Polar Capital Holdings plc

Annual Report & Accounts 2010

POLAR CAPITAL HOLDINGS plc

Contents

Who we are

Polar Capital Holdings plc is a specialist investment management company offering professional and institutional investors a range of geographical and sector funds. The Company's investment strategies have a fundamental research driven approach. The Company has long only and absolute return funds in its product range.

Founded in 2001, Polar Capital currently has 52 employees of whom 25 are investment professionals managing 9 funds and 9 managed accounts. These funds have combined assets under management of $2.5bn as at 31st March 2010.

The Company is AIM quoted following its IPO in February 2007. Consistent with the Company's founding strategy of fostering an equity culture amongst its employees and providing high levels of transparency to clients, 47% of the equity is currently held by Directors, founders and employees.

Group strategy

The Company's goal is to become a leading specialist fund management company through a strategy of delivering to professional and institutional investors a range of fundamentally driven investment products that deliver differentiated risk adjusted returns over the long term.

Our core philosophy is to focus on investment performance over and above the gathering of assets. We believe there is an alignment of interest between the investment managers we recruit, their focus on delivering superior returns and the interests of professional and institutional clients who are seeking differentiated investment product.

In addition to providing clients with superior investment products we place great emphasis on providing high levels of customer service, operational integrity, independent risk control and compliance supervision. We believe such a combination will increasingly differentiate us in the marketplace and deliver attractive levels of long term earnings growth and dividend growth to our shareholders.

We place great emphasis on providing and maintaining an entrepreneurial, vibrant, collegiate and transparent environment for our fund managers and our employees. We believe this will become an increasingly important factor in the attraction and retention of talented people.

The Company will continue to maintain a strong and healthy balance sheet providing our clients with added comfort during turbulent times.

Overview

Polar Capital at a glance

Corporate financial highlights

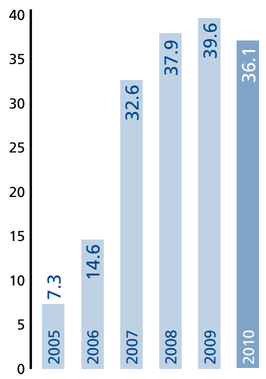
- Assets under management at 31 March 2010 up 71% at US$2.5bn (2009: US$1.5bn)
- Core operating profit, excluding performance fees, £0.02m (2009: £1.3m)
- Pre-tax profits £3.1m (2009: £12.1m)
- Global Healthcare trust launched in June 2010 raising £89m

Shareholder financial highlights

- Basic earnings per share 3.1p (2009: 12.1p); diluted earnings per share down to 3.0p (2009: 11.3p) and adjusted* diluted earnings per share down to 3.8p (2009: 10.0p)
- Dividends for the year maintained at 4.5p per share (2009: 4.5p)
- Shareholders' funds £36.1m (2009: £39.6m) including cash and investments of £39.4m (2009: £44.2m)

* Adjusted to exclude cost of share-based payments.

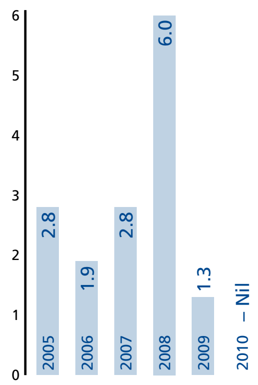
Shareholders' funds
£ million



Percentage change
2009-2010

-8.8%

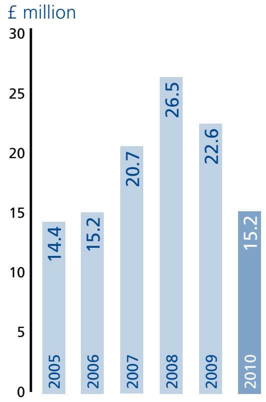
Core profitability
£ million



Percentage change
2009-2010

N/A%

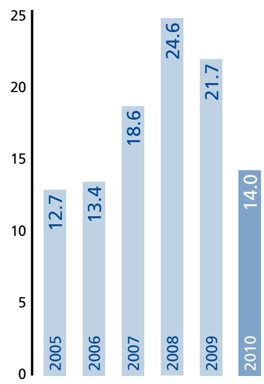
Gross management and advisory fees
£ million



Percentage change
2009-2010

-33%

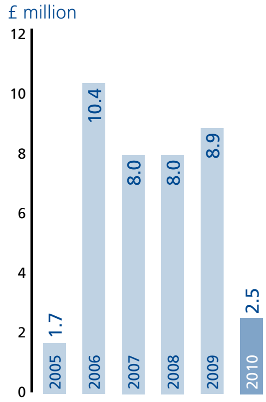
Net management and advisory fees
£ million



Percentage change
2009-2010

-35%

Net performance fee profitability
£ million



Percentage change
2009-2010

-71%

Our funds/strategies at a glance

(Assets under Management)

Analysis of changes in asset types for the 12 months to 31 March 2010

	Long $m	Hedge $m	Advisory $m	Total $m
Total assets as at 31 March 2009	746	699	35	1,480
Performance and currency movements	419	55	5	479
Net subscriptions	410	253	–	663
Net outflows from closed funds	–	(52)	(40)	(92)
Total assets as at 31 March 2010	1,575	955	–	2,530

Technology	$m
31 March 2010	**815**
30 September 2009	634
31 March 2009	407

Japan	$m
31 March 2010	**682**
30 September 2009	407
31 March 2009	306

UK	$m
31 March 2010	**206**
30 September 2009	149
31 March 2009	95

Europe	$m
31 March 2010	**504**
30 September 2009	355
31 March 2009	340

Macro	$m
31 March 2010	**245**
30 September 2009	282
31 March 2009	219

Global emerging markets	$m
31 March 2010	**Nil**
30 September 2009	24
31 March 2009	45

Healthcare	$m
31 March 2010	**78**
30 September 2009	45
31 March 2009	64

Note: the above historical analysis excludes a single sub-advisory US equities account.

Chairman's statement

Tom Bartlam
Chairman

I am pleased to report a significant increase in our Assets under Management (AUM) to $2.5 billion at 31 March 2010, up 71% from the previous year end and up 33% from the level reported in our interim results at the end of September. The growth in assets has been through a combination of absolute performance from our funds and a significant recovery in client inflows over the second half of the fiscal year.

Results

The recovery in AUM levels in the latter part of our financial year brought us into profitability at the core operating profit level in the second half and enabled us to break even for the year as a whole, recovering the loss recorded over the first six months of the year. Pre-tax profits, which also include performance fees of £2.5m, interest and other income of £1.2m, amounted to £3.7m, before share-based payments, down from the previous year's £11.1m, primarily as a result of a decline in the level of performance fees due mainly to the absence in 2010 of the contribution received in 2009 from the closed Paragon Fund.

However, it is encouraging that we remained profitable over the year despite the severity of the turmoil in markets and that for the ninth year in succession Polar Capital has earned performance fees.

Our balance sheet remains strong with gross cash and investments of £39.4m.

Market background

The global equity markets began their recovery in the closing weeks of our previous fiscal year and continued their upward path through to the end of our financial year.

The FTSE 100 Index was up 44.7% over the fiscal year. Similar patterns of recovery were seen across most of the major developed markets with the Standard and Poor's 500 Index in America up 46.5% and the Japanese Nikkei-225 Stock Average up 36.8% over the period, while some of the emerging markets posted even greater gains.

A combination of very low interest rates and aggressive injections of liquidity by the governments of leading developed nations and China was sufficient to stabilise global markets and ensure a recovery in most major economies towards the end of our financial year.

The improvement in global equity markets eventually led to an improvement in confidence in our client base. The pressure on redemptions in the hedge fund world began to ease as the year progressed with the industry returning to positive net inflows in the first calendar quarter of 2010. Our own experience was consistent with that of the wider hedge fund industry with the redemption pressure easing by the summer and a return to positive inflows over the second half of our fiscal year.

On the long only side net inflows picked up substantially in our core UK market with record retail sales being posted in the first calendar quarter of 2010. However, much of the inflows were in sectors of the market that we currently do not address. According to the Investment Management Association's industry data, significant inflows occurred in the Asia ex Japan, Global Growth and Global Emerging Markets. In the industry sub-sectors in which we have offerings the inflow data was less robust and only modest net inflows were seen in the Japan and technology and telecommunications sub-sectors. We were encouraged therefore by the positive flows we saw into our long only funds even though they were far from the most popular areas of the market.

Funds and performance

Performance over the period was on the whole encouraging. All our hedge fund products with the exception of the macro Discovery fund posted good absolute gains over the period consistent with their targeted returns. Our strongest performing fund, the Forager fund which focuses on European smaller companies, gained 31.5% over the period further cementing the team's excellent reputation. Inflows into the product were such that by the year end we had announced its closure to new inflows.

On the long only side three of our four funds were in the top half of their peer groups with only the healthcare fund slipping into the 3rd quartile although their longer term record remains impressive. We saw particularly strong inflows into our award winning Japanese product which has been a top decile performer over 3 years, 5 years and since inception and into our Technology open ended fund, which continued its impressive run of performance ranking 7th out of 60 funds over the period (source: Lipper).

Dividends

The Board has declared two interim dividends in respect of the financial year to 31 March 2010. The second interim dividend was paid early, in advance of the tax changes on 6 April 2010 and the Board announced at that time it would not pay any further dividends in respect of the last financial year. The total dividend amounted to 4.5p per share, the same as we paid last year and although this was not fully covered by earnings, your Board considered the payment of such a dividend appropriate on account of both our quiet optimism about the health of our business and the high levels of cash on our balance sheet.

Outlook

Polar Capital has weathered the turmoil in markets well with our reputation intact, with a team of proven successful fund managers and with good performance across most of our funds. We have managed to remain profitable despite the dramatic fall in AUM in the previous financial year and we have kept our balance sheet strong. With the recovery in our AUM levels over the second half and supported by our strong infrastructure and systems, we feel encouraged about our competitive position and we enter the new fiscal year in good financial shape. We believe therefore that we are well placed to grow the business in the year ahead, as your Chief Executive describes in his report.

The growth of the business is of course affected by what is happening in the markets. As recent weeks have shown with the fallout from the Greek debt crisis and the consequent concern about the stability of the Euro, there remain substantial economic and political issues for the markets to deal with and further weakness in markets cannot be ruled out. Whilst we remain confident in our own direction and strategy for growth we would expect the external environment to remain challenging during much of fiscal 2011.

Chairman's statement
continued

Board changes
The Articles of Association require that any Director who did not stand for re-appointment at the two previous annual general meetings must offer themselves for re-appointment. The majority of the Directors were appointed at the AGM in 2007, the first after the Company's shares were admitted to trading on AIM and therefore stand for re-appointment at this year's AGM with the exception of Mr Michael Thomas who was appointed at the AGM in 2008 and will therefore stand next year.

Mr Charles Hale has indicated that he does not wish to stand for re-appointment at the AGM and will stand down as a Director. On behalf of all the Directors I would like to pay thanks to Mr Hale who joined Polar Capital as Executive Chairman in 2002 and played a large role in building the business. Mr Hale stood aside as Chairman in 2007 but remained as a non-executive Director.

Annual General Meeting
The Annual General Meeting this year will be held on 9 September at 12.30pm at Cayzer House, 30 Buckingham Gate, London SW1E 6NN and I encourage all shareholders to attend as this will be an opportunity to meet the Directors. Full details of the meeting and the resolutions are contained in the separate notice of meeting sent to shareholders.

Tom Bartlam
Chairman

22 June 2010

Chief Executive's statement

Tim Woolley
Chief Executive

The financial results and market background have been covered in the Chairman's statement and a more detailed breakdown of our financials is covered later in the Chief Financial Officer's report. I thought therefore I would use my report to look forward rather than back and outline our strategy for success over the coming year and beyond.

In the context of the UK wealth management industry Polar Capital is presently very small and in the context of the global wealth management industry we are tiny. We believe though by continuing to focus on delivering clients funds with good performance we should be able to grow significantly over the next five years. Investment returns alone are not sufficient to ensure success especially following the turmoil in markets over recent years. Clients are also looking for high levels of service and support, operational robustness and integrity, independent risk control and strong compliance supervision. We have made significant investments in all these areas over the years and our financial strength ensures we will be able to continue to invest in such areas in the future.

I see three major avenues of growth for Polar Capital over the coming years:

- Increase the assets in our existing products.
- Increase the range of products offered by our existing teams.
- Acquire and recruit additional investment teams.

Whilst we have been gratified by the inflows into a range of our products over the second half of the financial year, considerable further capacity exists in most of our funds. Across our hedge, absolute and open ended long funds we have only one fund that has reached its capacity and currently closed to further investment. That fund is our highly successful Forager long/short equity product focused on European small companies. Given potential liquidity issues in some of the smaller companies we have set a limit of US$500m in this strategy – a level of assets which will not compromise our historically strong performance record. All our other open ended products have considerable further capacity.

We will therefore seek to increase our assets in these funds by further improving our distribution capability and increasing investor awareness of Polar Captial itself and the products we offer.

Since I took over in November we have reorganised our sales force on geographical lines with a focus on our three core markets – the UK, North America and Continental Europe. In addition to greater geographical focus we have added additional experienced sales resource to further penetrate these markets.

The second avenue for growth is to offer clients additional products from our existing teams. To this end we have over recent months been busy with the launch of our Global Healthcare Growth and Income Trust. Our experienced healthcare team sees a compelling investment opportunity with the healthcare stocks in the US at a 30 year low in relative valuation terms and a 20 year low in terms of ownership. The uncertainty over possible healthcare reform in the US which has clouded the sector is now being resolved and our team therefore sees an excellent opportunity for capital growth over the coming years.

Chief Executive's statement
continued

Many of the large healthcare stocks are now supported by attractive yields which will provide a useful income stream on the Trust in addition to the prospect of capital growth.

Despite the very challenging market conditions we raised £89m for the new trust. This is a terrific achievement and is a strong vote of confidence from our clients in the product, the team and Polar Capital. We look forward to launching additional products in the years ahead.

The third avenue for growth is the acquistion and recruitment of new investment teams to address the large areas of the market that we currently do not cover. At present our product offering addresses only a small percentage of our clients' portfolio needs. If we examine one area of the UK wealth management industry, namely the retail sector as defined by the Investment Management Association (IMA), one is able to see the size of the opportunity ahead. The IMA estimated that at the end of March 2010 total funds under management (FUM) in the UK retail sector was £511bn. The IMA data breaks down the total FUM into various sub-sectors and if we focus on just the equity sub-sectors, they account for £332bn of the £511bn. Of the 18 equity sub-sectors we currently only have product in 4 of them and the total assets in these 4 sectors totals £34.2bn. Thus at present we only address about 10% of the market opportunity in equities in the UK retail sector.

Given we have established relationships with numerous clients in the UK through our present albeit limited product offering, it makes perfect sense for us to seek to expand our relationship with these clients by offering them additional investment product. From a client perspective, given the market turbulence and regulatory issues over recent times, they need to do increasing levels of due diligence not just on specific funds but on the management company that supports that fund. It is natural therefore for clients to look favourably on good new funds offered by firms with whom they have already an existing and successful relationship.

We will therefore actively be looking to expand our product range over the coming year through the acquisition and recruitment of additional investment teams targeting some of the IMA sub-sectors that we currently do not address.

We believe with our strong reputation, increasing assets under management and our proven financial strength, we will increasingly be seen as an attractive destination for talented fund managers who are frustrated by the increasing bureaucracy of the large organisations and who wish to branch out into a more rewarding and entrepreneurial environment.

Over the last six months we have been active on the recruitment front. The timing of the arrival of new investment talent is difficult to predict but I am hopeful that the efforts of the last six months will bear fruit in the coming financial year. I believe a number of managers will find our vibrant culture, attractive remuneration terms and our evolving position in the marketplace attractive.

As the Chairman has noted we expect the external environment to remain challenging with global equity markets remaining volatile until there is greater clarity on the sovereign debt issue in Europe and its impact on the Euro. Despite these headwinds I look forward to our new year with confidence and to getting on with implementing our strategy for success. I believe we have the foundations in place for an exciting future.

I would like to thank our clients for their continuing support through these challenging times in global markets, our staff for all their excellent work over the last year and our shareholders for their continuing enthusiasm and support.

Tim Woolley
Chief Executive

22 June 2010

Financial review

John Mansell
Chief Operating Officer and Finance Director

Profit and Loss account

The Group made a pre tax and pre share-based payment profit for the year of £3.7m (2009: £11.1m). The table below summarises the break down of the source of the profits:

	Year to 31 March 2010 £'m	Year to 31 March 2009 £'m
Core operating profit	–	1.3
Performance fee profit	2.5	8.9
Interest and similar income	1.2	0.9
Profit before tax and before share-based payments	3.7	11.1
Share-based payments	(0.6)	1.0
Profit before tax	3.1	12.1

The fall in core operating profitability was a product of the reduction in Assets Under Management ("AUM"). The Group's AUM at the start of the year was $1.48bn compared to $3.14bn at March the previous year and the average AUM over the year was $1.93bn compared to $2.67bn the year before.

The reduction in average AUM in the year led to a fall in gross management fee revenues of £5.3m (including hedging gains and losses); this with the rise in cost of sales (trail commission) of £0.3m led to a fall in net revenues of £5.6m. The fact that core profits only fell £1.3m was a product of performance fee costs falling by £4.3m to £14.3m from £18.6m in 2009. The fall in total costs from £40m in 2009 to £18m in 2010 is explained by a number of factors. The exceptional performance fee costs paid in 2009 were not repeated in 2010 and the reduction in other operating costs benefited from a lack of investment losses and a general reduction in overheads as overseas offices and certain funds were closed.

The table below summarises the break down of the make up of costs:

	Year to 31 March 2010 £'m	Year to 31 March 2009 £'m
Salaries and bonuses	8.1	7.7
Core distributions	1.6	2.2
Other staff costs	0.4	0.8
Core compensation costs	10.1	10.7
Other operating costs	4.2	7.9
Pre performance fee costs	14.3	18.6
Performance fee costs	3.7	21.4
Operating costs	18.0	40.0

Financial review
continued

Share-based payments
The face of the consolidated income statement includes a line titled "share-based payments" which accounts for a charge of £0.6m (2009: a credit of £1.0m). The figures can be broken down as follows:

Analysis of the cost of share-based payments:

	Year to 31 March 2010 £'m	Year to 31 March 2009 £'m
IFRS cost attributed to preference shares	0.4	0.2
IFRS credit attributed to team departing and changes to est. shares crystallising	(0.1)	(1.4)
IFRS cost attributed to conventional options	0.3	0.2
Total cost of share-based payments	0.6	(1.0)

The preference shares, in the event that a manager is successful, deliver to their holder equity in the Group and are designed to deliver simultaneously to the Group an increase in profitability due to the sacrifice that a manager makes as they give up their interest in the revenues generated from their funds.

The effect that share-based payments has on the EPS figures of the Group are as follows:

	Year to 31 March 2010	Year to 31 March 2009
Diluted earnings per share*	3.0p	11.3p
Impact of share-based payments	0.8p	(1.3)p
Adjusted diluted earnings per share	3.8p	10.0p

* The EPS figures have been calculated to reflect the consideration receivable when options vest.

Preference shares
A separate class of preference shares is issued by Polar Capital Partners Limited to each of the leading fund managers. These shares provide each manager with an economic interest in the funds that they run and ultimately enable the manager to convert their interest in the revenues generated from their funds into equity in Polar Capital Holdings plc. The equity is awarded in return for the forfeiture of their economic interest and vests over three years with the full quantum of the dilution being reflected in the diluted share count (and so diluted EPS) from the point of conversion. The event has been designed to be, at both the actual and the diluted levels, earnings enhancing to shareholders.

In the year to 31 March 2010 (as well as 2009) no preference shares converted. As at 31 March 2010 two sets have the ability to call for a conversion where the call has to be made on or before 30 November 2010 if conversion is to take place from 31 March 2010.

Balance Sheet and cash
The Group generated £1.0m of cash in the year from its operating activities (2009: £9.4m). In the year £2.1m of tax and £5.7m of dividends were paid.

During the year the Group made a £8.1m net investment into its funds, raising its investment in funds that it manages to £19.7m (2009: 11.6m). At the balance sheet date there were £0.4m of unrealised profits in such investments.

The result of these activities is that at the year end the sum of available-for-sale financial assets plus cash was £39.4m.

Business Risk

There is a range of risks and uncertainties faced by the Group which are more fully described in the Directors' Report. One of the major risks to the business strategy is the loss of assets under management due to markets falling, poor investment performance or the loss of key investment personnel. These events will not only have an immediate impact on the management fees earned by the Group but also deprive the Group of possible performance fees.

Going Concern

The Financial Reporting Council has determined that all companies should to carry out a rigorous assessment of all the factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts.

The Directors have reviewed and examined the financial and other processes embedded in the business, in particular the annual budget process and the financial stress testing inherent in the ICAAP process. On the basis of such review and the significant liquid assets underpinning the balance sheet the Directors consider that the adoption of a going concern basis is appropriate.

John Mansell
Chief Operating Officer and Finance Director

22 June 2010

Board of Directors

Non-executive Chairman and Executive Directors

Tom Bartlam†*^
Non-executive Chairman

Appointed to the Board in July 2007 and became Chairman following the AGM in September 2007. Tom was a managing director of Intermediate Capital Group plc which he co-founded from 1989 until his retirement in 2005. He is non-executive Chairman of Pantheon International Participations plc and a non-executive director of Numis Corporation plc.

Tim Woolley
Chief Executive Officer and Founder

Appointed to the Board in 2002 and became chief executive on 2 November 2009. Tim joined Henderson Global Investor's technology team in 1996 and left with Brian Ashford-Russell to establish Polar Capital Partners in 2001.

John Mansell
Chief Financial Officer and Chief Operating Officer

Appointed to the Board in 2002, having joined Polar Capital in 2001. Prior to joining Polar Capital he spent 11 years at Lazard Asset Management. He is a fellow of the Institute of Chartered Accountants of England and Wales.

† member of Audit Committee
* member of Remuneration Committee
^ member of Nomination Committee

Non-executive Directors

Michael Thomas*^
Non-executive Director
Appointed to the Board January 2008. Michael was a director of Martin Currie Limited and investment manager of the Japanese team until his retirement in 2007. He remains on the board of Martin Currie Pacific Investment Trust plc.

Charles Hale†*^
Non-executive Director
Appointed to the Board in 2002 and served as Executive Chairman until September 2007. Prior to joining Polar Capital Charles was managing director and Vice Chairman of CSFB Europe Limited, having been Chairman of Donaldson, Lufkin & Jenrette International, the London based subsidiary of Donaldson, Lufkin & Jenrette Inc., until its acquisition by CSFB in November 2000.

Hugh Aldous†^
Non-executive Director and Chairman of the Audit Committee
Appointed to the Board in July 2007 and to the Chair of the Audit Committee. Hugh was a partner in Grant Thornton UK LLP and was formerly a partner in RSM Robson Rhodes from 1976 where he was latterly head of its financial services team. Hugh is Chairman of Melorio plc and The Eastern European Trust plc and is a non-executive director of Innospec Inc, Henderson TR Pacific Investment Trust plc and Elderstreet VCT. Hugh also chairs Capita Sinclair Henderson Ltd and SPL Guernsey ICC Ltd.

Brian Ashford-Russell†*
Non-executive Director/Founder
Appointed to the Board in 2002. Brian was head of the technology team at Henderson Global Investors from 1987 until his resignation in September 2000 to set up Polar Capital in 2001. He was the appointed fund manager of Polar Capital Technology Trust plc, from launch in 1996 until May 2006.

Sarah Street*^
Non-executive Director
Appointed to the Board in 2006. Sarah is Executive Vice President and Chief Investment Officer of XL Capital Ltd.

Jamie Cayzer-Colvin†*^
Non-executive Director and Chairman of Remuneration Committee
Appointed to the Board in 2002. Jamie is a director of Caledonia Investments plc and a non-executive director of Close Brothers Group plc, India Capital Growth Fund plc, Eddington Capital Management Limited and Ermitage Limited.

Directors' report including the Business Review and Corporate Governance Report

The Directors present their report including the business review and report on corporate governance together with the audited consolidated financial statements of Polar Capital Holdings plc for the year ended 31 March 2010.

Principal activities

Polar Capital Holdings plc ("the Company") is the parent Company of Polar Capital Partners Limited which was established in 2001. The Company and its subsidiaries ("the Group") provide research driven specialist investment management and offer a diversified family of long-only, long-bias, equity long/short and other fundamentally driven hedge fund strategies under the Polar Capital brand.

The Group also provides a centralised sales, operational and regulatory platform to support its fund management activities.

The Company is incorporated in England and Wales under registered number 4235369 and its registered office is at 4 Matthew Parker Street, London SW1H 9NP.

Business review and future developments

A review of the performance and likely future development of the business of the Company and Group is presented in the Chief Executive's Statement and the Financial Review on pages 7 and 11. Principal risks and uncertainties facing the Company and its subsidiary undertakings and how they are controlled are described on pages 16 and 17.

The Group's head office is in London and it has an office in Tokyo. During the year the office in Kiev was closed.

The Group expects to continue expanding its funds under management in the coming year through acquisition or recruitment of new investment teams, growth in the existing funds and through new fund management mandates.

Results and dividends

The consolidated results for the Group for the year ended 31 March 2010 are shown on page 28. The profit for the year attributable to shareholders was £2,160,000 compared with £8,371,000 in 2009.

The Directors declared and paid two interim dividends in respect of the financial year ended 31 March 2010 amounting to 4.5 p per share (2009: 4.5 p per share). The first interim dividend of 1.0p per share was paid on 20 January 2010 to shareholders on the register on 4 January 2010. The second interim dividend of 3.5p per share was paid on 31 March 2010 to shareholders on the register on 5 March 2010.

Capital structure

The capital structure of the Company is detailed in Note 16 on page 44. Of the 75,063,157 shares (2009: 73,073,568) in issue at the year-end, 2,556,312 shares (2008: 2,032,834) are held by the Trustee of the Polar Capital Employee Benefit Trust for the benefit of the Company and employees. The Trustee has elected to waive all dividends in respect of any shares held by the Trustee and it does not vote the shares held by it.

Each share has one vote on a poll.

During the year the Company issued 1,989,589 shares (2009:1,629,589). 1,629,589 shares were issued as a result of the crystallisation process of the B class Preference Shares issued by Polar Capital Partners Limited to fund managers and their teams and 360,000 shares are the result of the exercise of share options for cash.

Directors

Biographies of the Directors who served during the year are set out on pages 12 and 13.

The Articles of Association require all Directors who held office at the time of the two preceding AGM and did not retire by rotation at either of them to retire from office by rotation.

All the Directors with the exception of Mr Thomas were last re-appointed at the annual general meeting in 2007 and therefore in accordance with the Articles of Association stand for re-appointment at the AGM in 2010. Mr Thomas was re-appointed at the AGM in 2008.

Mr Hale will not be seeking re-appointment at the AGM.

Mr Kary resigned as a Director on 2 November 2009.

Directors' interests
The interests of the Directors in the Company's shares and options are detailed in the Directors' remuneration report on page 24.

None of the Directors except for Mr Ashford-Russell had an interest in any contract with the Group or Company. Mr Ashford-Russell is a non-executive director of Polar Capital Technology Trust plc which has contracted with Polar Capital LLP for the provision of investment management services. Details are provided in Note 22 on page 52.

Donations
The charitable payments made during the year to 30 March 2010 amounted to £7,700 to 6 charities. (2009: £2,000 to over 5 different national and local charities involved with health and welfare plus a contribution of £25,000 as one of corporate sponsors of the Catlin Arctic Survey, a pioneering scientific expedition to help determine the lifespan of the Arctic Ocean's sea ice cover).

Creditor payment policy
The Company does not follow any code or standard on payment practice, but seeks to agree the terms of payment with its suppliers at the time of contract, and to make payment in accordance with those terms subject to satisfactory performance.

The Company is committed to paying suppliers within 30 days of receipt of a valid invoice.

Auditors
Ernst & Young LLP have agreed to offer themselves for reappointment as Auditors of the Company and a resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the AGM.

Substantial shareholdings
As at 29 June 2010, the Company had received the following notices for the purposes of Part 5 of the FSA's Disclosure and Transparency Rules based on the shares in issue at 30 May 2010:

	Number of ordinary shares	% of voting rights held
Caledonia Investments PLC	10,716,640	14.3
B J D Ashford-Russell	10,000,000	13.3
T J Woolley	8,800,000	11.7
XL Capital	8,000,000	10.7
R J Salter	5,248,840	7.0
P Hardy	5,231,963	7.0
Blackrock Inc	3,443,500	4.6
Artemis Investment Management	3,308,442	4.4
Legal & General Group plc	3,300,000	4.4
Capita Trustees Limited (as trustee for Polar Capital Employee Benefit Trust)	2,356,312	3.0

In all cases, except Blackrock Inc where the interest is indirect, the interest was held directly.

Annual General Meeting ("AGM")
The AGM will be held at Cayzer House, 30 Buckingham Gate, London SW1H 6NN at 12.30pm on 9 September 2010. Apart from the routine business the Directors are proposing the adoption of new Articles of Association to reflect the changes introduced by the Companies Act 2006. Full details of the resolutions and an explanation of the proposed changes to the Articles of Association are given in the separate notice of meeting sent to shareholders.

Corporate social responsibility
The Board recognises that it should take account of the needs of society and the environment and maintain high ethical standards. It takes collective responsibility for Corporate Social Responsibility ("CSR") policy and has focused on: staff welfare; respecting the environment; and treating customers

Directors' report including the Business Review and Corporate Governance Report

continued

fairly. The extent to which individual principles have been formalised is appropriate to the size of the organisation and are contained in both the staff handbook and the compliance manual.

Staff welfare

The Group's success is largely dependent on recruiting, retaining, and developing the best financial services professionals. To achieve this the Group seeks to ensure that working conditions are up to date and pleasant and has in place good and effective management/staff communications, with the ability for staff to engage in decisions. The Group also encourages participation in the success of the business through share options and has a range of benefits to support staff, including ill health protection and life cover. The Group is committed to equal opportunities and diversity in staff selection and opportunities for promotion, with appropriate consideration being given to applications for employment from disabled persons.

The environment

The Group has implemented processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials.

Treating Customers Fairly

Treating Customers Fairly ("TCF") is part of the Group's business ethos and ensures its regulated business complies with the FSA Principle, "A firm must pay due regard to the interests of its customers and treat them fairly". The fair treatment of customers is central to our corporate culture.

Principal risks and uncertainties

The Group is required to report on the principal risks and uncertainties facing the Group. Polar Capital has a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the Group's business objectives and strategy. Risks arise from external sources as well as those which are inherent commercial risks in the market place and business, and operational risk contained in the systems used by and in the business and their operation.

External risks

External risks arise from political, legal, regulatory and economic changes. Changes in legislation, particularly taxation, can affect investment behaviour, making investment generally, and specific kinds of investment products in particular, either more or less appealing. Changes in interpretation of existing tax laws also can impact on the Group's business. These changes cannot be predicted but the Group seeks advice on such matters from its advisors and seeks to operate within the applicable legislation.

Failure to comply with regulations particularly those issued by the Financial Services Authority or the London Stock Exchange could result in the Group losing the ability to operate as a regulated financial services business or its AIM quotation being suspended or withdrawn. The Group's investment 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. In the context of the current regulatory environment, the Board believes its regulated business has sufficient resources for compliance monitoring and to take corrective action when warranted. The Group seeks to operate within applicable Financial Services Authority Principles, Rules and Regulations and those issued by the London Stock Exchange to govern the trading of the Company's shares on AIM.

The Board through the work of the Audit Committee receives and reviews regular reports on the compliance controls in place to prevent or detect any noncompliance of the Group with rules and regulations.

Economic and market risk

Economic risks arise from the concept, design and implementation of the Group's business model. The Group operates in a highly competitive industry and if it is unable to compete effectively with its competitors its business could be adversely affected. Polar Capital's key areas for competition include historical investment performance, its ability to attract and retain the best investment professionals, and quality of service. The Board reviews the business strategy periodically and considers financial, fund performance and operational information regularly. The Group's reputation is one of its most important assets since it operates in an industry where integrity, customer trust and confidence are paramount. There is a system of internal controls which seek to ensure that events which could damage or call into question the reputation of the Group, its products or staff are prevented.

Portfolio risk

The Group has a formal Risk Committee that convenes monthly and is chaired by the Group's Chief Risk Officer ("CRO") and comprises the Chief Executive, the Chief Operating Officer, the head of compliance and the head of operations. The committee reviews all the portfolios managed by the firm and has presented to it analysis produced by the CRO relating to portfolio structure, exposure, concentration, returns, liquidity and risk. Portfolio managers present to this committee on a regular basis or when requested.

The Group aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention. The Group is subject to the effects of exchange rate fluctuations as UK Pounds Sterling is the Group's reporting currency but the Group's business is often conducted in jurisdictions which generate revenue, expenses and liabilities in other currencies. A summary of the Group's foreign currency exposures as at 31 March 2010 can be seen in Note 21 to the accounts.

At this stage of the Group's development the loss of a client or a significant investor in a large fund could significantly damage the financial position of the Group. Regular contact is maintained with all clients and fund investors and the strategy of the Group is to diversify its earnings streams to be less susceptible to such events.

Operational risk

Operational risk arises from potentially inadequate or failed processes, people and stems or from external factors. 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 also relies, through its outsourcing arrangements, on a number of third-party providers of administration and other back office functions.

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. The Group also continues to develop its systems in response to expected growth and increased sophistication in the investment management market. The Board believes that the Group has appropriate financial and management controls in place. The Board regularly reviews statements on internal controls and procedures and subjects the books and records of the Company to an annual AAF control audit.

Corporate Governance

The Board of Directors recognises the importance of good Corporate Governance and intends that best practice is adopted and applied in so far as it is appropriate for a company and group of its size and stage of development. As an AIM traded Company the Combined Code on Corporate Governance does not apply, however the Board intends to comply with the requirements of the Corporate Governance guidelines published by the Quoted Companies Alliance (the QCA Guidelines) for AIM companies and with certain of the principal requirements of the Combined Code. This report describes how the Company has applied the principles of good Corporate Governance throughout the year and steps which are being taken to develop the corporate policies.

The Board

During the year under review Mr Kary resigned as a Director on 2 November 2009 and left employment on 31 December 2009. With effect from 2 November 2009 Mr Woolley took over as Chief Executive.

Directors' report including the Business Review and Corporate Governance Report

continued

Composition

The Directors who served during the year are listed on pages 12 and 13 together with their individual biographies.

In assessing the independence of non-executive Directors, the Board took account of their experience, character and judgement, and their dependence on, or relationships with the Company. In all cases the Board felt the Directors were independent in character and judgement, however the guidance issued on independence by the QCA and in the Combined Code generally used to assess independence consider the holding of a previous executive position with the Company, or a material business relationship with the Company including shareholdings, to impair the perceived independence of the non-executive Director.

In light of this the Board has decided that Mr Hale and Mr Ashford-Russell should not be considered independent as they both previously held an executive positions with the Company and that Mr Cayzer-Colvin and Ms Street should not be considered to be independent due to the fact that the companies that employ them have sizeable shareholdings and investments in the Company.

Mr Bartlam, Mr Aldous and Mr Thomas are considered independent non-executive Directors and are free from any associations or relationships with the Group or its investment funds except for the fees they receive as Directors and any shares they may hold in the Company.

Role and responsibilities

The Board as a whole is responsible for the Group's objectives and policies and the proper governance of the Company. It normally meets six times a year and has a formal agenda of items for consideration at each meeting but also convenes at additional times when required.

The Board provides overall strategic direction to the executive management, by monitoring the operating and financial results against plans and budgets; reviewing the performance of management; assessing the adequacy of risk management systems and monitoring their application; setting the Company's values and standards; and ensuring that the Company's obligations to its shareholders and others are understood and met. The posts of Chairman and Chief Executive are held by different Directors.

The Chairman's primary role is to ensure that the Board and individual Directors are able to operate efficiently by setting the agenda, style and tone of Board discussions to promote constructive debate and effective decision making.

The Chief Executive, Mr Woolley leads the executive management team which meets regularly and is primarily responsible for the implementation of the Board's policies and strategies, effective communication with shareholders and that all Board members develop an understanding of the views of investors and for managing the activities of the Company other than in relation to those matters specifically reserved to the Board or delegated to its committees.

The role of the non-executive Directors is to challenge constructively, and contribute to, the development of strategy; to scrutinize the performance of management in meeting agreed goals and objectives and monitor their performance; and through the various committees to satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

All Directors receive appropriate and timely information to ensure that they are properly briefed in advance of Board meetings and have unlimited access to the advice and services of the Company Secretary and other senior management should further information be required. The Company Secretary is responsible for advising the Chairman and the Board on governance matters.

Conflicts of Interests

Following the introduction of the provisions of the Companies Act 2006 ("the Act") on 1 October 2008, which impose a duty on Directors to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company, the Company introduced additional procedures to handle such situations.

Each Director has provided the Company with a statement of all conflicts of interest and potential conflicts of interest. These have been approved by the Board and recorded in a register. The Board may impose conditions on authorising any conflict or potential conflict situations. Each Director has agreed to notify the Chairman and the Company Secretary of any changes to his circumstances which would impact on the notified conflicts or potential conflicts and obtain approval before entering into any situation which might give rise to a conflict or potential conflict with the interests of the Company.

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company's interests. No Director has declared receipt of any benefits in his capacity as a Director of the Company.

Only Directors not involved in the conflict or potential conflict participate in the authorisation process. Directors in deciding whether to authorise a situation take into account their duty to promote the Company's success. The Board as part of its year-end has considered the register of conflicts, conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. They concluded that the process has operated effectively during the period.

A procedure has been established for non-executive Directors to have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. No such advice was required during the year.

The Company maintains Directors' and officers' liability insurance, which is reviewed annually to ensure that cover is held at an appropriate level.

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. Matters that are reserved for the Board are generally forwarded to the Board for consideration with a recommendation from the executive management or appropriate committee.

Directors' appointment, induction and training

All new Directors appointed by the Board are required to seek re-appointment by shareholders at the next general meeting of the Company following their appointment and subsequently all Directors are required to retire by rotation in accordance with the Articles. Under the terms of the Articles any Director who held office at the two previous AGMs is required to offer himself for re-appointment at the next AGM.

All the Directors with the exception of Mr Thomas stand for re-appointment at the forthcoming AGM. Mr Hale will not be seeking re-appointment at the AGM.

On appointment, new Directors are offered induction and training considered appropriate by the Board and subsequently as necessary.

Board Committees

The Board has created and delegated certain specific areas of responsibility to four standing committees. The full terms of reference of all the committees are published on the Company's website. The Board sees minutes of all committee meetings and the chairman of the committee reports to the Board on any significant matters. The Board also receives copies of all minutes from subsidiary companies for information.

Directors' report including the Business Review and Corporate Governance Report

continued

Allotment Committee

This committee which is comprised of any two Directors was created to allot and issue shares arising from the exercise of Board approved share awards or shares arising from previously Board approved crystallisations of fund manager preference share arrangements.

The Allotment Committee met four times in the financial year to 31 March 2010 to deal with the exercise of share options and the issue of shares arising from the crystallisation of preference shares.

Audit Committee

The Audit Committee is chaired by Mr Aldous and the other members are Mr Bartlam, Mr Cayzer-Colvin, Mr Hale and Mr Ashford-Russell.

The Audit Committee formally meets at least three times a year. Only Committee members and observers are entitled to attend meetings, however the Chief Executive, the Finance Director, the Chief Operating Officer, the Head of Compliance and the Chief Risk Officer 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, to provide assurance regarding the reliability and appropriateness of the disclosure of the financial statements, and any announcements relating to the Company's financial performance. The Committee also has responsibilities for reviewing any significant financial reporting judgements contained in the financial statements and monitoring risk and internal controls throughout the business.

The Committee performs this role through monitoring the integrity of the financial statements of the Group and the system of accounting to ensure compliance with relevant and appropriate account standards. The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the Auditors including the independence of the Auditors, the effectiveness of the audit and any changes in the terms of their appointment. The Committee further examines and receives reports on the Company's regulatory capital adequacy requirements, compliance, and control procedures and systems for managing risks arising from the operation of the business, its financial position or the regulatory environment which governs it.

The Committee has direct access to the Auditors, and receives periodic reports from management and the Auditors on significant financial reporting issues.

Nomination Committee

The Nomination Committee is chaired by Mr Bartlam and comprises of all the non-executive Directors. The Committee is responsible for all aspects of the appointment of Directors, succession planning and appointments to the Board, consideration and recommending the re-appointment of retiring Directors of the Company together with evaluation of Directors' performance and effectiveness.

Remuneration Committee

The Remuneration Committee is chaired by Mr Cayzer-Colvin and its other members are Mr Hale, Mr Bartlam, Mr Ashford-Russell, Ms Street and Mr Thomas.

The Remuneration Committee meets 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 Committee has general oversight of all remuneration arrangements for executive Directors and senior managers and it considers all material elements of remuneration policy, remuneration and incentives with reference to independent remuneration research and professional advice. Recommendations are made to the Board on the framework for executive remuneration including the design and implementation of equity based incentive schemes.

Internal control

The Board has overall responsibility for the Group's system of internal control including financial operational compliance and risk management controls.

The Group's fund management activity is regulated by the Financial Services Authority of the United Kingdom (FSA) and the Board has adopted procedures and controls designed to ensure its obligations under the FSA Rules and the Financial Services and Markets Act 2000 are met.

The Group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee, as part of its role, has reviewed and monitored the effectiveness of the internal controls for the year ended 31 March 2010 and concluded that there was a satisfactory process in place to identify and manage such risks.

Relations with shareholders

The Company welcomes dialogue with institutional shareholders in order to achieve a mutual understanding of objectives. The Chief Executive and the Finance Director seek meetings with larger institutional shareholders and private client stockbrokers after the announcement of year end and half year results. The AGM also provides a forum for investors to meet the Directors, both formally and informally. The Chairmen of all of the Board's committees will be available to answer questions at the AGM of the Company.

The Company's website (www.polarcapital.co.uk) contains regularly updated information regarding the Group's funds, and is where all announcements and shareholder reports are published.

By order of the Board

Neil Taylor
Company Secretary

4 Matthew Parker Street
London SW1H 9NP

29 June 2010

Audit Committee report

The constitution and composition of the Audit Committee is given on page 20. There have been no changes over the financial year to 31 March 2010.

During the year the Committee met three times and considered the following issues:

- the scope of the annual audit and agreement with the external Auditors of the key areas of focus;
- the reports from the external Auditors concerning their audit of the annual financial statements of the Company;
- the financial disclosures contained in the annual reports to shareholders;
- reports from management and Auditors on the effectiveness of the Company's system of internal financial control including the risk map and ICAAP requirements;
- the independence and objectivity of the external auditors and the level and nature of non-audit services provided by them; and
- the performance of the external Auditors and the level of fees charged for their services.

The Chairman reported to the Board on significant issues.

The Audit Committee has discussed the specific non-audit activities provided by the Auditors to ensure that none of these services would put the Auditor in the position of auditing their own work.

The Audit Committee believes the objectivity and independence of the Auditors is maintained, notwithstanding that non-audit work may be undertaken.

Remuneration Committee report

The constitution and composition of the Remuneration Committee is given on page 20. Mr Woolley ceased to be a member of this committee following his appointment as Chief Executive on 2 November 2009.

The Remuneration Committee has met 4 times over the past year to consider:

- recommendations from the executive for remuneration packages for existing and new fund managers;
- recommended salary levels for 2010 and bonus payments for 2009 across the Group; and
- examine the terms of a long-term equity incentive plan for senior managers.

The Committee when considering remuneration arrangements also takes into account the packages offered to other staff.

During the year, the Remuneration Committee received support from the Chief Operating Officer and the Company Secretary.

Executive Directors

Appointed terms

Executive Directors are employed under continuing contracts of employment that can be terminated by either party under notice provisions of up to 12 months.

Remuneration

Each executive Director receives a basic salary determined by the Committee and is considered for a discretionary bonus based on a general range of factors including the overall success of the Company and the individual's seniority, function and personal contribution. Executive Directors also benefit from medical, life and permanent health insurance. They also participate in the Company's pensions arrangements. The Company's policy on pension provision is to provide a fixed percentage of 10% of basic salary to be paid into personal pension arrangements for all staff and Directors.

The total remuneration paid to the executive Directors who served during the year was as follows:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
T J Woolley		
Basic salary	110,417	100,000
Bonus	–	–
Taxable benefits	3,145	2,621
Pension	11,042	9,973
J B Mansell		
Basic salary	175,000	150,000
Bonus	132,500	170,000
Taxable benefits	4,626	2,586
Pension	17,500	17,500
M R Kary*		
Basic salary	187,497	250,000
Compensation for loss of office	208,334	–
Bonus	–	175,000
Taxable benefits	3,153	5,212
Pension	18,750	25,000

* Mr Kary ceased to be a Director from 2 November 2009 and an employee on 31 December 2009.

Further details of Directors' remuneration disclosable under the Companies Act are contained in Note 5 on page 39.

Non-executive Directors

Remuneration

Non-executive Directors' fees are determined by the full Board.

Appointment terms

The non-executive Directors have letters of appointment, setting out the terms and conditions of their appointment and their expected time commitment. It is the Company's policy that non-executive Directors should be appointed for an initial period of three years (from the next general meeting following their initial appointment in the case of new non-executive Directors) and that they may be re-appointed for two further terms of three years each. Re-appointment at the end of such periods should not be considered automatic and each Director's contribution will be carefully assessed. The letters of appointment provide for termination of the Director's appointment under certain circumstances and in all cases without any compensation.

Remuneration Committee report

continued

Remuneration

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
T H Bartlam	70,000	70,000
H G C Aldous	35,000	35,000
B J D Ashford-Russell	55,000	55,000
J M B Cayzer-Colvin*	20,000	20,000
C M Hale	35,000	35,000
Ms S E Street*	20,000	20,000
M Thomas	30,000	30,000

* Under the terms of their appointment the Director's fees may be paid to their principal employers if so elected or to their designee. The fee for Mr Cayzer-Colvin was paid to Caledonia Investments plc and Ms Street's fee was paid to XL Re.

None of the non-executive Directors have any ongoing direct financial or contractual interests in the Company other than their fees and shareholdings as disclosed in this report.

Directors' interests in the shares of the Company

The interests of those Directors who were in office at 31 March 2010, the end of the financial year and 31 March 2009:

	31 March 2010	31 March 2009
T H Bartlam	50,000	50,000
H G C Aldous	30,000	30,000
B J D Ashford-Russell	10,000,000	10,000,000
J M B Cayzer-Colvin	4,250	4,250
C M Hale	2,160,000	2,160,000
J B Mansell	1,880,000	1,880,000
Ms S E Street	0	0
M Thomas	0	0
T J Woolley	8,800,000	8,800,000

There have been no changes, except as noted below, in the interests of the Directors who were in office at 31 March 2009 in the shares of the Company between 31 March 2010 and 29 June 2010.

Options to acquire ordinary shares held by the Directors and changes thereto during the year ended 31 March 2010 are described below:

Mr Kary held, at the beginning of the financial year, a performance related share option over an aggregate of 640,000 shares, which could be exercised in two tranches from March 2009 and March 2010 subject to the achievement of the performance conditions. The exercise price was 50p per share. This option lapsed on 2 November 2009 unexercised.

Mr Kary also held, at the beginning of the financial year, an option over 200,000 shares at 50p per share. This had been granted on 1 April 2005 and was exercisable between the third and tenth anniversary of the date of grant. This option was exercised in full by Mr Kary on 9 February 2010 in accordance with the rules of the scheme. The market price on 9 February 2010 was 87.5p per share.

Mr Mansell did not hold any share options at the beginning of the financial year. On 22 January 2010 he was granted an option over 1,000,000 shares at 91.5p per share.

The option is not subject to any performance conditions and will become exercisable as to one third on each of the vesting dates being 31 March 2012, 31 March 2013 and 31 March 2014. The option is subject to the requirement that in order to exercise the option Mr Mansell must be employed by the Company on the relevant vesting date subject to certain defined good leaver situations. The option will lapsed on the tenth anniversary of the date of grant. The Option has been issued in accordance with the rules of the Polar Capital Equity Incentive Plan, by the use of the provisions relating to Equity Settled Share Appreciation Rights ("ESARS"). The use of the ESARS provisions allows the Company to issue to Mr Mansell only the number of shares that would equate to the number of shares over which the option becomes exercisable less the number of shares that would have needed to be sold to fund the purchase of that number of shares on the exercise date.

Share prices over the financial year

The shares have traded at prices between 36.5p and 94.0p per share with the low being on 31 March 2009 and the high being on 21 October 2009. The share price on 31 March 2010 was 85.5p per share.

Statement of Directors' responsibilities in relation to the Group's financial statements

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Group and parent company and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS and UK GAAP respectively is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance; and
- state that the Group and parent company have complied with IFRS and UK GAAP, respectively, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

Each of the Directors at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Group's Auditors are unaware; and the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of the information.

Going concern

The Board assessment of the Group's position as at 31 March 2010 and the factors impacting the forthcoming year are set out in the Chairman's statement, the Chief Executive's statement and on pages 4 to 8 and in the Directors' Report which incorporates the business review and corporate governance statements.

The financial position of the Group, its cash flows, and its liquidity position as described in the Financial Review on pages 9 to 11. Note 21 to the financial statements include the Group's policies and process for managing its capital; its financial risk management objectives; details of financial instruments; and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

The Group has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future despite the continued uncertain economic outlook. Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Independent Auditors' report to the members of Polar Capital Holdings plc

for the year ended 31 March 2010

We have audited the consolidated and parent company financial statements of Polar Capital Holdings plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Basis of audit opinion

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the consolidated and parent company financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated and parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ratan Engineer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

29 June 2010

Notes:

1. The maintenance and integrity of the Polar Capital Holdings plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 31 March 2010

	Note	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Revenue	2	21,701	51,056
Interest receivable and similar income		1,197	888
Gross income		22,898	51,944
Cost of sales		(1,134)	(852)
Net fees		21,764	51,092
Operating costs before share-based payments		(18,001)	(39,989)
Profit on ordinary activities before share-based payments		3,763	11,103
Share-based payments		(633)	1,008
Profit on ordinary activities before taxation	3	3,130	12,111
Taxation	6	(970)	(3,740)
Profit on ordinary activities after taxation		2,160	8,371
Basic earnings per ordinary share	8	3.06p	12.06p
Diluted earnings per ordinary share	8	2.97p	11.31p
Adjusted earnings per ordinary share	8	3.84p	9.95p

All of the items in the above statements are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 March 2010

	Note	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Profit for the financial period		2,160	8,371
Other comprehensive income			
(Loss) gains on the revaluation of available-for-sale financial assets	10	(104)	670
Deferred tax effect		29	(188)
		(75)	482
(Loss) on the fair valuation of hedging contracts	10	(248)	(47)
Total comprehensive income for the year, net of tax		1,837	8,806

The notes on pages 33 to 52 form part of these financial statements.

Consolidated balance sheet
as at 31 March 2010

	Note	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Fixed assets	9	51	162
Available-for-sale financial assets	10	19,693	11,655
Deferred tax assets	14	220	3
Total non-current assets		19,964	11,820
Current assets			
Receivables	12	3,949	7,184
Cash at bank and in hand	13	19,706	32,566
Total current assets		23,655	39,750
Total assets		43,619	51,570
Non-current liabilities			
Deferred tax liabilities	14	127	162
Current liabilities			
Other financial liabilities	10	248	–
Trade and other payables	15	6,215	9,809
Current tax liabilities		896	1,981
Total current liabilities		7,359	11,790
Total liabilities		7,486	11,952
Net assets		36,133	39,618
Capital and reserves			
Called up share capital	16	1,877	1,827
Share premium account	17	15,268	15,097
Investment in own shares	17	(1,392)	(871)
Other reserves	17	585	820
Retained earnings	17	19,795	22,745
Total shareholders' funds – equity interests		36,133	39,618

The notes on pages 33 to 52 form part of these financial statements.

The financial statements were approved by the Board of Directors on 29 June 2010.

Hugh Aldous
Chairman of the Audit Committee

John Mansell
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2010

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
As at 1 April 2008	1,786	15,097	(558)	447	76	21,012	37,860
Profit for the year	–	–	–	–	–	8,371	8,371
Other comprehensive income	–	–	–	–	435	–	435
Total comprehensive income	1,786	15,097	(558)	447	511	29,383	46,666
Dividends	–	–	–	–	–	(5,630)	(5,630)
Issue/(redemption) of shares	41	–	(313)	(43)	–	–	(315)
Share-based payment	–	–	–	–		(1,008)	(1,008)
Deferred tax in respect of employee share options	–	–	–	–	(95)	–	(95)
As at 1 April 2009	1,827	15,097	(871)	404	416	22,745	39,618
Profit for the year	–	–	–	–	–	2,160	2,160
Other comprehensive income	–	–	–	–	(323)	–	(323)
Total comprehensive income	1,827	15,097	(871)	404	93	24,905	41,455
Dividends	–	–	–	–	–	(5,743)	(5,743)
Issue/(redemption) of shares	50	171	(521)	(41)	–	–	(341)
Share-based payment	–	–	–	–	–	633	633
Deferred tax in respect of employee share options	–	–	–	–	129	–	129
As at 31 March 2010	1,877	15,268	(1,392)	363	222	19,795	36,133

The notes on pages 33 to 52 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2010

	Notes	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Cash flows generated from operating activities			
Cash generated from operations	19	1,024	9,482
Tax paid		(2,149)	(4,179)
Net cash (outflow)/inflow generated from operating activities		(1,125)	5,303
Financing activities			
Equity dividends paid	17	(5,743)	(5,630)
Issue of share capital		180	–
Payments in relation to investment in own shares		(521)	(463)
Receipts in relation to disposal of own shares		–	150
Net cash(outflow)/inflow from financing activities		(6,084)	(5,943)
Investing activities			
Interest received and similar income		1,197	888
Purchase of property, plant and equipment	9	(5)	(29)
Proceeds from sale of available-for-sale financial assets	10	16,684	3,177
Purchase of available-for-sale financial assets	10	(23,527)	(2,156)
Net cash outflow generated (used in)/from investing activities		(5,651)	1,880
Net (decrease)/increase in cash and cash equivalents		(12,860)	1,240
Cash and cash equivalents at start of period		32,566	31,326
Cash and cash equivalents at end of period		19,706	32,566

The notes on pages 33 to 52 form part of these financial statements.

Company balance sheet

at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Fixed assets			
Investments	11	1,017	1,017
Current assets			
Debtors	12	12,734	1,881
Corporation tax receivable		23	–
Cash and short-term deposits		15,201	24,763
		27,958	26,644
Creditors – amounts falling due within one year			
Other creditors		(1,541)	(630)
Corporation tax due		–	(166)
		(1,541)	(796)
Net current assets		26,417	25,848
Net assets		27,434	26,865
Capital and reserves			
Called up share capital	17	1,877	1,827
Share premium account	17	15,268	15,097
Retained earnings	17	10,610	10,220
Reserves	17	(321)	(279)
Shareholders' funds		27,434	26,865

The notes on pages 33 to 52 form part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2010

1. Principal accounting policies

Polar Capital Holdings plc is a public limited company registered in England and Wales. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The Company financial statements have been prepared in accordance with UK GAAP and under the historical cost convention.

At the date of authorisation of these financial statements IFRS 9 "Financial Instruments" was in issue but not yet effective. The Group has not adopted this standard and does not anticipate it will have any material impact on these financial statements when they come into effect.

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings). Where necessary adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Fixed assets

Fixed assets are stated at cost, less depreciation and accumulated impairment provisions. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life. The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the income statement.

Depreciation is charged on a straight line basis as follows:

Leasehold improvements	25%
Computer equipment	33%
Office furniture	33%

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are initially recognised at fair value, being the consideration given, together with any acquisition costs associated with the asset. The Group's investments in the funds that it manages are designated as "available-for-sale" financial assets and are included in non-current assets. Such assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised as other comprehensive income in other reserves. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When derecognition occurs, a realised gain or loss is recognised in the income statement, calculated as the difference between the net sales proceeds and the original cost of the financial asset. Any fair value gains or losses previously recognised directly in other reserves are recycled into the income statement as part of this calculation of the gain or loss arising on derecognition.

Notes to the financial statements
for the year ended 31 March 2010 continued

1. Principal accounting policies continued

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as objective evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement – is removed from other reserves and recognised in the income statement. Impairment losses recognised in the income statement, if subsequently reversed, are taken through other comprehensive income and not the income statement.

Derivative financial instruments

Forward currency contracts are used to hedge the risks associated with foreign currency fluctuations. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Forward contracts used for currency hedging purposes are treated as cash flow hedges and the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is taken to the income statement. Amounts taken to equity are transferred to the income statement when the hedged items affect profit or loss.

Gain or losses realised on hedging contracts are recognised against revenue in the income statement.

Trade receivables

Trade receivables are initially recognised at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost.

Income recognition

Revenue

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management and advisory services. Management fees and performance fees are recognised when receivable. 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 the performance is measured.

Interest receivable and similar income

Interest receivable is recognised on an accruals basis using effective interest methods. Dividend income from investments is recognised on the date that the right to receive payment has been established.

Cost of sales
Cost of sales includes fees and commissions payable to third parties in respect of the management of investment management contracts. Commissions and distribution fees payable to third parties are recognised over the period for which the service is provided.

Operating leases
Amounts payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Taxation
The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Income tax relating to items charged or credited directly to equity is also dealt with in equity.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments
Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions).

Foreign currency/translation
The individual financial statements of each subsidiary are presented in the functional currency of the Group. Balances are therefore reported in Sterling, which is the functional currency of all Group companies, and has been used as the presentation currency for the consolidated financial statements.

Notes to the financial statements

for the year ended 31 March 2010 continued

1. Principal accounting policies continued

Judgements and key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are as follows:

Impairment of available for sale financial assets

The Group reviews any diminution in value to available for sale financial assets, and determines if this is diminution is permanent and therefore an impairment of the asset.

Deferred tax

Deferred tax is recognised based on differences between the carrying value of assets and liabilities and the tax value of assets and liabilities. Deferred tax assets are only recognised to the extent that the Group estimates that taxable profits will be available.

Share-based payments

The estimation of share-based payment cost requires the selection of an appropriate valuation model, consideration on appropriate input criteria for the model and an estimation as to the number of awards that will vest.

2. Operating segments

The Group's assets under management are managed as seven business units but the Group only has one class of business, being the provision of investment management and advisory services. The Group's operations are in London, with a small office in Tokyo, and it therefore has only one geographic location.

2.1 Geographical analysis of income (based on the residency of source)

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
UK	3,328	3,008
Ireland	5,507	3,339
Cayman	11,470	44,859
USA	583	1,074
Switzerland	433	–
Other	116	604
Profit/(loss) on hedging	264	(1,828)
	21,701	51,056

2. Operating segments continued

2.2 Analysis of income by type of fees

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Investment management fees	15,137	22,350
Investment advisory fees	44	216
Investment performance fees	6,256	30,318
Profit/(loss) on hedging	264	(1,828)
	21,701	51,056

2.3 Analysis of income by business unit

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Technology team	4,334	3,526
Japanese team	3,183	2,806
UK team	1,793	1,665
European team	9,656	10,807
Macro-currency team	1,653	3,365
Healthcare team	484	543
Emerging markets	334	2,085
Global Opportunities team	–	28,087
Profit/(loss) on hedging	264	(1,828)
	21,701	51,056

2.4 Analysis of assets under management

	Year to 31 March 2010 US$m	Year to 31 March 2009 US$m
Technology team	815	411
Japanese team	682	306
UK team	206	95
European team	504	340
Macro-currency team	245	219
Healthcare team	78	64
Emerging markets	–	45
	2,530	1,480

Notes to the financial statements
for the year ended 31 March 2010 continued

3. Profit before taxation

This is stated after charging:

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Staff costs including partnership profit allocations	14,492	31,166
Depreciation	114	255
Operating lease rentals – land and buildings	520	764
– other	492	749
Operating lease rentals received – land and buildings	–	71
Profit/(loss) on disposal of investments	1,299	(773)
Auditors' remuneration		
Audit services		
– provision for current year	86	84
– (over)/under provision for prior year	–	20
Tax services – current year work	16	–
– over provision in prior year	(34)	137
Internal controls review	40	40

4. Staff costs including Directors' emoluments

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Salaries	9,256	12,340
Social security costs	736	910
Pension costs	335	354
Partnership profit allocations	3,533	18,570
Share-based payments	632	(1,008)
	14,492	31,166

Pension costs outstanding at the year-end amounted to nil (2009: nil).

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Average number of partners and full time employees, including executive directors:		
Fund Management	22	30
Administration	30	25
	52	55

All employees are directly or indirectly engaged in the Group's business.

5. Directors' emoluments

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Emoluments including partnership profit allocations	1,079	1,107
Company contributions to money purchase pension schemes	47	52
The amounts in respect of the highest paid Director are as follows:		
Emoluments	308	430
Company contributions paid to money purchase scheme	18	25

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

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Money purchase scheme	3	3

Directors' emoluments includes both salaries and partnership profit allocations earned through Polar Capital LLP. Also included are sums paid to third parties in respect of Directors' services amounting to £40,000 (2009: £40,000).

Options to acquire ordinary shares held by the Directors during the year ended 31 March 2010 are as follows:

On 22 January 2010 Mr Mansell was granted an option over 1,000,000 shares at 91.5p per share. The option is not subject to any performance conditions and will become exercisable as to one third on each of the vesting dates being 31 March 2012, 31 March 2013 and 31 March 2014. The option is subject to the requirement that in order to exercise the option Mr Mansell must be employed by the Company on the relevant vesting date subject to certain defined good leaver situations. The option will lapsed on the tenth anniversary of the date of grant. The Option has been issued in accordance with the rules of the Polar Capital Equity Incentive Plan, by the use of the provisions relating to Equity Settled Share Appreciation Rights ("ESARS"). The use of the ESARS provisions allows the Company to issue to Mr Mansell only the number of shares that would equate to the number of shares over which the option becomes exercisable less the number of shares that would have needed to be sold to fund the purchase of that number of shares on the exercise date.

Mr Kary held, at the beginning of the financial year, a performance related share option over an aggregate of 640,000 shares, which could be exercised in two tranches from March 2009 and March 2010 subject to the achievement of the performance conditions. The exercise price was 50p per share. This option lapsed on 2 November 2009 unexercised.

Mr Kary also held, at the beginning of the financial year, an option over 200,000 shares at 50p per share. This had been granted on 1 April 2005 and was exercisable between the third and tenth anniversary of the date of grant. This option was exercised in full by Mr Kary on 9 February 2010 in accordance with the rules of the scheme. The market price on 9 February 2010 was 87.5p per share.

Mr Kary left the Group on 31 December 2009. He was paid £208,334 as compensation for loss of office and made a gain of £75,000 on the exercise of the 200,000 options described above.

Notes to the financial statements

for the year ended 31 March 2010 continued

6. Taxation on profit on ordinary activities

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
UK Corporation tax:		
UK Corporation tax on profits of the year	1,072	3,430
Adjustments in respect of prior periods	(8)	219
Total current tax	1,064	3,649
Foreign Tax:		
Current year	–	1
Deferred tax:		
Originating and reversal of temporary differences	(94)	90
Total tax	970	3,740

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 28% (2009: 28%). The differences are reconciled below:

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Profit on ordinary activities before taxation	3,130	12,111
Tax on profit on ordinary activities at standard rate of 28% (2009: 28%)	876	3,391
Adjustments in respect of prior periods	(48)	241
Deferred tax not recognised	7	–
Disallowed expenses	37	80
Other – share-based payments	98	28
Total current tax	970	3,740

7. Subsidiary undertakings

Details of the Company's subsidiary undertakings as at 31 March 2010 are as follows:

Principal subsidiary undertakings	Country of incorporation	Natural of business and registration
Polar Capital Partners Limited	Great Britain	Services company
Polar Capital Secretarial Services Limited	Great Britain	Dormant
Polar Capital Partners (Jersey) Limited	Channel Islands	Investment management
Polar Capital Ukraine Limited	Great Britain	Investment management
Polar Capital Limited Liability Partnership	Great Britain	Investment management

All of the above entities are wholly owned, except for Polar Capital LLP in which Polar Capital Partners Limited has contributed 99.5% of the capital. All subsidiaries are owned indirectly, other than Polar Capital Partners Limited.

8. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year of £2,160,011 (2009: £8,371,134) and on 70,588,270 (2009: 69,411,145) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit of the year of £2,160,011 (2009: £8,371,134) and 72,675,335 (2009: 73,996,814) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 9,237,542 (2009: 4,479,608) which are dilutive and shares issued on the last day of the year and not yet issued under a crystallised event of nil (2009: 3,259,178).

The calculation of adjusted earnings per ordinary share is based on profit for the year of £2,160,011 but adjusted for the cost of share-based payments of £633,322 (2009: profit of £8,371,134 adjusted for the credit of share-based payments of £1,008,583) and 72,675,335 (2009: 73,996,814) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options and shares not yet issued under a crystallisation event.

As at 31 March 2010, the fully diluted number of ordinary shares which would be in issue is 81,844,387 shares, if all outstanding options were exercised and all shares that are due as the result of a crystallisation event were issued.

9. Tangible fixed assets

	Office Furniture £'000	Computer Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
As at 1 April 2009	162	413	693	1,268
Additions	–	5	–	5
Disposals	(3)	(4)	–	(7)
As at 31 March 2010	159	414	693	1,266
Depreciation				
As at 1 April 2009	148	366	592	1,106
Charge for the year	10	36	68	114
Disposals	(2)	(3)	–	(5)
As at 31 March 2010	156	399	660	1,215
Net book value				
As at 1 April 2009	14	47	101	162
As at 31 March 2010	3	15	33	51

Notes to the financial statements
for the year ended 31 March 2010 continued

10. Financial assets and liabilities

1) Available-for-sale financial assets

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
At beginning of period	11,655	12,779
Purchases	23,527	2,156
Redemptions	(15,385)	(3,950)
(Loss)/gain on movement in fair value	(104)	670
At end of period	19,693	11,655

The Group's available-for-sale financial assets are investments in the funds it manages, all of which are listed. The fair value of available for sale financial assets are derived from quoted market prices in active markets.

The net gain on disposal is:

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Proceeds	16,684	3,177
Cost	(15,385)	(3,950)
Net gain/(loss)	1,299	(773)

2) Other financial assets and liabilities

Other financial assets and liabilities consist of the fair value movement in foreign currency hedges taken out by the Group, as described in Note 21.

At year end, the Group had five open contracts under such hedges to sell US Dollars totalling $7,500,000 (2009:USD $4,000,000), for a total of £4,690,560 (2009: £2,790,530). There was one open Sterling/Yen contract to sell a total of 33,395,500 Yen for a total of £250,000 (2009: nil).

The fair value gain movements on all hedges are as follows:

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
At beginning of period	–	47
Realised through income statement	–	(47)
Movement in fair value	(248)	–
At end of period	(248)	–

11. Investment

The investment is the Company's wholly owned subsidiary Polar Capital Partners Limited.

12. Debtors

	Year ended 31 March 2010 Group £'000	Year ended 31 March 2010 Company £'000	Year ended 31 March 2009 Group £'000	Year ended 31 March 2009 Company £'000
Trade debtors	3,449	–	6,582	–
Other debtors	158	12,734	295	1,881
Prepayments and accrued income	342	–	307	–
At 31 March 2010	3,949	12,734	7,184	1,881

All other debtors for the Company are due from Polar Capital Partners Limited.

13. Cash and short-term deposits

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Cash at bank and in hand	4,679	8,556
Short-term deposits	11,000	19,000
Other liquid investments	4,027	5,010
At end of period	19,706	32,566

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and three months depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £19,706,171 (2009: £32,566,567).

14. Deferred taxation

	31 March 2010 Group £'000	31 March 2010 Company £'000	31 March 2009 Group £'000	31 March 2009 Company £'000
Deferred tax asset				
At 1 April	3	–	214	–
Movement re share-based payments	170	–	(161)	–
Other movements	12	–	(31)	–
Prior year adjustment	35	–	(19)	–
At 31 March 2010	220	–	3	–

Notes to the financial statements

for the year ended 31 March 2010 continued

14. Deferred taxation continued

The balance can by analysed as follows:

	31 March 2010 Group £'000	31 March 2010 Company £'000	31 March 2009 Group £'000	31 March 2009 Company £'000
Deferred tax asset				
Capital Allowances	47	–	–	–
Share-based payments	173	–	3	–
At 31 March 2010	220	–	3	–

	31 March 2010 Group £'000	31 March 2010 Company £'000	31 March 2009 Group £'000	31 March 2009 Company £'000
Deferred tax liability				
At 1 April	162	–	–	–
Movement during the year	(30)	–	158	–
Prior year adjustment	(5)	–	4	–
At 31 March 2010	127	–	162	–

The deferred tax liability consists of £127k in relation to tax on unrealised gains.

15. Trade and other payables

	31 March 2010 Group £'000	31 March 2010 Company £'000	31 March 2009 Group £'000	31 March 2009 Company £'000
Other taxes and social security costs	1,008	–	146	–
Other creditors	1,964	1,541	2,430	630
Accruals and deferred income	3,243	–	7,233	–
At 31 March 2010	6,215	1,541	9,809	630

16. Called up share capital

Group and Company

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Authorised		
Comprising 200,000,000 ordinary shares of 2.5p each	5,000	5,000
Allotted, called up and fully paid:		
75,063,157 ordinary shares of 2.5p each (2009: 73,073,568 ordinary shares of 2.5p each)	1,877	1,827

The increase in share capital arises from shares issued under incentive schemes.

17. Reserves

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
As at 1 April 2008	1,786	15,097	(558)	447	76	21,012	37,860
Issue/(redemption) of shares	41	–	(313)	(43)	–	–	(315)
Profit for the year	–	–	–	–	–	8,371	8,371
Dividends	–	–	–	–	–	(5,630)	(5,630)
Gain on available for sale financial assets	–	–	–	–	670	–	670
Movements in deferred tax	–	–	–	–	(283)	–	(283)
Fair value movements in other financial assets	–	–	–	–	(47)	–	(47)
Share-based payment	–	–	–	–		(1,008)	(1,008)
As at 1 April 2009	1,827	15,097	(871)	404	416	22,745	39,618
Issue/(redemption) of shares	50	171	(521)	(41)		–	(341)
Profit for the year	–	–	–	–	–	2,160	2,160
Dividends	–	–	–	–	–	(5,743)	(5,743)
Gain/loss on available for sale financial assets	–	–	–	–	(104)	–	(104)
Movements in deferred tax	–	–	–	–	158	–	158
Fair value movements in other financial assets	–	–	–	–	(248)	–	(248)
Share-based payment	–	–	–	–	–	633	633
As at 31 March 2010	1,877	15,268	(1,392)	363	222	19,795	36,133

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. The assets of the Employee Benefit Trust are included on the Group's Balance Sheet and the investment in own shares (held at cost) is deducted from equity as required by IAS32. At 31 March 2010 there were 2,556,312 shares of 2.5p each (2009: 2,032,834 shares of 2.5p each) held by the Employee Benefit Trust.

During the year, Polar Capital Holdings plc paid out dividends of 3.5p per share on 7 August 2009, 1.0p per share on 20 January 2010 and 3.5p on 31 March 2010.

The capital reserve represents a share repurchase reserve and preference shares issued by a subsidiary company, and is offset by movements in share capital of Polar Capital Holdings plc issued under this preference share scheme as described in Note 20.

Other reserves relate to movements in:

- deferred tax assets that arise on the exercise of options
- movements in the fair value of available for sale financial assets
- movements in the fair value of other financial assets

Notes to the financial statements

for the year ended 31 March 2010 continued

17. Reserves continued

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Reserves £'000	Total £'000
As at 1 April 2008	1,786	15,097	9,744	(238)	26,389
Issue of shares	41	–	–	(41)	–
Dividends	–	–	(5,629)	–	(5,629)
Profit for the year	–	–	6,105	–	6,105
As at 1 April 2009	1,827	15,097	10,220	(279)	26,865
Issue of shares	50	171	–	(42)	179
Dividends	–	–	(5,743)	–	(5,743)
Profit for the year	–	–	6,133	–	6,132
As at 31 March 2010	1,877	15,268	10,610	(321)	27,434

18. Operating lease commitments

As at 31 March 2010 the Group had non-land and buildings, operating lease commitments as follows:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Amounts payable within one year	135	146
Amounts payable between two and five years	87	127

These leases consist of a number of market feed and other technology related subscriptions, with no one material contract.

As at 31 March 2010, the Group had operating lease commitments in respect of its rented premises as follows:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Amounts payable within one year	585	476
Amounts payable between two and five years	1,725	2,090
Amounts payable in more than five years	494	1,289

The material lease relates to the rental of the Group's premises at 4 Matthew Parker Street in London, and expires in February 2015. The rental is currently being re-evaluated to current prevailing market rates. For the purposes of the above disclosure, rental costs have been presumed to remain constant.

19. Cash flow statement

Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 March 2010 £'000	Year to 31 March 2009 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	3,130	12,111
Interest receivable and similar income	(1,197)	(888)
Depreciation of tangible fixed assets	114	255
Decrease in receivables	3,235	978
(Decrease) in trade and other payables	(3,594)	(2,746)
(Profit)/loss on disposal of investments	(1,299)	773
Loss on disposal of fixed assets	3	7
Share-based payment	632	(1,008)
Cash generated from operations	1,024	9,482

20. Share-based payments

Manager and Team Preference Shares ("Preference Shares")

Certain employees of the Group and partners of Polar Capital LLP hold Manager Preference Shares or Manager Team Member Preference Shares (together "Preference Shares") in Polar Capital Partners Limited, 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 (at the discretion of the company's parent undertaking, Polar Capital Holdings plc) be satisfied by the issue of ordinary shares in Polar Capital Holdings plc. The issue of the Preference Shares constitutes a share-based payment under IFRS2 and the cost is the estimated fair value, at the date of issue of the preference shares, of the effective entitlement to the ordinary shares.The number of ordinary shares will vary and the holder, initially, and the Group, ultimately, determines the start of the three period ("crystallisation") over which the ordinary shares are awarded, although this will always be at least three years after the end of the financial accounting period in which the preference shares are issued. Advantage has been taken of the transitional provisions in IFRS2 to apply the standard to awards made after 7 November 2002 only.

The share-based payments charge for the year under this scheme was £324,114 (2009: £209,761), and a reduction in the number of shares due to crystalise.

The total cost to the consolidated income statement is £633,322 (2009: a credit of £1,008,583 – the credit being created due to a fund manager leaving the Group and the charge being reversed), which is made up of the charge detailed above and a further share-based payments charge for the employee options of £309,208 (2009: £161,024) as detailed further in the notes.

Notes to the financial statements

for the year ended 31 March 2010 continued

20. Share-based payments continued

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued. No subscription price is payable on the issue of the ordinary shares.

Estimated number of ordinary shares to be issued:

	Awards to which IFRS2 applies	Crystallised
At 1 April 2008	11,018,159	3,365,190
Issue in the year ("crystallised")	–	(1,629,589)
Leaver in the year	(1,947,590)	(106,012)
Movement in the year	(946,559)	–
At the beginning of the year	8,124,010	1,629,589
Issue in the year ("crystallised")	–	(1,629,589)
Leaver in the year	(636,946)	–
Movement in the year	2,680,758	–
At the end of the year	10,167,822	–

The fair value of these share-based payments is estimated using a Black-Scholes-Merton option pricing model. The following table lists the inputs to the model.

	2007 Awards	2004 Awards
Dividend yield (%)	10.16%	15.30%
Expected share price volatility	40.00%	40.00%
Risk free interest rate	5.25%	5.25%
Expected life of options	6 years	6 years

The share price volatility was calculated by reference to the Company's historic share price and to that of similar companies in the same industry.

Group Equity Incentive Plan

As part of an ongoing program to retain and incentivise employees, the Group issues share options under the following schemes:

Enterprise management incentive scheme

Share options in Polar Capital Holdings plc are granted to Directors and employees under an Enterprise Management Incentive Scheme. These shares have a vesting period of either three or four years, and the exercise price for each option is the market value of the shares on the date it was granted. Early exercise conditions exist in the event of a takeover of more than 75% of the share capital of the Company.

Save as you Earn scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved Save As You Earn scheme. These shares have a vesting period of five to seven years, and the exercise price for each option is the market value of the shares on the date the option was granted, subject to a discount of up to 20%. The scheme is linked to a SAYE savings contract.

20. Share-based payments continued

Company share option scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved arrangement up to a value at the date of grant of £30,000. These shares have a vesting period of either three or four years from the date of grant, and the exercise price for each option is the market value of the shares on the date it was granted.

Unapproved share option scheme

In cases where the terms of the schemes above cannot be met, unapproved share options are granted, under the terms of the Group's Equity Incentive Plan. These options vest in either four to five years, and are granted at a price agreed by the Directors of the Group.

The expense recognised for share-based payments in respect of these share schemes during the year was £309,208 (2009: £161,024).

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

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at beginning of the year	4,479,608	66p	4,301,105	52p
Granted during the year	6,668,360	83p	781,288	94p
Exercised during the year	(360,000)	(50p)	(300,000)	(50p)
Lapsed during the year	(1,550,426)	(58p)	(302,785)	(65p)
Outstanding at end of the year	9,237,542	80p	4,479,608	66p

The range of exercise prices for options outstanding at the end of the year was £0.025 – £1.705 (2009: £0.025 – £1.705).Of the options outstanding at the end of the year, 1,281,180 (2009: 660,000) were exercisable at a weighted average price of 50p, with a further 4,826,625 exercisable at a weighted average share price of 91.5p. The average share price of exercised options at the date of exercise was 88p.

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 2010 and 31 March 2009.

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Dividend yield (%)	9.86%	9.80%
Expected share price volatility	40.00%	40.00%
Risk free interest rate	0.50%	5.00%
Expected life of options	Vesting period	Vesting period

The share price volatility was calculated by reference to the Company's historic share price and to that of similar companies in the same industry.

The fair value of options granted in the year was £653,580 (2009: £285,170).

No other features of options granted were incorporated into the measurement of fair value.

20. Share-based payments continued

The principal assumptions for shares granted in the year are as follows:

Exercise price	50p	91.5p	62.5p
Options granted	1,000,000	5,275,000	362,260
Vesting period	1 – 3 years	4 years	5 years
Weighted average share price at grant date	56p	54p	79p

For the year ending 31 March 2009 these were as follows:

Exercise price	79p	98p	102.5p
Options granted	181,288	500,000	100,000
Vesting period	4 years	4 years	4 years
Weighted average share price at grant date	100.8p	100.8p	100.8p

21. Financial instruments

The main areas of risk arising from the Group's financial instruments are credit risk, liquidity risk, market risk and capital risk. The Directors' approach to them is set out below.

Credit risk

The credit risk of the Group is the risk of financial loss if a counterparty fails to settle its debt, and arises principally from fees due from funds, and from deposits placed with financial institutions.

Fees are invoiced monthly or quarterly and are settled within 30 days of the invoice date. No trade receivables at year end are impaired, and to date there have been no settlement issues with any funds. The risk is therefore regarded as low.

Amounts placed on deposit or in liquidity funds are invested according to a treasury policy that is designed to reduce concentration and counterparty risk. The investments are monitored regularly.

Liquidity risk

The Group maintains significant liquid resources in the form of cash or cash deposits in order to meet working capital and regulatory needs. The Group's treasury policy is designed to align the duration period fo the cash investments to the working capital requirements of the Group with no investment being placed on more than three months duration.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or value of its invesments and includes equity price risk. Such changes should include changes to interest rates and foreign exchange.

Interest rate risk

The Group's cash and short- term deposits earn interest at a floating rate. Due to large cash balances the Group is sensitive to changing interest rates. A 1% change in rates would result in an approximate change to revenues of £200,000 (2009: £300,000) in either direction. The Group has no borrowings.

21. Financial instruments continued

Currency risk

Income

Although the majority of fees are received in Sterling, certain of those fees are generated from assets based in other countries, in particular USD dollar-based assets and a smaller amount of Yen based assets.

In order to hedge the risk associated with these fees, the Group enters into a number of forward foreign currency contracts over a period of 15 months. At year end, the Group had four open contracts to sell US dollars totalling $4,500,000 (2009: USD $4,000,000), for a total of £2,767,483 (2009: £2,790,530). There was one open Sterling/Yen contract to sell a total of 33,395,500 Yen for a total of £250,000 (2009: nil).

Equity

The Group holds available-for-sale financial assets consisting of investments in its own funds. As described below, the majority of assets are held within absolute return products, which are not only designed to hedge against market risk but are also hedged against currency movements by share class.

There is one investment in a non-hedged product and the Group has therefore hedged against the underlying USD asset investments within this investment. The Group therefore has a further hedge for the sale of USD $3,000,000 to purchase £1,923,077.

Equity price risk

The Group holds available-for-sale financial assets consisting of investments in its own funds, which are sensitive to movements in market equity prices. 80% of these investments are held in absolute return fund products, which are designed to hedge against market risk.

Should the market move by 10%, and all the funds (and hence the investments) move by this same amount however, it would result in a change to the carrying value of the assets of £2.0m (2009: £1.17m). This movement would be recognised in the fair value of the asset through equity, unless it was deemed to be an impairment in value, when it would be recognised in the income statement.

Capital risk

All companies within the Group are managed as going concerns and have sufficient capital to meet their day-to-day needs and to fulfil any externally imposed capital requirements. The capital of the Group and the Company consists of equity attributable to equity holders of the parent company, comprising issued share capital, share premiums, reserves and retained earnings as disclosed in notes 16 to 17.

The Group is supervised by the Financial Services Authority and submits appropriate returns on the capital adequacy of both the Group and the regulated entity, Polar Capital LLP. Throughout the year the Group and Company held surplus capital over the regulated requirement.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the financial statements
for the year ended 31 March 2010 continued

21. Financial instruments continued

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31 March 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Available for sale financial assets				
Equity shares	19,693	19,693	–	–

Liabilities	31 March 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial liabilities at fair value through profit and loss				
Foreign exchange forward contracts – hedged	248	–	248	–

During the reporting period there were no transfers between levels in fair value measurements.

22. Related party transactions

1) Group

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not included in this note.

B J D Ashford-Russell is a member of Polar Capital LLP and a director of the Polar Capital Technology Trust PLC (the Trust). The Partnership is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust were £3,216,594 (2009: £2,917,985). The amounts receivable at year end in this respect were £603,405 (2009: £433,513).

At the end of the year, the Group had an outstanding loan due of £1,391,992 (2009: £870,902) from the Polar Capital Employee Benefit Trust, which was set up in 2002 to hold ordinary shares in Polar Capital Holdings plc for the benefit employees.

2) Company

The Company has intercompany balances with Polar Capital Partners Limited and with Polar Capital LLP. The debit balance with Polar Capital Partners Limited of £12,734,575 (2009: £1,881,180) relates primarily to outstanding dividends, with other small items making up the balance. The credit balance of £1,541,512 (2009: £629,506) with Polar Capital LLP relates to cash movements, from the Company investing cash on the subsidiary's behalf.

Remuneration of key management personnel

The remuneration of key management, which comprises the executive and non-executive Directors, is detailed below:

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Short-term employee benefits and partnership profit allocations	1,079	1,107

At the end of the year the Group had balances owing to or in regards to key personnel of £5,000 (2009: £349,877). This amount includes £5,000 (2009: £5,000) owed to another company for the services of a non-executive director.

Options to acquire ordinary shares held by the Directors during the year ended 31 March 2010 are detailed in Note 5 on page 39.

Included within the share-based payments charge disclosed in Note 20, is an amount of £25,359 (2009: £8,698) relating to key management personnel.

Shareholder information and advisers

Polar Capital Holdings plc
Company No.
4235369

The shares are traded on the Alternative Investment Market of the London Stock Exchange and information on the share price and the Company can be accessed via the Company's website, www.polarcapital.co.uk or at www.londonstockexchange.com – code: POLR; or Bloomberg: POLR LN.

ISIN number
GB00B1GCLT25

SEDOL code
B1GCLT2

Website
www.polarcapital.co.uk

Registered office
4 Matthew Parker Street
London, SW1H 9NP

Tel: 020 7227 2700

Company Secretary
Neil Taylor

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Shareholder helpline
0871 384 2476

(calls to this number are charged at 8p per minute from a BT landline. Other telephone provider costs may vary).

Website
www.shareview.co.uk

Dividends
Where possible, it is recommended that dividend payments are made directly into a bank account to provide improved security and faster access to funds. You may give instruction via the registrar's website (www.shareview.co.uk) or in writing.

Key dates
First interim dividend
For the financial year ended 31 March 2010

Amount
1.0p per ordinary share

Ex-dividend date
20 December 2009

Record date
4 January 2010

Payment date
20 January 2010

Second interim dividend
For the financial year ended 31 March 2010

Amount
3.5 p per ordinary share

Ex-dividend date
3 March 2010

Record date
5 March 2010

Payment date
31 March 2010

Annual General Meeting
9 September 2010

Auditors
Ernst & Young LLP
1 More London Place
London, SE1 2AF

Bankers
HSBC Bank plc

Nominated adviser and corporate broker
Numis Securities Ltd
10 Paternoster Square
London, EC4M 7LT

Solicitors
Herbert Smith LLP
Exchange House
Primrose Street,
London, EC2M 2HS

Charity share donations
Sharegift, an independent charity share-donation scheme, accepts donations of small parcels of shares where their value makes them uneconomic to sell. If you wish to donate your shares in this way, see www.sharegift.org (tel: 020 7930 3737) or contact the Company's Registrars.

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FULTON.

POLAR
CAPITAL
HOLDINGS plc

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

Tel: 020 7227 2700