# PCP HOLDINGS PLC

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2004



**Company Registration No. 4235369**

**PCP HOLDINGS PLC**

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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## PCP HOLDINGS PLC

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2004.

### Principal activities and review of business

The Company's sole purpose is to act as a holding company for the Polar Capital Group of companies. It has one directly wholly owned subsidiary, Polar Capital Partners Limited (PCPL) and one indirectly wholly owned subsidiary (wholly owned by PCPL), Polar Capital Secretarial Services Limited. PCPL provides discretionary investment management and advisory services to a range of clients and is regulated by the Financial Services Authority.

### Results and dividends

The Group made a profit of £3,384,000 after tax (2003: £214,000). An interim dividend of £1.55 per share totalling £1,592,000 has been paid to shareholders on the register as at 3 June 2004 (2003: nil).

### Charitable donations

During the year the Group made charitable donations of £15,500 (2003: £700) to the Great Ormond Street Children's Hospital.

### Directors and their interests

The directors of the Company at 31 March 2004 are as stated below. The interests of the directors in the ordinary shares of the Company at the start and end of the year, together with any interests in share options are detailed in the tables below. All the interests are beneficial; there are no non-beneficial interests.

| | Ordinary Shares held on 31 March 2004 | Ordinary Shares held on 31 March 2003 | Share options over ordinary shares held 31 March 2004 | Share options over ordinary shares held 31 March 2003 |
|---|---|---|---|---|
| C M Hale | 34,583 | 27,083 | 25,417 | 25,417 |
| B J D Ashford-Russell | 335,867 | 343,200 | Nil | Nil |
| T J Woolley | 308,784 | 316,117 | Nil | Nil |
| P N Buckley | Nil | Nil | Nil | Nil |
| J M B Cayzer-Colvin | Nil | Nil | Nil | Nil |
| J B Mansell | 7,500 | 7,500 | 32,500 | 15,000 |

Mr P N Buckley is a director of Caledonia Investments plc, a company with an interest in 266,666 ordinary shares in the Company as at 31 March 2004.

| Option holder | Date of grant | No. of shares | Exercise price | Exercise date |
|---|---|---|---|---|
| C M Hale | 21 Jan 2002 | 16,963 | £3.93 | 21 Jan 2005 |
| | 21 Jan 2002 | 8,454 | £3.93 | 21 Jan 2006 |
| J B Mansell | 16 Jan 2001 | 5,000 | £1 | 16 Jan 2005 -15 Jan 2011 |
| | 16 Oct 2001 | 5,000 | £2 | 16 Oct 2005 - Oct 2011 |
| | 2 Oct 2002 | 5,000 | £4 | 2 Oct 2006 - Oct 201 |
| | 13 May 2003 | 7,500 | £7.15 | 13 May 2007 -12 May 2013 |
| | 17 Feb 2004 | 10,000 | £10.16 | 17 Feb 2008 – 16 Feb 2014 |

## REPORT OF THE DIRECTORS

Certain employees of Polar Capital Partners Limited ("PCPL") hold Manager Preference Shares (" Manager Shares") or Team Member Preference Shares ("Team Member Shares") in PCPL.

The terms of the Manager Shares entitle their holders, at some future date, to a value calculated on the basis of the relative contribution of the holder to PCPL as a whole. This value may be (at the discretion of PCP Holdings PLC) satisfied by the issue of ordinary shares in PCP Holdings PLC (the "Company"). The terms of the Team Member Shares are similar to those of the Manager Shares with the difference being that they are subordinate to and their existence is determinate of the activities of their parent Manager Shares.

The rights of the Manager Shares and, in certain restricted circumstances Team Member Shares, provide that the holders have the ability to convert annually any time after the completion of three complete financial years. The Company may impose conversion after the completion of six full financial years.

The product of the conversion event is such that there is an immediate enhancement to the earnings of the Company.

Seven classes of Manager Shares and Team Member Shares were in existence as at 31 March 2004 as follows with the earliest holder conversion dates ranging from 1 April 2005 to 1 April 2007 and the earliest company conversion dates ranging from 1 April 2008 to 1 April 2010.

| Class of Preference Share | Earliest holder conversion date | Earliest company conversion date |
|---|---|---|
| A | 1 April 2005 | 1 April 2008 |
| A1 | 1 April 2005 | 1 April 2008 |
| B | 1 April 2005 | 1 April 2008 |
| B1 | 1 April 2005 | 1 April 2008 |
| C | 1 April 2007 | 1 April 2010 |
| D | 1 April 2007 | 1 April 2010 |
| D1 | 1 April 2007 | 1 April 2010 |

The maximum number of ordinary shares which may be issued per Manager Share class is limited to 25% of the Company's issued share capital at the point of calculation. Team Member Shares participate in the relevant Manager Shares award.
Assuming the relevant hurdles are reached it is expected that in the region of 150,000 ordinary shares will be issued on 1 April 2005.

### Payment of Suppliers

The Company's suppliers are vital to its success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that apply to all our dealings. It has been and will continue to be the Company's policy for the forthcoming financial year:

i) wherever appropriate to settle the terms of payment when agreeing each transaction;
ii) to ensure the supplier is aware of the terms; and
iii) to abide by them

In all other circumstances the Company is committed to paying suppliers within 30 days of receipt of a valid invoice. The ceditor days for the Group for the year ended 31 March 2004 were 20 days (2003: 8 days).

## REPORT OF THE DIRECTORS

### Appointment of Auditors
A resolution will be proposed at the annual general meeting, to re-appoint Ernst & Young LLP as Auditors to the Company and to authorise the directors to fix their remuneration.

### Copies of Accounts
Copies of the Group financial statements are available from Company Secretary at Cayzer House, 30 Buckingham Gate, London SW1E 6NN.

**By order of the board**

Neil Taylor

**N P Taylor**
**Secretary**
Cayzer House, 30 Buckingham Gate, London.
3 June 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCP HOLDINGS PLC

We have audited the Group's financial statements for the year ended 31 March 2004, which comprise the Group Profit and Loss Account, Reconciliation of Group Shareholders' Funds, Group Balance Sheet, Group Cash Flow Statement, Company Balance Sheet, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of their profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP, Registered Auditor Ernst & Young LLP
London
3 June 2004

PCP HOLDINGS PLC

## GROUP PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 MARCH 2004

| | *Notes* | **Year ended 31 March 2004 £000** | **Year ended 31 March 2003 £000** |
|---|---|---|---|
| **Turnover** | *2* | 19,745 | 5,281 |
| **Operating expenses** | | (14,890) | (5,116) |
| **Operating profit** | | 4,855 | 165 |
| Interest receivable and similar income | | 125 | 101 |
| Interest payable and similar charges | *6* | (55) | (52) |
| **Profit on ordinary activities before taxation** | *3* | 4,925 | 214 |
| Taxation on profit on ordinary activities | *7* | (1,541) | - |
| **Profit on ordinary activities after taxation** | | 3,384 | 214 |
| Dividend | *13* | (1,592) | - |
| **Retained profit for the year** | | 1,792 | 214 |

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

There were no recognised gains or losses other than those passing through the profit and loss account. Accordingly the group has not produced a Statement of Total Recognised Gains and Losses.

The notes on pages 11 to 22 form part of these financial statements.

PCP HOLDINGS PLC

## RECONCILIATION OF GROUP SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2004

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| **Retained profit for the year** | 1,792 | 214 |
| Dividend waived | - | 124 |
| Issue of share capital | 4 | 947 |
| **Net increase in shareholders' funds** | 1,796 | 1,285 |
| Opening shareholders' funds | 2,847 | 1,562 |
| **Closing shareholders' funds** | 4,643 | 2,847 |

The notes on pages 11 to 22 form part of these financial statements.

PCP HOLDINGS PLC

## GROUP BALANCE SHEET AS AT 31 MARCH 2004

| | Notes | | Year ended 31 March 2004 | | Year ended 31 March 2003 |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *9* | | 80 | | 92 |
| Investments | *11* | | 1 | | 5 |
| **Current assets** | | | | | |
| Investment in own shares | *11* | 592 | | 669 | |
| Debtors | *12* | 2,370 | | 797 | |
| Cash at bank and in hand | *21* | 6,641 | | 2,797 | |
| | | 9,603 | | 4,263 | |
| **Creditors: amounts falling due within one year** | *13* | (4,041) | | (503) | |
| **Net current assets** | | | 5,562 | | 3,760 |
| **Total assets less current liabilities** | | | 5,643 | | 3,857 |
| Provisions for liabilities and charges | *15* | | - | | (10) |
| **Creditors: amounts falling due after more than one year** | *14* | | (1,000) | | (1,000) |
| **Net assets** | | | 4,643 | | 2,847 |
| **Capital and reserves** | | | | | |
| Called-up share capital | *16* | | 1,084 | | 1,084 |
| Share premium account | *17* | | 200 | | 200 |
| Profit and loss account | *18* | | 2,646 | | 854 |
| Capital reserve | | | 713 | | 709 |
| **Total equity shareholders' funds** | | | 4,643 | | 2,847 |

These financial statements were approved by the board of directors on 3 June 2004 and were signed on its behalf by:

**C M Hale**
**Director**

**J B Mansell**
**Director**

The notes on pages 11 to 22 form part of these financial statements

PCP HOLDINGS PLC

## GROUP CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2004

| | *Notes* | Year ended 31 March 2004 £000 | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 | Year ended 31 March 2003 £000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | *19* | | 3,937 | | 612 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | 125 | | 101 | |
| Interest paid | | (55) | | (52) | |
| **Net cash inflow from returns on investments and servicing of finance** | | | 70 | | 49 |
| **Taxation paid** | | | (196) | | (322) |
| **Capital expenditure and financial investment** | | | | | |
| Payments to acquire tangible fixed assets | | (54) | | (28) | |
| Payment to acquire fixed asset investments | | 1 | | - | |
| Receipts on disposal of fixed asset investments | | 6 | | 7 | |
| Payment to acquire current asset investment | | 76 | | (669) | |
| | | | 29 | | (690) |
| **Net cash inflow/(outflow) before financing** | | | 3,840 | | (351) |
| **Financing** | | | | | |
| *Issue of ordinary share capital* | | | - | | 947 |
| Increase in capital reserves | | | 4 | | - |
| **Increase in cash** | *20* | | 3,844 | | 596 |

The notes on pages 11 to 22 form part of these financial statements.

PCP HOLDINGS PLC

## COMPANY BALANCE SHEET AS AT 31 MARCH 2004

| | *Notes* | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | *10* | 1,017 | 1,017 |
| **Current Assets** | | | |
| Debtors | *12* | 1,596 | - |
| Cash | | 280 | 267 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | *13* | 1,592 | - |
| **Net assets** | | 1,301 | 1,284 |
| **Capital and reserves** | | | |
| Called-up share capital | *16* | 1,084 | 1,084 |
| Share premium account | *17* | 200 | 200 |
| Profit and loss account | | 17 | - |
| **Total shareholders' funds** | | 1,301 | 1,284 |

The notes on pages 11 to 22 form part of these financial statements

PCP HOLDINGS PLC

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

## 1. Accounting policies

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

**Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. A group reorganisation occurred when this company purchased Polar Capital Partners Limited in March 2002. This has been treated as a merger per FRS 6.

**Foreign currencies**

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

**Turnover**

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

**Depreciation**

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

| | |
|---|---|
| Computer equipment | 30% |
| Office furniture | 30% |

**Pensions**

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

**Deferred taxation**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

1. **Accounting policies (cont)**

***Goodwill (continued)***

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. Any negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the periods expected to benefit.

**Investments**

Investments are valued at the lower of cost and realisable value.

2. **Geographical analysis of turnover**

(based upon the residency of the source)

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| United Kingdom | 2,622 | 1,327 |
| Ireland | 8,329 | 1,715 |
| Cayman | 7,895 | 1,701 |
| Canada | 874 | 529 |
| Other | 25 | 9 |
| | 19,745 | 5,281 |

***The analysis of turnover is as follows:***

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Investment management fees | 9,025 | 3,779 |
| Investment advisory fees | 920 | 676 |
| Investment performance fees | 9,800 | 826 |
| | 19,745 | 5,281 |

| **3. Profit on ordinary activities before taxation** | **Year ended 31 March 2004 £000** | **Year ended 31 March 2003 £000** |
|---|---|---|
| This is stated after charging: | | |
| Staff costs (note 4) | 10,445 | 2,604 |
| Depreciation (note 9) | 66 | 58 |
| Performance fee foregone | 612 | 33 |
| Auditors' remuneration – statutory audit | 22 | 21 |
| Fees paid to auditors for non-audit work | 90 | 48 |

| **4. Staff costs including directors' emoluments** | **Year ended 31 March 2004 £000** | **Year ended 31 March 2003 £000** |
|---|---|---|
| Salaries | 9,897 | 2,214 |
| Social security costs | 360 | 252 |
| Pensions costs | 188 | 138 |
| | 10,445 | 2,604 |

Pensions costs outstanding at the year-end amounted to £nil.

| | | |
|---|---|---|
| Average number of full time employees, including executive directors: | 28 | 22 |

All employees are directly or indirectly engaged in the group's business, namely investment management.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2003

| **5. Directors' emoluments** | **Year ended 31 March 2004 £000** | **Year ended 31 March 2003 £000** |
|---|---|---|
| Emoluments | 873 | 752 |
| Company contributions paid to money purchase pension schemes | 49 | 57 |

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

| | | |
|---|---|---|
| Emoluments | £221,174 | £150,508 |
| Company contributions paid to a money purchase scheme | £10,000 | £15,000 |

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

| | No | No |
|---|---|---|
| Money purchase scheme | 4 | 4 |

| **6. Interest payable and similar charges** | **Year ended 31 March 2004 £000** | **Year ended 31 March 2003 £000** |
|---|---|---|
| Interest payable on subordinated loan per note 14. | 55 | 52 |

## 7. Taxation on profit on ordinary activities

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| **UK corporation tax** | | |
| UK Corporation tax on profits of the year | 1,548 | 56 |
| Adjustments in respect of previous periods | 2 | (47) |
| **Total current tax** | 1,550 | 9 |
| **Deferred tax** | | |
| Originating and reversal of timing differences | (9) | (9) |
| **Total tax** | 1,541 | - |

| **Reconciliation of tax charge:** | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| The tax assessed on the profit on ordinary *activities during the year is lower than the* standard rate of corporation tax of 30% (2003: small companies rate of 19%). The differences are reconciled below: | | |
| Profit on ordinary activities before tax | 4,925 | 214 |
| Tax on profit on ordinary activities at standard rate of 30% (2003: small companies rate of 19%) | 1,478 | 41 |
| Depreciation in excess of capital allowances | 9 | 6 |
| Adjustments in respect of previous periods | 2 | (47) |
| Disallowed expenses | 61 | 9 |
| **Total current tax** | 1,550 | 9 |

## 8. Subsidiary undertakings

Details of the PCP Holdings PLC two subsidiary undertakings at 31 March 2004, for which 100% of the voting equity share capital was held is as follows:

| Principal subsidiary undertakings | Country of Incorporation and registration | Nature of business |
|---|---|---|
| Polar Capital Secretarial Services Limited (The company was dormant during the period) | UK | Corporate Company Secretary |
| Polar Capital Partners Limited | UK | Discretionary investment management and advisory services |

## 9. Tangible fixed assets, group and company

| | Office furniture £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2003 | 69 | 125 | 194 |
| Additions | 7 | 47 | 54 |
| At 31 March 2004 | 76 | 172 | 248 |
| **Accumulated depreciation** | | | |
| At 1 April 2003 | 36 | 66 | 102 |
| Charge for the year | 23 | 43 | 66 |
| At 31 March 2004 | 59 | 109 | 168 |
| **Net book value** | | | |
| At 31 March 2004 | 17 | 63 | 80 |
| At 31 March 2003 | 33 | 59 | 92 |

## 10. *Company fixed asset investment*

The investment represents the company's wholly owned subsidiary Polar Capital Partners Limited.

## 11. Group investments

### Fixed asset investments

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

| | **£000** |
|---|---|
| Cost as at 1 April 2003 | 5 |
| Additions | 1 |
| Disposals | (5) |
| Cost as at 31 March 2004 | 1 |

### Current asset investments

Polar Capital Partners Limited made a loan of £668,611 to the Polar Capital Employee Benefit Trust established during the year ended 31 March 2003 to fund the acquisition of 65,520 ordinary shares of the Company. During the year 7,500 shares were purchased from the Trust at £10.16 per share. The £76,200 raised was repaid to Polar Capital Partners Limited, thereby reducing the loan at the year-end to £592,411. On consolidation these shares have been included as an investment in own shares.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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

| | Year ended 31 March 2004 Group £000 | Year ended 31 March 2004 Company £000 | Year ended 31 March 2003 Group £000 | Year ended 31 March 2003 Company £000 |
|---|---|---|---|---|
| Trade debtors | 1,976 | - | 563 | - |
| Other debtors | 90 | 1,596 | 35 | - |
| Prepayments and accrued income | 148 | - | 7 | - |
| Corporation tax | 156 | - | 192 | - |
| | 2,370 | 1,596 | 797 | - |

In 2004 amounts falling due in less than one year include an amount of £90,000 due from two officers of the Company, who are not directors (2003: £35,000).

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

| | Year ended 31 March 2004 Group £000 | Year ended 31 March 2004 Company £000 | Year ended 31 March 2003 Group £000 | Year ended 31 March 2003 Company £000 |
|---|---|---|---|---|
| Corporate taxation | 1,550 | - | 223 | - |
| Other creditors | 794 | - | 105 | - |
| Accruals and deferred income | 105 | - | 175 | - |
| Dividend payable | 1,592 | 1,592 | - | - |
| | 4,041 | 1,592 | 503 | - |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

| 14. Creditors: amounts falling due after more than one year | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Fixed rate subordinated loan repayable 16 January 2006 | 1,000 | 1,000 |

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

| 15. Provision for Liabilities and Charges | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Deferred tax | - | 10 |
| **Provision for deferred tax** | | |
| **Deferred tax liability** | | |
| At 1 April 2003 | 10 | 19 |
| Provided during the year | (10) | (9) |
| At 31 March 2004 | - | 10 |

| 16. Called-up share capital | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| **Authorised:** | | |
| Comprising 5,000,000 Ordinary Shares of £1 each | 5,000 | 5,000 |
| **Allotted, called up and fully paid:** | | |
| 1,083,332 Ordinary Shares of £1 each | 1,084 | 1,084 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 17. Share Premium Account

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Balance at 1 April 2003 | 200 | - |
| Ordinary Shares issued | - | 200 |
| Balance at 31 March 2004 | 200 | 200 |

### 18. Group Profit and Loss Account

| | Year ended 31 March *2004* £000 | Year ended 31 March *2003* £000 |
|---|---|---|
| Balance at 1 April 2003 | 854 | 516 |
| Retained profit for the period | 1,792 | 214 |
| Dividend waived | - | 124 |
| Balance at 31 March 2004 | 2,646 | 854 |

### 19. Reconciliation of operating profit to net cash inflow from operating activities

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Operating profit | 4,855 | 165 |
| Depreciation charges | 66 | 58 |
| (Increase) / decrease in debtors | (1,609) | 245 |
| Increase in creditors | 625 | 144 |
| Net cash inflow from operating activities | 3,937 | 612 |

## 20. Reconciliation of net cash flow to Movement in net debt

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Increase in cash in the year | 3,844 | 596 |
| Movement in cash in the year | 3,844 | 596 |
| Net cash at 1 April 2003 | 2,797 | 2,201 |
| Net cash at 31 March 2004 | 6,641 | 2,797 |

## 21. Movement in cash in hand during the year

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Cash in hand, at bank at the beginning of the year | 2,797 | 2,201 |
| Movement in cash during the year | 3,844 | 596 |
| Cash in hand, at bank at end of the year | 6,641 | 2,797 |

## 22. Operating lease commitments

At 31 March 2004 the group had annual, non land & building, operating lease commitments as follows:

| | Year ended 31 March 2004 £000 | Year ended 31 March 2003 £000 |
|---|---|---|
| Less than 1 Year | 181 | 105 |
| | 181 | 105 |

**24. Contingent liabilities and financial commitments**

The only possible material contingent liability or financial commitment beyond those reflected in the financial statements is as follows. Polar Capital Partners Limited ("Polar Capital") is the appointed manager of a UK listed investment trust. The Company is aware that the Association of Investment Trust Companies along with one of its members has initiated legal proceedings against the HM Customs and Excise to challenge UK VAT legislation, which does not exempt the management expenses of investment trusts. It is not expected that the success or failure of this appeal will be known for several years. In the event that the challenge is successful, after any possible appeal and reference to the European Court of Justice, the Polar Capital may find itself in the position of having to reimburse its investment trust client for VAT incorrectly levied. It is expected that a proportion of any such repayment will not be able to be reclaimed from the Customs and Excise.

**24. Related party transactions**

Mr B Ashford-Russell is a director of both the Company and the Polar Capital Technology Trust PLC (the "Trust"). The Company is the appointed investment manager of the Trust. The total fees received by the Company as investment manager of the Trust was £2,621,470 (2003: £1,327,000). The amounts receivable at the year-end are disclosed in note 12.

At the year-end £90,000 was due from two officers of the company (2003: £35,000).

In the year ended 31 March 2003 the Polar Capital Partners Limited made as loan of £668,611 to the Polar Capital Employee Benefit Trust, which was established during that year, to fund the acquisition of 65,520 ordinary shares of Company. During the year 7,500 shares were purchased from the Trust at £10.16 per share. The £76,200 raised was repaid to Polar Capital Partners Limited, thereby reducing the loan at the year-end to £592,411. These shares have been included as a current asset investment in note 11.

**PCP HOLDINGS PLC**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of PCP Holdings PLC will be held at 30 Buckingham Gate, London SW1E 6NN on 29 June 2004 at 10.30 for the following purposes:

1. to receive the report of the directors and the financial statements for the year ended 31 March 2004 together with the report of the auditors thereon, and

2. to re-appoint Ernst & Young LLP as the auditors of the company and to authorise the directors to determine the remuneration of Ernst & Young LLP.

**By order of the Board**

Neil Taylor

**N P Taylor**
**Secretary**
Cayzer House, 30 Buckingham Gate, London
03 June 2004