POLAR
CAPITAL
HOLDINGS plc

Interim report and accounts 2007

Polar Capital Holdings plc Interim report and accounts 2007

Who we are

Polar Capital Holdings plc is a research driven investment management company providing a highly entrepreneurial environment for outstanding portfolio managers within a structure that offers a level of marketing, administrative and operational support normally found in much larger organisations.

Our objective is to achieve strong, sustainable earnings and dividend growth by building a highly diversified family of long-only, long-bias, equity long/short and other fundamentally driven hedge fund strategies managed under the Polar Capital brand.

Polar Capital at a glance

Financial highlights for the six months to 30 September 2007

> Assets under management at 30 September 2007 up 46% to \$3.8bn compared to prior year period (September 2006: \$2.6bn and March 2007: \$3.4bn)

> Pre-tax profit up over 100% to £4.5m (September 2006: £1.1m)

> Core operating profit, excluding performance fees, up 173% at £3.4m (September 2006: £1.2m)

> Operating margin increased to 25% (September 2006: 14%)

> Basic undiluted earnings per share up to 4.8p (September 2006: 1.3p) and diluted earnings per share up to 4.1p (September 2006: 1.1p)

> Interim dividend per ordinary share of 1.5p declared, to be paid in January 2008

> £22m of cash following investments of over £11m in our recently launched hedge funds

Strengthening of Board and further fund manager appointments

> Tom Bartlam appointed as Chairman

> Technology team strengthened by appointment of senior fund manager

> Healthcare team recruited to establish new business unit

Outlook

> In the short term investors may become somewhat more cautious

> Market volatility makes forecasting of performance fees difficult

Our funds by strategy

Technology

30 September 2007	$1,035m
31 March 2007	$1,013m
30 September 2006	$871m

Japan

30 September 2007	$1,068m
31 March 2007	$1,082m
30 September 2006	$795m

UK

30 September 2007	$108m
31 March 2007	$129m
30 September 2006	$158m

Europe

30 September 2007	$499m
31 March 2007	$358m
30 September 2006	$317m

Global Opportunities

30 September 2007	$590m
31 March 2007	$437m
30 September 2006	$277m

Global Emerging Markets

30 September 2007	$446m
31 March 2007	$269m
30 September 2006	$175m

Utilities

30 September 2007	$47m
31 March 2007	$41m
30 September 2006	$13m

Macro

30 September 2007	$56m
31 March 2007	$53m
30 September 2006	$26m

Note: Above analysis excludes single $27m sub-advisory US equities account.

Analysis by generation of assets for the six months to 30 September 2007

	Long	Hedge	Managed and advisory	Total
Brought forward 31 March 2007	$1,563m	$1,553m	$291m	$3,407m
Long only transferred to hedge funds	$(95)m	$95m	–	–
Performance and currency movements	$50m	$75m	$(7)m	$118m
Net subscriptions and redemptions	$(131)m	$482m	–	$351m
Total assets at 30 September 2007	**$1,387m**	**$2,205m**	**$284m**	**$3,876m**

Our strategy and markets

Group strategy

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

> recruitment of talented fund managers through the provision of an incentivised, entrepreneurial and attractive operating environment together, where necessary, with the provision of seed capital for new funds;

> delivery of excellent investment performance by allowing fund managers to focus fully on fund management;

> ensuring an alignment of interests between shareholders, fund investors and fund managers by restricting the size and number of funds in order to avoid the trade-off between asset accumulation and performance;

> broadening and deepening fund investor relationships to ensure the full utilisation of Polar Capital's existing capacity while laying the groundwork for the launch of future funds;

> reducing the volatility of the Group's revenues by broadening the existing fund range into other less correlated asset classes; and

> maintaining and enhancing the levels of service provided to both fund managers and clients by investing as necessary in Polar Capital's operational, sales and regulatory platform.

Industry background

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

> an increase in overall savings as developed country populations increase their savings rates;

> an increase in asset allocations to alternative asset classes and absolute return strategies and subsequently the growing use of risk adjusted performance measurements;

> a growing polarisation between alpha and beta strategies, causing a shift in asset allocation away from traditional investment houses to, on the one hand, quantitative houses offering cheap and effective ways to track market indices (beta strategies) and, on the other hand, to managers such as Polar who offer better risk adjusted returns through hedge funds, property, commodities, private equity, and other specialist asset management products (alpha strategies);

> the move of a number of private banking and wealth management groups to an open architecture environment, whereby a range of products managed by independent asset managers are offered to their customers so as to increase choice. These changes have the effect of opening up captive client pools to independent asset managers such as Polar Capital;

> the desire of many fund managers to have the freedom to manage funds in line with their own convictions rather than centrally imposed parameters and to have a direct financial participation in the performance of the funds they manage; and

> increasing compliance, regulatory and financial reporting burdens making it more attractive for managers to share a common operating and sales and marketing platform than setting up their own stand alone ventures.

Mark Kary
Chief Executive

Chief Executive's statement

"Our assets under management have grown strongly over the period. While investor concerns over the direction of the global economy will lead to a more challenging near term environment, we continue to be well positioned for the execution of our longer term business plan."

Financial review

This is the first full six months of the Company's life following its successful listing as a public company in February 2007. It can look back at this first period with a sense of achievement.

Assets under management ("AUM") have risen to $3.8bn at 30 September 2007, an increase of 46% compared to September 2006 ($2.6bn) and an 11% increase from the $3.4bn as at 31 March 2007 the year end of the Company. This rise in AUM is the prime reason that the Company has seen revenues increase in the period by 48% to £14.6m (2006:£9.8m) and its profit after tax rise to £3.1m (2006: £0.6m). This increased profitability has led to the diluted EPS for the period to rise to 4.1p (2006:1.1p).

The profit before tax for the period which has increased to £4.5m (2006:£1.1m) is attributable as follows:

	Six months to 30 September 2007 £'m	Six months to 30 September 2006 £'m	Year to 31 March 2007 £'m
Core operating profit	**3.4**	1.2	2.8
Performance fee profit	**0.3**	0.1	8.0
Interest & similar income	**0.8**	0.3	0.9
	4.5	1.6	11.7
IPO costs	**–**	(0.5)	(1.0)
Profit before tax	**4.5**	1.1	10.7

It is particularly encouraging to note the increase in the operating profit margin of the business. The core operating margin of the company rose to over 24% in the period from 13% for equivalent period in 2006 and the margin including performance fee receipts was seen to rise to over 25% (2006:14%). It should be remembered that the vast majority of our performance fees crystallise in the second half of the year. The Board feels it is appropriate, given this positive set of numbers to pay a first interim dividend of 1.5p. The dividend will be paid on 19 January 2008 to shareholders on the register as at 21 December 2007 and the shares will trade ex dividend from 19 December.

The results have benefited from the crystallisation of a set of preference shares. In practical terms it is these preference shares that deliver to a fund manager an entitlement to a percentage of the net management fees produced from their products and an interest in their performance fees. These shares also provide a mechanism whereby a fund manager is able to relinquish this interest in their management fees and reduce their interest in their performance fees in return for the receipt of shares in Polar Capital Holdings plc. These exchanges are expected to be earnings enhancing for shareholders and the consequence of this period's event is an 11% increase in diluted EPS for the six months from 3.7p to 4.1p per share.

Investment markets

The market backdrop to the period has been one of extreme volatility in global equity, credit and currency markets especially in July and August as the continued deterioration in US housing market conditions gave rise to more serious concerns on the sub prime credit exposure of global banks, hedge funds and other financial institutions. By mid August equity volatility had risen to levels not seen since the end of the 2000-2003 equity bear market, the MSCI World Equity Index had fallen 12% from peak to trough, and headlines were dominated by the very large performance drawdowns of a number of large and well known quantitative hedge fund houses. While general industry and market performance has improved from the August lows, the issues of sub prime exposures will take time to work their way through the system. Markets are left to reflect on the impact of much tightened credit conditions on the US and global economy on the one hand, and the inflationary impact of sharply high food and energy prices on the other.

Investment performance

The investment performance over the six month period has been rather more mixed than ideally we would have wished. The Global Opportunities, the European Smaller Companies, Global Utilities, FX Macro, Russian and Latin American Funds have all performed well. More disappointing has been the performance of our Japanese and Technology hedge funds and to a lesser extent our long-only Technology business. While the assets in our technology hedge fund are small ($55m at the end of the period), the assets in our Japan hedge fund ($550m) are more significant and it will be important for our performance to improve in what has been a very difficult overall market. In the case of our long-only Technology business our underperformance has largely been a function of our "all cap" investment philosophy in a market where performance has been dominated by the large/mega cap stocks. While we are comfortable that this philosophy is the correct one for longer term outperformance, we have not as a result captured some of the easier asset growth at a time when the technology cycle shows the first signs of reasserting itself for seven years.

Diversification and asset growth opportunities

While we remain very committed to both our long-only and hedge fund businesses, the balance between an inevitably more directional long only business and what should be a more defensive equity long/short business at this possibly later stage and less certain part of the equity cycle is important. At the macro level 57% of our assets today are in hedge funds and 43% in long only; 12 months ago the split was 58% long only and 42% in hedge funds.

Over the six month period there has been some encouraging progress on a number of fronts. We have consistently articulated our desire to diversify the business and how the relative emphasis on Technology and Japan would be diluted. Today these two units represent 54% of our assets under management (61% in 2006). In the meantime our Global Opportunities business (Polar Paragon Fund), our European business (Polar Forager and Polar Conviction Funds) and the Emerging Markets unit now represent 15%, 13% and 12% respectively of overall assets. The year to date performance of the Paragon, Forager, Elbrus and Latam funds should lead to continued decent asset growth momentum in these three business units.

Furthermore the prospects for the longer established Technology and Japan units remain in our opinion compelling. For just over a year we have articulated a very positive case for a recovery in the technology sector driven by both absolute and relative earnings growth, new product cycles, historically reasonable valuations and negative investor sentiment. In the 12 months to 30 September 2007 the Dow Jones World Technology Index has appreciated 22% versus the MSCI World Equity Index return of 19%. We are inclined to think that market rotation into areas of growth like Technology and Healthcare is likely to accelerate further as the activist and private equity themes of replacing management and increasing financial leverage loses its impetus as borrowing costs rise. Japan has clearly been a more difficult market (up 4% in the 12 months to 30 September 2007) and the industry has seen significant redemptions. While our long-only business has suffered redemptions alongside the industry, we have continued to move forward and invest in a more significant research resource for the unit in Tokyo that should permit the business to get significant traction when the cycle turns.

We are encouraged by the progress in a number of our smaller and newer business units. Inevitably when we recruit a new team and build a new unit, it will take time for that group to establish its fund, build a performance record and initiate the marketing process. The Global Utilities Fund (started at the end of 2005 but restructured at the beginning of calendar 2007) has enjoyed an encouraging calendar year of performance; a combination of this performance, the strong thematic undercurrent of growth in the sector and its relative recession resistant characteristics should present a significant marketing opportunity for the fund early in the new calendar year. Equally the Polar Discovery Fund (our foreign currency/macro fund launched in 2006) has had strong performance year to date coupled with a stream of less correlated returns that should permit accelerated marketing early in the New Year in what has the potential to be one of Polar Capital's largest capacity strategies.

Other developments

Our strategy for growth combines investment performance, taking our existing funds to their capacity potential (we calculate that conservatively we have about $5bn of spare capacity in existing funds), increasing the scope of each business unit, and the recruitment of new teams. We are pleased to have recruited Gareth Powell from Framlington and Dan Mahony from Morgan Stanley to establish Polar Capital's Healthcare business. We have seeded a Global Healthcare long only fund and hope that over time this unit will spawn a number of different healthcare related strategies.

We have a number of other fund manager recruitment initiatives in place, and continue to target the addition of 1 to 2 new teams per year.

Outlook

We cannot ignore current market concerns on the US housing market and economy, the sub prime crisis in the financial sector and potential overspill to the greater global economy, with the concomitant impact on asset allocation decisions and investor behaviour. Our business and brand are focused exclusively in fundamental and research driven investment strategies and the company has no direct exposure to any credit related or quantitative investment strategies. It is nevertheless possible that investors become somewhat more cautious short term on equity directionality and allocation, particularly in more volatile markets. We have however long been of the view that allocations to the hedge industry in such a more challenging environment for traditional equity management will accelerate, especially to those strategies and funds whose risk-adjusted returns and/or ability to protect capital are differentiated. At the same time Polar Capital's long-only exposure to markets like Technology, Healthcare and Japan that have arguably been out of favour for some time would suggest a more defensive nature to such businesses.

It is worth highlighting two shorter-term concerns. Firstly market uncertaintly and volatility will lead to a more challenging environment for increasing funds under management. Secondly it is clear that the increased volatility in markets has made the accurate forecasting of performance fees less easy. With most of our fund year ends falling around the calendar year end it is our intention as stated at the time of the IPO to give guidance of the quantum of these fees in the middle of January.

Importantly, however, Polar Capital continues to focus on the execution of its longer term business plan, and we would appear to be well positioned to grow our assets under management and broaden out the diversification of the business. We wish to thank our staff, investors in our funds and shareholders for all their support and loyalty.

Mark Kary
Chief Executive
10 December 2007

Consolidated income statement
for the six months to 30 September 2007

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000 restated	Year to 31 March 2007 £'000 restated
Revenue	**14,612**	9,811	41,269
Interest receivable and similar income	**811**	297	1,108
Gross income	**15,423**	10,108	42,377
Cost of sales	**(1,069)**	(955)	(2,165)
Net fees	**14,354**	9,153	40,212
Operating costs	**(9,834)**	(7,983)	(29,525)
Profit on ordinary activities before taxation	**4,520**	1,170	10,687
Taxation	**(1,365)**	(513)	(2,552)
Profit on ordinary activities after taxation	**3,155**	657	8,135
Basic earnings per ordinary share	**4.8p**	1.3p	14.7p
Diluted earnings per ordinary share	**4.1p**	1.1p	12.8p

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

Consolidated statement of recognised income and expense
for the six months to 30 September 2007

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000 restated	Year to 31 March 2007 £'000 restated
Profit for the financial period	**3,155**	657	8,135
(Losses)/gains on the revaluation of available-for-sale financial assets	**(204)**	(3)	220
Deferred tax in respect of employee share options	**(253)**	20	679
Deferred tax in respect of available-for-sale financial assets	**61**	2	(65)
Total recognised gains and losses	**2,759**	676	8,969

Consolidated balance sheet
as at 30 September 2007

	30 September 2007 £'000	30 September 2006 £'000 restated	31 March 2007 £'000 restated
Fixed assets	**437**	519	537
Available-for-sale financial assets	**11,810**	3,207	3,929
Deferred tax assets	**601**	188	856
Total non-current assets	**12,848**	3,914	5,322
Current assets			
Receivables	**3,307**	3,107	4,228
Cash at bank and in hand	**22,546**	14,556	31,403
Total current assets	**25,853**	17,663	35,631
Total assets	**38,701**	21,577	40,953
Non-current liabilities			
Deferred tax liabilities	**5**	–	66
Current liabilities			
Trade and other payables	**6,522**	8,600	7,360
Current tax liabilities	**461**	1,757	995
Total current liabilities	**6,983**	10,357	8,355
Total liabilities	**6,988**	10,357	8,421
Net assets	**31,713**	11,220	32,532
Capital and reserves			
Called up share capital	**1,688**	1,299	1,673
Share premium account	**15,059**	1,558	15,050
Investment in own shares	**(558)**	(734)	(558)
Other reserves	**1,153**	794	1,563
Retained earnings	**14,371**	8,303	14,804
Total shareholders' funds – equity interests	**31,713**	11,220	32,532

Consolidated cash flow statement
for the six months to 30 September 2007

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000 restated	Year to 31 March 2007 £'000 restated
Cash flows generated from operating activities			
Cash generated from operations	**3,935**	3,558	8,785
Tax paid	**(1,900)**	(2,187)	(3,563)
Net cash inflow generated from operating activities	**2,035**	1,371	5,222
Returns on investment and servicing of finance			
Interest received and similar income	**811**	297	1,108
Interest paid and similar charges	**–**	–	(9)
Equity dividends paid	**(3,619)**	(4,825)	(5,880)
Issue of share capital	**24**	551	14,436
Issue of preference shares by subsidiary undertaking	**–**	–	7
Payments in relation to investment in own shares	**–**	(550)	(550)
Receipts in relation to disposal of own shares	**–**	580	756
Net cash (outflow)/inflow from financing activities	**(2,784)**	(3,977)	9,662
Cash flows generated from investing activities			
Purchase of property, plant and equipment	**(24)**	(32)	(176)
Purchase of available-for-sale financial assets	**(8,084)**	(2,209)	(2,708)
Net cash outflow generated from/(used in) investing activities	**(8,108)**	(2,241)	(2,884)
Net (decrease)/ increase in cash and cash equivalents	**(8,857)**	(4,847)	12,000
Cash and cash equivalents at start of period	**31,403**	19,403	19,403
Cash and cash equivalents at end of period	**22,546**	14,556	31,403

Notes to the financial statements
for the six months to 30 September 2007

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.

Adoption of International Financial Reporting Standards ("IFRS") in the financial year ending 31 March 2008
In the current year Polar Capital Holdings plc and its subsidiaries (together referred to as "the Group") have adopted all the standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the Group's financial year beginning on 1 April 2007. The adoption of these standards and interpretations has resulted in changes to the Group's accounting policies and the principal impact of the adoption of IFRS on the results for the year ended 31 March 2007 are set out in note 10 to these financial statements.

Basis of preparation
The financial statements have been prepared in accordance with IFRS as adopted by the European Union and the Companies Act 1985 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.

At the date of authorisation of these financial statements, IFRS 8 "Operating Segments" 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 it comes into effect.

The financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The publication of non-statutory accounts
The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the six months ended 30 September 2007 and 2006 has not been audited. The information for the year ended 31 March 2007 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies, subject to amendments reflecting the changes in accounting standards from UK GAAP to IFRS. The report of the independent Auditor on those financial statements contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings). 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.

1 Principal accounting policies continued

Available-for-sale financial assets
Available-for-sale 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 in equity. 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 equity are recycled into the income statement as part of this calculation of the gain or loss arising on derecognition.

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 equity and recognised in the income statement. Impairment losses recognised in the income statement, if subsequently reversed, are taken through equity and not the income statement.

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.

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand, 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 recognized 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.

Notes to the financial statements continued
for the six months to 30 September 2007

1 Principal accounting policies continued

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 amounts 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.

Segmental reporting and functional currency
The directors are of the opinion that the Group is engaged in a single, unified, business of managing investments. No segmental reporting is therefore provided. The Group functional currency is pounds sterling, as its operating activities are based in the UK, and all of its income and expenses are based in pounds sterling.

2 Revenue

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000	Year to 31 March 2007 £'000
Investment management fees	**13,422**	9,133	20,184
Investment advisory fees	**193**	228	490
Investment performance fees	**997**	450	20,595
Revenue	**14,612**	9,811	41,269

3 Profit on ordinary activities before taxation

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000	Year to 31 March 2007 £'000
Profit on ordinary activities before taxation is stated after charging:			
Staff costs	**3,535**	3,398	7,675
Depreciation of tangible fixed assets	**124**	108	228
Operating lease rentals			
land & buildings	**653**	653	653
other	**53**	53	53
Auditors' remuneration			
Audit services			
Current year	**30**	21	40
Underprovision in prior year	**42**	–	–
Other services relating to taxation	**22**	17	48
All other services	**88**	114	257

4 Dividends

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000
Dividend paid	**3,619**	4,825

The directors have declared a dividend of 1.5p per ordinary share in respect of the period to 30 September 2007.

5 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit for the period of £3,155,032 (September 2006: £657,552; March 2007: £8,134,609) and on 66,929,478 (September 2006: 51,214,347; March 2007: 55,584,556) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per ordinary share is based on the profit for the period of £3,155,032 (September 2006: £657,552; March 2007: £8,134,609) and on 77,866,861 (September 2006: 58,874,511; March 2007: 63,634,996) Ordinary shares, being the weighted average number of ordinary shares allowing for all dilutive options of 3,074,945 (September 2006: 3,082,760; March 2007: 3,300,080) and shares not issued under a crystallised event of 7,225,825 (September 2006: 4,356,080; March 2007: 2,178,040).

Notes to the financial statements continued
for the six months to 30 September 2007

6 Available-for-sale financial assets

	Six months to 30 September 2007 £'000	Six months to 30 September 2006 £'000	Year to 31 March 2007 £'000
At beginning of period	**3,929**	1,001	1,001
Additions	**8,085**	2,209	2,708
(Loss)/gain on movement in fair value	**(204)**	(3)	220
At end of period	**11,810**	3,207	3,929

The Group's available-for-sale financial assets are principally in the funds it manages, all of which are listed.

7 Reconciliation of equity

	Share capital £'000	Share premium £'000	Own shares £'000	Capital reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 31 March 2007	1,673	15,050	(558)	555	1,008	14,804	32,532
Profit for the financial period						3,155	3,155
Equity dividends paid						(3,619)	(3,619)
Issue of share capital	15	9		(14)			10
Employee share options charge						31	31
Losses on the revaluation of available-for-sale financial assets					(204)		(204)
Movements in deferred tax					(192)		(192)
At 30 September 2007	1,688	15,059	(558)	541	612	14,371	31,713

8 Notes to the cash flow statement

Reconciliation of profit before taxation to cash generated from operations

	Six months to 30 September 2007 £'000	**Six months to 30 September 2006 £'000 restated**	**Year to 31 March 2007 £'000 restated**
Cash flows from operating activities			
Profit on ordinary activities before tax	**4,520**	1,170	10,687
Less interest received	**(811)**	(297)	(1,108)
Depreciation of tangible fixed assets	**124**	108	228
Decrease/(increase) in receivables	**920**	1,841	554
(Decrease)/increase in trade and other payables	**(835)**	736	(1,573)
Share-based payment	**31**	–	52
Other non-cash reserve movements	**(14)**	–	(55)
Cash generated from operations	**3,935**	3,558	8,785

9 Related party transactions

BJD Ashford-Russell is a member of Polar Capital LLP and a director of the Polar Capital Technology Trust plc (the Trust). Polar Capital LLP is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust for the six months to 30 September 2007 were £1,856,890 (September 2006: £1,894,891).

At the end of the period, the Group had an outstanding loan due of £557,804 (September 2006: £1,033,997) 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 of employees.

10 IFRS transition

First time adoption of IFRS:

The transition date to IFRS from UK GAAP was 1 April 2006. The accounting policies are based on IFRS applied retrospectively and have been applied by the Group in arriving at its transition date balance sheet amounts.

Reconciliation from UK GAAP to IFRS:

The tables below reconcile total shareholders' funds at 1 April 2006, 30 September 2006 and 31 March 2007 under UK GAAP to total equity under IFRS, and the profit after taxation for the year ended 31 March 2007 and the period ended 30 September from UK GAAP to IFRS.

Reconciliation of shareholders' funds under UK GAAP to shareholders' equity under IFRS

	31 March 2007 £'000	30 September 2006 £'000	Transitional date 1 April 2006 £'000
UK GAAP – total shareholders' funds – equity interests	**31,524**	11,035	14,614
IFRS transition adjustments:			
Fair value of available for sale financial assets (1)	**220**	(3)	3
Deferred tax asset relating to share options (2)	**854**	187	160
Deferred tax asset/liability relating to available for sale financial assets (1)	**(66)**	1	(1)
IFRS – total shareholders' funds – equity interests	**32,532**	11,220	14,776

Reconciliation of profit after taxation under UK GAAP to profit after taxation under IFRS

	31 March 2007 £'000	30 September 2006 £'000
UK GAAP – profit on ordinary activities after taxation	**8,150**	665
IFRS pre-tax transition adjustments:		
Deferred tax on share options (2)	**(15)**	(8)
IFRS – profit on ordinary activities after taxation	**8,135**	657

Notes to the financial statements continued
for the six months to 30 September 2007

10 IFRS transition continued

IFRS transition adjustments relating to profit after taxation and shareholders' equity

(1) Fair value of investments

The Group has designated the investments held at the transition date as "available-for-sale", and they have therefore been valued at fair value, together with the recognition of the corresponding deferred tax liability.

(2) Tax on share options

Under IAS 12 the Group has recognised a deferred tax asset in relation to the corporation tax deduction which is expected to arise on the future exercise of share options which had not been exercised at the balance sheet date. Under UK GAAP the value of this asset was restricted by reference to both vested options and the cost associated with the share options which had been recognised in the profit and loss account. IAS 12 also differs from UK GAAP in relation to the value of income tax deductions arising on the exercise of share options which can be recognised in the income statement. Under UK GAAP the full value of corporation tax deductions was recognised in the income statement whereas under IAS 12 the tax effect of a deduction exceeding the accounting cost previously recognised is taken directly to equity.

Shareholder information

Directors
T Bartlam, Non-executive Chairman
M Kary, Chief Executive
J Mansell, Chief Operating Officer
B Ashford-Russell
T Woolley
H Aldous, Non executive director, Chairman of Audit Committee
J Cayzer-Colvin, Non executive director, Chairman of Remuneration Committee
P Buckley, Non executive director
C Hale, Non executive director
Ms. S Street, Non executive director

Polar Capital Holdings plc
Company No. 4235369

The ordinary 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; Bloomberg: POLR LN.

The ISIN number is GB00B1GCLT25 and the SEDOL code is B1GCLT2.

Registered office
4 Matthew Parker Street
London
SW1H 9NP

Tel: 020 7227 2700

Company Secretary
Neil Taylor

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

Shareholder helpline: 0870 601 5366
Website www.shareview.co.uk

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.

First interim dividend for the financial year ended 31 March 2008
Amount: 1.5p per ordinary share
Ex-dividend date: 19 December 2007
Record date: 21 December 2007
Payment date: 19 January 2008

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

Bankers
HSBC Bank plc

Nominated adviser and broker
Landsbanki Securities (UK) Ltd
Beaufort House
15 St Botolph St
London EC3A 7QR

Solicitors
Herbert Smith
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 7337 0501) or contact the Company's Registrars.

Designed in England by 85four. Printed in England.

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

Tel: 020 7227 2700