, the Unapproved Scheme and the unapproved option agreement as they relate to outstanding options are set out below.

7.2.1 *Option price*

Outstanding options were granted at various option prices between £4 and £38 per Ordinary Share representing market value at the time of grant. The option prices per Ordinary Share will be adjusted following the Share Split so as to maintain the economic value of the options, with the prior approval of HMRC in the case of options under the Sharesave Scheme.

7.2.2 *Exercise of options*

The rules of each of the Existing Share Schemes include provisions governing whether options can be exercised where an option holder ceases to be an employee of the Group.

Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives.

(A) Options under the EMI Scheme, the EMI option agreements and the Unapproved Scheme

As at 29 January 2007 (being the latest practicable date prior to the date of this document), there were options over 37,485 Ordinary Shares granted under the EMI Scheme and the EMI option agreements which will become exercisable on Admission and will normally lapse on the tenth anniversary of the date of grant.

As at 29 January 2007 (being the latest practicable date prior to the date of this document), there are options over 107,058 Ordinary Shares granted under the EMI Scheme, the EMI option agreements and the Unapproved Scheme which will not become exercisable on Admission. These options will normally become exercisable on the third or fourth anniversary of the date of grant, depending on the terms of the option, and will lapse on the tenth anniversary of the date of grant.

(B) Options under the unapproved option agreement

As at 29 January 2007 (being the latest practicable date prior to the date of this document), there were options over 17,000 Ordinary Shares granted under the unapproved option agreement which will not become exercisable on Admission. These options will normally become exercisable in two equal tranches on the date on which the accounts of the Company for the years ending 31 March 2009 and 2010 are approved by the auditors (the “fourth and fifth vesting dates”), provided that the Company’s earnings per share for the preceding financial year are not less than £12.60 in respect of the fourth vesting date and £15.00 in respect of the fifth vesting date. To the extent that the performance target is not met at the fourth vesting date, shares can still vest at the fifth vesting date if the performance target is met at that time. These options will normally lapse on the tenth anniversary of the date of grant. The target earnings per share figures will be adjusted to reflect the Share Split.

7.2.3 *Takeover, reconstruction and winding-up*

(A) Options under the EMI Scheme, EMI option agreements and Unapproved Scheme

In the event of a takeover of the Company, options under the EMI Scheme, EMI option agreements and Unapproved Scheme may be exercised immediately prior to and conditional upon such takeover, after which time the options lapse.

(B) Options under the unapproved option agreement

In the event of the change of control of the Company, options under the unapproved option agreement can be exercised in full within 60 days following the change of control, after which time the options lapse. The Board may allow options to be exercised in full conditional upon the change of control, in which case options lapse immediately following the change of control. Options may also be exercised in full within 60 days following notification of an assets sale of the Company, after which time options lapse.

Alternatively, on a takeover of the Company, option holders under the Existing Share Schemes may, with the agreement of the acquiring company, exchange their options for equivalent options over shares in the acquiring company or a company associated with the acquiring company.

Vested options under the Existing Share Schemes may be exercised within 30 days of a winding up of the Company. Unvested options lapse on a winding up of the Company.

7.2.4 *Variation in share capital*

In the event of any variation of the share capital of the Company, options may be adjusted as appropriate by the Board in such manner as the auditors of the Company shall have confirmed in writing is in their opinion fair and reasonable.

7.3 ***Sharesave Scheme***

HMRC approval has been obtained for the Sharesave Scheme. The principal terms of the Sharesave Scheme are set out below.

7.3.1 *Eligibility*

UK employees (including full-time Directors) within the Group who have been employed for a qualifying period of service of not more than five years prior to the date of grant are eligible to participate in the Sharesave Scheme. The Board has discretion to allow other employees to participate.

7.3.2 *Grant of options*

Invitations to apply for the grant of options may only be made either within 42 days following the announcement by the Company of its results for any period or in other circumstances considered by the Board to be exceptional or at any time prior to Admission. No options may be granted after the tenth anniversary of the date of adoption of the Sharesave Scheme. Options are personal to the option holder and may not be transferred. No payment will be required for the grant of an option.

7.3.3 *Savings contracts*

Options may only be granted to eligible employees who at the same time enter into an HMRC approved savings contract with a savings body approved by the Board. Under this contract, monthly savings contributions of between £10 and £250 are made for a period of three years under a three-year contract or five years under a five or seven-year contract. To date, three-year options have not been offered by the Company. An option granted under the Sharesave Scheme may only be exercised with repayments and interest or bonuses due under the related savings contract.

7.3.4 *Acquisition price*

The price per share payable upon the exercise of an option granted under the Sharesave Scheme will not be less than 80 per cent. of the market value of an Ordinary Share at the time invitations to apply for options are made as agreed with HMRC Shares Valuation. In addition, where the option is over new issue shares the exercise price may not be less than the nominal value of an Ordinary Share. Outstanding options under the Sharesave Scheme were granted at an option price of £38 per share representing 80 per cent. of unrestricted market value at the time of invitation.

7.3.5 *Exercise of options*

Options will normally be exercisable for a period of six months commencing on the completion of the related savings contract but options will lapse if not exercised by the end of that period. Options may, in certain circumstances, be exercised earlier to the extent of the savings at that date. These include cessation of employment with the Group by reason of death, retirement, redundancy, injury, disability or the sale of the company or business for which the option holder works. Early exercise is allowed where the employee leaves employment for any other reason (except dismissal for gross misconduct) provided the option has been held for more than three years when employment ceases. Early exercise is also permitted in the event of an amalgamation, reconstruction, takeover or winding up of the Company, but not in the event of an internal reorganisation where an exchange of options is offered.

7.3.6 *Rights attaching to shares*

Shares issued on the exercise of options under the Sharesave Scheme will rank *pari passu* with shares of the same class in the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment) and application will be made to the London Stock Exchange for such shares to be admitted to trading on AIM.

7.3.7 *Variation of capital*

In the event of any increase to or variation of the share capital of the Company by reason of a capitalisation or rights issue, sub-division, consolidation or reduction of capital or any other variation of share capital, the Board may (subject to prior approval of HMRC) make such adjustments as it considers appropriate to the number of shares under option and the acquisition price payable on their exercise.

7.4 **EBT**

The EBT was established by a trust deed dated 22 January 2003 made between PCPL and R&H Trust Co (Jersey) Limited. The trustee of the EBT was changed to Capita Trustees Limited on 30 September 2006. The EBT is tax resident in Jersey.

As at 29 January 2007 (being the latest practicable date prior to the date of this document), the trustees of the EBT held 48,989 Ordinary Shares in the Company. The Executive Directors together with all other employees of PCPL and its subsidiaries are potential beneficiaries under the trust.

The Ordinary Shares held by the EBT will be subject to the Share Split in the same manner as all other Ordinary Shares. Unallocated Ordinary Shares will continue to be used for the benefit of beneficiaries of the EBT.

Set out below is a summary of the main provisions of the EBT.

7.4.1 *Beneficiaries*

The beneficiaries of the EBT are the employees and former employees of PCPL and its subsidiaries and any wife, husband, widow or widower of any such employee or former employee, and any child or stepchild under the age of 18 of any such employee or former employee.

7.4.2 *Duration*

In accordance with trust law principles, the perpetuity period of the EBT is 80 years from the date of the trust deed.

7.4.3 *Amendments*

The EBT can be amended by the Company by written resolution of the Board with the prior written consent of the trustees provided that no amendment may be made so as to cause any part of the trust fund or the income thereof to become applicable for the benefit of the Group or which would cause it to cease to be an employees' share scheme.

8. **EQUITY INCENTIVE PLAN**

The Board believes that it is important to attract, motivate and retain employees of the appropriate calibre and to align their interests with those of Shareholders. The Equity Incentive Plan was approved by written resolution of the Shareholders on 12 January 2007 and formally adopted by the Board on 16 January 2007. None of the benefits under the Equity Incentive Plan are pensionable and participation by Executive Directors will be approved by the remuneration committee of the Board (the "Remuneration Committee"). Non-executive Directors will not be eligible to participate in the Equity Incentive Plan.

The principal terms of the Equity Incentive Plan as they relate to options and awards which may be granted following Admission are summarised below.

8.1 **General**

The Equity Incentive Plan ("EIP") is designed to enable the grant of different types of employee share awards ("Awards") in the form of market value share options, free share awards, and deferred bonus share awards.

A share option may be granted under:

1. an approved part to the EIP for which approval from HMRC under Schedule 4 to ITEPA will be sought. The approved part will allow options over shares valued up to £30,000 to be granted to eligible employees resident for tax purposes in the United Kingdom which are subsisting at any time;
2. unapproved parts to the EIP allowing for the grant of unapproved options or options in the form of equity-settled share appreciation rights. Share options in excess of the £30,000 limit for approved options, or share options granted to non-UK employees, will be granted under the unapproved parts of the EIP; and
3. the EMI Scheme, which will be incorporated as part of the EIP.

A free share award may be granted under the EIP either as a conditional allocation, a nil (or nominal cost) option with a short exercise window or the award of forfeitable shares.

Four types of deferred bonus share awards may be granted under the EIP with a short exercise window:

1. the Remuneration Committee may determine in its discretion that up to fifty per cent. of an employee's pre-tax bonus is required to be taken in the form of a compulsory share award;
2. where the Remuneration Committee requires an employee to take a compulsory share award, and provided that the employee has elected for deferred vesting of the related compulsory share award, it will also grant the employee a matching compulsory share award over a number of shares equal to the number of shares under the compulsory share award;
3. the Remuneration Committee may invite employees to voluntarily convert a proportion of any remaining pre-tax cash bonus that may be payable to them into a voluntary share award; and
4. where an employee is granted a voluntary share award, the Remuneration Committee will also grant the employee a matching voluntary share award over a number of shares equal to the number of shares under the voluntary share award.

Awards will be granted over Ordinary Shares. The Remuneration Committee may in its discretion determine to satisfy all or part of a deferred bonus share award in cash.

8.2 *Eligibility*

Employees (including the Executive Directors) of the Company and any participating subsidiary (who meet the legislative requirements in the case of approved options and EMI options) are eligible to be selected for participation in the EIP.

8.3 *Grant of Awards*

No payment is required for the grant of an Award.

Following Admission, Awards may normally only be granted within 42 days after the announcement of the Company's results for any period, but may be granted at any time that exceptional circumstances exist which justify the grant of Awards at that time. Share options under the approved part of the EIP may also be granted within 42 days of approval by HMRC.

8.4 *Performance conditions*

The Remuneration Committee may impose performance conditions which must normally be satisfied before the exercise of options. The satisfaction of free share awards, matching voluntary share awards and matching compulsory share awards will normally be subject to the achievement of performance conditions. Performance conditions will, subject to the Remuneration Committee deciding otherwise in the case of EMI options, not apply where options become exercisable and awards vest on a takeover or reconstruction of the Company. Performance conditions will be determined by the Remuneration Committee at the time of grant in light of the Company's circumstances at that time and having regard to market practice and the Company's business plans.

Once Awards have been granted, performance conditions may not be altered unless an event occurs which causes the Remuneration Committee to determine that the performance conditions have ceased to be appropriate, in which case the performance conditions may be altered (with the prior approval of HMRC in the case of options granted under the approved part of the EIP).

The performance targets will be measured over a fixed three-year period (or a five year period in the case of matching compulsory share awards or such other periods as the Remuneration Committee may determine in the case of EMI options) and there will be no provision for retesting.

8.5 *Exercise price of share options*

In the case of share options (not being free share awards granted as nil or nominal cost options and normally in the case of EMI options), the exercise price will not be less than the market value of the shares (as agreed with HMRC Shares Valuation in the case of approved options and EMI options) on the date of grant or the average market value on the dealing day before or over a period of up to five dealing days before the date of grant and, where shares are to be subscribed, their nominal value (if greater).

8.6 *Exercise of options/satisfaction of free share awards/deferred bonus share awards*

Share options will normally be exercisable, subject to any performance conditions being satisfied and the participant remaining in employment (save in certain specified circumstances), during the period commencing on the third anniversary of the date of grant (or such later date, or earlier date in the case of EMI options, as the Remuneration Committee may specify at the date of grant) and ending on the tenth anniversary of the date of grant.

Free share awards will normally vest on the third anniversary of the date of award, subject to the performance target being satisfied and the participant remaining in employment (save in certain specified circumstances).

One third of the number of shares under a compulsory share award will normally vest on each of the first, second and third anniversaries of the date of grant unless the participant has elected for deferred vesting in which case one third of the number of shares under a compulsory share award will normally vest on each of the third, fourth and fifth anniversaries of the date of grant, subject to the participant remaining in employment (save in certain specified circumstances). Matching compulsory share awards will normally vest on the fifth anniversary of the date of grant, subject to the performance target being satisfied and the participant remaining in employment (save in certain specified circumstances).

Voluntary share awards and matching voluntary share awards will normally vest on the third anniversary of the date of grant, subject to the performance target being satisfied in the case of matching voluntary share awards and the participant remaining in employment (save in certain specified circumstances).

To the extent that an Award does not vest it will lapse.

Normally, Awards (other than voluntary share awards) lapse on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury, disability, redundancy, retirement, sale of their employing company or business out of the Group, or any other reason as determined by the Remuneration Committee, then the Award (other than EMI options) will be capable of exercise or satisfaction subject (where applicable and unless the Remuneration Committee determines otherwise in the case of share options) to the achievement of a pro-rated performance target. In addition, Awards (except for voluntary share awards and compulsory share awards) will be subject to a time pro-rata reduction in the size of the Award unless the Remuneration Committee determines otherwise and except on death. The EMI Scheme includes provisions covering circumstances where an option holder ceases to be an employee of the Group and allows exercise of options at the discretion of the Remuneration Committee.

Awards are not transferable. Options may be exercised only by the person to whom they are granted or, on death, by their personal representatives.

8.7 *Corporate Events*

Share options may be exercised subject to the discretion of the Remuneration Committee in the case of EMI options, and free share awards and deferred bonus share awards may be satisfied in full in the event of a takeover, court sanctioned compromise or arrangement resulting in a change of control of the Company or winding-up of the Company.

Alternatively, participants may be allowed to exchange their Awards for Awards over shares in the acquiring company or an associated company. Where a court sanctioned compromise or arrangement resulting in a change of control of the Company occurs as part of an internal

reorganisation of the Company (unless the Remuneration Committee determines otherwise), share options may not be exercised if participants are offered the opportunity to exchange their options for options over shares in the new company and free share awards and deferred bonus share awards may not be satisfied.

8.8 *Rights attaching to shares*

Awards will not confer any shareholder rights on participants (for example, the right to vote the shares or, unless the Remuneration Committee determines otherwise in the case of awards of forfeitable shares, the right to receive any capital distribution or dividends), until the share options have been exercised or the free share awards or deferred bonus share awards have been satisfied, and the participant has received his or her shares.

Ordinary Shares allotted under the EIP will rank equally with all other shares of the same class then in issue, but will not qualify for dividends or other rights arising by reference to a prior record date.

Participants in the EIP will be entitled to receive a cash payment following the vesting of their compulsory share awards and voluntary share awards representing the dividends that they would have received had they been the actual holder of the shares subject to the compulsory share award or voluntary share award which vests during the vesting period.

The Company will apply to the London Stock Exchange for the admission of any newly issued Ordinary Shares to trading on AIM.

8.9 *Variation of capital*

In the event of any variation in the ordinary share capital of the Company, the Remuneration Committee may make such adjustments to the number and description of shares subject to Awards and/or the exercise price of an option (if relevant) as it may determine to be appropriate (with the prior approval of HMRC in the case of options under the approved part of the EIP).

9. PROVISIONS RELATING TO THE SHARES SAVE SCHEME AND THE EQUITY INCENTIVE PLAN

9.1 *Alterations*

The Remuneration Committee may amend the rules of the Sharesave Scheme and the EIP as it considers appropriate. All amendments to key features of the HMRC approved Sharesave Scheme and HMRC approved part of the EIP require prior HMRC approval.

9.2 *Termination*

The Sharesave Scheme and the EIP may be terminated by the Remuneration Committee at any time or by ordinary resolution in general meeting, but will otherwise expire at the end of a period of ten years from adoption. Termination will not affect outstanding rights of participants.

9.3 *Overseas schemes*

The Remuneration Committee may establish further schemes for the benefit of overseas employees based on the Sharesave Scheme and the EIP but modified as necessary or desirable to take account of overseas, tax, exchange control or securities laws.

10. DEPARTED FUND MANAGERS

Since its inception, the Group has lost the lead fund managers from two teams. James Inglis-Jones and Gary West left the Group in February 2006 after having been joint fund managers responsible for the European Market Neutral Fund, which closed following their departures. Kurt Holmes left the Group in January 2007 after having been responsible for the Global Utilities Fund. The Global Utilities Fund remains open and is now managed by Bruce Bromley.

11. MATERIAL CONTRACTS

11.1 *The XL Re Ltd Agreement*

- 11.1.1 An agreement was entered into on 31 October 2006 between Polar and XL Re. This agreement provided for the subscription by XL Re for Ordinary Shares and the provision by XL Re or one or more of its affiliates of seed capital for the launch of certain Polar investment funds.
- 11.1.2 Under the agreement, XL Re agreed to subscribe for 200,000 Ordinary Shares at a price of £38 per share.
- 11.1.3 It was further agreed that XL Re or one of its affiliates would commit by way of seed capital the aggregate amount of US\$175 million to present and future investment funds managed by Polar Capital selected in accordance with agreed criteria. XL Re agreed to a lock up period for these investments of between 12 and 18 months (“Lock-up Period”).
- 11.1.4 In certain circumstances, including, without limitation, fraud, gross negligence or criminal activities on the part of Polar Capital; a loss of key management personnel; a substantial reduction in the holdings of Ordinary Shares by key shareholders; or a change in the control of the Company and in certain circumstances where the value of XL Re’s or its affiliates’ aggregate investment in a fund falls below a specified threshold due to performance, XL Re or its affiliates may redeem its investment in a fund notwithstanding that the Lock-up Period shall not have expired.
- 11.1.5 Notwithstanding the Lock-up Period, in certain circumstances if XL Re’s or its affiliates’ investment in a fund exceeds 90% of the aggregate amount invested in the fund then it will be entitled to withdraw from such fund the minimum amount necessary to result in XL Re’s or its affiliates’ investment falling below such 90% threshold. In certain circumstances, if XL Re’s or its affiliates’ investment in a fund represents 25% or more of the voting or equity interests of a fund then XL Re or its affiliates may redeem its interests in a fund to the extent required so that its investment in any fund is maintained below 25% but in such a case shall be required to extend the duration of its investment by an amount corresponding to the extent of the reduction in the investment level.
- 11.1.6 In consideration for its commitment to invest in the Polar investment funds as set out above, for the duration of the applicable Lock-up Period, XL Re will be entitled to a partial rebate of certain fees payable to Polar Capital (in its capacity as manager of such fund) in respect of those committed investments.

11.2 *Third Restated Shareholders’ Agreement*

- 11.2.1 In connection with the subscription by XL Re for Ordinary Shares and the provision by XL Re or one or more of its affiliates of seed capital for the launch of certain Polar investment funds, the Second Restated Shareholders’ Agreement in effect between the shareholders of the Company at such time was amended, restated, and entered into by and among XL Re, the Company and its shareholders. This agreement terminates automatically upon the admission of the securities of the Company to trading upon AIM, other than with respect to certain rights, including but not limited to the following:
- (A) the consent of each of Caledonia, XL Re, Brian Ashford-Russell and Timothy Woolley must be obtained before the Company may issue or allot any share capital of the Company to Caledonia, XL Re, Brian Ashford-Russell and Timothy Woolley, but not to other Shareholders, or, for example, where options become exercisable, to those option holders;
 - (B) the Company shall maintain a remuneration committee with responsibility for appointment, remuneration and terms of employment of senior employees and also responsibility for determining the Company’s policy on bonuses, such remuneration committee to include Brian Ashford-Russell, Timothy Woolley, a Director nominated by Caledonia and a Director nominated by XL Re.

11.2.2 By separate agreement, Caledonia, Brian Ashford-Russell, Tim Woolley and Mark Kary, in their capacity as shareholders of the Company, have undertaken to XL Re that XL Re is entitled to nominate one Director to the Board and that they shall each exercise all voting rights attaching to the Ordinary Shares held or otherwise controlled by them in favour of any resolution to elect or re-elect as a Director of the Company any such person nominated by XL Re. This undertaking ceases to apply upon the later of the later of (a) the expiration of any obligation by XL Re to make an investment or maintain an investment in a Polar-Managed Fund pursuant to the XL Re Ltd Agreement described in 10.1 above and (b) the date on which the aggregate shareholding in the Company of XL Re and its affiliates falls below 3%.

11.3 *PCLLP Partnership Agreement*

11.3.1 The Polar Capital Limited Liability Partnership Agreement (the “LLPA”) was entered into between PCLLP and its members, being PCPL and certain key employees of PCPL, on 31 October 2005. The terms of the LLPA were amended on 4 January 2007 to ensure consistency with the terms of the employment contracts of those members who are also employed by PCPL.

11.3.2 PCLLP carries on the business of providing financial services or other services as permitted by the FSA and such other business as PCPL may decide.

11.3.3 No member shall bind PCLLP without the prior approval of PCPL.

11.3.4 Under the LLPA, the members of PCLLP delegated all powers of management of the business of PCLLP to PCPL. PCPL is to exercise all the powers of PCLLP which are not reserved to any member(s). However, PCPL may delegate powers to one or more members for the purposes of managing the funds managed by PCLLP and allocated by PCPL to the members. PCPL has the power to give consent alone on behalf of PCLLP, subject to any matters reserved for the approval of the members.

11.3.5 *Contributions:* PCPL made an initial contribution to the capital of PCLLP of £3,000,000 and the non-cash business assets of PCPL, while the individual members made contributions of £1,000 each. PCPL may make additional capital contributions to PCLLP. The capital contribution made by PCPL shall only be repayable in the event of the dissolution of PCLLP or upon PCLLP ceasing to be authorised by the FSA pursuant to Part IV of the FSMA.

11.3.6 *Distribution of Capital Gains/Losses:* PCPL is to identify any disposition of a material asset of PCLLP and decide whether the proceeds are to be distributed to members or used in the business. If they are to be distributed, PCPL is to determine the proportion to be distributed, which members are to qualify and in what proportions, whether it is to be in cash, and any reservation for tax on any capital gain. Capital losses are to be allocated against the capital contributed by PCPL until this is exhausted, then against each member’s contribution equally. No member who has resigned shall be entitled to a share in the proceeds.

11.3.7 *Distribution of Net Income:* PCLLP is to determine the share of the net income of PCLLP to be distributed to each member after paying off the expenses of PCLLP and allocating to PCPL any amount necessary to cover any expenses of PCPL incurred in furtherance of the business of PCLLP. In each accounting period, PCLLP may pay to PCPL some or all of the remaining net income once payment has been made to each member other than PCPL. PCLLP is to reserve amounts of the members’ income estimated by PCPL to be a reasonable approximation of the tax payable by that member in respect of his entitlement to income profits. The members shall receive monthly drawings against their profit share.

11.3.8 *Meetings of PCLLP:* Under the LLPA, no meeting of the members is quorate unless more than one half of all members (or proxies of such members) are present and PCPL is present, whether by proxy, attorney or corporate representative. No resolution is passed by members unless PCPL has voted in favour of it. A written resolution must be signed by no less than three quarters of all members, including PCPL, in order to be passed.

- 11.3.9 *Members' duties*: Each member must devote all of his working hours wholly and exclusively to PCLLP and/or the Group, including PCPL, promote the business of PCLLP and the Group and comply with all legal requirements and professional standards and ensure that PCLLP does so. Any member who is also an employee of the Group will have their duties split between the PCLLP and the employer. They must comply with all internal policies of the Group and immediately inform PCLLP of any proceedings in which they are defendants, including proceedings involving PCLLP. No member may without prior consent of PCLLP, engage in any business other than PCLLP or any Group company if the individual is also an employee or accept any directorship or appointment with any company or public appointment.
- 11.3.10 *Suspension of a member*: PCLLP has the right to suspend members for up to 12 weeks for each period of suspension where misconduct is alleged against a member or, if the member is also an employee of PCPL or any other member of the Group, the member is suspended from their duties as an employee. The member shall remain a member with all associated rights and liabilities during the period of suspension, except that he may not attend the office, engage in any business or professional activities, contact or communicate with any past or present clients, contacts, members or employees of the Group, or attend or vote at any members' meeting.
- 11.3.11 *Resignation of a member*: Members are deemed to have resigned on death, expiry of one year's notice by either PCLLP or the member, or on notice given by PCLLP following continued illness for more than 180 days in any 12 month period or the member having become a mental health patient.
- 11.3.12 *Expulsion of a member*: Members may be expelled immediately upon service of notice to that effect given by PCLLP if the member is in certain financial difficulties, if he has breached his obligations under the LLPA or he has committed a material breach of his service agreement with PCPL or any other member of the Group. Members may also be expelled if they lose any necessary professional qualification, are disqualified from being a member of a limited liability partnership, act in bad faith, act in a way likely to affect any certificate issued to PCLLP or a company in the Group from any regulatory authority, fail to perform their duties as a member, engages in immoral behaviour or any other significant breach of the ethics of his profession or any of the conduct injurious to the reputation or business of PCLLP or the Group, fails to pay PCLLP any monies owed or act in a way which would result in PCLLP being wound up.
- 11.3.13 *Restrictive covenants*: The individual members are bound by the following restrictive covenants after they cease to be members of PCLLP:
- (A) A 3 month non-compete covenant prohibiting the members from being interested in (save to a limited extent) or working in certain capacities in any business in the UK which competes or proposes to compete with PCLLP or the members of the Group save where the member can reasonably show that he is not concerned in the same work he was doing in the 12 months before ceasing to be a member of PCLLP.
 - (B) A 6 month non-deal covenant regarding customers of PCLLP prohibiting the members from providing goods or services which compete with goods or services supplied by PCLLP or any member of the Group (which they were materially involved in providing in the 12 months before ceasing to be a member of PCLLP), to any person who was a customer of PCLLP or member of the Group during the 12 months before ceasing to be a member of PCLLP (or was negotiating with PCLLP or Group to become a customer) with whom the member had material dealings during this period or held confidential information about the customer.
 - (C) A 6 month non-solicit covenant regarding customers of PCLLP prohibiting the members from soliciting any person who was a customer of PCLLP or any member of the Group in the 12 months before the member left PCLLP (or was negotiating with PCLLP or the Group to become a customer) and with whom either he had material dealings or he possessed confidential information about the customer in order to provide competing goods or services to those supplied by PCLLP or any member of the Group.

(D) A 6 month non-poaching covenant regarding members of the Group prohibiting the members from soliciting any person who was employed, engaged by or a member of PCLLP or the Group who was a Director, senior executive or fund manager with a view to inducing him to leave.

(E) A 6 month non-solicit covenant regarding the suppliers of the PCLLP prohibiting the members from soliciting any person who supplied the PCLLP or any member of the Group with goods and services where it is reasonably likely that this would materially prejudice the ability of the PCLLP or any member of the Group to procure the supply of goods or services.

11.3.14 *New members*: New members may be admitted to PCLLP only with the consent of PCPL. They must execute a deed of accession to the LLPA within 28 days of appointment then make a capital contribution, as required by PCLLP.

11.3.15 *Winding up*: PCLLP may be wound up by a members' special resolution. Any distributions payable after liabilities are paid, will be paid to PCPL.

11.3.16 *Confidentiality*: There are confidentiality provisions which apply post-termination restricting disclosure of confidential information without the consent of PCPL.

11.3.17 *Variation*: The LLPA may be varied by ordinary resolution.

12. PLACING ARRANGEMENTS

12.1 Placing Agreement

12.1.1 Pursuant to the Placing Agreement, Bridgewell has agreed, conditional upon, *inter alia*, Admission occurring on or before 6 February 2007 (or such later time as Bridgewell shall determine) to use its reasonable endeavours to procure purchasers for up to 81,108 new Ordinary Shares to be issued by the Company and up to 113,651 Existing Ordinary Shares to be sold by those Directors that are also Selling shareholders. Bridgewell may, if it so wishes, purchase Ordinary Shares itself.

12.1.2 The Placing Agreement contains indemnities from the Company and warranties from the Company and the Directors in favour of Bridgewell, together with provisions which enable Bridgewell to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true and accurate in any material respect.

12.1.3 On all amounts raised in respect of the placement of Ordinary Shares pursuant to the Placing Agreement a commission will be payable to Bridgewell at a rate of 3.75% with an additional 0.25% commission to apply to the same proportion of that amount raised as is represented by the proportion of the market capitalisation of the Company upon Admission that is greater than £100,000,000.

12.1.4 The lock-in arrangements contained within the Placing Agreement with respect to Ordinary Shares held by Directors are described at paragraph 13 of this Part VIII.

12.2 Sale Agreements

12.2.1 Pursuant to the Sale Agreements, Bridgewell has agreed, conditional upon, *inter alia*, Admission occurring on or before 6 February 2007 (or such later time as Bridgewell shall determine) to use its reasonable endeavours to procure purchasers for up to 44,616 Existing Ordinary Shares proposed to be sold by those Selling shareholders that are not party to the Placing Agreement.

12.2.2 The Sale Agreements contain warranties and indemnities from the Selling shareholders in favour of Bridgewell, together with provisions which enable Bridgewell to terminate the Sale Agreements in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true and accurate in any material respect.

12.2.3 On all amounts raised in respect of the placement of Existing Ordinary Shares pursuant to the Sale Agreements a commission will be payable to Bridgewell at a rate of 3.75%, with an additional 0.25% commission to apply to the same proportion of that amount raised as is represented by the proportion of the market capitalisation of the Company upon Admission that is greater than £100,000,000.

12.3 Details of Selling shareholders

12.3.1 The names of each Selling shareholder and the maximum number of Existing Ordinary Shares each such Selling shareholder is selling pursuant to the Placing are set out below:

<i>Name of selling shareholder</i>	<i>Prior to Admission</i>		<i>Following Admission</i>			<i>Nature of relationship with Polar Capital</i>
	<i>Number of Ordinary Shares of £1.00 as at 1 February 2007</i>	<i>Percentage of issued Ordinary Share Capital as at 1 February 2007</i>	<i>Number of Ordinary Shares of 2.5 pence being offered</i>	<i>Expected number of Ordinary Shares of 2.5 pence immediately following the offer</i>	<i>Percentage of issued Ordinary Share Capital immediately following the offer</i>	
Brian Ashford-Russell	302,367	20.09%	2,094,680	10,000,000	15.76%	Director
Timothy Woolley	275,284	18.30%	2,211,360	8,800,000	13.87%	Director
Charles Hale	60,000	3.99%	240,000	2,160,000	3.41%	Non-Executive Chairman
James Salter	53,207	3.54%	800,000	1,328,280	2.09%	Fund Manager
Nicholas Brandt	27,653	1.84%	480,000	626,120	0.99%	Sales Director
Philip Hardy	2,116	0.14%	84,640	0	0.00%	Fund Manager
Rupert Kimber	20,000	1.33%	200,000	600,000	0.95%	Fund Manager
David Magliocco	28,080	1.87%	200,000	923,200	1.46%	Previous employee
Emma Parkinson	5000	0.33%	20,000	180,000	0.28%	Fund Manager

12.3.2 The business address for each Selling shareholder is 4 Matthew Parker Street, London SW1H 9NP.

13. LOCK-IN ARRANGEMENTS

13.1 Pursuant to the Placing Agreement, the Directors have agreed to lock-in arrangements under which each Director undertakes to the Company and to Bridgewell not to dispose of any interest in Ordinary Shares for the period after Admission until the earlier of (a) 28 February 2008 and (b) the release of the Group's trading update for the nine months ending 31 December 2007, except in limited circumstances or with the consent of Bridgewell.

13.2 On 29 January 2007, XL Re and Caledonia, entered into separate orderly marketing agreements with each of Bridgewell and the Company under which each of XL Re and Caledonia undertakes to the Company and to Bridgewell not to dispose of any interest in Ordinary Shares for the period after Admission until the earlier of (a) 28 February 2008 and (b) the release of the Group's trading update for the nine months ending 31 December 2007, except in limited circumstances or with the consent of Bridgewell.

14. UK TAXATION

The following paragraphs are intended as a general guide only and are based on current law and HM Revenue and Customs ("HMRC") practice. They summarise the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident or ordinarily resident in the United Kingdom ("UK") for tax purposes, who are the absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment and who have not (and are not deemed to have) acquired their Ordinary Shares by virtue of an office or employment (whether current, historic or prospective). Certain Shareholders, such as dealers in securities, insurance companies, collective investment vehicles and employees of the Company (or a connected company), may be taxed differently and are not considered.

If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser before taking any actions.

Special tax provisions may apply to Shareholders who have acquired their Ordinary Shares by exercising options or have awards satisfied under the Company's securities incentive plans. Such Shareholders are advised to seek independent advice.

14.1 *Dividends*

- 14.1.1 No tax will be withheld by the Company when it pays a dividend.
- 14.1.2A UK resident individual Shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (equal to 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income.
- 14.1.3 An individual Shareholder who is liable to income tax at either the starting or the basic rate will be subject to tax on the cash dividend and the tax credit at the rate of 10 per cent.. The tax credit will be set against this tax liability and as a result, such Shareholders will have no further income tax liability in respect of the dividend.
- 14.1.4 A Shareholder who is a higher rate taxpayer will be liable to income tax on the cash dividend and the tax credit at the rate of 32.5 per cent.. After taking account of the tax credit, such Shareholders have further income tax to pay at a rate of 22.5 per cent. of the dividend plus the related tax credit (equal to 25 per cent. of the net cash dividend received). For example, a dividend of £80 will carry a tax credit of £8.89. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax liability of £20.
- 14.1.5 UK resident Shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit (including pension funds, charities and certain individuals) are not entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue and Customs.
- 14.1.6 A UK resident corporate Shareholder will not generally be liable to corporation tax on any dividend received from the Company. The dividend received and related tax credit will constitute franked investment income.
- 14.1.7 Non-UK resident individual Shareholders will not generally be subject to UK tax on any dividends received from the Company. Whether a Shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the Shareholder's country of residence and the UK. However, where a non-resident Shareholder is entitled to claim payment of any part of a tax credit, the amount payable will generally be less than one per cent of the dividend to which it relates. A non-UK resident Shareholder may also be subject to foreign taxation on dividend income.

14.2 *Taxation of Chargeable Gains*

- 14.2.1 A disposal of Ordinary Shares by a Shareholder who is either resident or ordinarily resident in the UK may, subject to the Shareholder's circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.
- 14.2.2 For Shareholders within the charge to corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of Ordinary Shares (but not to create or increase any loss).
- 14.2.3 For Shareholders who are subject to capital gains tax, such as individuals, trustees and personal representatives, taper relief (which reduces the percentage of the gain chargeable by reference to how long the Ordinary Shares have been held) may be available to reduce the amount of chargeable gain realised on a disposal of Ordinary Shares.
- 14.2.4 A Shareholder who is neither UK resident nor UK ordinarily resident will not be subject to UK tax on a gain arising on a disposal of Ordinary Shares unless (i) the Shareholder carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and, broadly, holds the Ordinary Shares for the purposes of the trade,

profession, vocation, branch, agency or permanent establishment or (ii) the Shareholder falls within the anti-avoidance rules applying to individuals who are temporarily not resident or ordinarily resident in the UK.

14.3 *Inheritance Tax*

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or on the death of, an individual Shareholder may (subject to certain exemptions and reliefs) be subject to UK inheritance tax, even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift. Special rules apply to gifts where the donor reserves or retains some benefit and these rules could give rise to a liability to UK inheritance tax on the death of the donor.

14.4 *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

14.4.1 No stamp duty or stamp duty reserve tax will be payable by Shareholders on the allotment, issue or registration of Ordinary Shares.

14.4.2 Any subsequent conveyance or transfer on sale of Ordinary Shares will usually be subject to stamp duty, at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of the consideration paid. Stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid will arise in relation to an unconditional agreement to transfer Shares. SDRT is normally a liability of the purchaser. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) a share transfer is executed pursuant to the agreement and is duly stamped, the stamping of the transfer will normally cancel the SDRT liability. Any SDRT already paid will be refunded.

14.4.3 A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. CRESTCo will collect SDRT on relevant transactions settled through CREST and will account for the SDRT to HM Revenue and Customs.

14.4.4 There will be no stamp duty or SDRT on a transfer of Ordinary Shares into or out of CREST where such a transfer is made for no consideration.

14.4.5 Where Ordinary Shares are issued or transferred to issuers of depositary receipts or providers of clearance services (or their nominees or agents) stamp duty or SDRT may be payable, broadly, at the rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, 1.5 per cent. of the value of the Ordinary Shares. Where such stamp duty or SDRT is payable, such amounts may be charged by the depositary or clearance service to the Shareholder to whom the Ordinary Shares would otherwise have been issued or to whom the Shares are being transferred.

14.4.6 The sale of existing Ordinary Shares by the Selling Shareholders will give rise to a liability to stamp duty and/or SDRT as explained above. Pursuant to the terms of the Placing Agreement the Selling Shareholders have agreed to meet the liability to stamp duty or SDRT of the original purchasers of those existing Ordinary Shares which will arise on such initial sale at no more than the rate of 0.5 per cent. of the Placing Price.

14.4.7 Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Charities are exempt from stamp duty and SDRT on the acquisition of shares.

15. **REGULATION**

15.1 *Regulatory framework within the UK*

PCLLP is regulated by the FSA. Polar Capital Partners (Jersey) Limited is regulated as an investment adviser under Jersey law. One of the Group’s funds is incorporated in England. In addition, some of the Group’s funds are registered in overseas territories, such as the Cayman Islands, Ireland and Lichtenstein.

15.1.1 *Authorisation by FSA*

A firm wishing to carry out one or more of the regulated activities falling within the scope of the Financial Services and Markets Act 2000 (the “FSMA”) must apply to the FSA for permission to carry on these activities unless it is exempt from the need for authorisation. The regulated activities under the FSMA are set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “Regulated Activities Order”). They include (among other things): investment management, investment advice, dealing in investments as agent and arranging deals in investments. Before authorising a firm to carry out regulated activities, the FSA must be satisfied that the firm satisfies a number of threshold conditions as set out in its rules. For example, the FSA rules seek to ensure that regulated entities have adequate financial resources, are managed and controlled by fit and proper persons, have appropriate safeguards in place to protect their clients’ funds and assets and comply with certain minimum conduct of business standards relating to, among other things, advertising and marketing of financial products, treating customers fairly and the management of conflicts of interest.

The FSA also has a number of rules governing a firm’s senior management arrangements, systems and controls. In broad terms, these require the appointment of one or more members of senior management (normally, the chief executive) to take responsibility for: (i) the apportionment of significant responsibilities among Directors and senior executives so that it is clear who has responsibility for the different areas of firm’s business, and (ii) overseeing the establishment and maintenance of systems and controls which are appropriate to the particular business. The person with responsibility for these functions is required to be approved by the FSA under its approved persons regime.

If a breach of the FSA’s rules occurs, the FSA has the power to take a wide range of disciplinary actions against regulated firms and any FSA approved persons, including the imposition of fines, the suspension or termination of the firm’s authorisation or the removal of approved status from individuals.

15.1.2 *Principles for Businesses*

In addition to the FSA’s rules, firms which are authorised under the FSMA are subject to certain Principles issued by the FSA. The Principles are intended to ensure fairness and integrity in the provision of financial services in the UK.

They require a firm to:

- (A) conduct its business with integrity and with due skill, care and diligence;
- (B) take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems;
- (C) maintain adequate financial resources;
- (D) observe proper standards of market conduct;
- (E) pay due regard to the interests of customers and to treat them fairly;
- (F) pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading;
- (G) manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- (H) take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- (I) arrange adequate protection for clients’ assets when it is responsible for them; and
- (J) deal with its regulators in an open and co-operative way.

A breach of the Principles gives the FSA the right to take action against the relevant authorised person and includes the power to terminate the firm's authorisation.

15.1.3 *Restrictions on changes of control*

Companies regulated by the FSA are subject to restrictions regarding persons who may act as a controller. Broadly, a controller for the purposes of the FSA's rules means a person who alone or with associates holds 10 per cent. or more of the shares or voting rights in a regulated firm or its parent company.

Under the FSMA, a person who becomes a controller of an FSA regulated firm, or who increases their interest to 20 per cent. or more, 33 per cent. or more, or 50 per cent. or more must first notify the FSA and the FSA has up to three months to approve this change of control. The FSA is permitted to serve a notice of objection to the increase in control and, if it does serve such a notice, is required to specify in the notice its reasons for the objections. Breach of the notification requirements is a criminal offence.

A person who ceases to be a 10 per cent. controller or who reduces an existing interest below the 50 per cent., 33 per cent., or 20 per cent. level is not permitted to do so without first serving on the FSA prior written notice, although FSA approval is not required. Breach of the notification requirements is a criminal offence.

15.1.4 *Consumer complaints and compensation*

Rules made by the FSA under the FSMA establish a compensation scheme. The scheme provides for compensation to be paid to certain categories of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities.

A Financial Ombudsmen Service has also been set up under the FSMA. This operates independently of the FSA and covers disputes for certain categories of customer including complaints about mis-selling, unsuitable advice, unfair treatment, maladministration, misleading advertising, delay and poor service in relation to products and services provided by firms.

15.1.5 *Regulatory capital*

Regulatory requirements form part of the FSA's system of prudential supervision of FSA authorised firms in the UK. The aim of the rules is to assist firms in controlling risks which it may be exposed to when carrying on regulated activities in the UK, by obliging firms to hold a minimum amount of capital as a buffer to cover risks. Although, the rules utilise a risk-based approach to prudential regulations, the FSA may use the requirement for adequate resources to require a firm to hold additional capital to counter any risks.

Regulatory requirements exist on two levels. The first is at an individual entity level whereby individual entities regulated by the FSA are required to submit periodic returns to demonstrate compliance. The second is at a consolidated level. The FSA's policy in relation to capital requirements has recently changed following the implementation of the Capital Requirements Directive ("CRD") the majority of whose provisions came into force from January 2007. The CRD introduces, amongst other things, a more risk based assessment of capital to be held against a range of matters, including the credit exposure of a firm, together with an extension of eligible collateral.

15.1.6 *FSA Handbook*

The FSA has the power under the FSMA to amend existing or introducing new rules, which it can do having followed a prescribed procedure which includes a period of consultation and a justification for the change.

The FSA has conducted consultation regarding hedge funds. Any new regulation of hedge funds may have an adverse effect on the Group's UK business, growth prospects, net inflows, revenues, results of operations and/or financial condition, though this is presently thought by the Company to be unlikely to be material.

15.1.7 *Money Laundering*

In addition, the UK Money Laundering Regulations 2003 (as amended) require, broadly speaking, any person who carries out financial services business in the UK to observe certain administrative procedures and checks, which are designed to prevent money laundering occurring. Failure to maintain the necessary procedures is a criminal offence.

15.2 *Regulatory framework within the European Economic Area*

In addition to the UK regime described above, there is a pan-European regime established by the Investment Services Directive (“ISD”) which regulates the provision of investment services throughout the European Economic Area (the “EEA”). The ISD requires all EEA incorporated entities which are investment firms to be authorised in their state of incorporation.

In contemplation of the principles of freedom of provision of services and freedom of establishment, the ISD gives investment firms the right to be able to provide investment services on a cross-border basis to clients located in other member states of the EEA without the need for separate authorisation by the competent authorities in such member states. The ISD also grants investment firms a right to establish a branch in such member states without the need for any separate authorisation. These rights to provide services and to establish branches are commonly referred to as the European investment services passport.

It should be noted that the scope of the passport is limited. For example, it does not cover all financial instruments. The passport does not cover contracts related to commodities including cash settled and commodity derivatives. If these types of services are licensable in another EEA member state then an FSA regulated firm wishing to provide such services to clients located in that state may still need to obtain a separate authorisation.

The ISD provides that the provision of investment services into a relevant member state may be subject to the conduct of business rules of that member state. These may differ from UK conduct of business rules. This is, however, mitigated by the E-Commerce Directive which enables firms to conduct business electronically with clients in other EU countries in compliance with the conduct of business rules of their home country. PCLLP does not currently operate under any passports.

The ISD is due to be replaced by a new directive, the Markets in Financial Instruments Directive (“MiFID”). MiFID is scheduled to come into force in November 2007. MiFID will make important changes to the way in which cross-border business is conducted. These include an extension to the scope of the passport and will include a revision of conduct of business rules, which could have a significant impact on the industry in the UK and therefore on how the regulated entities will operate.

15.3 *Regulatory framework in the United States of America*

PCLLP is currently registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”). The Investment Advisers Act is a broad anti-fraud statute. The regulations promulgated thereunder prohibit certain actions, require the keeping of prescribed books and records and the disclosure of certain information to prospective clients. A registered investment adviser is also subject to periodic audit and inspection by the U.S. Securities and Exchange Commission (“SEC”).

PCLLP registered as an investment adviser under the Investment Advisers Act in response to the so-called “hedge fund manager registration rules” which were adopted by the SEC in 2005. In June 2006, the U.S. Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, the Court vacated the SEC’s hedge fund manager registration rules. In light of the *Goldstein* decision, PCLLP is evaluating whether it will remain registered as an investment adviser under the Investment Advisers Act or whether it will withdraw such registration.

If PCLLP remains registered as an investment adviser and (a) is not a resident of the United States (as is currently the case); and (b) has no direct clients which are residents of the United States (as is currently the case), then it may seek to avail itself of certain no-action relief available under SEC no-action letters which will afford PCLLP relief from compliance with most substantive provisions of the Investment Advisers Act and the regulations thereunder with respect to such clients.

16. WORKING CAPITAL

- 16.1 The Directors (having made due and careful enquiry) are of the opinion that taking into account existing cash, the anticipated proceeds of the Placing, bank and other facilities available to the Company and the Group, the working capital available to the Company and the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

17. LITIGATION

- 17.1 Save as set out in paragraph 17.2 below, no member of the Group is, nor has at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.
- 17.2 Following an enquiry raised by HM Revenue & Customs, Polar Capital Partners Limited is in the process of reaching a settlement in respect of Income Tax and National Insurance Contributions arising from a conditional share scheme operated for the benefit of a number of employees of Polar Capital Partners Limited. The provisional settlement is around £727,000 of which £720,000 has already been paid.

18. CONSENTS

- 18.1 Bridgewell is acting in the capacity as nominated adviser and broker to the Company. Bridgewell has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 18.2 Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears and to the inclusion of its reports on the Group and the Company set out in Part V and Part VI of this document and the references to the same in the form and context in which they appear.

19. EXPENSES AND GENERAL

- 19.1 The overall costs and expenses payable by the Company in connection with Admission (including professional fees, the costs of printing and the fees payable to the Registrars) are estimated to amount to approximately £1.5 million.
- 19.2 Save in relation to arrangements with trade suppliers and professional advisers no person has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, on or after Admission:
- 19.2.1 fees totalling £10,000 or more;
 - 19.2.2 securities of the Company having a value of £10,000 or more calculated by reference to the expected opening price; or
 - 19.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 19.3 The financial information in this document relating to the Group and the Company, and in particular the financial information contained in Part V of this document, does not constitute statutory accounts within the meaning of section 240 of the Act. Ernst & Young LLP have audited the statutory accounts of the Group and the Company and have given unqualified audit reports on the statutory accounts of the Group and the Company for the financial years ended 31 March 2004, 31 March 2005 and 31 March 2006. None of those reports contained any statement under section 237(2) or (3) of the Act. The statutory accounts of the Group and the Company have been delivered to the Registrar of Companies in England and Wales.
- 19.4 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 19.5 The Ordinary Shares have not been admitted to dealings on a recognised investment exchange and, save in relation to the application for Admission, no application for such admission has been made.

- 19.6 There has been no significant change in the financial or trading position of the Group which has occurred since 31 March 2006, being the date to which the last audited accounts of the Group were made up.
- 19.7 The ISIN number for the Ordinary Shares is GB00B1GCLT25. The SEDOL number of the Company is B1GCLT2.

Date 31 January 2007

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