

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Annual Report and**  
**Audited Financial Statements**

**For the year ended 31 January 2006**

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Annual Report and Audited Financial Statements**

*For the year ended 31 January 2006*

<b>Contents</b>	<b>Pages</b>
Management and Administration .....	2
Investment Manager's Report.....	3
Report of the Directors .....	7
Statement of Custodian's Responsibilities .....	9
Custodian's Report to the Shareholders .....	9
Independent Auditor's Report to the Shareholders .....	10
Portfolio Statement .....	12
Balance Sheet .....	21
Profit and Loss Account .....	22
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares .....	23
Notes to the Financial Statements.....	24
Statement of Significant Portfolio Movements .....	35

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Management and Administration**

**Directors:**

James Cayzer-Colvin (GB)  
Neil Taylor (GB)  
David Hammond (IRL)\*  
Jonathan Quigley (IRL)\*  
Ronan Daly (GB)\*

\* Directors independent of the Investment Manager

**Investment Manager:**

*Up to 28 October 2005*  
Polar Capital Partners Limited  
4 Matthew Parker Street  
London SW1H 9NP  
United Kingdom

*From 28 October 2005*

Polar Capital LLP  
4 Matthew Parker Street  
London SW1H 9NP  
United Kingdom

**Administrator, Registrar, Transfer**

**Agent and Secretary:**

Northern Trust Fund Administration Services  
(Ireland) Limited  
(formerly International Fund Managers (Ireland)  
Limited)  
George's Quay House  
43 Townsend Street  
Dublin 2

**Legal Advisers:**

*as to English law*  
Slaughter and May  
1 Bunhill Row  
London EC1Y 8YY  
United Kingdom

**Sponsoring Broker:**

J & E Davy  
Davy House  
49 Dawson Street  
Dublin 2

**Dutch Paying Agent:**

Dexia Bank Nederland NV  
Beethovenstraat 300  
1077 WZ  
Amsterdam  
The Netherlands

**Registered Office:**

IFSC House  
International Financial Services Centre  
Dublin 1

**Company Registration Number:**

348391

**Custodian:**

Northern Trust Fiduciary Services (Ireland) Limited  
(formerly Barings (Ireland) Limited)  
George's Quay House  
43 Townsend Street  
Dublin 2

**Independent Auditor:**

KPMG  
Chartered Accountants & Registered Auditor  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

*as to Irish law*

William Fry Solicitors  
Fitzwilton House  
Wilton Place  
Dublin 2

**German Paying and  
Information Agent:**

Deutsche Bank AG  
Taubusanlage 12  
D-60325  
Frankfurt am Main  
Germany

**Austrian Paying Agent:**

Meinl Bank  
Aktiengesellschaft  
Bauernmarkt 2  
1014 Wien  
Austria

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Japan Fund** **Investment Manager's Report** *For the year ended 31 January 2006*

Over the year the Fund rose 44.3% compared to an increase in Topix of 32.3% in USD terms. Following a disappointing first six months, with the market remaining in a tight trading range, share prices rose dramatically from August following the failure of the postal privatisation bill and the decisive action taken by PM Koizumi and his subsequent election victory. Unfortunately USD returns were dampened somewhat by the strengthening dollar. Smaller companies outperformed their large cap peers with TSE Second Section and Topix Small Index up 44.3% and 39.9% respectively in USD terms. At a sector level, machinery, real estate, financials and commodity related sectors led the market higher with relative weakness in pharmaceuticals, utilities, telecoms and air transport.

Strong relative performance was a combination of good stock selection and sector allocation. In particular, stock selection within machinery, electrical and retail was accretive. The bias to mid and small cap names were also beneficial given the relative underperformance of large caps. At a sector level, the overweight positions in machinery, real estate and brokers and the underweight in telecoms and utilities were the main positive contributors.

Positive bank lending data, a recovery in real estate prices in central Tokyo, and a prolonged capital expenditure cycle are extremely supportive for share prices against a backdrop of rising GDP growth globally. While demographics are causing some concern amongst policy makers given the potential issues about pension fund contributions and general economic growth – the Japanese population actually declined in 2005 for the first time ever – it is in the short term helping to boost wages and therefore consumption as unemployment falls.

Looking forward, we believe that the Japanese stock market is still in a long-term bull trend. Valuations are looking a bit stretched for 3/07 with the PER for Topix around 20x; it could be argued that this level is justified given how low interest rates remain (particularly against the earnings yield of the market) even after the end of the Bank of Japan's zero interest rate policy. Moreover, the 3/08 PER could be closer to 18x should we achieve better top-line corporate growth, as deflationary pressures ease. And while the dividend yield is still disappointing in Japan at 0.9%, most companies have sharply raised dividends in the last year and will probably continue this going forward as shareholders, including Japanese domestic pension funds demand it.

However, as far as the next six months for the Tokyo stock market is concerned, it is unlikely to be as smooth a rise upward as the last six months of 2005. This is because of a number of reasons: the first is the ongoing fallout from the Livedoor scandal – there is ongoing speculation that other Japanese corporations are going to be investigated for share price manipulation, and this would of course be perceived as an albeit short term negative for the market. The second reason is there is a lot of supply of stock coming on the market currently; on an annualized basis the present level is roughly double that of last year as brokers and corporates rush to take advantage of a higher level of the stock market and lower interest rates. Some companies have even re-issued treasury stock rather than cancel it, hence depressing EPS. The third reason, and probably the most important, is the global interest rate cycle, which could be on a faster and sharper tightening phase than investors expect.

As a consequence, we have positioned the portfolio in a number of large blue chips, which we feel have good valuations and a relatively safer earnings outlook. We are of course prepared to be opportunistic and buy mid-cap and small caps when they become undervalued, but we feel that the bigger stocks will likely outperform on a six-month view.

**Polar Capital Partners Limited**  
**April 2006**

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Global Technology Fund**  
**Investment Manager's Report**  
*For the year ended 31 January 2006*

The Fund gained 16.6% over the year ending January 2006. This compares favourably to a gain of 11.8% for the Nasdaq composite but was behind the return delivered by the Russell 2000 technology index of 18.3%. Substantially, all the gains were achieved over the closing 3 months of the period.

In the US, the opening months of 2005 proved difficult with the technology stocks selling off with the general market as investors fretted over soaring energy prices and global instability. Rising interest rates in the US proved a constant concern throughout the year but the market recovered somewhat over the summer months as the global economy refused to be derailed.

However, it was not until October that technology stocks and smaller stocks in particular began a sustained run of outperformance, which has continued into the current year. In part this reflects a growing risk appetite by investors yet it also reflects a broad based improvement in technology demand with a good number of smaller companies enjoying strong product cycles.

A good example is in the optical space – darlings of the technology bull market at the end of the nineties but savaged in the subsequent collapse in communications spending in the early years of this decade. We made our first investment back in the area during the summer with purchases of JDS Uniphase and Finisar. JDS hit a high of \$153 in March of 2000 before falling to below \$1.50 in the summer of 05! Whilst Finisar hit a high of over \$61 before falling to below 50c! We didn't quite pick the bottom but both stocks have delivered over 100% return since our initial investment.

Fiber optic spending is returning as broadband infrastructure is rolled out around the globe. This in turn has enabled new bandwidth hungry applications to be deployed. Given the severity of the downturn much consolidation has taken place within the optical suppliers leaving those left standing a good opportunity to benefit from the recovery in telecommunications spending.

One of the Fund's largest holdings at the end of the period was another company that had endured a very difficult market in the early years of the decade but where, once again, there is a significant improvement in demand for the Company's products. Intevac is one of only two major suppliers left in sputtering systems for the hard disk drive industry having survived a prolonged downturn in capital spending by the drive manufacturers. Just like the optical companies Intevac is now experiencing a strong recovery in demand helped by the secular improvement in the outlook for its customers. There is also a technology shift occurring within the industry towards perpendicular recording that is forcing the drive manufacturers to invest in a new generation of sputtering systems in order to maintain their own competitiveness.

European technology stocks had another good year with the Eurotec Index up 26.5% over the period and our own European portfolio posting a gain of 29.1%. After a tentative start to the period, the rally began in April and continued until January 2006 with minor pullbacks in August and October. In the portfolio we moved from the defensive stance of early 2005 into more growth orientated positions, reflecting our increased confidence in overall economic recovery and the consequent improvement in individual company results.

Major new positions were based not only on sound individual company fundamentals but also had a strong thematic overlay. New holdings in NDS and Advanced Digital Broadcasting, a new issue, were based on the team's positive view of the digitalisation of the home. Pure Wafer is a play on the increasing use of 300mm wafers in the semiconductor industry and Fresenius Medical Care, a major provider of dialysis treatments, is an aggressive consolidator in an industry with growth ultimately driven by an aging population.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Global Technology Fund**  
**Investment Manager's Report**  
*For the year ended 31 January 2006*  
*(continued)*

In Asia, the main story of the period was the emphatic resurgence of the Japanese market as a whole, which rather dwarfed events in the technology sector itself. A significant market breakout happened during August after Prime Minister Koizumi successfully outmanoeuvred less radical members of his own party to fully assert his authority ahead of a comprehensive victory at the polls. Economic data continued to confirm that Japan was definitively emerging from its deflationary spiral, and that the long heralded self-sustaining recovery was finally well underway. A classic liquidity-driven rally ensued, lead by the financial and asset-backed sectors such as real estate.

The technology sector (and particularly small caps therein) lagged this surge badly for the first couple of months, however, and only really joined the party in the final two months of the year. The scale and volatility of the moves for small cap growth stocks – when they finally came – were nothing short of spectacular. The Japanese Mothers market (best growth index proxy) put on 40% in a six week burst before losing this entire gain in only one calamitous week. A scandal (securities fraud) at high-profile internet company, Livedoor, triggered the panic - the scale of which suggests a prolonged period of consolidation will likely be necessary for those stocks dependent on retail investors' enthusiasm.

In performance terms, the Asian portfolio continued to contribute strongly in both absolute and relative terms, helped particularly by some very timely profit-taking ahead of the vicious January sell-off in Japanese small caps. Top pick of the period was Software Services, which more than doubled. The company makes software enabling the shift to electronic patient records in Japanese hospitals; a trend that we expect to continue to gain momentum over the rest of the decade. Other notable successes that gained over 50% were Dena (e-commerce services over mobile phones), Terilogy (next generation telecom equipment) and Motech (solar cells).

2006 has started well for the Fund as the strong trends evident over the closing months of last year have continued. Technology spending is improving globally and we believe the long period of underperformance for the sector following the bursting of 'the technology bubble' should now be behind us. Assuming the bull market in global equities continues over the coming year we would expect the technology sector to deliver performance in line or better than the general market.

We have increased our exposure to the US, which has lagged both Europe and Asia over recent years. Given the broad based improvement we are seeing in many of our names there we believe the US technology sector should play catch-up to the other regions over the coming year. As to risks, geopolitical instability, notably in the middle east, remains a concern. We would also need to revise our optimistic outlook if interest rates have to raise significantly more than current market expectations.

**Polar Capital Partners Limited**  
**April 2006**

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Asia ex Japan Fund** **Investment Manager's Report** *For the year ended 31 January 2006*

The year ended 31 January 2006 was a positive one for the Fund with 12 month USD returns reaching 15.21% and assets exceeding \$150m. The year however was not an easy one for the strategy as the underlying current of the markets entailed several difficult periods and developments.

Volatility experienced in the second calendar quarter was particularly damaging with a 2.09% draw down; however a recovery trend was quickly established and healthy gains were subsequently registered for the third and fourth quarters.

The overall environment remained one dominated by a focus on growth and momentum or in other words developments of P&L components as opposed to the balance sheet and the price of assets which unquestionably is our strength. Subsequently we found ourselves engaging early on in situations which only now are showing more consistent signs of life. The most prominent of these were in Taiwan and in particular the technology stocks of that market which shows a combination of attractive characteristics; low asset based valuations, no debt, rising earnings and high dividends, including Silicon Integrated Systems - a fabless design house (+75% during the year), Inventec - a maker of notebook computers and various consumer electronics (+41%) as well as Chung Hsin - producer of power turbines (+54%). In sum our Taiwanese holdings outperformed the local market by a wide margin but this was mitigated by the market's aggregated underperformance relative to the region.

There were several very positive movers among the fund's holdings including property companies in the Philippines.

Overall the environment left us cautious particularly towards the end of the year as fund flows dwarfed all previous records. This cautious attitude did not pay off since this new money effectively pushed markets to new highs and caused waves of short covering. As the region hits new highs valuations have also moved higher; indeed our work shows that trailing price-to-book valuations are now 2.5 standard deviations above their nine year average. This is offset by strong momentum and firm economic growth in the short term.

Somewhat illustrative of this situation, most global equity markets have ignored renewed oil price strength and rising US government bond yields and established important new highs. Indeed, the MSCI Far East Free ex Japan ended March by registering its highest close since July 1997 (using the dividend re-invested index, MSCI Far East free ex Japan have hit all-time highs). Thus, following a two and a half month period of sideways movement, it would seem that this is as much consolidation as we are going to get for now, the path of least resistance is up. In addition, many other non-equity markets are registering new highs including gold at 25 year high and oil back above \$70/bbl.

The crucial point here is obviously that the risks are not going away as markets move higher; the prospects for synchronised global tightening remain an issue. Could inflation driven by ever higher commodity prices, themselves more than partially fuelled by cheap money, become an issue? Indeed the crucial development, in-capturing the potential danger of a dramatic US slowdown caused by a slowing consumer (or government?), is that US bond yields have risen to their highest level since June 2002 and are threatening to break-out. So far this has not affected classic risk indicators such as junk-bond or emerging market bond spreads (in fact both have narrowed) and domestic bond yields in Asia also, by and large, remain very well behaved (key exceptions being Hong Kong, for obvious reasons, and India where 10 year bonds now yield 7.56%, their highest since May 2002).

Our response to all of this will be to raise the exposure level of the fund somewhat by reducing the risk created from our negative stock views (short positions), while keeping a very close eye on all of these aforementioned risk indicators. The general tendency is still to sell into strength given the aggregation of deteriorating liquidity and extended valuations. The contrasting messages sent out by the traditionally "risk-free" government bond market (clearly I understand there are very real risks) on the one hand and more risky asset classes on the other are striking given the late point of the business cycle in which we find ourselves. Thus the ability to protect the downside should be prioritised.

**Polar Capital Partners Limited**  
**April 2006**

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Report of the Directors**

*For the year ended 31 January 2006*

The Directors of Polar Capital Funds plc (the “Company”) have pleasure in submitting their Annual Report and Audited Financial Statements for the year ended 31 January 2006 to the shareholders.

### **Statement of Directors’ Responsibilities**

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The company’s financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

In preparing each of the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors’ Report that complies with the requirements of the Companies Acts 1963 to 2005.

### **Basis of presentation**

The format and certain wording of the financial statements have been adapted from those contained in the Companies (Amendment) Act, 1986, so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company’s business as an investment fund.

### **Directors’ statement on proper books of account**

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to finance this function. The books of account of the Company are maintained by Northern Trust Fund Administration Services (Ireland) Limited (the “Administrator”), at George’s Quay House, 43 Townsend Street, Dublin 2, Ireland.

### **Activities and Business Review**

Polar Capital Funds plc is an open-ended investment company with variable capital organised under the laws of Ireland. The Company was incorporated on 28 September 2001. A detailed review of the Company’s activities for the year ended 31 January 2006 is included in the Investment Manager’s Report on pages 3 to 6.

### **Risk Management Objectives and Policies**

The principal risks and uncertainties faced by the Company are market price risk, foreign currency risk, liquidity risk and credit risk, which are outlined in note 13.



**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Report of the Directors**  
*For the year ended 31 January 2006*  
*(continued)*

**Directors**

There were no appointments or resignations during the year.

**Directors' Interests in Shares of the Company**

Neither the Directors nor the Secretary have an interest in the share capital of the Company.

**Transactions involving Directors**

Other than as disclosed in Note 11 to the financial statements, there were no contracts or agreements of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act, 1990, at any time during the year.

**Results**

The results of operations for the year are set out in the Profit and Loss Account on page 22.

**Subsequent Events**

There have been no events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the financial statements for the year ended 31 January 2006.

**Future Developments**

The Company will continue to act as an investment vehicle as set out in its prospectus.

**Auditor**

In accordance with Section 160 (2) of the Companies Act, 1963, KPMG, Chartered Accountants, have indicated their willingness to continue in office.

**On behalf of the Board**

Jonathan Quigley            }

Directors

David Hammond            }

25 May 2006

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Statement of Custodian's Responsibilities**

The Custodian is responsible for controlling the assets of the Company and must take reasonable care to ensure and report that the Company complies with the provisions of the Prospectus and the Companies Acts, 1963 to 2005. In particular the Custodian must:

- take into its custody or under its control, all the assets of the Company and hold them in trust for the shareholders in accordance with Companies Acts, 1963 to 2005.
- satisfy itself that the valuation of the shares of the Company and that the sale, issue, repurchase, redemption and cancellation of shares of the Company are being carried out in accordance with the Companies Acts, 1963 to 2005.

**Custodian's Report to the Shareholders**

*For the year ended 31 January 2006*

In our opinion, the affairs of the Company have been conducted in all material respects for the year ended 31 January 2006 in accordance with the provisions of the Companies Acts, 1963 to 2005 and in accordance with the limitations imposed on the investment and borrowing powers of the scheme by the Memorandum and Articles of Association, and by the Financial Regulator under the powers granted to Financial Regulator by the European Communities (Undertaking for Collective Investments in Transferable Securities) Regulations, 2003 as amended.

**Northern Trust Fiduciary Services (Ireland) Limited**  
Dublin

25 May 2006

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Independent Auditor's Report to the Shareholders of**  
**Polar Capital Funds plc**

We have audited the financial statements of Polar Capital Funds plc (the "Company") for the year ended 31 January 2006 which comprise Balance Sheet, Profit and Loss Account and Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders with the related notes and the Portfolio Statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider 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 International Standards on Auditing (UK and Ireland) 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 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.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Independent Auditors' Report to the Shareholders of**  
**Polar Capital Funds plc**  
*(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 January 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended).

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

**KPMG**

Chartered Accountants  
1 Harbourmaster Place  
IFSC  
Dublin 1

25 May 2006

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Japan Fund**

*As at 31 January 2006*

<b>Financial assets at fair value through profit or loss</b>				<b>31 January</b>	<b>31 January</b>
<b>Equities</b>				<b>2006</b>	<b>2005</b>
<b>Basic Materials</b>	<b>Currency</b>	<b>Nominal</b>	<b>Fair</b>	<b>% of</b>	<b>% of</b>
		<b>Holding</b>	<b>Value</b>	<b>NAV</b>	<b>NAV</b>
			<b>US\$</b>		
Aica Kogyo	JPY	91,300	1,450,852	0.22	
Air Water	JPY	759,000	8,418,931	1.30	
Chugoku Marine Paints	JPY	895,000	5,983,989	0.93	
JFE Holdings	JPY	458,300	16,475,476	2.55	
JSR	JPY	735,900	21,930,587	3.39	
Nittetsu Mining	JPY	1,485,000	11,386,987	1.76	
Sumitomo Forestry	JPY	374,000	4,055,845	0.63	
Ube Industries	JPY	2,271,000	6,244,232	0.97	
Yamato Kogyo	JPY	55,600	1,001,759	0.15	
			<hr/>	<hr/>	
			76,948,658	11.90	8.31
<b>Communications</b>					
Epson Toyocom	JPY	878,000	8,584,322	1.33	
Telepark	JPY	1,638	4,559,713	0.70	
			<hr/>	<hr/>	
			13,144,035	2.03	1.09
<b>Consumer, Cyclical</b>					
Autobacs Seven	JPY	218,300	11,184,357	1.73	
Gunze	JPY	1,253,000	8,334,788	1.29	
Inabata & Co	JPY	249,000	2,447,263	0.38	
Japan Wool Textile Co	JPY	661,000	6,276,424	0.97	
Keiyo	JPY	906,300	6,415,530	0.99	
Kinki Nippon Tourist	JPY	1,759,000	9,612,843	1.49	
Kyoto Kimono Yuzen	JPY	1,394	5,118,436	0.79	
Mitsubishi	JPY	688,900	16,118,060	2.49	
Nissen	JPY	580,300	8,820,203	1.37	
Parco	JPY	750,000	9,561,523	1.48	
Quin Land	JPY	2,150	5,415,848	0.84	
Sanyo Shokai	JPY	975,000	8,966,570	1.39	
Sumitomo Warehouse	JPY	792,000	6,559,986	1.01	
Toray Industries	JPY	1,437,000	12,025,105	1.86	
Toyota Motor	JPY	253,000	13,135,001	2.03	
			<hr/>	<hr/>	
			129,991,937	20.11	31.46
<b>Consumer, Non-cyclical</b>					
EPS	JPY	1,778	5,769,277	0.89	
Secom	JPY	231,500	11,999,018	1.86	
Takeda Pharmaceutical	JPY	412,400	23,382,598	3.62	
Unicharm Petcare	JPY	91,400	3,683,784	0.57	
			<hr/>	<hr/>	
			44,834,677	6.94	18.20
<b>Energy</b>					
INPEX	JPY	1,390	14,243,019	2.20	
Nippon Mining Holding	JPY	1,700,000	13,979,165	2.16	
			<hr/>	<hr/>	
			28,222,184	4.36	1.54
<b>Financial</b>					
Aioi Insurance	JPY	2,445,000	16,952,779	2.62	
Goldcrest	JPY	109,760	9,653,556	1.49	
Mitsubishi UFJ Financial Group	JPY	2,120	30,593,459	4.73	

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Japan Fund**

*As at 31 January 2006*

*(continued)*

<b>Financial assets at fair value through profit or loss</b>			<b>Fair</b>	<b>31 January</b>	<b>31 January</b>
<b>Equities</b>		<b>Nominal</b>	<b>Value</b>	<b>2006</b>	<b>2005</b>
<b>Financial (continued)</b>	<b>Currency</b>	<b>Holding</b>	<b>US\$</b>	<b>% of</b>	<b>% of</b>
				<b>NAV</b>	<b>NAV</b>
Mitsubishi UFJ Securities	JPY	250,000	3,464,691	0.54	
Musashino Bank	JPY	100,900	5,944,924	0.92	
Nikko Cordial	JPY	744,000	11,841,995	1.83	
Nomura Holdings	JPY	758,500	14,831,910	2.29	
NTT Urban Development	JPY	2,582	20,195,645	3.12	
Sompo Japan Insurance	JPY	477,000	6,793,920	1.05	
Sumitomo Mitsui Financial Group	JPY	3,650	42,699,171	6.61	
Tachihi Enterprise	JPY	140,200	7,182,990	1.11	
UCS	JPY	120,400	5,911,536	0.92	
			<hr/>	<hr/>	
			176,066,576	27.23	16.05
<b>Industrial</b>					
CKD	JPY	649,000	10,224,618	1.58	
Fuji Electric Holdings	JPY	3,474,000	19,014,892	2.94	
Glory	JPY	523,000	11,231,705	1.74	
Hirano Tecseed	JPY	55,000	1,033,217	0.16	
Hitachi Construction Machinery	JPY	823,000	22,769,362	3.52	
JS Group	JPY	710,400	14,952,916	2.31	
Kinki Sharyo	JPY	2,178,000	10,470,617	1.62	
Komori	JPY	547,000	12,167,492	1.88	
Makino Milling Machine	JPY	810,000	10,139,698	1.57	
Murata Manufacturing	JPY	219,300	15,917,087	2.46	
Nippon Koei	JPY	876,000	4,345,965	0.67	
Nissin Electric	JPY	553,000	3,395,158	0.53	
Ryobi	JPY	1,647,000	11,968,209	1.85	
Sankyu	JPY	1,566,000	10,430,194	1.61	
Sodick	JPY	398,800	6,810,691	1.06	
Taikisha	JPY	199,200	3,347,499	0.52	
Takeuchi Manufacturing	JPY	44,800	3,542,379	0.55	
Toyo Seikan Kaisha	JPY	600,000	10,707,881	1.66	
Yokogawa Electric	JPY	708,200	13,455,256	2.08	
			<hr/>	<hr/>	
			195,924,836	30.31	20.10
<b>Technology</b>					
Sorun	JPY	954,500	7,987,448	1.24	
Tokyo Electron	JPY	139,000	10,670,395	1.65	
			<hr/>	<hr/>	
			18,657,843	2.89	4.16
<b>Total financial assets at fair value through profit or loss</b>			<hr/> <b>683,790,746</b>	<hr/> <b>105.77</b>	<hr/> <b>100.91</b>
<b>Cash at Bank</b>			<b>378,173</b>	<b>0.06</b>	<b>(5.04)</b>
<b>Other Net Liabilities</b>			<b>(37,663,482)</b>	<b>(5.83)</b>	<b>4.13</b>
<b>Total Net Assets attributable to redeemable participating shareholders</b>			<hr/> <b>646,505,437</b>	<hr/> <b>100.00</b>	<hr/> <b>100.00</b>

All investments are transferable securities admitted to an official Stock Exchange listing or traded on a regulated market at the year end.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Global Technology Fund**

*As at 31 January 2006*

Financial assets at fair value through profit or loss		Nominal	Fair Value	31 January 2006 % of	31 January 2005 % of
Equities	Currency	Holding	US\$	NAV	NAV
<b>Austria</b>	EUR	-	-	0.00	1.03
<b>Belgium</b>					
Icos Vision Systems	EUR	10,000	424,405	1.10	2.14
<b>Canada</b>					
ATS Automation Tooling Systems	CAD	26,700	395,374	1.02	
Cellex Power Products *	CAD	600,000	386,775	1.00	
Xantrex Technology	CAD	40,000	303,683	0.79	
			<u>1,085,832</u>	2.81	5.69
<b>Denmark</b>					
GN Store	DKK	29,398	419,679	1.09	0.00
<b>Finland</b>					
	GBP	-	-	0.00	0.49
<b>France</b>					
Sword Group	EUR	12,507	440,134	1.14	2.21
<b>Germany</b>					
Dialog Semiconductor	EUR	135,000	421,308	1.09	
Epcos	EUR	30,000	458,284	1.18	
Fresenius Medical Care	EUR	5,000	532,661	1.38	
Wincor Nixdorf	EUR	4,400	511,860	1.32	
			<u>1,924,113</u>	4.97	4.87
<b>Ireland</b>					
EcoSecurities Group	GBP	75,000	256,612	0.66	0.00
<b>Israel</b>					
AudioCodes	USD	25,000	316,750	0.82	
Ituran Location and Control	USD	21,300	378,288	0.98	
			<u>695,038</u>	1.80	0.00
<b>Japan</b>					
Aruze	JPY	35,000	713,085	1.84	
Dena	JPY	245	722,055	1.87	
Golf Digest Online	JPY	600	604,809	1.56	
NEC	JPY	80,000	519,384	1.34	
Nisca	JPY	26,100	436,777	1.13	
Osaka Organic Chemical Industry	JPY	74,000	644,788	1.67	
Software Service	JPY	17,200	852,200	2.20	
			<u>4,493,098</u>	11.61	18.98
<b>Luxembourg</b>					
	EUR	-	-	0.00	1.41
<b>Korea</b>					
Boryung Pharmaceutical	KRW	6,305	273,868	0.71	
CDNetworks	KRW	16,000	476,041	1.23	
Inicis	KRW	104,047	841,330	2.17	
Intelligent Digital Integrated Security	KRW	40,000	669,692	1.73	
			<u>2,260,931</u>	5.84	2.26
<b>Netherlands</b>					
Exact Holding	EUR	20,000	650,876	1.68	1.14

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Global Technology Fund**

*As at 31 January 2006*

*(continued)*

<b>Financial assets at fair value through profit or loss</b>		<b>Nominal</b>	<b>Fair Value</b>	<b>31 January</b>	<b>31 January</b>
<b>Equities</b>	<b>Currency</b>	<b>Holding</b>	<b>US\$</b>	<b>2006</b>	<b>2005</b>
<b>Norway</b>	<b>NOK</b>	<b>-</b>	<b>-</b>	<b>% of</b>	<b>% of</b>
				<b>NAV</b>	<b>NAV</b>
				0.00	1.27
<b>Sweden</b>					
Semcon	SEK	50,000	367,701	0.95	
TradeDoubler	SEK	16,000	312,020	0.81	
			<u>679,721</u>	1.76	3.63
<b>Switzerland</b>					
Advanced Digital Broadcast Holdings	CHF	2,500	268,327	0.69	
Austriamicrosystems	CHF	8,000	446,809	1.16	
			<u>715,136</u>	1.85	0.00
<b>Taiwan</b>					
Genius Electronic Optical	TWD	20,000	226,703	0.59	
Motech Industries	TWD	50,000	906,813	2.35	
St Shine Optical	TWD	250,000	608,190	1.57	
Universal Vision Biotechnology	TWD	400,000	620,385	1.60	
Universal Vision - Right Issue 03/02/06 - 03/03/06	TWD	40,149	9,039	0.02	
			<u>2,371,130</u>	6.13	0.00
<b>United Kingdom</b>					
Biocompatibles International	GBP	70,638	261,776	0.68	
Dealogic Holdings	GBP	63,000	167,964	0.43	
Inmarsat	GBP	66,000	414,099	1.07	
NDS Group ADR	USD	15,000	646,952	1.67	
Pure Wafer	GBP	122,000	624,507	1.62	
System C Healthcare	GBP	340,260	201,089	0.52	
			<u>2,316,387</u>	5.99	4.39
<b>United States</b>					
ADE	USD	14,800	481,444	1.24	
Akamai Technologies	USD	22,000	481,357	1.24	
Amdocs	USD	15,000	483,000	1.25	
Applied Films	USD	22,000	494,340	1.28	
Applied Materials	USD	30,500	581,025	1.50	
Aspect Medical Systems	USD	2,000	72,340	0.19	
Cognex	USD	15,000	437,700	1.13	
Cognizant Technology Solutions	USD	10,000	523,700	1.35	
Converse Technology	USD	23,000	629,970	1.63	
Cree	USD	14,000	364,842	0.94	
CryoCor	USD	18,900	96,957	0.25	
Cybersource	USD	34,000	294,440	0.76	
Cypress Semiconductor	USD	33,000	558,690	1.44	
eBay	USD	9,650	415,915	1.08	
Emcore	USD	104,200	851,314	2.20	
EPIQ Systems	USD	16,500	367,950	0.95	
Essex	USD	26,000	531,700	1.37	



**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Global Technology Fund**

*As at 31 January 2006*

*(continued)*

<b>Financial assets at fair value through profit or loss</b>		<b>Nominal</b>	<b>Fair Value</b>	<b>31 January</b>	<b>31 January</b>
<b>Equities</b>	<b>Currency</b>	<b>Holding</b>	<b>US\$</b>	<b>2006</b>	<b>2005</b>
<b>United States (continued)</b>				<b>% of</b>	<b>% of</b>
				<b>NAV</b>	<b>NAV</b>
F5 Networks	USD	6,000	387,660	1.00	
Finisar	USD	160,000	432,000	1.12	
Google	USD	800	346,128	0.90	
ID Systems	USD	11,100	263,625	0.68	
Indus International	USD	138,654	488,062	1.26	
Intermec	USD	10,000	348,700	0.90	
Intersil	USD	21,500	624,790	1.62	
Intevac	USD	60,000	954,600	2.47	
IRIS International	USD	20,000	457,200	1.18	
JDS Uniphase	USD	120,000	374,400	0.97	
Medtronic	USD	11,000	621,170	1.61	
Mindspeed Technologies	USD	170,000	538,900	1.39	
Neoware	USD	10,000	271,500	0.70	
Netlogic Microsystems	USD	10,000	363,100	0.94	
Network Appliance	USD	16,700	521,040	1.35	
Packeteer	USD	38,000	491,720	1.27	
Plantronics	USD	14,500	507,500	1.31	
Qualcomm	USD	12,000	575,520	1.49	
Semitool	USD	25,500	348,075	0.90	
Sonus Networks	USD	150,000	701,981	1.81	
Tegal	USD	300,000	183,000	0.47	
Terayon Communication Systems	USD	100,000	239,000	0.62	
Viasat	USD	30,000	756,000	1.95	
Websense	USD	15,000	988,950	2.56	
			<hr/>	<hr/>	<hr/>
			19,451,305	50.27	55.48
<b>Warrants</b>					
<b>United States</b>					
Tegal Call Warrant 31/12/06*	USD	537,500	-	0.00	0.00
<b>Total financial assets at fair value through profit or loss</b>			<hr/> <b>38,184,397</b>	<hr/> <b>98.70</b>	<hr/> <b>104.99</b>
<b>Cash at Bank</b>			<b>2,727,966</b>	<b>7.05</b>	<b>(1.73)</b>
<b>Other Net Liabilities</b>			<b>(2,224,161)</b>	<b>(5.75)</b>	<b>(3.26)</b>
<b>Total Net Assets attributable to redeemable participating shareholders</b>			<hr/> <b>38,688,202</b> <hr/>	<hr/> <b>100.00</b> <hr/>	<hr/> <b>100.00</b> <hr/>

\* Unquoted and illiquid securities.

All other investments are transferable securities admitted to an official Stock Exchange listing or traded on a regulated market at the year end.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Asia ex Japan Fund**

*As at 31 January 2006*

<b>Financial assets at fair value through profit or loss</b>		<b>Nominal</b>	<b>Fair Value</b>	<b>31 January</b>	<b>31 January</b>
<b>Equities</b>	<b>Currency</b>	<b>Holding</b>	<b>US\$</b>	<b>2006</b>	<b>2005</b>
<b>Cayman Islands</b>				<b>% of</b>	<b>% of</b>
<b>Vietnam Growth Fund</b>	<b>USD</b>	<b>61,000</b>	<b>694,241</b>	<b>NAV</b>	<b>NAV</b>
<b>China / Hong Kong</b>					
Agile Property Holdings	HKD	4,800,000	2,846,993	1.68	
China Shineway Pharmaceutical Group	HKD	4,400,000	2,326,076	1.37	
Chongqing Changan Automobile	HKD	6,500,581	2,942,027	1.73	
CNPC Hong Kong	HKD	8,000,000	2,217,767	1.31	
Dongfeng Motor Group	HKD	10,640,000	3,429,802	2.02	
Great Wall Motor	HKD	6,945,500	3,358,321	1.98	
Hongkong & Shanghai Hotels	HKD	2,511,473	2,703,973	1.59	
Hutchison Whampoa	HKD	250,000	2,554,622	1.51	
Jiangling Motors	HKD	2,561,859	1,380,762	0.81	
New World Development	HKD	2,528,249	3,700,012	2.18	
Qingling Motors	HKD	17,200,000	2,971,807	1.75	
Sinotrans	HKD	7,050,000	2,772,531	1.63	
			<b>33,204,693</b>	<b>19.56</b>	<b>23.47</b>
<b>Korea</b>					
Hana Financial Group	KRW	80,800	3,961,893	2.33	
Humax	KRW	120,695	3,228,042	1.90	
Intelligent Digital Integrated Security	KRW	170,000	2,846,110	1.68	
Kook Soon Dang Brewery	KRW	162,249	2,733,164	1.61	
Kumho Tire	KRW	193,000	2,881,045	1.70	
LG Card	KRW	60,000	3,340,072	1.97	
Paradise	KRW	489,822	2,437,304	1.44	
POSCO ADR	USD	70,000	3,978,100	2.34	
Samsung SDI	KRW	30,000	3,010,418	1.77	
Samyang Genex	KRW	20,440	1,464,162	0.86	
Ssangyong Motor	KRW	270,000	2,177,578	1.28	
			<b>32,057,888</b>	<b>18.88</b>	<b>15.17</b>
<b>Malaysia</b>					
Bursa Malaysia	MYR	4,500,000	4,751,367	2.80	
KLCC Property Holdings	MYR	5,170,100	2,867,300	1.69	
Lion Diversified Holdings	MYR	2,624,200	2,490,908	1.47	
Proton Holdings	MYR	3,300,000	4,707,372	2.77	
			<b>14,816,947</b>	<b>8.73</b>	<b>7.01</b>
<b>Philippines</b>					
Ayala Land	PHP	11,000,000	2,267,498	1.34	
Benpres Holdings	PHP	86,000,000	1,781,016	1.05	
First Philippine Holdings	PHP	2,800,000	2,630,872	1.55	
Manila Electric.	PHP	2,350,000	1,013,902	0.60	
Megaworld	PHP	88,158,000	2,468,086	1.45	
Metropolitan Bank & Trust	PHP	4,000,000	2,224,353	1.31	
			<b>12,385,727</b>	<b>7.30</b>	<b>9.37</b>
<b>Singapore</b>					
Bio-Treat Technology	SGD	155,677	107,373	0.06	
Capita Commercial Trust	SGD	3,510,000	3,458,448	2.04	
United Test and Assembly Center	SGD	4,500,000	2,563,353	1.51	
			<b>6,129,174</b>	<b>3.61</b>	<b>5.98</b>

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Asia ex Japan Fund**

*As at 31 January 2006*

*(continued)*

<b>Financial assets at fair value through profit or loss</b>		<b>Nominal</b>	<b>Fair Value</b>	<b>31 January</b>	<b>31 January</b>
<b>Equities</b>	<b>Currency</b>	<b>Holding</b>	<b>US\$</b>	<b>2006</b>	<b>2005</b>
				<b>% of</b>	<b>% of</b>
				<b>NAV</b>	<b>NAV</b>
<b>Taiwan</b>					
Arima Computer	TWD	10,000,000	2,773,522	1.63	
Benq	TWD	2,800,000	2,884,838	1.70	
Chang Hwa Commercial Bank	TWD	4,355,000	2,403,482	1.42	
Chung Hsin Electric & Machinery Manufacturing	TWD	1,270,000	792,236	0.47	
Compal Electronics	TWD	5,500,000	5,073,325	2.99	
CTCI	TWD	4,500,000	2,040,274	1.20	
Elan Microelectronics	TWD	6,040,000	2,955,692	1.74	
Gemtek Technology	TWD	2,300,000	3,567,118	2.10	
Gigabyte Technology	TWD	3,000,000	2,607,798	1.54	
Inventec	TWD	9,400,000	6,378,162	3.76	
KGI Securities	TWD	7,500,000	2,579,657	1.52	
KYE Systems	TWD	3,799,087	2,993,558	1.76	
LITE-ON IT	TWD	2,500,000	3,111,222	1.83	
Realtek Semiconductor	TWD	6,162,000	7,340,990	4.32	
United Microelectronics	TWD	6,999,315	3,972,283	2.34	
			<u>51,474,157</u>	<u>30.32</u>	28.22
<b>Thailand</b>					
Krungthai Card (Local Market)	THB	3,902,200	2,259,247	1.33	
National Finance (Alien Market)	THB	3,200,000	1,237,864	0.73	
National Finance (Local Market)	THB	2,800,000	1,083,131	0.64	
True Corp (Alien Market)	THB	7,270,900	2,142,061	1.26	
			<u>6,722,303</u>	<u>3.96</u>	10.53
<b>Total Equities</b>			<u>157,485,130</u>	<u>92.77</u>	<u>99.75</u>
<b>Options</b>					
<b>Australia</b>					
Rio Tinto Put @ 66 March 06	AUD	150	83,089	0.05	0.00
<b>China / Hong Kong</b>					
Hang Seng Index Put @ 15,600 February 06	HKD	70	67,242	0.04	0.00
<b>India</b>					
S&P CNX Nifty Index Put @ 2,650 February 06	INR	3,292	26,109	0.02	
S&P CNX Nifty Index Put @ 2,850 February 06	INR	660	25,350	0.02	
			<u>51,459</u>	<u>0.04</u>	0.00
<b>Taiwan</b>					
TWSE Index Put @ 847.77 March 06	USD	375,060	98,228	0.06	0.67
<b>United Kingdom</b>					
BHP Billiton Put @ 9.00 March 06	GBP	232	24,660	0.01	
BHP Billiton Put @ 8.00 March 06	GBP	346,000	6,130	0.00	
Rio Tinto Put @ 22.00 March 06	GBP	126,000	2,232	0.00	
Rio Tinto Put @ 27.00 March 06	GBP	50	39,860	0.02	
			<u>72,882</u>	<u>0.03</u>	0.00
<b>Total Options</b>			<u>372,900</u>	<u>0.22</u>	<u>0.67</u>

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Asia ex Japan Fund**

*As at 31 January 2006*

*(continued)*

Financial assets at fair value through profit or loss	Currency	Nominal Holding	Fair Value US\$	31 January 2006 % of NAV	31 January 2005 % of NAV
<b>Unit Trust</b>					
<b>Cayman Islands</b>					
Vietnam Enterprises Investments	USD	1,150,000	1,920,500	1.13	
<b>Total Unit Trusts</b>			<u>1,920,500</u>	<u>1.13</u>	<u>0.00</u>
<b>Warrants</b>					
<b>China/Hong Kong</b>					
Cheung Kong Call Warrant April 2006	HKD	8,000,000	198,052	0.11	
HSBC Call Warrant 28/02/06	HKD	12,520,000	79,102	0.05	
Johnson Electric Call Warrant 31/03/06	HKD	9,050,000	326,734	0.19	
New World Development Call Warrants 06/02/06	HKD	500,000	86,390	0.05	
New World Development Call Warrant 28/02/06	HKD	2,970,000	172,328	0.10	
PCCW Call Warrant 20/02/06	HKD	12,000,000	123,782	0.07	
PCCW Call Warrant 27/01/06	HKD	10,645,000	13,726	0.01	
PCCW Call Warrant 30/06/06	HKD	5,130,000	304,272	0.18	
Sun Hung Kai Warrant 01/03/06	HKD	16,580,000	200,956	0.12	
<b>Total Warrants</b>			<u>1,505,342</u>	<u>0.88</u>	<u>0.00</u>
<b>Contract For Differences</b>					
<b>China/Hong Kong</b>					
Techtronic Industries	HKD	(1,400,000)	66,646	0.04	
<b>United Kingdom</b>					
BHP Billiton	GBP	(162,000)	29,646	0.02	
<b>Total Contract For Differences</b>			<u>96,292</u>	<u>0.06</u>	<u>0.00</u>
<b>Total financial assets at fair value through profit or loss</b>			<u>161,380,164</u>	<u>95.06</u>	<u>100.42</u>
<b>Financial liabilities at fair value through profit or loss</b>					
<b>Contract For Differences</b>					
<b>Korea</b>					
Hyundai Motor	USD	(30,000)	(7,000)	0.00	0.00
<b>Taiwan</b>					
Hon Hai Prec Industries	TWD	(500,000)	(87,912)	(0.05)	
Tripod Technology	TWD	(1,000,000)	(77,046)	(0.05)	
			<u>(164,958)</u>	<u>(0.10)</u>	<u>0.00</u>
<b>Total Contract For Differences</b>			<u>(171,958)</u>	<u>(0.10)</u>	<u>0.00</u>

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Portfolio Statement: Asia ex Japan Fund**

*As at 31 January 2006*

*(continued)*

<b>Financial liabilities at fair value through profit or loss</b>			<b>31 January</b>	<b>31 January</b>
<b>Futures*</b>		<b>Fair Value</b>	<b>2006</b>	<b>2005</b>
		<b>US\$</b>	<b>% of</b>	<b>% of</b>
			<b>NAV</b>	<b>NAV</b>
<b>China / Hong Kong</b>				
H-Shares Index February 06	HKD	(370)	(487,432)	(0.29)
<b>Korea</b>				
Kospi 2 March 06	KRW	(150)	(304,515)	(0.18)
<b>Taiwan</b>				
MSCI Taiwan Index February 06	USD	(300)	(36,000)	(0.02)
<b>Total Futures</b>			<u>(827,947)</u>	<u>(0.49)</u>
<b>Total financial liabilities at fair value through profit or loss</b>			<u>(999,905)</u>	<u>(0.59)</u>
<b>Total financial assets and financial liabilities at fair value through profit or loss</b>			<b>160,380,259</b>	<b>94.47</b>
<b>Cash at Bank</b>			<b>10,908,708</b>	<b>6.43</b>
<b>Other Net Liabilities</b>			<b>(1,525,936)</b>	<b>(0.90)</b>
<b>Total Net Assets attributable to redeemable participating shareholders</b>			<u><b>169,763,031</b></u>	<u><b>100.00</b></u>

\* The Counterparty for all futures is UBS.

All investments are transferable securities admitted to an official Stock Exchange listing or traded on a regulated market at the year end.

# Polar Capital Funds plc

## (Investment Company with Variable Capital)

### Balance Sheet

*As at 31 January 2006*

	Notes	Japan Fund 2006 US\$	Global Technology Fund 2006 US\$	Asia ex Japan Fund 2006 US\$	Total 31 January 2006 US\$	Total 31 January 2005 US\$
<b>Current Assets</b>						
Financial assets at fair value through profit or loss	2,4	683,790,746	38,184,397	161,380,164	883,355,307	604,671,544
Debtors: Amounts falling due within one year	5	35,118,186	1,742,874	9,157,101	46,018,161	36,927,274
Cash		378,173	2,727,966	10,908,708	14,014,847	2,910,833
<b>Total Assets</b>		<b>719,287,105</b>	<b>42,655,237</b>	<b>181,445,973</b>	<b>943,388,315</b>	<b>644,509,651</b>
<b>Current Liabilities</b>						
Financial liabilities at fair value through profit or loss		-	-	(999,905)	(999,905)	(132,276)
Creditors: Amounts falling due within one year	6	(72,781,668)	(3,967,035)	(10,683,037)	(87,431,740)	(16,031,684)
Bank overdraft	7	-	-	-	-	(30,112,174)
<b>Total liabilities (excluding net assets attributable to redeemable participating shareholders)</b>		<b>(72,781,668)</b>	<b>(3,967,035)</b>	<b>(11,682,942)</b>	<b>(88,431,645)</b>	<b>(46,276,134)</b>
<b>Net Assets attributable to redeemable participating shareholders</b>		<b>646,505,437</b>	<b>38,688,202</b>	<b>169,763,031</b>	<b>854,956,670</b>	<b>598,233,517</b>
<b>Number of Shares Outstanding</b> 12						
Japanese Yen		12,814,094	N/A	N/A		
US dollar		13,696,806	2,376,253	5,901,980		
Sterling		6,623,794	453,855	2,259,224		
Euro		N/A	N/A	2,036,505		
<b>Net Asset Value per Participating share</b>						
Japanese Yen		¥2,284.82	N/A	N/A		
US dollar		\$19.51	\$13.68	\$13.48		
Sterling		£11.01	£7.70	£13.90		
Euro		N/A	N/A	€4.05		

The financial statements on pages 12 to 34 were approved by the Board of Directors of Polar Capital Funds plc on 25 May 2006 and signed on its behalf by:

Jonathan Quigley	}	
		Directors
David Hammond	}	

*The accompanying notes form an integral part of these financial statements.*

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Profit and Loss Account**

*For the year ended 31 January 2006*

	Notes	Japan Fund 2006 US\$	Global Technology Fund 2006 US\$	Asia ex Japan Fund 2006 US\$	Total 2006 US\$	Total 2005 US\$
<b>Investment income</b>	2					
Investment income		5,557,250	97,649	2,401,262	8,056,161	7,348,946
Deposit interest		10,071	50,514	54,783	115,368	13,655
Net realised gain on marketable securities		139,624,038	1,996,819	13,530,591	155,151,448	50,280,506
Net unrealised gain on investments		72,820,460	4,907,834	4,298,280	82,026,574	12,852,388
Net gain/(loss) on currencies		476,003	135,114	(117,579)	493,538	248,337
Income equalisation		-	-	52,764	52,764	31,935
<b>Net investment income</b>		<b>218,487,822</b>	<b>7,187,930</b>	<b>20,220,101</b>	<b>245,895,853</b>	<b>70,775,767</b>
<b>Expenses</b>	2					
Performance fees	3	14,048,086	1,590,299	-	15,638,385	207,599
Management fees	3	7,612,820	451,530	1,584,879	9,649,229	8,372,344
Administration fees	3	1,049,840	75,323	245,119	1,370,282	1,173,351
Custodian's fees	3	508,993	30,131	105,732	644,856	558,906
General expenses		278,974	60,424	154,560	493,958	405,722
Legal fees		53,687	5,647	36,074	95,408	128,777
Auditors fees		26,185	1,377	5,770	33,332	60,000
Directors fees		26,311	1,177	4,229	31,717	36,400
Income equalisation		29,171	-	-	29,171	-
<b>Operating expenses</b>		<b>23,634,067</b>	<b>2,215,908</b>	<b>2,136,363</b>	<b>27,986,338</b>	<b>10,943,099</b>
<b>Net income from operations before finance costs</b>		<b>194,853,755</b>	<b>4,972,022</b>	<b>18,083,738</b>	<b>217,909,515</b>	<b>59,832,668</b>
<b>Finance costs</b>						
Bank interest		(230,730)	(15,135)	(270,937)	(516,802)	(113,706)
Non reclaimable withholding tax		(400,735)	(16,912)	(379,669)	(797,316)	(525,478)
<b>Total finance costs</b>		<b>(631,465)</b>	<b>(32,047)</b>	<b>(650,606)</b>	<b>(1,314,118)</b>	<b>(639,184)</b>
<b>Increase in assets attributable to redeemable participating shareholders for the period</b>		<b>194,222,290</b>	<b>4,939,975</b>	<b>17,433,132</b>	<b>216,595,397</b>	<b>59,193,484</b>

Gains and losses arose solely from continuing operations. There were no gains or losses other than those dealt with in the Profit and Loss Account.

The financial statements on pages 12 to 34 were approved by the Board of Directors of Polar Capital Funds plc on 25 May 2006 and signed on its behalf by:

Jonathan Quigley }

Directors

David Hammond }

*The accompanying notes form an integral part of these financial statements.*

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Statement of Changes in Net Assets Attributable to Redeemable  
Participating Shareholders**

*For the year ended 31 January 2006*

	Japan Fund 2006 US\$	Global Technology Fund 2006 US\$	Asia ex Japan Fund 2006 US\$	Total 2006 US\$	Total 2005 US\$
<b>Opening balance at the beginning of the year</b>	<b>529,095,926</b>	<b>28,639,178</b>	<b>40,498,413</b>	<b>598,233,517</b>	<b>474,699,402</b>
Issue of redeemable shares during the year	188,728,866	21,642,260	153,211,837	363,582,963	240,032,798
Redemption of redeemable shares during the year	(265,541,645)	(16,533,211)	(41,380,351)	(323,455,207)	(175,692,167)
Net gain for the year attributable to holders of redeemable shares	194,222,290	4,939,975	17,433,132	216,595,397	59,193,484
<b>Closing balance at the end of the year</b>	<b>646,505,437</b>	<b>38,688,202</b>	<b>169,763,031</b>	<b>854,956,670</b>	<b>598,233,517</b>

*The accompanying notes form an integral part of these financial statements.*



# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Notes to the Financial Statements**

*For the year ended 31 January 2006*

### **1. Organisation and nature of business**

Polar Capital Funds plc (the “Company”) is an open-ended investment company with variable capital organised under the laws of Ireland. The Company has been authorised by the Financial Regulator as a UCITS within the meaning of the Regulations. The Company is listed on the Irish Stock Exchange. The Company is structured as an umbrella fund in that different Funds thereof may be established with the prior approval of Financial Regulator. Initially, the sub-funds of the Company were the Japan Fund and the Global Technology Fund. The Japan Fund currently has three share classes, US dollar, Sterling and Japanese yen. The Global Technology Fund currently has two share classes, US dollar and Sterling. On 25 October 2004 an additional sub-fund was established, the Asia ex Japan Fund. There are currently three share classes within the sub-fund, the US dollar Share Class, the Sterling Share Class and the Euro Share Class. The base currency of each Fund is the US dollar (US\$).

A new Fund, Latin American Fund, was approved by the Financial Regulator on 5 May 2006.

### **2. Principal Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### *Basis of preparation*

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board (“ASB”).

The format and certain wordings of the financial statements has been adapted from those contained in the Companies (Amendment) Act, 1986 and FRS 3 “Reporting Financial Performance” so that, in the opinion of the directors, they more appropriately reflect the nature of the Company’s business as an investment fund.

The Company has availed of the exemption available to open-ended investment funds under FRS 1 not to prepare a cash flow statement.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

#### *Changes in accounting policies*

The Company adopted the following new accounting standards which were issued during 2004 and 2005 and which apply to listed entities for accounting periods beginning on or after 1 January 2005:

FRS 21	Events after the balance sheet date
FRS 23	The effects of changes in foreign exchange rates
FRS 25	Financial Instruments: Disclosure and presentation
FRS 26	Financial Instruments: Measurement
FRS 28	Corresponding Amounts

# **Polar Capital Funds plc**

## **(Investment Company with Variable Capital)**

### **Notes to the Financial Statements**

*For the year ended 31 January 2006*

#### **2. Principal Accounting Policies (continued)**

##### *Changes in accounting policies (continued)*

The adoption of these standards has resulted in some changes to the Company's accounting policies. In summary:

- FRS 21 requires that distributions which have not been declared in the financial year cannot be reflected in the financial statements. Such distributions should be shown by way of note disclosure only. Where this is a change in accounting policy, a prior year adjustment is required.
- FRS 23 had no material effect on the Company's policy. The functional currency of the Company has been re-evaluated based on the guidance in the revised standard and is considered appropriate;
- FRS 25 has affected the presentation of redeemable participating shares, now classified as a financial liability;
- FRS 26 has required the reclassification of financial assets and financial liabilities for recognition and measurement purposes. The Company has classified financial instruments as financial assets or financial liabilities at fair value through profit or loss on adoption of FRS 26. The Company has availed of the option in FRS 26 not to restate comparatives arising from these changes; and
- FRS 28 sets out the requirements for the disclosure of corresponding amounts for items shown in an entity's primary financial statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All references to net assets throughout this document refer to net assets attributable to holders of redeemable participating shares unless otherwise stated.

##### *Foreign exchange translation*

###### *(a) Functional currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). The functional currency for Polar Capital Funds plc is US dollars as the majority of its share dealing transactions are carried out in US dollars.

###### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Proceeds from subscriptions and amounts paid on redemption of redeemable preference shares are translated at average rates, which approximate the rates prevailing at the dates of the transactions.

##### *Investments at fair value*

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorised as held for trading, as the Company does not designate any derivatives as hedges in a hedging relationship for valuation purposes.

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Notes to the Financial Statements**

*For the year ended 31 January 2006*

### **2. Principal Accounting Policies (continued)**

#### *Investments at fair value (continued)*

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership

Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current mid price. In accordance with FRS 26 ‘Financial Instruments: Measurement’ financial instruments are required to be valued using bid/offer for long/short instruments. However, the use of bid and offer prices has been ascertained and the use of these prices is equivalent to mid. The use of bid prices in the previous accounting period would have resulted in different valuations adopted for the marketable investments securities held, which would have also changed the profits and losses arising on the valuation recognised in the Profit and Loss Account. It is deemed not efficient from a cost perspective to recalculate the difference that would have arisen in the previous period as a result of the change in accounting policies. The unquoted securities, Tegal Corporation Warrants and Cellex Power Products, were stated at a valuation determined by the Directors.

#### *Contracts for Difference, Futures and Options Contracts*

Contracts for difference, futures and options are valued at market settlement prices.

#### *Investment Transactions*

Investment transactions are accounted for on a trade date basis. Profits and losses on the disposal of investments are calculated by reference to the net proceeds received on disposal and the cost attributable to those investments and is based on the Weighted Average basis for the Japan and Global Technology Fund’s and First In First Out basis for the Asia ex Japan Fund and are included in the Statement of Operations.

#### *Income from investments*

Income arising on investments is accounted for on an ex-dividend basis. Bank interest income is accounted for using the effective interest rate basis.

#### *Cash*

Cash and other liquid assets are valued at their face value with interest accrued, where applicable, as at the close of business on the 31 January 2006, as this is when the the Fund’s net asset value per share is calculated as per the Fund’s prospectus.

#### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination.

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Notes to the Financial Statements**

*For the year ended 31 January 2006*

### **2. Principal Accounting Policies (continued)**

#### *Distribution Policy*

The Funds will aim to seek capital growth rather than a significant income return. However, the Company intends to declare annual dividends in respect of any Share Classes for which certification will be sought as a “distributing fund” for the purposes of sections 757-764 of the UK Income and Corporation Taxes Act 1988 (all Share Classes of the Funds at present). Dividends, if declared will only be paid out of the Fund’s net investment income return (i.e. income from dividends, interest or otherwise, less the Fund’s accrued expenses to be certified for the accounting period), realised and unrealised profits on the disposal/revaluation of investments and other assets less realised and unrealised losses of the Funds and will normally be paid in May of each year. Any dividend paid on a Share that is not being claimed will not earn interest and, if not claimed within six years of its declaration, shall be forfeited and shall be escheated for the benefit of the Funds.

#### *Redeemable participating Shares*

Redeemable participating shares are redeemable at the shareholder’s option and are classified as financial liabilities. The distribution on these participating shares is recognised in the profit and loss account as finance costs.

The participating share can be put back to the Company at any time for cash equal to a proportionate share of the Company’s net asset value. The participating share is carried at the redemption amount that is payable at the balance sheet date if the shareholder exercised its right to put the share back to the Company.

#### *Operating Expenses*

The Company is responsible for all normal operating expenses including audit fees, stamp and other duties and charges incurred on the acquisition and realisation of investments. The Manager, Polar Capital Partners Limited meets all other operating expenses incurred by it in connection with its services.

### **3. Fees and Expenses**

The Investment Manager, Polar Capital LLP (the “Investment Manager”), is entitled to receive a management fee and a performance fee together with any extraordinary out of pocket expenses. The management fee is accrued daily and is payable monthly in arrears, and is equivalent to 1.5% per annum of the Net Asset Value of each Fund (before deduction for any accrued performance fees) as at the Valuation Day. An initial payment of the management fee based on the most recently published Net Asset Value, will be made on the last day of each month, with an adjustment being made where necessary, on the last day of the next month.

The Investment Manager, in addition to the management fee, is entitled to receive out of the assets of each Fund a performance fee equal to 20% of the amount by which the increase in the Net Asset Value (prior to the provision for a performance fee) during the relevant performance period exceeds the increase in the Indexed Net Asset Value over the same period.

The Administrator, Northern Trust Fund Administration Services (Ireland) Limited (the “Administrator”) is entitled to receive a fee of 0.25% per annum of the first US\$70 million of each Fund (adjusted so as to not include any deduction for performance fees deemed to have accrued) and 0.20% of all amounts in excess of US\$70 million of the Net Asset Value of each Fund subject to a monthly minimum fee of US\$3,500 per Fund. The Administrator shall also be entitled to be repaid out of the assets of the Fund all its reasonable out-of-pocket expenses.

The Custodian, Northern Trust Fiduciary Services (Ireland) Limited (the “Custodian”), is entitled to an annual fee of 0.10% of the Net Asset Value of the Company payable monthly in arrears, subject to a minimum monthly fee of US\$1,200 per fund. In addition, the Custodian shall be entitled to a transaction fee of GBP£35 for each transaction conducted.

# Polar Capital Funds plc

## (Investment Company with Variable Capital)

### Notes to the Financial Statements

For the year ended 31 January 2006

(continued)

#### 3. Fees and Expenses (continued)

The Austrian Paying Agent, Meindl Bank, is entitled to receive an annual fee of €3,000 and is entitled to receive reimbursement of agreed costs incurred in transmitting dividends, redemption proceeds and documentation to Shareholders in Austria.

The German Paying and Information Agent, Deutsche Bank AG, is entitled to receive an annual fee of €18,000, a proportional handling fee per new fund and agreed costs in transmitting dividends, redemption proceeds and documentation to Shareholders in Germany.

The Dutch Paying Agent, Dexia Bank Nederland NV, is entitled to receive an annual fee of €4,000 payable quarterly in arrears.

The Austrian, German, Dutch, French and Swiss paying agents are also entitled to receive reimbursement of any reasonable out of pocket expenses incurred by them in the performance of their duties.

#### 4. Investments

	<b>Japan Fund 2006 US\$</b>	<b>Global Technology Fund 2006 US\$</b>	<b>Asia ex Japan Fund 2006 US\$</b>	<b>Total 31 January 2006 US\$</b>	<b>Total 31 January 2005 US\$</b>
At cost	556,871,414	33,565,849	152,611,066	743,048,329	547,258,769
Net surplus on revaluation	126,919,332	4,618,548	7,769,193	139,307,073	57,412,775
Investments at fair value	<u>683,790,746</u>	<u>38,184,397</u>	<u>160,380,259</u>	<u>882,355,402</u>	<u>604,671,544</u>

#### 5. Debtors: Amounts falling due within one year

	<b>Japan Fund 2006 US\$</b>	<b>Global Technology Fund 2006 US\$</b>	<b>Asia ex Japan Fund 2006 US\$</b>	<b>Total 31 January 2006 US\$</b>	<b>Total 31 January 2005 US\$</b>
Receivable for securities sold	27,061,740	1,594,695	718,150	29,374,585	31,306,177
Subscriptions receivable	7,823,708	131,006	8,390,851	16,345,565	5,242,144
Dividends and interest receivable	232,738	17,173	48,100	298,011	378,953
	<u>35,118,186</u>	<u>1,742,874</u>	<u>9,157,101</u>	<u>46,018,161</u>	<u>36,927,274</u>

#### 6. Creditors: Amounts falling due within one year

	<b>Japan Fund 2006 US\$</b>	<b>Global Technology Fund 2006 US\$</b>	<b>Asia ex Japan Fund 2006 US\$</b>	<b>Total 31 January 2006 US\$</b>	<b>Total 31 January 2005 US\$</b>
Payable for securities purchased	48,058,014	1,124,891	9,548,476	58,731,381	10,850,187
Redemptions payable	9,575,944	1,147,440	736,452	11,459,836	3,850,842
Management fee accrual	816,313	78,939	307,930	1,203,182	808,986
Sundry creditors	283,311	25,466	90,179	398,956	314,070
Performance fee payable	14,048,086	1,590,299	-	15,638,385	207,599
	<u>72,781,668</u>	<u>3,967,035</u>	<u>10,683,037</u>	<u>87,431,740</u>	<u>16,031,684</u>

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Notes to the Financial Statements**

*For the year ended 31 January 2006*

*(continued)*

### **7. Bank Overdraft**

The Company has an overdraft facility with Northern Trust (Guernsey) Limited (formerly Barings (Guernsey) Limited) for liquidity purposes. The assets of the Company are held as collateral for the overdraft when it is utilised.

### **8. Soft Commission**

There were no soft commission transactions during the year.

### **9. Exchange Rates**

The exchange rates used at 31 January 2006 were as follows:

<b>Exchange Rate</b>	<b>to US\$</b>	<b>Exchange Rate</b>	<b>to US\$</b>
Australian dollar	1.3219	Malaysian ringgit	3.7505
Canadian dollar	1.1433	New Taiwan dollar	31.9801
Danish krona	6.1468	Philippines peso	52.1500
Euro	0.8235	Singapore dollar	1.6238
Hong Kong dollar	7.7555	Sterling	0.5626
Indian rupee	44.1237	Swedish krone	7.6149
Japanese yen	117.0617	Swiss franc	1.2811
Korean won	964.6229	Thai baht	39.0350

### **10. Taxation**

The Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. It is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to shareholders or any encashment, redemption or transfer of shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of: -

- (i) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided the necessary signed statutory declarations are held by the Company and;
- (ii) certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

### **11. Related party disclosure**

The Company operates under an investment management agreement with Polar Capital LLP. The investment management agreement was novated on 28 October 2005 by Polar Capital Partners Limited, the former investment manager of the Company, to Polar Capital LLP, following the transfer of its business to the new investment manager.

All fees in relation to the Investment Manager, including any Performance fees, are disclosed separately in the Profit and Loss Account on page 22. US\$16,841,567 (2005: US\$1,016,585) was due to the Investment Manager at 31 January 2006 which includes both management and performance fees. Certain Directors hold shares in the ultimate holding company of the Investment Manager or exert significant influence over the holders of such shares.

Jonathan Quigley is a director of the administrator. David Hammond is a director and employee of Bridge Financial Services Consulting, which provides governance and monitoring services to the Board of the Company.

# Polar Capital Funds plc (Investment Company with Variable Capital)

## Notes to the Financial Statements

For the year ended 31 January 2006

(continued)

### 12. Shareholders' Funds

On incorporation, the authorised share capital of the Company was US\$40,000 divided into 40,000 Subscriber Shares of a par value of US\$1 each and 500,000,000,000 redeemable participating shares of no par value. There are 7 Subscriber Shares currently in issue which are held by the Investment Manager and nominees of the Investment Manager. These subscriber shares are not included as part of the net asset value of the Company as the Directors consider this treatment is most appropriate, given the nature of the Company as an investment fund.

	31 January 2006	31 January 2006	31 January 2006
	Shares Number	Shares Number	Shares Number
<b>Japan Fund</b>	<b>USD Class</b>	<b>GBP Class</b>	<b>JPY Class</b>
Shares in issue 1 February 2005	17,813,697	6,757,130	14,555,340
Shares issued during the year	3,133,628	2,392,474	7,169,933
Shares redeemed during the year	(7,250,519)	(2,525,810)	(8,911,179)
<b>Shares in issue 31 January 2006</b>	<b>13,696,806</b>	<b>6,623,794</b>	<b>12,814,094</b>
		<b>31 January 2006</b>	<b>31 January 2006</b>
		Shares Number	Shares Number
<b>Global Technology Fund</b>		<b>USD Class</b>	<b>GBP Class</b>
Shares in issue 1 February 2005		2,298,780	143,532
Shares issued during the year		1,047,829	722,358
Shares redeemed during the year		(970,356)	(412,035)
<b>Shares in issue 31 January 2006</b>		<b>2,376,253</b>	<b>453,855</b>
	<b>31 January 2006</b>	<b>31 January 2006</b>	<b>31 January 2006</b>
	Shares Number	Shares Number	Shares Number
<b>Asia ex Japan Fund</b>	<b>USD Class</b>	<b>GBP Class</b>	<b>EUR Class</b>
Shares in issue 1 February 2005	1,930,307	837,147	10
Shares issued during the year	6,204,643	2,073,336	2,063,301
Shares redeemed during the year	(2,232,970)	(651,259)	(26,806)
<b>Shares in issue 31 January 2006</b>	<b>5,901,980</b>	<b>2,259,224</b>	<b>2,036,505</b>

### 13. Financial Instruments and Derivatives

In accordance with its investment objectives and policies, the Company holds financial instruments, which at any one time may comprise the following:

- securities held in accordance with the investment objectives and policies
- cash and short-term debtors and creditors arising directly from operations-
- derivative instruments including financial futures contracts

A more detailed review of the portfolio activity for the year is available in the Investment Manager's Reports on pages 3 to 7. A more detailed analysis of the investments is shown in the Portfolio Statement on pages 12 to 20. Investments listed on the Portfolio Statement are stated at market value as described in Note 2 on page 25. Disclosures exclude short-term debtors and creditors.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Notes to the Financial Statements**

*For the year ended 31 January 2006*

*(continued)*

**13. Financial Instruments and Derivatives (continued)**

The Company's exposure to foreign exchange risk at 31 January 2006 was as follows:

	<b>31 January 2006</b>	<b>31 January 2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Japan Fund</b>		
Japanese yen	663,296	533,938
Sterling	(23)	-
 <b>Global Technology Fund</b>		
Canadian dollar	1,086	1,628
Denish krone	420	-
Euro	3,440	3,373
Japanese yen	4,463	5,434
New Taiwan dollar	3,431	-
Norwegian krone	-	364
South Korean won	2,218	-
Sterling	2,211	1,397
Swedish krone	680	1,039
Swiss franc	715	294
 <b>Asia ex Japan Fund</b>		
Australian dollar	83	-
Euro	6,935	-
Hong Kong dollar	33,206	8,093
Indian rupee	51	-
Korean won	26,200	6,040
Malaysian ringgit	15,255	2,841
New Taiwan dollar	54,318	11,704
Philippines peso	12,279	3,795
Singapore dollar	6,216	1,657
Sterling	(36)	-
Thai baht	5,901	4,266

**RISKS**

The following summary is not intended to be a comprehensive summary of all the risks inherent in investing in the Company and investors should refer to the prospectus for a more detailed discussion of these risks.

**Investment objective and policies**

The investment objective of the Japan Fund is to achieve long term capital growth by investing primarily in securities of issuers that have their principal activities in Japan or are organised under the laws of Japan or derive a significant portion of their earnings from Japan. The Fund intends to invest up to 100% of its assets in securities listed on the Tokyo and regional Japanese exchanges. The Fund will seek to outperform the Topix Index while striving to limit the volatility of the Fund's returns.



# **Polar Capital Funds plc**

## **(Investment Company with Variable Capital)**

### **Notes to the Financial Statements**

*For the year ended 31 January 2006*  
*(continued)*

#### **13. Financial Instruments and Derivatives (continued)**

##### **Investment objective and policies (continued)**

The investment objective of the Global Technology Fund is long term capital appreciation by way of investing in a globally diversified portfolio of technology companies. Although the Fund may receive income in the form of dividends, interest and from other sources, income is not a primary consideration. The Fund will seek to invest at least two thirds of its Net Asset Value in technology-related companies. The Fund will take a geographically diversified approach and operate within broad asset allocation ranges, but there are no specified limits on investing in any geographical region or single country.

The investment objective of the Asia ex Japan Fund is to preserve and achieve long term capital growth by investing primarily in securities of issuers that have their principal activities in countries in Asia such as China, Hong Kong, Malaysia and Singapore but excluding Japan or derive a significant portion of their earnings from countries excluding Japan. The Fund intends to invest up to 100% of its assets in securities traded on Regulated Markets. The Fund will seek to outperform the MSCI AC Far East ex Japan USD Index whilst striving to limit the volatility of the Fund's returns.

##### **Market price risk**

Market price risk arises mainly from uncertainty about future prices of the financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. It is intended to control market risk via the use of derivatives.

##### **Liquidity risk**

The Company's assets mainly comprise readily realisable securities. The Investment Manager will normally keep an allocation of cash to meet pending liabilities that may arise from time to time.

##### **Credit risk**

The Company exposed to credit risk on parties with whom it trades and also bear the risk of settlement default. The Company minimises concentrations of credit risk by understaking transactions with a large number of customers and counterparties on recognised and reputable exchanges.

##### **Foreign exchange risk**

The Net Asset Value per share in the Company is computed in US\$, whereas the investments of the Company may be acquired in a wide range of currencies which may be subject to exchange rate fluctuations.

#### **14. Financial Derivative Instruments**

During the year the Asia ex Japan Fund used futures, options and contracts for difference to protect the value of its portfolio against falling markets in the region and to gain exposure to particular securities as an alternative to direct purchase. Any such instruments are used under the conditions and within the limits laid down by the Financial Regulator. The gains and losses from these transactions are reported in the Profit and Loss Account.

During the period the counterparty for all OTC's was Credit Suisse First Boston. All futures were dealt through UBS or Goldman Sachs.

#### **15. Net Asset Value**

The Net Asset Value per share for the Company at the year end date is determined by dividing the value of the net assets of the Company by the total number of Shares in issue at the year end. In the financial statements, the balance of the unamortised preliminary expenses has been written off, this has resulted in no change to the Net Asset Value per share calculated at the year end.

# Polar Capital Funds plc

## (Investment Company with Variable Capital)

### Notes to the Financial Statements

For the year ended 31 January 2006

(continued)

#### 16. Cross Liability

Although the activities attributable to each Sub-Fund will be accounted for separately, in the event of the insolvency of any one Sub-Fund resulting in the assets attributable to that Sub-Fund being insufficient to meet the liabilities attributable to that Sub-Fund, all of the assets of the Company regardless of the Sub-Fund to which they are attributable may be applied against such excess liabilities. As at 31 January 2006 the Directors are not aware of any such existing or contingent liability.

The Directors have decided to seek the approval of the shareholders to convert the Company to segregated liability status. Under Irish law, being the law applicable to the Company, this would result in any liabilities attributable to any Sub-Fund being borne solely by that Sub-Fund in the event of any insolvency.

#### 17. Comparative Figures

<b>Japan Fund</b>	<b>Net Asset Value Audited 2006</b>	<b>Net Asset Value Audited 2005</b>	<b>Net Asset Value Audited 2004</b>
US dollar Share Class	\$267,224,685	\$529,133,034	\$246,382,356
Sterling Share Class	£72,927,972	£48,448,625	£44,083,913
Japanese yen Share Class	¥29,277,898,253	¥20,358,699,511	¥ 11,727,032,795
	<b>NAV per Share</b>	<b>NAV per Share</b>	<b>NAV per Share</b>
US dollar Share Class	\$19.51	\$13.52	\$11.85
Sterling Share Class	£11.01	£7.17	£6.52
Japanese yen Share Class	¥2,284.82	¥1,398.71	¥ 1,254.29
<b>Global Technology Fund</b>	<b>Net Asset Value Audited 2006</b>	<b>Net Asset Value Audited 2005</b>	<b>Net Asset Value Audited 2004</b>
US dollar Share Class	\$32,507,141	\$28,679,301	\$37,382,172
Sterling Share Class	£3,494,684	£892,771	£147,030
	<b>NAV per Share</b>	<b>NAV per Share</b>	<b>NAV per Share</b>
US dollar Share Class	\$13.68	\$11.73	\$13.80
Sterling Share Class	£7.70	£6.15	£7.58
<b>Asia ex Japan Fund</b>	<b>Net Asset Value Audited 2006</b>	<b>Net Asset Value Audited 2005</b>	<b>Net Asset Value Audited 2004</b>
US dollar Share Class	\$79,558,690	\$22,629,374	N/A
Sterling Share Class	£31,403,214	£9,503,989	N/A
Euro Share Class	€28,612,895	€14	N/A
	<b>NAV per Share</b>	<b>NAV per Share</b>	<b>NAV per Share</b>
US dollar Share Class	\$13.48	\$11.70	N/A
Sterling Share Class	£13.90	£11.33	N/A
Euro Share Class	€14.05	€11.36	N/A

#### 18. Distributor Status

The United Kingdom Board of Inland Revenue have certified Polar Capital Funds plc as a distributing fund in respect of the year ended 31 January 2005. The Company intends to apply for distributor status for all classes of its redeemable participating shares for each future accounting period.

# **Polar Capital Funds plc** **(Investment Company with Variable Capital)**

## **Notes to the Financial Statements**

*For the year ended 31 January 2006*

*(continued)*

### **19. Change in Name of Administrator and Custodian**

Northern Trust Corporation acquired International Fund Managers (Ireland) Limited and Barings (Ireland) Limited with effect from 31 March 2005. Both companies are now wholly-owned subsidiaries of Northern Trust GFS Holdings Limited which is in turn wholly owned by Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world's leading providers of global custody and administration services.

On 1 September 2005, the Administrator, International Fund Managers (Ireland) Limited, changed its name to Northern Trust International Fund Administration Services (Ireland) Limited. On the same date, the Custodian, Barings (Ireland) Limited, changed its name to Northern Trust Fiduciary Services (Ireland) Limited.

### **20. Changes to Prospectus**

Revised Supplements to the Prospectus of the Asia ex Japan Fund and the Japan Fund were issued on 4 August 2005 relating to changes in cut-off time for dealing and performance fee calculations. An Addendum to the Prospectus was issued on 28 October 2005 relating to the change in the Investment Manager from Polar Capital Partners Limited to Polar Capital LLP.

An amended Prospectus was issued on 16 December 2005 in connection with the authorisation of the Company under the amended UCITS directive. The Prospectus reflected related changes to Memorandum and Articles of Association of the Company and a change in the investment policy for Asia ex Japan Fund, both of which were approved by Shareholders at an EGM held on 14 December 2005. The change in investment policy was to enable the Fund to use derivatives for investment purposes.

On 16 December 2005 the Financial Regulator approved the revised Memorandum and Articles of Association, Prospectus and Simplified Prospectus and the Supplements to the Prospectus.

### **21. Subsequent Events**

There have been no material events subsequent to the year end which affect on the financial statements for the year ended 31 January 2006.

### **22. Portfolio Changes**

A complete listing of the purchases and sales during the year is available free from the Company on request.

### **23. Approval of the Financial Statements**

The Financial Statements were approved by the Board on 25 May 2006.

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Statement of Significant Portfolio Movements**

**Japan Fund**

<b>Purchases</b>	<b>Cost</b>	<b>Sales</b>	<b>Proceeds</b>
	<b>US\$'000</b>		<b>US\$'000</b>
Sumitomo Mitsui Financial Group	47,998	Mitsubishi UFJ Financial Group	45,481
Takeda Pharmaceutical	44,119	Takeda Pharmaceutical	43,407
Mitsubishi UFJ Financial Group	43,394	Sekisui Chemical	34,825
Sumitomo Trust & Banking	32,435	Mitsui & Co	30,578
Toray Industries	28,156	Sumitomo Trust & Banking	28,816
Mitsui Sumitomo Insurance	26,073	Nissan Motor	28,551
NTT Urban Development	23,822	Pacific Golf Group International Holdings KK	27,811
Toyota Motor	22,021	Mitsui Sumitomo Insurance	27,225
Aioi Insurance	21,956	Bridgestone	27,127
NGK Spark Plug	20,990	NGK Spark Plug	26,672
Sekisui Chemical	18,349	Sumco	25,360
Honda Motor	18,280	Takefuji	25,307
Sony	18,004	Ricoh	23,074
Nissan Motor	17,917	Fuji Photo Film	22,917
Oki Electric Industry	17,654	Mitsui Fudosan	22,487
Jafoo	17,249	Arkr	21,651
Sompo Japan Insurance	17,159	Honda Motor	19,919
Sumco	16,394	Mizuho Financial Group	19,231
JFE Holdings	15,905	Nomura Holdings	19,093
Fanuc	15,694	SMC	19,080

**Global Technology Fund**

<b>Purchases</b>	<b>Cost</b>	<b>Sales</b>	<b>Proceeds</b>
	<b>US\$'000</b>		<b>US\$'000</b>
VeriSign	1,517	Intevac	1,449
Sonus Networks	1,413	VeriSign	1,379
Google	1,343	Sonus Networks	1,236
Cognizant Technology Solutions	1,164	Google	1,193
Cypress Semiconductor	1,157	Cypress Semiconductor	1,116
Dena	974	Harris	1,104
Websense	961	Terilogy	1,062
Tektronix	850	Broadcom	974
Emcore	841	MEMC Electronic Materials	923
Dell	835	Avid Technology	892
Applied Materials	804	Intermec	867
Universal Vision Biotechnology	801	California Micro Devices CP	861
Zebra Technologies	798	Zebra Technologies	834
MEMC Electronic Materials	797	Tektronix	824
Cognex	766	Icom	801
MP Technologies	703	Yahoo!	795
Cogent	692	MP Technologies	787
Comverse Technology	681	TIBCO Software	776
Aruze	673	Corning	765
Alliance Data Systems	659	Infocrossing	756

**Polar Capital Funds plc**  
**(Investment Company with Variable Capital)**

**Statement of Significant Portfolio Movements**

**Asia ex Japan Fund**

<b>Purchases</b>	<b>Cost</b>	<b>Sales</b>	<b>Proceeds</b>
	<b>US\$'000</b>		<b>US\$'000</b>
Humax	7,880	Humax	8,864
Realtek Semiconductor	7,265	Samsung Electronics	7,112
Proton Holdings	7,143	ProMOS Technologies	6,223
Samsung SDI	6,436	Bio-Treat Technology	5,674
Inventec	6,210	Daishin Securities	5,588
Samsung Electronics	6,015	Silicon Integrated Systems	5,157
Compal Electronics	5,467	Chartered Semiconductor Manufacturing	4,910
Hana Financial Group	5,360	Premier Image Technology	4,194
United Microelectronics	5,346	GS Engineering & Construction	4,192
New World Development	5,323	Samsung Fire & Marine Insurance	3,980
True	5,271	Zinwell	3,974
ProMOS Technologies	4,850	DBS Group Holdings	3,906
Bursa Malaysia	4,557	Kookmin Bank	3,850
Bio-Treat Technology	4,343	Lenovo Group	3,748
Silicon Integrated Systems	4,111	HannStar Display	3,531
POSCO	4,107	Shanghai Electric Group	3,443
Chang Hwa Commercial Bank	4,102	Hana Financial Group	3,409
Daishin Securities	3,991	Inventec	3,347
Chartered Semiconductor Manufacturing	3,863	Interflex	3,133
Chongqing Changan Automobile	3,756	Chung Hsin Electric & Machinery Manufacturing	2,983