POLAR CAPITAL TECHNOLOGY TRUST PLC

Annual report and accounts for the year ended 30 April 2004

POLAR CAPITAL TECHNOLOGY TRUST PLC – PROFILE

Polar Capital Technology Trust PLC was launched on 16 December 1996 under the name Henderson Technology Trust PLC, with one warrant attached to every five shares. The original subscription price for each share was £1. In 2006, and every five years thereafter, shareholders will have the right to approve, or otherwise, the continued existence of the Company.

OBJECTIVE

The investment objective is to maximise capital growth for our shareholders through investing in a diversified portfolio of technology companies around the world.

RATIONALE

Over the last two decades the technology industry has been one of the most vibrant, dynamic and rapidly growing segments of the global economy. Technology companies offer the potential for substantially faster earnings growth than the broad market, reflecting the long-term secular uptrend in technology spending.

INVESTMENT APPROACH

Stocks are selected for their potential for shareholder returns, not on the basis of technology for its own sake. We believe in rigorous fundamental analysis and focus on:

- management quality
- the identification of new growth markets
- the globalisation of major technology trends and
- exploiting international valuation anomalies and sector volatility

MANAGEMENT

Polar Capital Partners Limited has been the appointed investment manager throughout the year. Mr. Brian Ashford-Russell, the appointed fund manager, has been responsible for the Company's portfolio since its launch and before that for the Company's predecessor, TR Technology PLC, throughout its life. Mr Ashford-Russell directs a portfolio management team of five technology specialists.

The Company pays both a basic management fee as well as a performance fee if performance is above a predetermined level. Further details are given in the Report of the Directors.

Information on the Company can be accessed at: **www.polarcapitaltechnologytrust.co.uk** and further shareholder information is given at the back of this report.

Investors should be aware that the value of the company's shares may reflect the greater relative volatility of technology shares. Technology shares are subject to the risks of developing technologies, competitive pressures and other factors including the acceptance by business and consumers of new technologies. Many companies in the technology sector are smaller companies and are therefore also subject to the risks attendant on investing in smaller capitalisation businesses.

CONTENTS

HIGHLIGHTS

FINANCIAL

	Year ended 30 April 2004	Year ended 30 April 2003	Movement %
Total net assets	**£306,636,000**	£221,022,000	38.7
Net assets			
per ordinary share (undiluted)	**208.13p**	148.34p	40.3
per ordinary share (diluted)	**193.71p**	141.25p	37.1
Price			
per ordinary share	**164.75p**	120.50p	36.7
per warrant	**64.75p**	27.25p	137.6

INDEX CHANGES over the year ended 30 April 2004

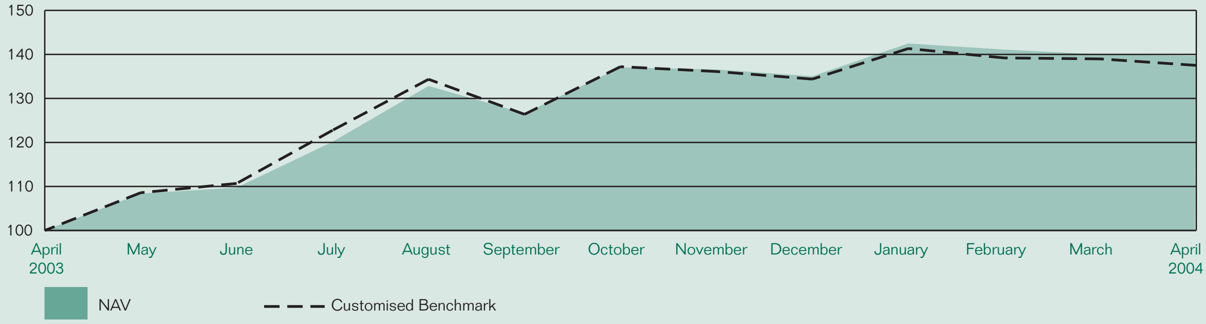
(Total Return)

	Local Currency %	Sterling Adjusted %
Benchmark	–	37.5
Technology Indices:		
Dow Jones World Technology	32.5	19.4
Pacific SE (USA) Technology	37.9	24.3
MS Eurotec (based in US dollars)	58.4	42.8
FTSE Techmark 100	–	76.0
Tecdax	49.9	45.1
Tokyo SE Electronics	54.3	50.3
DS Asia ex Japan Electronics	74.5	57.3
Market Indices:		
FTSE World	–	17.9
S & P 500 Composite	22.9	10.7
FTSE All-Share	22.2	22.2
FTSE World Europe (ex UK)	–	23.0
Tokyo SE (Topix)	50.4	46.5
FTSE World Pacific Basin (ex Japan)	–	32.8

Exchange rates	**30 April 2004**	30 April 2003
US$ to £	**1.7733**	1.5982
Japanese Yen to £	**195.70**	190.61
Euro to £	**1.4792**	1.4321

PERFORMANCE

UNDILUTED NAV PER SHARE AND CUSTOMISED BENCHMARK for the period 30 April 2003 to 30 April 2004 at each month end (rebased to 100)



The Company was established with a performance fee benchmark of the FTSE World Index (capital return). This was changed on 1 May 2000 to a composite benchmark comprising 50% PSE (USA) Technology Index; 15% Morgan Stanley Eurotec Index; 7.5% FTSE TechMARK 100 Index; 7.5% EuroNM Index; 15% Datastream Asian Electronics Index and 5% JASDAQ Index. The Board reviewed the composition of the benchmark following the closure of the Euro NM Index and the much reduced technology exposure of JASDAQ. From 1 May 2003 the customised benchmark has comprised of 50% Pacific SE (USA) Technology Index; 15% Morgan Stanley Eurotec Index; 7.5% FTSE Techmark Index; 7.5% Tecdax Index; 15% Tokyo SE Electronics and 5% DS Asia ex Japan Electronics Index.

HISTORICAL PERFORMANCE for the years ended 30 April

	1997	1998	1999	2000	2001	2002	2003	**2004**
Total net assets (£'000)	141,474	201,891	279,946	668,727	401,337	287,229	221,022	**306,636**
NAV per share (pence)								
undiluted	96.2	137.2	190.2	452.8	270.2	192.8	148.3	**208.1**
diluted	96.2	131.0	175.3	395.8	243.7	178.5	141.3	**193.7**
Share price (pence)	89.0	115.0	167.5	436.0	281.5	165.0	120.5	**164.8**
Indices of Performance								
Share price	100	129.2	188.2	489.9	316.3	185.4	135.4	**185.1**
Net asset value	100	142.7	197.9	472.7	283.7	203.0	156.2	**216.7**
PSE (USA) Technology	100	139.6	207.8	453.7	349.6	269.4	201.7	**250.8**
MS Eurotec	100	185.0	226.4	482.5	293.8	166.9	87.2	**124.6**
DS Asia ex Japan Electronics	100	101.3	118.0	241.8	132.8	145.5	101.3	**159.4**

Due to the relative newness of some technology indices it is not possible to show all the constituents of the benchmark from the beginning of the Company's life. The historic performance table therefore shows three main indices that have been in existence over the life of the Company.

The share price on the first day of trading, 16 December 1996, was 96.0p per share and the NAV per share was 97.5p

Sources: HSBC Global Fund Services and Polar Capital Partners.

CHAIRMAN'S STATEMENT

Following three years of relentless downward pressure on share prices, the year ending 30 April 2004 provided welcome relief. Stock markets around the world have enjoyed a synchronised recovery and technology shares have been to the fore of a pronounced cyclical upturn. Over the year, the FTSE World Index rose by 17.9%, the Dow Jones World Technology Index by 19.4% and our benchmark by 37.5%. Our undiluted net assets per share rose by 40.3%, making the year a reasonably satisfactory one.

The Company's performance benefited from a timely increase in our Asian exposure last May and from good relative performance in that region. Elsewhere, our returns were closer to the benchmarks – slightly behind in North America but usefully ahead in Europe. Partial currency hedging both of the dollar and the yen helped to reduce the impact of sterling's strength over the period.

The global economic recovery that we have enjoyed over the last year has been supported by an interest rate environment designed with the fear of deflation in mind. Monetary policy has been loose and liquidity abundant, particularly so in Asia. Fiscal restraint has not been evident and both government and consumer debt has continued to mount. In the USA, the speed of the cyclical upturn has surprised many. However, the combination of a Federal Reserve determined not to repeat the mistakes of its Japanese counterpart in the early 1990s and a President intent on ensuring an economy conducive to his re-election has resulted in a period of growth more akin to that of the late 1990s. Europe has not benefited from the same reflationary focus and this, in combination with the continuing structural issues facing many of its larger economies, has produced an economic performance that would be kindly described as sluggish. In contrast, Asian growth has been little short of dramatic with Chinese expansion breath-taking and Japan finally showing signs of emerging from its long economic torpor.

An improving demand environment has been greeted by a corporate sector, almost emaciated after three years of constant cost-cutting. The result has been a period of outstanding profits growth which has enabled a remarkable recovery in corporate cash flows and a dramatic improvement in balance sheets. In many of the major economies, corporate profits as a share of GDP have risen to levels unsurpassed in the last three decades.

Against such a background and with both cash and bonds offering relatively unexciting returns, it is not surprising that money has flowed back into equities. The last year has been notable for the re-emergence of investors' appetite for risk, a development that has favoured asset classes such as Asian equities and technology shares. The latter have also benefited from a cyclical upturn. Indeed, expenditure on technology as a percentage of US nominal capital expenditure rose to 54.7% in the fourth quarter of 2003, well above the level of 2000. The fact that this trend has been accompanied by a remarkable and almost unprecedented growth in US productivity suggests a causal relationship that is at the very heart of the long term bull case for technology investment.

Technology shares out-performed in all markets and benefited from their exceptionally rapid recovery in profitability. Much of the earnings growth that the sector has delivered over the last year has derived from cost cutting and it is only in the last few quarters that much has been contributed by top-line growth. Within the technology sector, the most prominent recovery has been in the telecommunications industry, the source of a good deal of the industry's woes over the last few years. However, other areas such as semiconductors, medical technology and the internet all produced outstanding returns. By region, Asia and the UK topped the performance table while, in every market, smaller companies markedly outperformed.

Throughout most of the year, the Company remained fully invested but our growing concern that share prices were moving ahead of fundamentals led us to raise some liquidity in the first quarter of 2004. Although economic recovery has gathered momentum in recent months, the corollary of this development is a tightening of the credit cycle. As yet, it is unclear just how rapidly interest rates will need to be raised in the USA but memories of 1994 remain fresh in our minds and are likely to act as a dampener on investors' appetite for risk. There are also growing concerns about the consequences of a slowdown in China which has been such a critical driver of growth in both the Asian and the global economies. Together with continuing geopolitical issues, the recessionary impact of record oil prices and uncertainty ahead of the US Presidential election later this year, there is plenty to keep investors on their toes. Against these potential negatives can be balanced continuing strong profits growth, an acceleration in capital spending and valuations which, although high in absolute terms, appear inexpensive relative to bonds. With share prices now some way back from their recent highs, the arguments have become more finely balanced.

From a technology investor's perspective, the issues are similar. The industry has enjoyed a strong cyclical recovery but is likely to see diminishing earnings momentum in the second half of this year. However, capital spending can be expected to show positive trends as we move through 2004 and earnings growth remains well above that of the market as a whole. We continue to believe that a secular bull market of the sort that characterised the 1990s is still some years away but, as we wrote last year, the deflation of the bubble that marked the end of that decade has been completed. We expect a volatile market over the next year but one in which individual technology shares can do well. We intend to use any further pronounced weakness to reduce our liquidity. Over the medium term, we intend to continue the reorientation of our portfolio eastwards and, once the credit tightening cycle is more mature, extend our exposure to the lower capitalisation tiers of the market from where we expect many of the major winners of the next secular wave in technology to emerge.

With the deflation of the technology bubble and the consequent diminution in the popularity of technology investment, there has been a widening in the discount to net asset value at which our shares trade. Such cyclical fluctuations in the discounts of specialist investment trusts are not unusual and can create opportunity. We have begun a share buy-back programme which enhances the net asset value of each outstanding share. As at 30 April, 2,850,000 shares had been purchased and cancelled and a further 2,382,000 shares have been purchased and cancelled since then. The total number of shares purchased to date is 5,232,000 shares representing 3.5% of the shares in issue at our last half year end.

It is now four years on from the unbridled optimism that accompanied the technology sector's peak in early 2000. Although the period since then has been difficult for investors, there can be little doubt that the industry is now a good deal leaner and fitter than it was back then. Over the long term, we believe that the technology sector remains unique in its ability to deliver creativity and profitable growth.

R K A Wakeling,
Chairman
14 June 2004

FUND MANAGER'S REPORT

MANAGEMENT

Over the last eighteen months, the management team working on the Trust has been considerably strengthened with the recruitment of Ben Rogoff (on the US portfolio) and Craig Mercer (on Asia). Going forward, we will be reintegrating the management of the US portfolio with that of the larger European companies. This represents a return to the more global management approach pursued prior to 1999. European smaller companies will remain managed as a separate pool as will the Asian portfolio.

US

The most significant driver for US markets over the past year has been the reacceleration of the US economy. It is difficult to believe that just twelve months ago the US recovery appeared to be faltering with consumer confidence falling to its lowest reading in almost ten years, unemployment remaining doggedly above 6%, and deflationary pressures apparently building. At that point, having already cut interest rates from 6.5% to 1.25% during the previous three years, the Federal Reserve seemed to be short of 'ammunition' to avert a serious challenge to growth, should one materialize.

With this in mind, US authorities set in motion a concerted effort to pump sufficient liquidity into the system to ensure the economy remained on a recovery path. By lowering the Federal Funds rate to 1% in June, and stating that rates might remain there for a "considerable period", Mr Greenspan heralded a clear message that he would do whatever was necessary in order to avoid the deflationary downward spiral that had engulfed Japan in the 1990s. Lower interest rates had the desired effect, prompting another wave of mortgage refinancing and equity draw downs.

Further liquidity was injected into the US system in the form of tax cuts and retroactive refunds. This cocktail of negative real rates and an expansionary fiscal policy proved potent enough to keep an already intoxicated US consumer in spending mode. The hangover was felt instead by the dollar. Over the year, the dollar fell by 6.9% on a trade weighted basis and by 10.9% against sterling. In doing so, it helped to underpin economic growth.

A revitalised consumer and what appeared to be a more benign geopolitical backdrop following the end of the war in Iraq ensured that the reacceleration which followed took on a more textbook-like appearance. Inventories that had been drawn-down over the previous three years proved insufficient to satisfy incremental demand. Lower interest rates and tighter credit spreads had already made meaningful debt refinancing possible which had allowed companies to clean up their balance sheets whilst significantly improving corporate cash flow. Whilst this might have been expected to have had a corresponding impact on capital spending, companies remained reluctant to spend. However, as the recovery took hold, attitudes appeared to soften resulting in a modest freeing up of IT budgets. As a result, corporate earnings began to surpass expectations.

In the overwhelming majority of cases, technology companies delivered earnings growth significantly in excess of both expectations and the broader market, which in turn drove stocks higher. Whilst the upside momentum witnessed was punctuated by intermittent economic and geopolitical stutters, US technology stocks closed 2003 at twelve month highs.

More recently, technology stocks have churned as the market weighs the positive effect of a strong economy against the negative impact of heightened geopolitical risk and the inevitability of interest rate rises following a number of strong employment reports and the first glimmers of emerging inflationary pressures. The conditions which have allowed the Fed to maintain a highly accommodative stance appear to be coming to a close. At the May meeting, the Fed left rates unchanged but signalled that the timing of rate rises would likely be brought forward. Long-term rates have already moved higher due to the combination of stronger than expected GDP, inflation concerns and the prospect of Fed tightening. Despite the recent set back, the past year has still been a favourable one for US technology stocks, with the Pacific Stock Exchange Technology Index returning 37.9% in dollar terms and 24.3% in Sterling terms.

This time last year, we opined that the nascent upturn was unlikely to be anything other than cyclical as IT buyers remained jaded, valuations were hardly rock-bottom and we remained hard-pressed to identify new technology drivers of significant magnitude. Thus our more constructive case for technology stocks rested upon an accelerating global growth outlook, a scenario that ultimately transpired. Above-trend economic growth fuelled double digit unit growth in both the PC and wireless handset markets, which not only helped the likes of Dell and Motorola but also led to a significant improvement in demand for semiconductors. A shift from desktops towards laptops disproportionately benefited chipmaker Intel, whilst the likes of Texas Instruments saw a significant pickup in demand for their chips used in mobile handsets. Internet stocks such as eBay and Yahoo! benefited from the ongoing growth of e-commerce and the migration from narrowband to broadband access, while telecom equipment companies such as Lucent saw orders improve as wireless operators took tentative steps towards deploying next-generation wireless infrastructure. Returns from software stocks proved disappointing due to lacklustre overall software spending. Nevertheless, individual companies fared better with Novell benefiting from the adoption of Linux, an open source operating system, and Symantec taking advantage of relative strength in demand for anti-virus software. Biotech stocks also performed well, driven by Genentech and Biogen Idec both of which appear to have potential blockbuster drugs in Avestin (cancer) and Antegren (MS) respectively.

In the absence of a "killer-app", the short-term outlook for technology spending remains highly dependent on the economic environment and therefore a positive stance necessitates a belief that the prospects for growth in 2004 and early 2005 remain good. With the Fed increasingly likely to raise rates this summer and with the futures market already anticipating a 1.0% Fed funds hike by the end of the year, equity markets will have to adjust to sharply higher rates. Such rates will reinforce the chances of decelerating growth through the remainder of 2004 and early 2005, an outcome already made likely by oil prices above $40 per barrel, the beginning of a new Presidential cycle and, most ominously, a slowdown in Chinese demand. Should efforts to reign in the economy ultimately impact key technology end markets, technology earnings would be negatively impacted. A slowdown in China would exacerbate this effect. In fact, this slowdown may already be apparent as the first quarter earnings season has so far revealed a modest inventory build in both the PC and wireless equipment markets. There is therefore some risk that record first-quarter GDP and corresponding corporate earnings are being exaggerated by an inventory rebuild which may act to impede growth later this year.

Slowing growth might not be an issue if valuations were more compelling but, despite upward earnings revisions outpacing stock returns, technology stocks still trade at a 30% premium to the broader market. Whilst high valuations did not prevent US technology stocks from outpacing the broader market in 2003, this may simply have been the result of the sector's remarkable earnings momentum. Should growth slow or inflation reappear, the spotlight will return to valuation and sustainable growth rates. In other words, as the cyclical upturn matures, attention may refocus on the structural issues that remain unresolved. These relate to both the US economy which still sports substantial fiscal and current account deficits, and also to slowing secular demand in crucial technology end markets such as PCs and mobile handsets. The expensing of stock options following changes in accountancy rules is another possible negative that will impact 2005 earnings in the industry and result in higher headline valuations.

Although there is a significant chance that growth slows from this quarter onwards, we have only moved to a relatively neutral stance rather than aggressively seeking refuge in lower-beta defensive subsectors. Our positioning reflects our belief that the broader market can achieve one last leg up before the end of the year based on reaccelerating growth as large enterprise spending returns. At present, many positive fundamentals, such as better pricing, good visibility, higher utilisation rates and solid company guidance are being overlooked by a stock market that is beginning to look both oversold and overly focused on risk rather than reward.

Having been overweight in high beta sectors such as semiconductors and telecoms during 2003, the prospect of slower growth in 2005 prompted our decision to adopt a slightly more cautious stance, increasing our exposure to less economically sensitive growth names in the computer services and biotechnology arenas. The internet space remains a favoured sector, whilst we remain overweight in the software sector which tends to exhibit late cycle characteristics.

Whilst the past twelve months have seen US small cap technology stocks handsomely outperform their larger cap peers, the valuation gap that existed a year ago has largely dissipated. With interest rates set to rise, investor risk appetite is unlikely to revert in the near term and as a result asset allocation is likely to remain skewed in favour of big and mid capitalization companies. The themes that permeate the portfolio include 'broadband penetration' (which should drive internet usage, the need for more infrastructure equipment, and security software); 'digital consumer' (with an investment emphasis on products with low penetration rates including MP3 players, digital video recorders, and flat panel TVs), 'open source software' (with Linux making inroads into the data centre and desktop) and 'mobile computing' (driven by a wave of new technologies).

Ben Rogoff

EUROPE

Europe, having been one of the hardest hit areas of the technology market during the 2000-3 bear market, bounced back with great vigour over the last year. Morgan Stanley's Eurotec Index rose by 42.8% in sterling terms as compared to an increase of 18.5% in the FTSE Europe Index. Smaller companies performed even more strongly with the UK's Techmark standing out with a rise of 76.0%.

To a large extent, the European market's recovery has imitated that of the USA while its economic performance has lagged substantially behind. Growth over the last year has been subdued outside of the UK, Spain and Scandinavia and both corporate and consumer confidence on the Continent has been slow to recover. Although some of this difference reflects a natural lag against the USA, monetary policy in Europe has been markedly less supportive with the ECB displaying an exasperating reluctance to cut rates. The Euro's recovery against the dollar also contributed to the relative absence of corporate optimism and GNP growth has been disappointingly slow over the last twelve months.

In spite of this disparity in growth rates, the performance of the European and US stock markets has been similar in local currency terms. Benefiting from aggressive cost cutting and balance sheet restructuring, corporate earnings rose by more than 15% in 2003 and are on course for even stronger growth in 2004. Valuations have expanded only modestly and, relative to the returns both on cash and bonds, remain attractive.

Technology shares enjoyed, in many cases, dramatic improvements in earnings. The most notable areas of strength were in the highly cyclical components industry and in the communications sector. The major equipment companies supplying both the wireline and wireless sectors enjoyed a remarkably leveraged recovery following a period of dramatic rationalisation and, for the first time in some years, there were signs of the network operators releasing procurement budgets. Companies such as Ericsson and Alcatel enjoyed exceptional share price gains as they returned to profit in contrast to Nokia, the share price of which underperformed considerably over the year.

Outside of the telecommunications sector, the recovery has been more mixed with only a few vertical markets showing signs of renewed spending. Cost cutting and debt pay down have been the drivers of share price performance not demand growth. Even now, the outlook for spending is clouded.

Smaller companies enjoyed the most pronounced re-rating as investors' appetite for risk returned and the discount for illiquidity evaporated. Some of the rises in individual companies were spectacular with one of our largest holdings, Filtronic, rising at one stage more than ten-fold from its 2002-3 low point. However, even after the last year's recovery, many technology company share prices remain 80% and more below their all time highs and many others still seem to be heading into oblivion.

Having spent much of 2002 with our lowest ever weighting in Europe, we increased our exposure to well over 25% for much of the year. However, rising valuations, growing retail investor optimism and a re-opening of the IPO window late last year and early this year, led us to reduce our exposure over the last few months. While there is still value around, it is reasonable rather than spectacular and earnings estimates are, in some areas, fragile. We have increased our medical technology exposure and cut back the average valuation of our portfolio. Although we intend to expand our smaller company exposure over time, rising interest rates which tend to be associated with small company under performance have discouraged us from making such a move prematurely.

Over the next year, European markets are unlikely to decouple from their transatlantic counterpart. While the earnings outlook remains encouraging and valuations are not particularly demanding, we expect volatility to increase and high returns to be more elusive. Technology shares are only selectively likely to outperform and we expect to see greater opportunity amongst smaller companies once the credit tightening cycle matures.

Brian Ashford-Russell

ASIA

In Japan, the year could be best characterised as one in which the received wisdom of investors' economic and market assumptions were sternly challenged. Back in April 2003 the consensus overwhelmingly expected another year of negative nominal GDP growth (+1% in real terms); entrenched deflation continuing to exacerbate structural problems in the banking sector; and 'forced' selling by domestic institutions to keep a heavy lid on the equity market. What actually transpired was not only a period of 3% real GDP growth (with nominal growth crucially being positive also), but also the tantalising prospect of an end to the crippling deflationary spiral. The 14 year long bear market had created an investor mindset much more attuned to spotting potential negative developments than positive ones. So, while the pace of decline in consumer and real estate prices had been ameliorating for some time – coupled with falling savings rates – very few dared to extrapolate this beyond questioning quirks in the data.

Twelve months on we have witnessed housing starts in Tokyo rise 21% year on year in the first quarter of 2004, rising real estate prices in central Tokyo, and investors clamouring for all the paper the reviled Japanese banking sector can issue them. Quite a change. Needless to say such a transformation in consensus opinion has produced one of the best years for the Japanese market on record, with the Topix index up 50.4% (in Yen terms) over the period and the Tech sector up 54.3%.

Japan, however, was not an isolated case as much of the Asian region enjoyed similar reflationary recoveries from their own (albeit less entrenched) structural problems. Indeed, it would be disingenuous not to highlight the importance of the most synchronous global economic recovery for over a decade in helping lift the entire region by its bootstraps – ultra-easy monetary policy and the unleashed dynamism of China as a market economy, being the key drivers here.

The epitome of all this in financial market terms was what has come to be known as the "global reflation trade", whereby investors borrowed cheap US dollars and invested the proceeds in higher risk/return asset classes such as emerging markets and commodities. Without question this has greatly magnified the returns enjoyed across the Asian region in the last 12 months, and the big challenge of the next year will be how markets digest the deleveraging of this trade in the face of a potentially slowing global economy.

Fortunately we spotted the rising risk appetite of Japanese retail investors at a relatively early stage, and managed to significantly increase our Japanese holdings in the first half of May. We specifically targeted the most out of favour sectors and stocks such as: Telecom Equipment (Furukawa Electric), Industrial Electronics (NEC), and IT Services (Nippon System Development). These bets paid off handsomely and were maintained for 5-6 months until the autumn. By this time the Yen had started to strengthen to a degree which concerned us, given the predominantly export orientated universe in the region. Moreover, investor optimism about Japan in general was beginning to run ahead of reality at this stage, to the extent that the domestic reflation theme was becoming all-consuming of the marginal investment dollar. Accordingly, we decided to take profits, as it was clear that Japanese technology shares would not lead the market in such an environment.

Once other Asian markets found their footing after the SARs crisis they also went on to enjoy fairly standard cyclical rallies. The one difference this time for the technology investor was that the biggest winners actually came from the consumer electronics foodchain (niche component makers for handsets and flat panel displays), rather than the more traditional PC centric foodchain (headed by the foundries and hardware OEMs).

It is prudent to assume that the best of the cyclical tailwind for the region is now behind us, certainly in terms of investor expectations/sentiment, if not actual growth momentum as well. Indeed, at the time of writing, the global reflation trade has clearly started to unwind, so it seems likely we will get another chance to bet on whether Asia (including Japan) has just been the fortuitous beneficiary of a vibrant global recovery, or whether there are significant enough secular trends in place to allow the region to decouple from a slowing US economy. Our view is that perhaps 70-90% of Asian stocks will in fact continue to trade along with western markets, but that there are pockets of secular strength which are strong enough to thrive on their own terms.

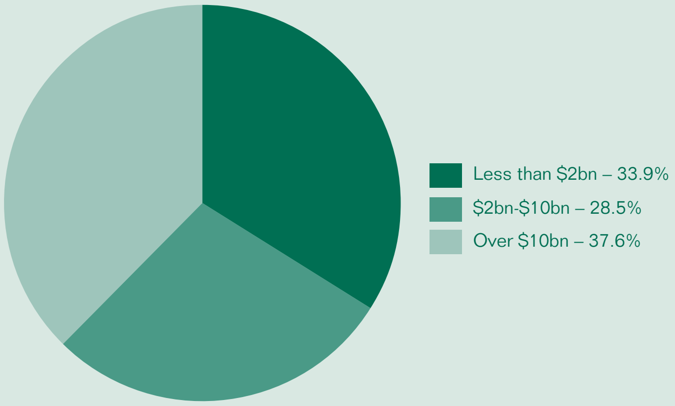
With that in mind we intend to pursue a two-pronged strategy in the region. On the front foot, we want to make our core bets in areas with genuinely exciting secular growth prospects, namely; Chinese domestic growth beneficiaries, suppliers of components into the flat panel display markets, and emerging Japanese small caps. On the back foot, we want to ensure a foundation of solid, cash-generative franchises that are relatively impervious to a worsening macro climate (examples here would include Nintendo and office equipment companies Canon and Ricoh).

Craig Mercer

PORTFOLIO ANALYSIS

FUND DISTRIBUTION BY MARKET CAPITALISATION

at 30 April 2004



CLASSIFICATION OF INVESTMENTS

at 30 April 2004

	North America %	Europe %	Asia %	Total 2004 %	Total 2003 %
Computing	7.9	–	0.5	**8.4**	10.6
Components	9.0	3.0	15.8	**27.8**	17.1
Software	7.8	7.4	3.8	**19.0**	17.4
Services	2.0	3.5	–	**5.5**	8.6
Communications	2.4	3.1	–	**5.5**	10.0
Life Sciences	10.5	2.7	–	**13.2**	13.4
Consumer, Media and Internet	2.4	1.3	0.5	**4.2**	5.9
Other Technology	1.5	1.8	1.9	**5.2**	7.2
Unquoted Investments	–	0.3	–	**0.3**	0.2
EQUITY INVESTMENTS	43.5	23.1	22.5	**89.1**	90.4
Fixed Interest	–	–	–	**–**	7.8
Forward Currency Contracts	(9.2)	9.6	–	**0.4**	–
Net Current Assets	–	25.3	–	**25.3**	16.3
Loans	–	–	(14.8)	**(14.8)**	(14.5)
OTHER NET ASSETS	(9.2)	34.9	(14.8)	**10.9**	9.6
GRAND TOTAL (net assets of £306,636,000)	34.3	58.0	7.7	**100.0**	–
At 30 April 2003 (net assets of £221,022,000)	51.7	46.9	1.4	**–**	100.0

EQUITY INVESTMENTS OVER 1%

of net assets at 30 April 2004

NORTH AMERICA

£'000s			% of net assets
5,263	Genentech	Biotechnology	1.7%
3,681	Qualcomm	Wireless communications	1.2%
3,191	Yahoo	Internet advertising	1.1%
3,120	Maxim	Analogue ICs	1.0%
15,255	**Total investments over 1%**		**5.0%**
118,100	**Other investments**		**38.5%**
133,355	**Total North American investments**		**43.5%**

EUROPE

£'000s			% of net assets
3,214	Computacenter	System integration	1.1%
3,065	TietoEnator	IT services	1.0%
6,279	**Total investments over 1%**		**2.1%**
64,351	**Other investments**		**21.0%**
70,630	**Total European investments**		**23.1%**

ASIA

£'000s			% of net assets
4,627	Venture Manufacturing	Electronic manufacturing services	1.5%
4,551	Samsung Electronics	Electronic & electrical equipment	1.5%
4,519	NEC	Electronic & electrical equipment	1.5%
3,930	Nintendo	Gaming software	1.3%
3,879	Zeon	LCD materials	1.3%
3,422	LG Electronics	Electronic & electrical equipment	1.1%
3,146	Funai Electric	Consumer electronics	1.0%
28,074	**Total investments over 1%**		**9.2%**
40,625	**Other investments**		**13.3%**
68,699	**Total Asian investments**		**22.5%**

DIRECTORS

CHAIRMAN

R K A Wakeling MA (Cantab), Barrister, FCT
(age 57)

Appointed to the Board and as Chairman in 1996. Formerly chief executive of Johnson Matthey plc 1991-1994 and a non-executive director of Logica plc 1995-2002. Mr Wakeling is a non-executive director of The Brunner Investment Trust plc.

DIRECTORS

B J D Ashford-Russell BA (Oxon)
(aged 45)

Appointed to the Board in 1996. Mr Ashford-Russell is a director and founder of Polar Capital Partners Limited. He was previously head of the technology team at Henderson Global Investors. He has managed the Company since launch.

P F Dicks
(aged 61)

Appointed to the Board in 1996. Mr Dicks is a director of Standard Microsystems Corporation and Graphite Enterprise Trust plc. He is also the Chairman of Second London American Trust plc and a director of several other companies. Mr Dicks was appointed Senior Independent Director on 1 May 2004 and in that capacity is Chairman of the Remuneration Committee which was established from 1 May 2004.

D J Gamble
(aged 60)

Appointed to the Board in 2002. Mr Gamble was until recently the Chief Executive of British Airways Pension Investment Management Ltd, and continues as a consultant. He also holds a number of other directorships which include other investment trust companies and is Chairman elect of Hermes Property Unit Trust.

Professor J D Rhodes CBE, FRS, FREng.
(aged 60)

Appointed to the Board in 1996. Professor Rhodes is Executive Chairman of Filtronic plc, Chairman of Isotek (Holdings) Limited and Industrial Professor at Leeds University.

C J M Stutterheim
(aged 57)

Appointed to the Board on 1 May 1998. Mr Stutterheim is non-executive Chairman of LogicaCMG plc and a non-executive director of a Dutch publishing company, Wegener.

All Directors, with the exception of Mr Ashford-Russell, are independent of the management company.

BOARD COMMITTEES

In the year under review the Audit and Management Engagement Committees comprised of all the independent Directors and were chaired by Mr Wakeling.

A review of corporate governance was carried out by the Board and this has resulted in the terms of reference for the Audit and Management Engagement Committees being updated to reflect current best practice and the creation from 1 May 2004 of Remuneration and Nomination Committees. Further details are given in the Statement on Corporate Governance found on pages 20 to 24.

REPORT OF THE DIRECTORS

The Directors present their report and audited accounts of the Group for the year ended 30 April 2004.

PRINCIPAL ACTIVITIES

A review of the business is given in the Chairman's Statement on pages 4 and 5 and in the Fund Manager's Report on pages 6 to 10.

STATUS

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and carried on business as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 30 April 2003 subject to matters that may arise from any subsequent enquiry by the Inland Revenue into the Company's tax return. The Directors are of the opinion that the Company has and will continue to conduct its affairs so as to enable it to obtain Inland Revenue approval. The Company has no employees.

INVESTMENT IN INVESTMENT COMPANIES

Following the revision of the Listing Rules in respect of investment companies, the Company has announced that its stated investment policy is to invest no more than 15% of its gross assets in other UK listed investment companies including listed investment trusts.

ASSETS

At 30 April 2004 the total net assets of the Group amounted to £306,636,000 compared with £221,022,000 at 30 April 2003. The net asset value per ordinary share, on a fully diluted basis, increased by 37.1% from 141.3p to 193.7p.

REVENUE AND DIVIDENDS

The gross revenue for the year was £2,716,000 (2003: £2,983,000) and the net loss after taxation amounted to £680,000 (2003 profit: £70,000). The Directors do not recommend the payment of a dividend.

LIFE OF THE COMPANY

The Articles of Association of the Company provide that at the Annual General Meeting of the Company to be held in 2006, and at every fifth Annual General Meeting thereafter, a vote on whether the Company should be wound up will be proposed as an ordinary resolution. The Directors may be released from this obligation by the passing of an ordinary resolution at the preceding AGM.

MANAGEMENT COMPANY AND FEE ARRANGEMENTS

Under the terms of a management agreement Polar Capital Partners Limited, which is regulated by the Financial Services Authority, or its subsidiary ("Polar Capital") provides investment management, accounting, company secretarial and administrative services. Polar Capital has procured the provision of a share savings plan and ISA accounts for the Company from BNP Paribas Fund Services UK Ltd.

The management agreement may be terminated by either party by giving 12 months' notice, but under certain circumstances the Company may be required to pay up to one year's management charges if immediate notice is given and compensation would be on a sliding scale if less than 12 months' notice is given.

The Company pays Polar Capital a base management charge quarterly in arrears equal to one quarter of one percent of the aggregate of the value of the Company's net assets plus borrowings incurred for investment purposes. Fees are subject to VAT as applicable.

The performance fee arrangements, effective from 1 May 2000, and carried forward into the current management agreement, (Polar Capital was appointed the investment manager in February 2001), split the fee into two parts. The first part is at the rate of 10% of the amount, if any, by which the increase in the undiluted net asset value of the ordinary shares over the financial year exceeds the increase in the benchmark over the year. The benchmark was reviewed by the Board following the closure of the Euro NM Index and the much reduced technology exposure of

JASDAQ. With effect from 1 May 2003 the benchmark comprised a blend of worldwide technology indices; 50% PSE (USA) Technology, 15% MS Eurotec, 7.5% FTSE Techmark, 7.5% Tecdax, 15% Tokyo SE Electronic and 5% DS Asia ex Japan Electronics,

The second part comprises a longer-term incentive and will be at the rate of 5% of the amount, if any, by which the increase in the undiluted net asset value of the ordinary shares over each three year period exceeds LIBOR +5% over the same period. Each three year period will be discrete and hence the first ended on 30 April 2003 with no fee paid. The next period will end on 30 April 2006.

The provisions of the fee agreement provide that in the event of any underperformance, subsequent performance fees will only be paid once the levels on which previous fees have been based are exceeded. Polar Capital agreed to continue with the arrangements established when the Company was managed by Henderson and will not seek a performance fee until the previous level of performance at which a performance fee was paid to Henderson is exceeded.

No performance fee has been paid to Polar Capital in the year to 30 April 2004.

CUSTODIAN

JP Morgan Chase acts as global custodian for all the Company's investments.

SUBSTANTIAL SHARE INTERESTS

At 14 June 2004 notices have been received of the following substantial interests in the issued ordinary share capital of the Company:

Prudential Corporation plc	4.07%
BNP Paribas Arbitrage SNC	3.11%
Legal & General Investment Management Ltd	3.10%
HBOS plc	3.07%

The above percentages are calculated by applying the shareholdings as notified to the Company to the issued ordinary share capital as at 14 June 2004.

DIRECTORS

The Directors of the Company and their biographies are shown on page 13. The Directors' Remuneration Report is set out on pages 18 and 19. All the Directors held office throughout the year.

The Articles of Association require that a Director retires at the third AGM after their last re-election. At the forthcoming Annual General Meeting Mr David Gamble and Professor David Rhodes will retire and offer themselves for re-election. Biographical details are given on page 13. Mr Brian Ashford-Russell stands for re-election due to his association with the Manager. The Board supports the re-election of these Directors.

All the Directors, with the exception of Mr Ashford-Russell, are independent of the Manager.

Mr Ashford-Russell is a director of Polar Capital Partners Limited and a shareholder in PCP Holdings Plc, its parent company, as such he has an interest in the management contract. There were no other contracts during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

The interests of Directors in the ordinary shares and warrants of the Company at 30 April 2004 and 30 April 2003 are set out below:

	Ordinary Shares		Warrants	
Beneficial:	**30.04.04**	30.04.03	**30.04.04**	30.04.03
RKA Wakeling	**10,000**	10,000	**2,000**	2,000
BJD Ashford-Russell	**183,540**	183,540	**100,124**	100,124
PF Dicks	**25,000**	25,000	**5,000**	5,000
DJ Gamble	**5,902**	5,902	**–**	–
Professor JD Rhodes	**–**	–	**–**	–
CJM Stutterheim	**–**	–	**–**	–
Non-beneficial:				
PF Dicks	**1,057**	1,057	**–**	–

There have been no changes in these interests between the end of the financial year and 14 June 2004.

CORPORATE GOVERNANCE

A formal statement on corporate governance is set out on pages 20 to 24.

AUTHORITY TO MAKE MARKET PURCHASES OF THE COMPANY'S OWN SHARES

The Company's Articles of Association permit the Company to purchase its own shares.

At the AGM in April 2003 the Company was authorised to make market purchases up to 22,335,124 of the Company's own issued shares for cancellation.

During the financial year the Company made market purchases for cancellation of 2,850,000 shares. These cost £4,759,000 excluding stamp duty. Since the year end and up to the date of this report a further 2,382,000 shares at a cost of £3,712,000 excluding stamp duty have been purchased for cancellation. As at the date of this report, the Company had valid authority outstanding, until the conclusion of this year's AGM, to make market purchases of up to 17,103,124 issued shares.

The Directors are seeking to renew the powers granted at last year's AGM to make market purchases of the Company's own shares for cancellation. The Directors believe that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the Board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders.

Where purchases are made at prices below the prevailing net asset value per share, this will enhance the net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below net asset value. Your Board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases.

The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an ordinary share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value). Also these rules limit a listed company to purchases of shares representing up to 15% of its issued ordinary share capital through the market pursuant to a general authority such as this. For this reason, the Company is limiting its authority to make such purchases to 21,727,000 ordinary shares, representing approximately 14.9% of the issued ordinary share capital at the date of this Annual Report. The authority will last until the AGM of the Company to be held in 2005 or the whole of the 14.9% has been utilised, whichever is earlier.

The rules of the UK Listing Authority also require the Company to disclose the percentage of the issued share capital that the outstanding warrants would represent if exercised after the theoretical implementation of the authorities to make market purchases granted at the last AGM and proposed at this AGM.

The total number of warrants to subscribe for ordinary shares in the Company as at 14 June 2004 (being the latest practicable date prior to publication of this document) was 22,662,533. If exercised in full, ordinary shares issued on the exercise of the Company's warrants would represent 15.6% of the Company's issued share capital at that date. If the Company's authority to purchase its own shares was exercised in full, and no further warrants were purchased for cancellation then the ordinary shares issued on exercise of the Company's warrants would represent 21.4% of the Company's issued share capital.

AUTHORITY TO ALLOT SHARES AND DISAPPLICATION OF PRE-EMPTION RIGHTS

The Directors are seeking the authority to allot ordinary shares for cash. At the forthcoming AGM, resolution 8 will be proposed as an ordinary resolution to authorise the Directors to allot ordinary shares up to an aggregate nominal amount of £1,811,829 (being 7,247,314 ordinary shares or 5% of the Company's issued ordinary share capital at the date of this report).

In addition, resolution 9 will be proposed as a special resolution to seek authority to allot ordinary shares for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £1,811,829 (being 7,247,314 ordinary shares or 5% of the Company's issued ordinary share capital at the date of this report).

The authorities to allot shares will last until the AGM of the Company in 2005, or until all shares have been allotted, whichever is the earlier. The Directors will use the authorities only if they believe that to do so would be advantageous to the Company's existing shareholders and when the share price is at or above the net asset value. The Directors will limit the allotment of new shares to the total number of shares purchased and cancelled up to the date of allotment.

WARRANTS

A warrantholder has the right to subscribe for ordinary shares of 25p each in the Company on 30 September in any of the years up to 2005 inclusive, at a price of 100p per ordinary share. On 30 September 2003, 1,178,126 warrants were exercised and the same number of ordinary shares were issued. During the year 1,750,000 warrants were purchased at prices between 25.5p and 36.75p each and cancelled. As at 30 April 2004 there were 22,662,533 warrants in issue (2003: 25,590,659).

The Company has power to repurchase warrants under the terms of the warrants and no further authority is required. The price paid for the warrants is limited to 105% of the average middle market quotation for the warrants over the preceding 5 and 10 business days immediately preceding the date of purchase.

THE PAYMENT OF CREDITORS

It remains the Company's policy for the forthcoming financial year to obtain the best terms for all business and therefore there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 30 April 2004.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday 23 July 2004 at 12.30pm at the offices of UBS Investment Bank. A map is given on page 47.

The Notice of Meeting is set out on page 45.

There will be a presentation from the fund manager and the opportunity for shareholders to meet the Directors.

AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Company's registered Auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the forthcoming AGM.

SHAREHOLDER AND INVESTOR INFORMATION

Investors in the Polar Capital Technology Trust Share Savings Scheme and the Polar Capital Technology Trust ISA receive all shareholder communications and a letter of instruction is provided to facilitate voting at the AGM.

Further investor information on the Company can be found on pages 42 to 44 and page 48.

By order of the Board

N P Taylor FCIS

Polar Capital Secretarial Services Limited

Secretary

14 June 2004

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 30 April 2004 and has been audited where indicated as such.

CONSIDERATION OF MATTERS RELATING TO DIRECTORS' REMUNERATION

During the year under review the whole Board acted as the Remuneration Committee and considered matters relating to the Directors' remuneration. With effect from 1 May 2004 a Remuneration Committee was established under the chairmanship of Mr Peter Dicks as the Senior Independent Director and Mr Cor Stutterheim and Professor Rhodes were elected to serve on the Committee.

STATEMENT OF THE COMPANY'S POLICY ON DIRECTORS' REMUNERATION

The Board consists entirely of non-executive Directors, who meet regularly throughout the year to deal with the Company's affairs.

The Company's Articles of Association limit the total fees payable to all the Directors to £150,000 per annum. In the year under review the Directors' fees were paid at the following annual rates, the Chairman £25,000; other independent Directors £17,000.

The principles of the Company's remuneration policy has been and will continue to be for the forthcoming financial year that fees payable to Directors should:

- reflect the time spent by them individually and collectively as part of the Board on the Company's affairs
- be of a level appropriate to the responsibilities borne by the Directors
- be in line with market practices and sufficient to enable candidates of high calibre to be recruited and retained.

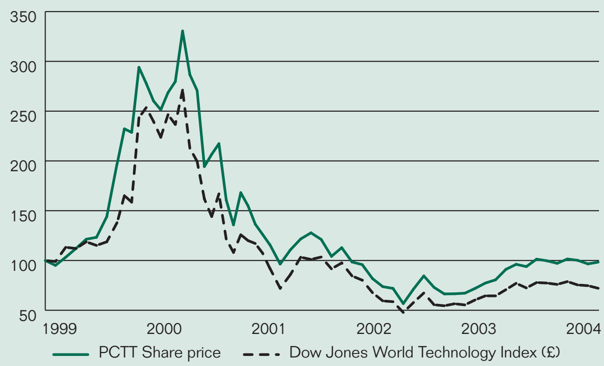
The policy also recognises:

- that the form of remuneration be in cash, payable monthly in arrears, to the Director personally or to a third party specified by him
- the rates are reviewed annually; such review will not necessarily result in any change to the rates.

As the Company is an investment trust and all the Directors are non-executive, it is considered inappropriate to have any long term incentive schemes and the fees are not specifically related to the Directors' performance, either individually or collectively.

PERFORMANCE

The Company does not consider it appropriate to benchmark performance against one specific index. A five year performance comparison is required to be presented in this report. The Dow Jones World Technology Index has been shown because as a market capitalisation weighted index based on the entire global technology sector, it is the most appropriate single market index.



SERVICE CONTRACTS

None of the Directors has a contract of service or a contract for services and a Director may resign by giving one month's notice in writing to the Board at any time. In accordance with recommended practice each Director has received a letter setting out the terms of his appointment and these were revised and reissued on 1 May 2004.

New Directors are appointed with the expectation that they will serve for a period of at least three years. Each Director's appointment is reviewed formally each time a Director retires by rotation under the Articles of Association. The Articles require a Director to retire at every third AGM after the first AGM at which he is appointed by shareholders.

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

REMUNERATION (AUDITED)

The fees payable in respect of each of the Directors who served during the year, and during 2003, were as follows:

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
R Wakeling	25,000	25,000
B Ashford-Russell	Nil	Nil
P Dicks	17,000	17,000
D Gamble	17,000	15,583*
D Rhodes	17,000	17,000
C Stutterheim	17,000	17,000**
TOTAL	93,000	91,583

* Mr Gamble was appointed to the Board on 11 June 2002.

** The fee for Mr Stutterheim was paid to his employer up to 31 December 2002. From 1 January 2003 the fees were paid to Mr Stutterheim.

No pension contributions or other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors. Travel expenses of £487 were paid to Mr Stutterheim in respect of him attending Board meetings. No other Directors claimed or received any expenses (2003: £Nil).

The Directors' emoluments stated above were those actually paid by the Company. However, Mr Ashford-Russell was employed and paid by Polar Capital Partners Ltd ("Polar Capital") for the provision of services to the Company. By reason of the Companies Act 1985 and the regulations referred to above, it is necessary to state the amount which he received from Polar Capital and which related to the management of the Company, even though the Company did not pay these emoluments to him and was not involved in their determination.

The Company has been informed that the emoluments paid by Polar Capital to Mr Ashford-Russell for services to the Company during the year were:

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
Salary & other benefits	76,308	59,500
Pension	7,500	7,500
TOTAL	83,808	67,000

The pension contribution was paid by Polar Capital on behalf of Mr Ashford-Russell to a money purchase arrangement.

Approved by the Board on 14 June 2004

By order of the Board

N P Taylor FCIS

Polar Capital Secretarial Services Limited

Secretary

CORPORATE GOVERNANCE

BACKGROUND

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance issued by the London Stock Exchange in 1998 (the "Combined Code"). A Revised Combined Code on Corporate Governance was issued by the Financial Reporting Council in July 2003 (the "Revised Code"). The new Revised Code is effective for financial years beginning on or after 1 November 2003. In addition, the Association of Investment Trust Companies issued a Code of Corporate Governance in July 2003 (the "AITC Code").

This statement refers to a financial period which commenced prior to the implementation date for the Revised Code and therefore throughout the year under review the code in force was the Combined Code. This statement also comments on the steps taken to apply the requirements of the Revised Code and the AITC Code, both of which have been adopted by the Company from 1 May 2004.

APPLICATION OF THE COMBINED CODE'S PRINCIPLES

The Board attaches great importance to the matters contained in the Combined Code and observed the relevant requirements throughout the year under review. The Board will continue to observe the relevant Main and Supporting Principles set out in the Revised Code and the AITC Code in future. It should be noted that, as an investment trust, most of the Company's day to day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the provisions of the Combined Code or the Revised Code are directly applicable to the Company. The Board believes that the Company's current practices are consistent in all material respects with the principles of the Combined Code and that it has, as far as necessary for an investment trust company, taken the necessary steps to comply with the principles of the Revised Code. Where non-compliance occurs, an explanation has been provided. The Board is also adhering to the principles and recommendations of the AITC Code.

BOARD INDEPENDENCE AND COMPOSITION

The Board currently consists of six non-executive Directors, the majority of whom are independent and have no links with the investment manager, Polar Capital Partners Limited (the "Manager").

The Board has put in place policies to govern situations where a potential conflict of interests may arise, in particular where a Director is also a director of a company in which the Company invests or may invest. These Directors are excluded from any discussions or decisions relating to investments in their respective companies. Currently Professor Rhodes is executive chairman of Filtronic PLC and Mr Stutterheim is non-executive chairman of LogicaCMG PLC, both these companies are held from time to time in the investment portfolio.

Mr Ashford-Russell is a director of the Manager and is therefore not an independent Director. However, the Board values the fact that Mr Ashford-Russell serves as a Director of the Company and is committed to achieving the best returns for shareholders.

The Board is conscious of the need to maintain continuity in the Board, and believes that retaining directors with sufficient experience of the Company, industry and the markets is of great benefit to shareholders. The Board also recognises the value of progressive refreshing of, and succession planning for company boards. Accordingly the appointment of each Director retiring at the forthcoming AGM has been reviewed by the Board prior to submission for re-election under the Articles of Association.

The Chairman of the Company is a non-executive Director and as the Board is comprised of non-executive Directors there has been no need to separate the roles of Chairman and chief executive.

Each Director has different qualities and areas of expertise on which they may lead where issues arise. The Directors' biographies, on page 13, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors on the Board of the Company.

Six scheduled Board meetings are held each year to deal with the stewardship of the Company and other matters including the setting and monitoring of investment strategy, review of financial statements, approval of borrowing limits within which the manager has discretion to act, the review of investment performance and the level of discount or premium to net asset value, and the evaluation of third party service providers. Additional meetings of the Board may be arranged as required. A formal schedule of matters specifically reserved for decision by the full Board has been defined and was reviewed and updated as at 1 May 2004. Prior to 1 May the Board had delegated to a number of committees and from 1 May will delegate to newly formed committees specific remits for consideration and recommendations but the final responsibility remains with the Board.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The number of formal meetings of the Board and its Standing Committees held during the financial year and the attendance of individual Directors are shown below.

1 May 2003 to 30 April 2004	Board Meetings	Audit Committee	Management Engagement Committee
No. of Meetings	**6**	**3**	**1**
R Wakeling	6	3	1
B Ashford-Russell	6	3*	n/a
P Dicks	5	3	1
D Gamble	5	3	1
D Rhodes	5	2	–
C Stutterheim	5	3	1

All Directors attended the 2003 AGM, held on 23 July.

*Not a member but attended by invitation.

SENIOR INDEPENDENT DIRECTOR

With effect from 1 May 2004 the Board elected Mr Peter Dicks as the Senior Independent Director.

BOARD COMMITTEES

Following the publication of the Revised Code, the Board considered the composition and number of Board committees. Copies of the terms of reference for each committee are available on request and can be viewed on the Company's website.

AUDIT COMMITTEE

The Audit Committee meets three times a year. The Committee comprises of all the independent non-executive Directors. The Board carefully considered the composition of the Audit Committee in light of the Smith Report recommendations and concluded that due to his experience Mr Wakeling, despite being Chairman of the Board, should remain as the Committee's chairman. Mr Wakeling has previously served as a finance director of two public companies and in the opinion of the board has the most relevant experience to act as Chairman of the Audit Committee. As a non-executive Director Mr Wakeling is not involved in the preparation of the accounts of the Company, as this has been contracted to the Manager. The terms of reference of the Committee were revised to incorporate the best practice recommendations and requirements of the Revised Code and were adopted with effect from 1 May 2004.

The Audit Committee is responsible for reviewing the scope of the annual audit, the annual accounts and the interim report, the terms of appointment of the Auditors and their remuneration as well as any non-audit services provided by the Auditors. It meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. The Committee also considers the internal controls and risk management systems applicable to the Company.

The Audit Committee has direct access to the Auditors and to the key senior staff of the Manager and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company.

The Audit Committee meets with the Auditors each April to review the scope of the annual audit work and meets again each June to review the findings of the Auditors and the annual report and accounts prior to approval by the Board. The Committee also meets, without the Auditors present, in December to consider the interim report.

The effectiveness of the Auditors and the nature of the services provided have therefore been assessed throughout the year and the provision of non-audit services provided by the Auditors has been kept under review. These non-audit services comprised the provision of specialist tax advice on VAT recovery which was provided by a separate office of the Audit firm. Details of fees paid to the Auditors are given in note 6 on page 32.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee meets at least annually and at such other times as may be necessary. All independent non-executive Directors are members of the Management Engagement Committee which is chaired by the Chairman of the Board. The Committee is responsible for the review of the terms of the management contract which is reviewed annually and the Committee also considers, prior to making its recommendation to the Board, the retention of the Manager as being in the interests of shareholders.

NOMINATION COMMITTEE

In the year under review, the functions of the Nomination Committee were carried out by the Board but following a review, a Nomination Committee was created on 1 May 2004. All independent non-executive Directors are members of the Nomination Committee which is chaired by the Chairman of the Board. The Committee will meet at least annually and is responsible to the Board for the size and structure of the Board as well as succession planning and tenure policy for Directors.

Succession planning will be conducted bearing in mind the balance of skills, knowledge and experience existing on the Board and the balance of ages and the Committee will make recommendations to the Board when the further recruitment of non-executive directors is required.

It also will review the performance of the Board as a whole and each individual Director. Re-appointment as a Director is not automatic and will follow a process of evaluation of each Director's performance. The Board acknowledges the rationale of the Revised Code for the particularly rigorous review of Directors serving over six years and annual re-election after nine years. Nevertheless the Board is of the opinion that length of service will not necessarily compromise the independence or contribution of directors of investment trusts where continuity and experience can significantly strengthen a board. All Directors are appointed for an initial term of three years, subject to re-appointment and Companies Act provisions and in accordance with the existing Articles of Association, will stand for election at the first AGM following their appointment. Directors will retire at every third AGM after their last election to ensure compliance with the Code and the Articles of Association. The names of the Directors retiring by rotation at the forthcoming AGM are given in the Report of the Directors. The Directors who are subject to annual re-election due to length of service would be subject to particularly rigorous assessment of their contribution.

DIRECTORS' REMUNERATION

In the year under review the functions of the Remuneration Committee were carried out by the Board but following a review a Remuneration Committee was created on 1 May 2004. Mr Peter Dicks, the Senior Independent Director was elected chairman and Mr Cor Stutterheim and Professor David Rhodes were elected Committee members. The Committee will meet at least annually and is responsible for recommending the framework for the remuneration of Directors. The Committee will review the ongoing appropriateness of the remuneration policy and the individual remuneration of Directors based on their contributions.

Since all Directors are non-executive, the Company is not required to comply with the Principles of the Code in respect of the executive Directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on pages 18 and 19.

DIRECTORS' TRAINING

When a new Director is appointed he or she is offered an induction course provided by the Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirement and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in professional and industry seminars.

RESPONSIBILITIES

The Board has contractually delegated the management of the portfolio to the Manager, Polar Capital Partners. It is the Managers' sole responsibility to take decisions as to the purchase and sale of individual investments. The Manager has responsibility for gearing, asset allocation and sector selection within the limits established and regularly reviewed by the Board. The Board has directly appointed the custodian and the share registrars, both of which the Manager monitors and the Manager provides or procures the provision of accountancy services, company secretarial and administrative services and the shareplan and savings scheme arrangements. The Manager also ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern or seek clarification on certain issues. The Directors have access to the advice and services of the corporate company secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Manager operate in a supportive, co-operative and open environment.

PERFORMANCE EVALUATION

THE BOARD

The Chairman of the Nomination Committee and the Senior Independent Director will review each individual Director's contribution on an annual basis. The work of the Board as a whole will also be reviewed annually. The Board will meet without the Chairman present in order to review the performance of the Chairman.

THE INVESTMENT MANAGER

The Board reviews the performance of the Manager at each Board meeting and the Company's performance against a peer group of investment companies and funds with similar investment objectives. The investment team provided by the Manager, led by Mr Brian Ashford-Russell, has long experience of investment in technology. In addition the Manager has other investment resources which support the investment team and experience in managing and administering investment trust companies. The Management Engagement Committee regularly reviews the terms of the contract with the Manager.

In the opinion of the Board, on the recommendation of the Management Engagement Committee, the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the Accounts is set out on page 25, the Independent Auditors' Report on pages 25 and 26.

GOING CONCERN

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable and accordingly the Company has adequate financial resources to continue in operation for the foreseeable future.

INTERNAL CONTROLS

The Board has overall responsibilities for the Company's system of internal control and for reviewing its effectiveness. It has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance"). The process was fully in place from June 2000 and up to the date of approval of this annual report. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients.

The Board, assisted by the Manager, undertakes an annual review of the Company's system of internal control. The business risks have been analysed and recorded in a risk map which is reviewed regularly.

Each quarter the Board receives a formal report from the Manager which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operation and culture of the Company and its key suppliers.

The Company does not have an internal audit function; it delegates to third parties most of its operation and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and from time to time the Directors will review if a function equivalent to internal audit is needed.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

RELATIONS WITH SHAREHOLDERS

The Board is keen that the AGM be a participative event which shareholders are encouraged to attend. The Chairman of the Board and the Committees attend the AGM and are available to respond to queries and concerns from shareholders. The Manager makes a presentation to shareholders and answers questions on investment performance.

The Company has made arrangements for a share savings scheme, ISA and transfer PEP to be available to investors and for these shareholders to receive all Company communications and the ability to direct the casting of their votes. The Company has also made arrangements with its registrar for shareholders, who own their shares direct rather than through a nominee or share scheme, to view their account over the Internet at **www.shareview.co.uk** and other services are also provided via this service.

The Company publishes an annual report and financial statements as well as an interim report. These are posted to all shareholders and warrantholders. These are also made available on the Company's website (**www.polarcapitaltechnologytrust.co.uk**) where monthly factsheets are published by the Manager.

The Company has adopted a nominee shareholder code which is set out on page 44 and proxy votes received are relayed to the meeting.

Twenty working days' notice of the AGM has been given to shareholders as required.

The Notice of Meeting sets out the business of the AGM and the special resolutions are explained more fully in the Report of the Directors. Separate resolutions are proposed to each substantive issue.

The Board monitors the shareholders register of the Company, correspondence from shareholders at each meeting and maintains regular contact with major shareholders.

SRI AND EXERCISE OF VOTING POWERS

The Board has instructed the Manager to take into account the published corporate governance policy and the environment practices and policies of the companies in which they invest on behalf of the Company. The Company has also considered the Manager's policy on voting. The policy is for the manager to vote at all general meetings of UK companies in favour of resolutions proposed by the management where it believes that the proposals are in the interests of shareholders. The Manager uses Institutional Shareholder Services as its agent for voting. However in exceptional cases where it believes that a resolution could be detrimental to the interests of shareholders or the financial performance of the Company, appropriate notification will be given and abstentions or a vote against will be lodged. The Board believes that their practices accord with current best practice whilst maintaining a primary focus on financial returns.

STATEMENT OF COMPLIANCE

The Board, assisted by the Manager has conducted an annual review of the risk map and the effectiveness of the system of internal controls taking into account any significant issue which arose during the course of the year ended 30 April 2004 and up to the date of this report.

The Directors considered that the Company has complied with all material provisions set out in Section 1 of the Combined Code published in June 1998 throughout the accounting period ended 31 April 2004. The Company has also adopted the Revised Code and is compliant with the AITC Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and the net revenue of the Company and the Group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF POLAR CAPITAL TECHNOLOGY TRUST PLC

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 29 of the financial statements. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Fund Manager's Report, the Portfolio Review, the Chairman's Statement and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements 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 and the auditable part of the Directors' Remuneration Report 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 the Group at 30 April 2004 and the loss and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
14 June 2004

NOTES:

(a) The maintenance and integrity of the Polar Capital Technology Trust plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

GROUP STATEMENT OF TOTAL RETURN for the year ended 30 April 2004

(INCORPORATING THE REVENUE ACCOUNT)

Notes		Year ended 30 April 2004 Revenue £'000	Capital £'000	Total £'000	Year ended 30 April 2003 Revenue £'000	Capital £'000	Total £'000
2	Total capital gains/(losses) from investments	–	85,675	85,675	–	(65,865)	(65,865)
	Repurchase of warrants	–	(8)	(8)	–	71	71
3	Income from fixed asset investments	1,828	–	1,828	2,092	–	2,092
4	Other interest receivable and similar income	888	–	888	891	–	891
	Gross revenue and capital gains/(losses)	2,716	85,667	88,383	2,983	(65,794)	(62,811)
5	Management fee	(2,098)	–	(2,098)	(1,611)	–	(1,611)
6	Other administrative expenses	(586)	–	(586)	(601)	–	(601)
	Net return on ordinary activities before interest payable and taxation	32	85,667	85,699	771	(65,794)	(65,023)
7	Interest payable and similar charges	(569)	–	(569)	(567)	–	(567)
	Net (loss)/return on ordinary activities before taxation	(537)	85,667	85,130	204	(65,794)	(65,590)
8	Taxation on ordinary activities	(143)	–	(143)	(134)	–	(134)
	Net (loss)/return on ordinary activities after taxation	(680)	85,667	84,987	70	(65,794)	(65,724)
9	(Loss)/return per ordinary share (pence)						
	Basic	(0.45)p	57.26p	56.81p	0.05p	(44.16p)	(44.11p)
	Fully Diluted	(0.43)p	54.14p	53.71p	0.05p	(42.71p)	(42.66p)

The revenue columns of this statement represent the revenue accounts of the Group.

The notes on pages 30 to 41 form part of these accounts

BALANCE SHEETS at 30 April 2004

Notes		Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
10 to 12	**Fixed asset investments**				
	Listed at market value:				
	United Kingdom	36,280	21,738	36,280	21,738
	Overseas	235,562	194,672	235,562	194,672
		271,842	216,410	271,842	216,410
	Unlisted at directors' valuation:				
	Subsidiary undertaking	–	–	3,174	3,513
	Other United Kingdom	842	444	842	444
	Overseas	–	–	–	–
		272,684	216,854	275,858	220,367
	Current assets				
	Investments	1,563	–	–	–
13	Debtors	34,569	51,761	37,539	54,661
	Cash	74,254	36,760	69,673	30,347
		110,386	88,521	107,212	85,008
14	**Creditors:** amounts falling due within one year	(41,840)	(73,336)	(41,840)	(73,336)
	Net current assets	68,546	15,185	65,372	11,672
	Total assets less current liabilities	341,230	232,039	341,230	232,039
15	**Creditors:** amounts falling due after more than one year	(34,594)	(11,017)	(34,594)	(11,017)
	Total net assets	306,636	221,022	306,636	221,022
	Capital and reserves				
17	Called up share capital	36,832	37,250	36,832	37,250
18	Capital redemption reserve	713	–	713	–
19	Share premium	88,842	87,959	88,842	87,959
20	Warrant reserve	7,147	8,070	7,147	8,070
21	Warrant exercise reserve	940	568	940	568
22	Other capital reserves	226,504	140,837	229,678	144,350
23	Revenue reserve	(54,342)	(53,662)	(57,516)	(57,175)
25	**Equity shareholders' funds**	306,636	221,022	306,636	221,022
26	**Net asset value per ordinary share** – undiluted	208.13p	148.34p	208.13p	148.34p
	– diluted	193.71p	141.25p	193.71p	141.25p

The accounts were approved by the Board of Directors on 14 June 2004.

R K A Wakeling

B J D Ashford-Russell

The notes on pages 30 to 41 form part of these accounts

GROUP CASH FLOW STATEMENT for the year ended 30 April 2004

Notes		2004 £'000	2004 £'000	2003 £'000	2003 £'000
27	**Net cash (outlow)/inflow from operating activities**		(2,521)		32
	Servicing of finance				
	Bank and loan interest paid	(634)		(478)	
	Net cash outflow from servicing of finance		(634)		(478)
	Taxation				
	UK tax recovered	–		–	
	Overseas withholding tax recovered	–		10	
	Net tax recovered		–		10
	Financial investment				
	Purchase of investments	(306,715)		(267,145)	
	Sale of investments	332,899		265,702	
	Gain from forward foreign currency contracts	6,879		2,333	
	Net cash inflow from financial investment		33,063		890
	Net cash inflow before financing		29,908		454
	Financing				
	Proceeds from exercise of warrants	1,178		5	
	Repurchase of warrants	(559)		(418)	
	Repurchase of shares	(4,759)		–	
	Loans taken out	45,410		–	
	Loans matured	(31,196)		–	
	Net cash inflow/(outflow) from financing		10,074		(413)
28	**Increase in cash**		39,982		41

Reconciliation of net cash flow to movements in net funds

Notes		2004 £'000	2003 £'000
	Increase in cash as above	39,982	41
	Movement in long term loans	(14,214)	–
	Change in net funds resulting from cash flows	25,768	41
	Exchange movements	(1,544)	(372)
	Net movement in the year	24,224	(331)
	Net funds at 1 May	4,705	5,036
28	**Net funds at 30 April**	28,929	4,705

The notes on pages 30 to 41 form part of these accounts

NOTES TO THE ACCOUNTS

1 Accounting policies

a Basis of accounting

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice *Financial Statements of Investment Trust Companies* (the "SORP"), issued January 2003. All of the Group's operations are of a continuing nature.

b Basis of consolidation

The Group accounts consolidate the accounts of the Company and its wholly owned subsidiary undertaking, PCT Finance Limited.

c Valuation of fixed asset investments

Listed investments are valued at middle market prices or where applicable the last traded price. Unlisted investments are valued at Directors' valuation, having regard to the price at which recent arm's length transactions have occurred, the Company's net asset value or earnings and other operational circumstances of which the directors are aware. Investments in subsidiary undertakings are stated in the Company's accounts at net asset value.

d Valuation of current asset investments

Current asset investments held by the Company's subsidiary undertaking are included in the Group accounts at the lower of cost and net realisable value.

e Foreign currency

Transactions denominated in overseas currencies during the period are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Bank currency loans covered by related forward currency transactions are translated at the rates specified in the forward contracts. In the case of forward exchange contracts entered into to hedge fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted forward rate and the forward rate ruling at the year end is taken credit for, or provided for, in other capital reserves.

f Capital gains and losses

Realised and unrealised capital gains and losses of the Company, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in other capital reserves.

g Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such investment. Bank interest and other income receivable are accounted for on an accruals basis. The dealing profits of the subsidiary undertaking, representing realised gains and losses on the sale of current asset investments, are dealt with in the Group accounts as a revenue item.

h Expenses and interest payable

All expenses, including the management fee, and interest payable are accounted for on an accruals basis and are charged wholly to revenue. Expenses which are incidental to the purchase or sale of a fixed asset investment are included in the cost or deducted from the proceeds of sale of the investment.

i Taxation

Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

j Financial instruments

Derivative instruments utilised by the Group comprise index options and forward foreign exchange contracts. A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the Group. The Company has taken advantage of the exemption allowed under FRS13 and excluded short-term debtors and creditors from disclosures under financial instruments where allowed.

2 Total capital gains/(losses) from investments	Year ended 30 April 2004 £'000	Year ended 30 April 2003 £'000
Net realised gains/(losses) based on historical cost	13,868	(95,056)
Add: amounts recognised as unrealised in the previous year	28,421	33,200
Realised gains/(losses) based on carrying value at previous balance sheet date	42,289	(61,856)
Realised gains on forward currency contracts	6,470	2,333
Net movement in unrealised appreciation/(depreciation) on fixed asset investments	36,716	(5,562)
Net movement in unrealised appreciation/(depreciation) on forward foreign exchange contracts	1,744	(408)
Net losses on foreign exchange movements	(1,544)	(372)
	85,675	(65,865)

3 Income from fixed asset investments	Year ended 30 April 2004 £'000	Year ended 30 April 2003 £'000
Franked:		
Listed investments	392	324
	392	324
Unfranked:		
Listed investments		
Dividend income	1,214	978
Interest income	222	790
	1,436	1,768
Total income from fixed asset investments	1,828	2,092

4 Other interest receivable and similar income	Year ended 30 April 2004 £'000	Year ended 30 April 2003 £'000
Bank interest	852	858
Interest income from current asset investments	36	–
Dealing profits	–	33
	888	891

5	**Management fee** (charged wholly to revenue)	**Year ended 30 April 2004 £'000**	Year ended 30 April 2003 £'000
	Management fee paid to Polar Capital Partners (see note 29)	**2,098**	1,611
		2,098	1,611

Included in the above figures is irrecoverable VAT of £120,000 (2003: £122,000) and £579,000 of recovered VAT (see note 6 below).

6	**Other administrative expenses** (including VAT where appropriate)	**Year ended 30 April 2004 £'000**	Year ended 30 April 2003 £'000
	Directors' fees	**93**	92
	Auditors' remuneration:		
	For audit services	**19**	21
	For non-audit services	**23**	27
	Share plan and ISA administration fee	**156**	179
	Other expenses	**295**	282
		586	601

The non-audit services cover an ongoing review commissioned by the Company from the Newcastle office of PricewaterhouseCoopers LLP ("PwC") on the method of VAT recovery to determine if further amounts of VAT may be recovered. Following this review PwC lodged on behalf of the Company a request with HM Customs & Excise for a further refund of past VAT payments. VAT of £582,000 has been recovered of which £579,000 has been credited to management fees for the year (see note 5 above). PwC has also provided the Company with advice on Section 842 compliance and other general tax issues.

7	**Interest payable and similar charges**	**Year ended 30 April 2004 £'000**	Year ended 30 April 2003 £'000
	Interest on bank loans and overdrafts	**569**	567
		569	567

8	**Taxation on ordinary activities**	**Year ended 30 April 2004 £'000**	Year ended 30 April 2003 £'000
	a) Analysis of charge in period:		
	Corporation tax @ 30%	**–**	–
	Overseas tax	**146**	134
	Tax credits on overseas dividends	**(3)**	–
	Total current tax for period (see note 8b)	**143**	134
	Deferred tax	**–**	–
	Total tax for period	**143**	134

No provision for corporation tax or deferred tax has been made as expenses exceed the income liable to corporation tax.

8 Taxation on ordinary activities (continued)

b) Factors affecting current tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for an investment trust (30%) (2003: 30%).
The differences are explained below:

Net (loss)/return before taxation	**(537)**	204
Corporation tax at 30%	**(161)**	61
Effects of:		
UK dividends not subject to corporation tax	**(118)**	(97)
Stock dividends not subject to corporation tax	**(40)**	(18)
Excess management expenses for which no relief taken	**358**	71
Expenses not deductible for tax purposes	**(26)**	11
Income taxable from previous periods	**27**	43
Income taxable in future periods	**(39)**	(27)
Taxable income not reflected in income account	**(1)**	(7)
Overseas tax suffered	**146**	134
Relief for overseas tax suffered	**–**	(37)
Overseas tax credits	**(3)**	–
Current tax charge for the period (see note 8a)	**143**	134

Investment Trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

The Company has not recognised a deferred tax asset of £17,457,341 (30 April 2003: £17,182,012) arising as a result of having unutilised management expenses or £358,911 (30 April 2003: nil) arising from eligible unrelieved foreign tax. It is unlikely these management expenses or the unrelieved foreign tax amounts will be utilised in future accounting periods unless the investment policy of the Company or the taxation treatment is changed.

9 (Loss)/return per ordinary share

Revenue (loss)/return per ordinary share is based on the net loss after taxation attributable to the ordinary shares of £680,000 (2003: return £70,000) and on 149,607,557 (2003: 148,998,143) ordinary shares being the weighted average number of shares in issue during the year.

Basic capital return/(loss) per ordinary share is based on net capital gains of £85,667,000 (2003: net capital loss: £65,794,000) and on the weighted average number of shares in issue during the year as shown above.

The calculations of the fully diluted revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard No. 14 Earnings per Share (FRS14). For the purpose of calculating diluted revenue and capital returns per share, the number of shares is the weighted average used in the basic calculation plus a number of shares deemed to be issued for no consideration on exercise of all warrants, by reference to the average price of the ordinary shares during the year. The calculations indicate that the exercise of warrants would result in an additional weighted average number of shares of 8,636,006 (2003: 5,032,510) resulting in a total weighted average number of shares of 158,243,563 (2003: 154,030,653).

10	Changes in fixed assets	Group £'000	Company £'000
	Valuation at 1 May 2003	216,854	220,367
	Unrealised depreciation	(48,583)	(45,070)
	Cost at 1 May 2003	265,437	265,437
	Additions at cost	307,877	307,877
	Disposals at cost	(318,939)	(318,939)
	Cost at 30 April 2004	254,375	254,375
	Unrealised appreciation	18,309	21,483
	Valuation at 30 April 2004	**272,684**	**275,858**

11 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital, fully paid, of £2 in its wholly owned subsidiary undertaking, PCT Finance Limited, which is registered in England and Wales and operates in the United Kingdom as a dealing company. The subsidiary is stated in the Company's accounts at net asset value. Included in the unrealised appreciation of the fixed assets of the Company is £3,174,000 relating to the subsidiary (2003: £3,513,000). The cost of the investment in the subsidiary was £2 (2003: £2).

12 Substantial equity interests

The Company has a 33⅓% interest as a limited partner in TR Ecotec Environmental Fund ("the Fund"), an English Limited Partnership registered under the Limited Partnership Act 1907, the principal place of business of which is 4 Broadgate, London EC2M 2NB. The Directors do not consider the Fund to be an associated undertaking of the Company because in their view, having regard to the write off of two of the Fund's three investments and the decision by the General Partner to commence the winding up of the Fund on 30 June 1997, the investment is not held on a long term basis.

The Company has no other interests of 3% or more of any class of capital in any investee companies in the year ended 30 April 2004 (2003: Nil).

13	Debtors	Group 30 April 2004 £'000	Group 30 April 2003 £'000	Company 30 April 2004 £'000	Company 30 April 2003 £'000
	Sales for future settlement	4,516	1,623	4,516	1,623
	Foreign exchange contracts awaiting settlement	29,603	49,812	29,603	49,812
	Income tax and overseas tax recoverable	14	14	14	14
	Prepayments and accrued income	283	205	267	188
	Amounts due from subsidiary undertaking	–	–	2,986	2,917
	VAT recoverable	153	107	153	107
		34,569	51,761	37,539	54,661

14 Creditors: amounts falling due within one year	Group 30 April 2004 £'000	Group 30 April 2003 £'000	Company 30 April 2004 £'000	Company 30 April 2003 £'000
Purchases for future settlement	2,492	1,329	2,492	1,329
Foreign exchange contracts awaiting settlement	28,267	50,219	28,267	50,219
Accruals	350	750	350	750
Japanese loans	10,731	21,038	10,731	21,038
	41,840	73,336	41,840	73,336

15 Creditors: amounts falling due after more than one year	Group and Company 30 April 2004 £'000	Group and Company 30 April 2003 £'000
The Group has the following unsecured Japanese Yen loans:		
¥2,100m at a fixed rate of 0.950% repayable 30 April 2005	–	11,017
¥2,760m at a fixed rate of 0.970% repayable 31 August 2005	14,103	–
¥4,010m at a fixed rate of 0.840% repayable 30 June 2006	20,491	–
	34,594	11,017

16 Derivatives and other financial instruments

(a) Management of risk

The Group's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities which are held in accordance with the Group's investment objectives which are set out on the inside front cover of the Report and Accounts;
- Term loans and bank overdrafts, the main purpose of which is to raise finance for the Group's operations;
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Group's operations;
- Derivative transactions which the Group enters into comprise index options and forward foreign exchange contracts. The purpose of these is to manage the market price risks and foreign exchange risks arising from the Group's investment activities. No open index option positions exist at 30 April 2004 (2003: nil).

The main risks arising from the Group's financial instruments are market price risk, interest rate risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Group. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a particular technology sector. The allocation of assets to international markets, together with stock selection covering small, medium and large companies, and the use of index options, are other factors which act to reduce market price risk. The fund manager actively monitors market prices throughout the year and reports to the Board which meets regularly in order to consider investment strategy.

16 Derivatives and other financial instruments (continued)

Interest rate risk

The Group finances its operations through its term loans as well as bank overdrafts and any retained gains arising from operations. The Group borrows in the desired currencies at both fixed and floating rates of interest. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Liquidity risk

The Group's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The maturity of the Group's existing borrowings are set out in notes 14 and 15 to the accounts. Short-term flexibility is achieved through the use of overdraft facilities.

Foreign currency risk

The Group's total return and net assets can be significantly affected by currency translation movements as the majority of the Group's assets and revenue are denominated in currencies other than sterling. The portfolio fund manager mitigates the individual currency risks through the international spread of investments and the use of forward foreign exchange contracts. Borrowings in foreign currencies will be limited to levels appropriate to the asset exposure to those currencies.

(b) Interest rate risk profile of financial assets and financial liabilities

Financial assets

The majority of the Group's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date. Material interest bearing assets earn interest by reference to LIBOR or international equivalents.

Financial liabilities

The interest rate profile of the Group's financial liabilities at 30 April 2004 was:

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Yen	45,325	–	45,325

The weighted average interest rate on the above liabilities was 0.906% (2003: 0.868%).

The weighted average period for which the interest rate is fixed was 1.63 years (2003: 0.81 years).

(c) Maturity profile of the Group's financial liabilities

The maturity profile of the Group's financial liabilities at 30 April was as follows:

	2004 £'000	2003 £'000
In one year or less, or on demand	**10,731**	21,038
In more than one year but no more than two years	**14,103**	11,017
In more than two years	**20,491**	–
	45,325	32,055

16 Derivatives and other financial instruments (continued)

The Group has various undrawn committed borrowing facilities. The facilities available at 30 April 2004 in respect of which all conditions precedent had been met were as follows:

	2004 £'000	2003 £'000
Expiring in one year or less	**30,000**	20,000
	30,000	20,000

(d) Currency exposure

	2004 Investments denominated in overseas currencies £'000	2004 Net monetary assets/ (liabilities) £'000	2004 Net foreign currency monetary assets £'000	2003 Investments denominated in overseas currencies £'000	2003 Net monetary assets/ (liabilities) £'000	2003 Net foreign currency monetary assets £'000
US dollar	**132,749**	**16,585**	**149,334**	113,309	2,349	115,658
Euro	**24,487**	**13,848**	**38,335**	43,867	826	44,693
Yen	**36,040**	**(33,862)**	**2,178**	22,118	(18,353)	3,765
Other non-sterling	**42,286**	**10,680**	**52,966**	15,378	7,579	22,957
Sub total	**235,562**	**7,251**	**242,813**	194,672	(7,599)	187,073
Sterling	**38,685**	**25,138**	**63,823**	22,182	11,767	33,949
Total net assets	**274,247**	**32,389**	**306,636**	216,854	4,168	221,022

(e) Fair values of financial assets and financial liabilities

Securities held by the Company are valued at mid-price (see note 1c). The difference between this value and the fair value of the securities is immaterial. Other financial assets and liabilities are included in the balance sheet at fair value.

17 Called up share capital

	Group and Company 30 April 2004 £'000	Group and Company 30 April 2003 £'000
Authorised:		
860,000,000 ordinary shares of 25p	**215,000**	215,000
Allotted, called up and fully paid:		
147,328,288 (2003: 149,000,162) ordinary shares of 25p	**36,832**	37,250

During the year 1,178,126 ordinary shares of 25p (with a nominal value of £294,532) were issued on the exercise of warrants, for a total consideration of £1,178,126.

During the year the Company made market purchases of 2,850,000, its own shares for cancellation, for a total consideration of £4,759,000 excluding stamp duty (nominal value of £712,500), at prices between 165p per share and 169p per share. At the year end all shares were treated as cancelled. Since the year end a further 2,382,000 shares have been purchased, at prices between 151p per share and 164p per share, and cancelled at a cost of £3,712,000.

NOTES TO THE ACCOUNTS continued

18	Capital redemption reserve	Group and Company £'000
	At 1 May 2003	–
	Transfer to capital redemption reserve on buy back of shares	713
	At 30 April 2004	**713**

19	Share premium	Group and Company £'000
	At 1 May 2003	87,959
	Exercise of warrants for ordinary shares	883
	At 30 April 2004	**88,842**

20	Warrant reserve	Group and Company £'000
	At 1 May 2003	8,070
	Transfer to warrant exercise reserve on exercise of warrants	(372)
	Repurchase of warrants	(551)
	At 30 April 2004	**7,147**

During the year 1,750,000 warrants were purchased at prices between 25.5p and 36.75p each and cancelled.

21	Warrant exercise reserve	Group and Company £'000
	At 1 May 2003	568
	Transfer from warrant reserve on exercise of warrants	372
	At 30 April 2004	**940**

Warrantholders are entitled to subscribe for ordinary shares of 25p in the Company on the basis of one ordinary share for one warrant. Warrants may be exercised on 30 September in each of the years up to 2005 inclusive at a price of 100p per share. At 30 April 2004 there were 22,662,533 warrants outstanding (2003: 25,590,659).

22 Other capital reserves

(a) Group

	Unrealised appreciation/ (depreciation) £'000	Realised gains/(losses) £'000	Total £'000
At 1 May 2003	(47,017)	187,854	140,837
Transfer on disposal of assets	28,421	(28,421)	–
Net gains on fixed asset investments	38,471	45,293	83,764
Cost of ordinary share repurchases	–	(4,759)	(4,759)
Net gains on forward foreign exchange	1,744	6,470	8,214
Net gains/(losses) on foreign exchange	(683)	(861)	(1,544)
Net loss on repurchase & cancellation of warrants	–	(8)	(8)
At 30 April 2004	**20,936**	**205,568**	**226,504**

(b) Company

	Unrealised appreciation/ (depreciation) £'000	Realised gains/(losses) £'000	Total £'000
At 1 May 2003	(43,504)	187,854	144,350
Transfer on disposal of assets	28,421	(28,421)	–
Net gains on fixed asset investments	38,132	45,293	83,425
Cost of ordinary share repurchases	–	(4,759)	(4,759)
Net gains on forward foreign exchange	1,744	6,470	8,214
Net gains/(losses) on foreign exchange	(683)	(861)	(1,544)
Net gain on repurchase & cancellation of warrants	–	(8)	(8)
At 30 April 2004	**24,110**	**205,568**	**229,678**

23 Revenue reserve

	Group £'000	Company £'000
At 1 May 2003	(53,662)	(57,175)
Deficit for the period	(680)	(341)
At 30 April 2004	**(54,342)**	**(57,516)**

As permitted under section 230 of the Companies Act 1985, the Company has not presented its own revenue account.

The net loss on ordinary activities after taxation of the Company amounted to £341,000 (2003: net loss £118,000).

24 Capital commitments

At 30 April 2004 the Group had a commitment in respect of the Herald Ventures Limited Partnership of £1,000,000 of which £950,000 had been drawn down (2003: £600,000). The Company has not been notified of the final draw down date.

25 Group reconciliation of movement in equity shareholders' funds

	Year ended 30 April 2004 £'000	Year ended 30 April 2003 £'000
Net (loss)/return after taxation	(680)	70
Increase/(decrease) in capital reserves	85,667	(65,794)
	84,987	(65,724)
Exercise of warrants for ordinary shares	1,178	5
Repurchase of warrants	(551)	(488)
Net increase/(decrease) in shareholders' funds	85,614	(66,207)
Equity shareholders' funds at 1 May	221,022	287,229
Equity shareholders' funds at 30 April	306,636	221,022

26 Net asset value per ordinary share

Undiluted net asset value per ordinary share is based on net assets attributable to the ordinary shares of £306,636,000 (2003: £221,022,000) and on 147,328,288 ordinary shares in issue at 30 April 2004 (2003: 149,000,162).

The fully diluted net asset value per ordinary share, as disclosed on the balance sheet, is calculated on the assumption that the 22,662,533 warrants in issue at 30 April 2004 (2003: 25,590,659) were converted into ordinary shares at the exercise price of 100p. Dilution is assumed to occur only if the diluted net asset value is greater than the subscription price of 100p.

The movement during the year of the net assets attributable to the ordinary shares was as follows:

	£'000
Total net assets at 1 May 2003	221,022
Exercise of warrants for ordinary shares	1,178
Repurchase of warrants	(551)
Net gain on ordinary activities after taxation	84,987
Total net assets at 30 April 2004	306,636

27 Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities

	Year ended 30 April 2004 £'000	Year ended 30 April 2003 £'000
Net result before interest payable and taxation	32	771
Increase in current asset investments	(1,563)	–
(Increase)/decrease in accrued income	(90)	101
Increase in other debtors	(33)	(48)
(Decrease)/increase in other creditors	(335)	158
Capital dividends	19	–
Overseas withholding tax suffered	(145)	(129)
Scrip dividends included in investment income	(133)	(59)
Interest accumulations included in investment income	(273)	(762)
Net cash (outflow)/inflow from operating activities	(2,521)	32

28 Analysis of changes in net funds	At 1 May 2003 £'000	Cash Flow £'000	Other non cash Movements £'000	Exchange Movements £'000	**At 30 April 2004 £'000**
Cash at bank and overdrafts	36,760	39,982	–	(2,488)	**74,254**
Debts falling due within one year	(21,038)	21,165	(11,017)	159	**(10,731)**
Debts falling due after more than one year	(11,017)	(35,379)	11,017	785	**(34,594)**
Net funds	4,705	25,768	–	(1,544)	**28,929**

29 Related party transactions

Under the terms of an agreement dated 9 February 2001 the Company has appointed Polar Capital Partners Limited ("Polar Capital") to provide investment management, accounting, secretarial and administrative services. Details of the fee arrangement for these services are given in the Report of the Directors. The total fees, after the offset described below, paid under this agreement to Polar Capital in respect of the year ended 30 April 2004 was £2,098,000 (2003: £1,611,000) of which £nil is included in creditors at 30 April 2004 (2003: £316,000). In addition to the above services Polar Capital has procured a Share Savings Scheme, PEP transfer and ISA product to be offered on behalf of the Company by BNP Paribas Securities Services. The total fee paid for these services for the year ended 30 April 2004 amounted to £156,000 (2003: £179,000).

As part of the investment management contract with Polar Capital the Company has contractually agreed for the full amount of compensation paid to Henderson, the previous investment managers, plus legal and other professional fees and costs together with extra fees paid to the Directors for work incurred in the change of investment manager to be recovered from Polar Capital. These costs amounted to £3,466,000 and have been offset against the management fees payable to Polar Capital over 10 quarters from February 2001 to the quarter ended 31 July 2003. As a result of this the management fees paid by the Company to 30 April 2004 were reduced by £346,000 (2003: £1,115,000).

CAPITAL GAINS TAX

The Finance Act 1998 included provisions which made considerable changes to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days (using the 'first in last out' basis);
- previous acquisitions on or after 6 April 1998 (using the 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. The Finance Act changes apply a taper relief to the amount of the chargeable gain on these disposals. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year. The way that chargeable gains are calculated for companies is currently under review by the Inland Revenue and for the time being pooling remains.

The special rules that previously applied to shareholders disposing of shares who had purchased their shares through Polar Capital Investors Investment Trust Share Plan on a monthly basis, were withdrawn by the Inland Revenue for savings commenced on or after 6 April 1998. When savings commenced before 6 April 1998, the simplified basis will still apply for acquisitions during the investment trust's accounting period ended before 6 April 1999, which in the case of the Company is 30 April 1998.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

MARKET PRICES OF THE COMPANY'S SHARES AND WARRANTS

The market prices, for capital gains tax purposes, of the Company's shares and warrants at the close of business on 16 December 1996, the first day of dealings in the Company's shares and warrants, and 17 March 1997, the first day of dealings after the conversion of the C shares, were as follows:

	16 December 1996	17 March 1997
ordinary shares of 25p each	96.0p	88.5p
warrants to subscribe for ordinary shares	36.0p	31.0p

Source: Dun & Bradstreet

FORMER SHAREHOLDERS OF TR TECHNOLOGY PLC

Former shareholders of TR Technology PLC who accepted the offers made by Polar Capital Technology Trust PLC for their shares in TR Technology PLC may find the following table helpful:

TR Technology PLC	Polar Capital Technology Trust PLC
For each ordinary share of 25p each:	On 16 December 1996, one C share of 200p each On 14 March 1997, on conversion of the C shares, 3.94342 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five ordinary shares arising on conversion of the C shares.
For each stepped preference share of 25p each:	On 16 December 1996, 1.5561743 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.
For each zero dividend preference share of 25p each:	On 16 December 1996, 2.7392426 ordinary shares of 25p each and one warrant to subscribe for ordinary shares in respect of every five such ordinary shares.

SHAREHOLDER AND INVESTOR INFORMATION continued

INVESTMENT MANAGER
Polar Capital Partners Limited
Authorised and regulated by the Financial Services Authority

FUND MANAGER
B J D Ashford-Russell

SECRETARY
Polar Capital Secretarial Services Limited, represented by N. P. Taylor FCIS

REGISTERED OFFICE
Cayzer House
30 Buckingham Gate
London SW1 6NN

AUDITORS
PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge St
London SE1 9SY

SOLICITORS
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

STOCKBROKERS
UBS Investment Bank
1 Finsbury Avenue
London EC2M 2PP

BANKERS AND CUSTODIAN
J P Morgan Chase Bank
125 London Wall
London EC2Y 5AJ

REGISTERED NUMBER
Registered in England and Wales
No. 3224867

COMPANY WEBSITE
www.polarcapitaltechnologytrust.co.uk

Polar Capital Technology Trust PLC is a member of the Association of Investment Trust Companies

REGISTRAR
Lloyds TSB Registrars Scotland
The Causeway
Worthing
West Sussex
BN99 6DA

Shareholder helpline: 0870 6015366

www.shareview.co.uk

Shareholders and warrant holders who have their shares registered in their own name, not through a Share Savings Scheme or PEP/ISA, can contact the registrars with any queries on their holding. In correspondence you should refer to Polar Capital Technology Trust PLC, stating clearly the registered name and address and if available the full account number.

SHARE PRICE AND PERFORMANCE DETAILS
The Company's Net Asset Value ("NAV") is released daily, on the normal working day following the calculation date, to the London Stock Exchange.

The mid-market prices of the ordinary shares and warrants are published daily in the Financial Times in the Companies and Markets section under the heading "Investment Companies". Share price information is also available from the London Stock Exchange Website (**www.Londonstockexchange.co.uk**), Bloomberg (PCT.LN), Reuters (PCT.L), and SEDOL codes: Ordinary Shares – 0422002 Warrants – 0422035.

PORTFOLIO DETAILS
Portfolio information is provided to the AITC for its monthly statistical information service (**www.AITC.co.uk**) and monthly fact sheets as well as previous copies of annual report and accounts are available on the Company's website (**www.polarcapitaltechnologytrust.co.uk**).

DISABILITY ACT

Copies of this Report and Accounts or other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrars, Lloyds TSB Registrars Scotland, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf) the number is 0800 959 598.

For shareholders attending the Annual General Meeting of the Company an induction loop is available for hearing aid wearers.

NOMINEE SHAREHOLDER CODE

Where notification has been provided in advance the Company will arrange for copies of shareholder communications to be provided to the operators of nominees accounts. Nominee investors may attend general meetings and speak at meetings when invited by the Chairman.

Investors in the Polar Capital Technology Trust Share Savings Scheme and the Polar Capital Technology Trust ISA receive all shareholder communications. A letter of instruction is provided to facilitate voting.

FINANCIAL CALENDAR

The key dates in the Company's financial year are as follows:

30 April – financial year end

Mid-June – announcement of results

23 July – Annual General Meeting

30 September – warrant subscription date

31 October – half-year end

Mid-December – announcement of half-year results

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighth Annual General Meeting of Polar Capital Technology Trust PLC will be held at the offices of UBS Investment Bank, 1 Finsbury Avenue, London EC2M 2PP on Friday 23 July 2004 at 12.30 pm for the transaction of the following business:

1 To receive and consider the Report of the Directors and the Audited Accounts for the year ended 30 April 2004.

2 To receive and consider the Directors' Remuneration Report for the year ended 30 April 2004.

3 To re-appoint Mr David Gamble as a Director of the Company.

4 To re-appoint Professor David Rhodes as a Director of the Company.

5 To re-appoint Mr Brian Ashford-Russell as a Director of the Company.

6 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.

7 To authorise the Directors to determine the remuneration of the Auditors.

To consider and, if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution:

8 THAT the Directors be and are hereby generally and unconditionally authorised in substitution for all existing authorities to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ('the Act')) up to a maximum aggregate nominal amount of £1,811,829 (being 5% of the Company's issued ordinary share capital on 14 June 2004) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the said authority shall allow and enable the Directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider and, if thought fit, pass resolutions 9 and 10 as Special Resolutions (a special resolution is one that requires a majority of at least 75% of those present and voting to be passed):

9 THAT, subject to the passing of resolution 8, the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) wholly for cash pursuant to the authority conferred by resolution 8 as if sub-section (1) of Section 89 of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares and such equity securities held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to a maximum aggregate nominal value of £1,811,829 (being 5% of the Company's issued ordinary share capital on 14 June 2004); and

(c) to the allotment of equity securities at a price not less than the net asset value per share

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

10 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), on such terms and in such manner as the Directors may from time to time determine provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 21,727,000;

(ii) the minimum price which may be paid for an Ordinary Share is 25p;

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased or such other amount as may be specified by the UK Listing Authority from time to time;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2005 or, if earlier, on the expiry of 12 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(v) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

N P TAYLOR FCIS
For and on behalf of

Polar Capital Secretarial Services Limited,
Secretary

14 June 2004

Registered Office:
Cayzer House, 30 Buckingham Gate, London SW1E 6NN

NOTICE OF ANNUAL GENERAL MEETING – NOTES

ENTITLEMENT TO ATTEND AND VOTE

1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those holders of shares registered in the Register of Members as at 6pm on Wednesday, 21 July 2004 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6pm on Wednesday, 21 July 2004 shall be disregarded in determining the right of any person to attend or vote at the Meeting.

APPOINTMENT OF PROXIES

2 A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's registrar, Lloyds TSB Registrars at The Causeway, Worthing BN99 6LL not less than 48 hours before the time fixed for the meeting.

3 The completion of the form of proxy will not preclude share holders from attending and voting in person at the meeting.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on Friday 23 July 2004 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) by no later than 12.30 am on Wednesday 21 July 2004. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Lloyds TSB Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in

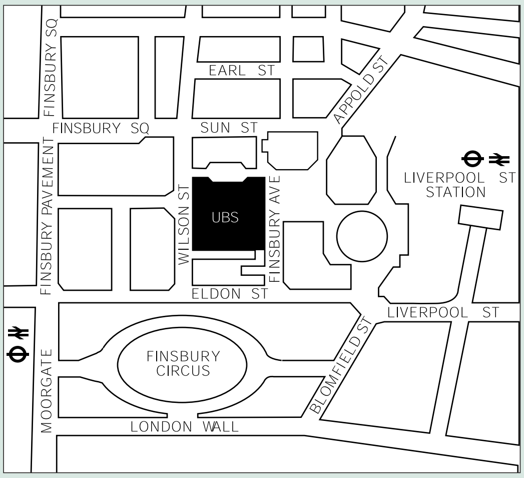
CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 This notice of AGM is sent for information only to warrant holders who are not entitled to attend or vote at the meeting.

6 The Register of Directors' Interests, kept by the Company in accordance with Section 325 of the Companies Act 1985, will be open for inspection at the meeting.

ANNUAL GENERAL MEETING VENUE



THE AGM IS BEING HELD AT THE OFFICES OF UBS INVESTMENT BANK, 1 FINSBURY AVENUE, LONDON EC2M 2PP. ENTRANCES CAN BE FOUND IN EITHER WILSON STREET OR FINSBURY AVENUE.

SHAREHOLDERS SHOULD ARRIVE AT THE OFFICES OF UBS INVESTMENT BANK IN SUFFICIENT TIME TO CLEAR SECURITY BEFORE THE COMMENCEMENT OF THE AGM AT 12.30.

INVESTING

MARKET PURCHASES

The shares of Polar Capital Technology Trust PLC are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

SAVINGS SCHEME & ISA

Alternatively, the Company has made arrangements for you to be able purchase shares in Polar Capital Technology Trust PLC through a share saving scheme (Polar Capital Technology Trust Share Scheme) and an ISA (Polar Capital Technology Trust ISA) administered by BNP Paribas Fund Services. BNP Paribas Fund Services is authorised and regulated by the FSA.

- The share savings scheme is way of acquiring shares in the Company with lump sums of a minimum of £500 or £50 per month.
- The ISA enables investors to invest with the benefits of the tax advantages granted to ISA. The minimum lump sum is £2,000 or £50 per month. Annual management fee of £30 (plus VAT) on direct applications or up to 1.25% pa for IFA advised schmemes.
- The only investments held in the savings scheme and ISA are the shares of Polar Capital Technology Trust, no other investments are made on your behalf.
- The savings scheme and the ISA are administered by BNP Paribas Fund Services and are subject to the key features document which should be read before entering into the investment. Dealing commission and stamp duty are charged on transactions and administration fees for the transfer of shares in to or out of these schemes.

Please remember that the savings scheme and ISA carries the risk that the value of the investment and where applicable the interest income, can fall as a result of fluctuations in the value of, Polar Capital Technology Trust plc, the market and interest rates. This risk may result in an investor not getting back their original amount invested. The Polar Capital Technology Trust plc is allowed to borrow against its assets, this may increase losses triggered by a falling market. However the Company can increase or decrease its borrowing levels to suit market conditions.

It is advised that you seek independent professional advice before investing your money into this scheme or ISA. Before investing it is important you read through the key features document to understand the nature and risks associated with such investment products.

For a copy of the key feature document for the savings scheme and ISA please contact:

BNP Paribas Fund Services UK Ltd (Polar Capital)
Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP

Telephone 0845 3581109; Fax 01733 285822

SHARE DEALING SERVICES

For existing shareholders, who hold their shares on the main share register, the Company has arranged for Shareview Dealing, a telephone and internet share sale service offered by Lloyds TSB Registrars to be made available. For telephone sales call 0870 8500852 between 8.30am and 4.300pm, Monday to Friday and for internet sales log on to **www.shareview.co.uk/dealing**