

At a Glance

Polar Capital Holdings plc is a specialist investment management Group offering professional and institutional investors a range of geographical and sector funds. Each investment strategy has a fundamental research driven approach.

Who We Are

Since its foundation in 2001, the Group has grown steadily and currently supports 11 investment teams managing 25 funds and 5 managed accounts across a range of long-only and alternative products.

Polar Capital Holdings plc was listed in London on the Alternative Investment Market in February 2007. It trades under the ticker 'POLR LN'.

Our Philosophy

- Primacy of investment performance.
- Institutional robustness across operational, compliance, risk and relationship management.
- Diversified yet complementary set of funds with a focus on fundamental research driven strategies.
- Culture which is flexible, entrepreneurial and transparent.
- Environment for employees in which talent can flourish and be well rewarded.
- To have high equity ownership amongst staff.

Our Office Locations



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Summary of Results

For the six months ended 30 September 2016

“This was certainly a challenging period to navigate with considerable uncertainty leading up to the EU referendum and considerable volatility in markets after the result. Long-only equity funds in general experienced large net redemptions over the period and we were not immune from such industry conditions.”

Financial

| | | |
|---|---|---|
| Assets Under Management (AUM) at 30 September 2016 £7.7bn/\$9.9bn (31 March 2016: £7.3bn/\$10.4bn) | Core Operating Profit (excluding performance fees) £9.2m (30 September 2015: £12.4m) | Operating Profit Before Share-based Payments £11.2m (30 September 2015: £13.3m) |
| Pre-tax Profit £9.1m (30 September 2015: £11.7m) | Basic EPS 7.40p (30 September 2015: 10.44p) | Adjusted* Diluted EPS 9.33p (30 September 2015: 11.46p) |
| Interim Dividend Per Ordinary Share to be paid in January 2017 5.5p (2015: 5.5p) | Shareholders' Funds £65.4m (30 September 2015: £69.7m) | Cash and Investments £71.8m (30 September 2015: £75.1m) |

*Adjusted to exclude cost of share-based payments

Corporate

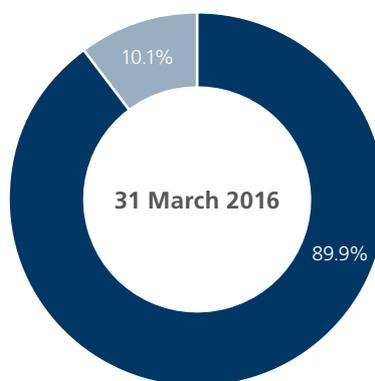
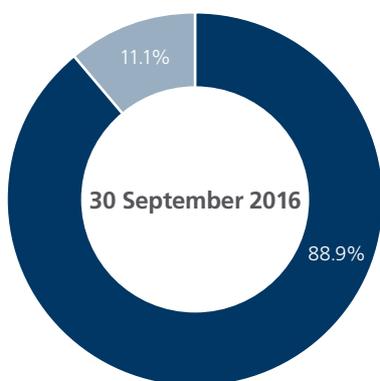
Our UK Value long-only UCTIS fund will be launched at the end of January

“Our AUM inflows have picked up markedly since the US election but it remains too early to suggest this is a reversal of the difficult industry conditions that we experienced through the first seven months of our financial year.

Overall, we have become somewhat more positive on the outlook for our business over the second half of the financial year. We also expect to maintain the dividend for the current financial year.”

Assets Under Management (AUM)

AUM split by strategy

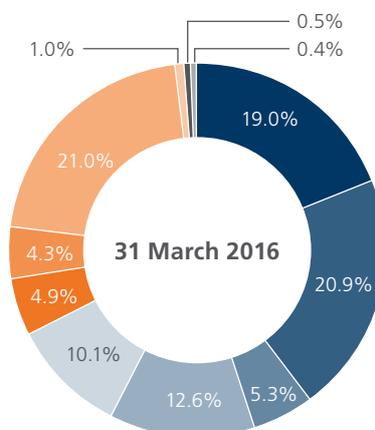
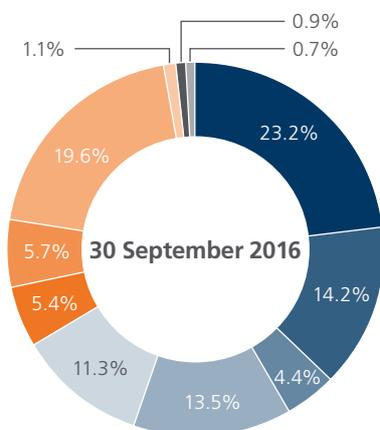


| | 30 September 2016 | | |
|---------------|-------------------|----------------|-------|
| | \$bn | £bn | % |
| ● Long-only | 8.84 | 6.81 | 88.9% |
| ● Alternative | 1.10 | 0.85 | 11.1% |
| | \$9.94bn | £7.66bn | |

| | 31 March 2016 | | |
|---------------|------------------|----------------|-------|
| | \$bn | £bn | % |
| ● Long-only | 9.38 | 6.53 | 89.9% |
| ● Alternative | 1.05 | 0.73 | 10.1% |
| | \$10.43bn | £7.26bn | |

AUM split by Business Unit

(in chronological order)



| | 30 September 2016 | | |
|----------------------|-------------------|----------------|-------|
| | \$bn | £bn | % |
| ● Technology | 2.31 | 1.78 | 23.2% |
| ● Japan | 1.40 | 1.09 | 14.2% |
| ● European | 0.44 | 0.34 | 4.4% |
| ● Healthcare | 1.34 | 1.03 | 13.5% |
| ● Financials | 1.12 | 0.86 | 11.3% |
| ● Emerging Markets | 0.54 | 0.41 | 5.4% |
| ● Convertibles | 0.57 | 0.44 | 5.7% |
| ● North America | 1.95 | 1.50 | 19.6% |
| ● Global Alpha | 0.11 | 0.09 | 1.1% |
| ● UK Absolute Equity | 0.09 | 0.07 | 0.9% |
| ● European Income | 0.07 | 0.05 | 0.7% |
| | \$9.94bn | £7.66bn | |

| | 31 March 2016 | | |
|----------------------|------------------|----------------|-------|
| | \$bn | £bn | % |
| ● Technology | 1.98 | 1.38 | 19.0% |
| ● Japan | 2.18 | 1.51 | 20.9% |
| ● European | 0.55 | 0.38 | 5.3% |
| ● Healthcare | 1.32 | 0.92 | 12.6% |
| ● Financials | 1.05 | 0.73 | 10.1% |
| ● Emerging Markets | 0.51 | 0.36 | 4.9% |
| ● Convertibles | 0.45 | 0.31 | 4.3% |
| ● North America | 2.20 | 1.53 | 21.0% |
| ● Global Alpha | 0.10 | 0.07 | 1.0% |
| ● UK Absolute Equity | 0.05 | 0.04 | 0.5% |
| ● European Income | 0.04 | 0.03 | 0.4% |
| | \$10.43bn | £7.26bn | |

Chief Executive's Statement

Six months to 30 September 2016



Tim Woolley
Chief Executive

Profit before tax fell 22% to £9.1m for the first six months of this financial year compared to the same period last year whilst adjusted diluted earnings per share fell 19% to 9.33p. The fall in profits reflects the fall in the average AUM over the period. The breakdown of the profit before tax figure is set out below.

| | Six months to 30 September 2016 | Six months to 30 September 2015 |
|--|------------------------------------|------------------------------------|
| Net core operating profit | £9.2m | £12.4m |
| Finance income | £2.0m | £0.9m |
| Operating profit before share-based payments and tax | £11.2m | £13.3m |
| Share-based payments | £(2.1)m | £(1.6)m |
| Profit before tax | £9.1m | £11.7m |
| Adjusted diluted earnings per share (Non-GAAP measure) | 9.33p | 11.46p |

This was certainly a challenging period to navigate with considerable uncertainty leading up to the EU referendum and considerable volatility in markets after the result. Long-only equity funds in general experienced large net redemptions over the period and we were not immune from such industry conditions. We had significant redemptions from our Japan and North America UCITS funds and from our Forager hedge fund. Net outflows across all our funds for the six months totalled £763m. Although our AUM increased over the period in Sterling terms from £7.26bn to £7.66bn, this was due to market and currency movements of £1.1bn more than offsetting the aforementioned outflows. In Dollar terms our AUM fell over the period from \$10.43bn to \$9.94bn.

Despite the overall challenging market conditions, a number of our funds did see inflows over the period. On the UCITS long-only funds side we had net inflows into Biotechnology, Insurance, Global Alpha and European Income ex UK. On the Alternative side we actually experienced overall net inflows, with flows into our two absolute UCITS funds, Global Convertible Bond and UK Absolute, more than offsetting outflows on the Cayman hedge funds.

Since the end of our financial half-year the US presidential election has been decided and, as with Brexit, the pollsters were surprised and the intelligentsia were shocked at the outcome. It is too early to understand fully the implications of a Trump presidency but it would appear to be more positive for equities than bonds, with lower taxes and less regulation benefitting business. The bond market though will have to accommodate a potentially large increase in US government borrowing which will be required to fund the substantial increase in infrastructure spending Trump seems genuinely committed to delivering. The main concern now though is whether Trump's pre-election rhetoric on trade and protectionism will be enacted or, as seems more likely, will prove to have been 'election rhetoric' and his administration will in reality take a more pragmatic approach.

Our fund inflows have picked up markedly since the US election with inflows into a wide range of funds but notably Healthcare Opportunities, Biotechnology, Healthcare Blue Chip, North America, Insurance and Income Opportunities. It is though too early to suggest this is a reversal of the difficult industry conditions that we experienced through the first seven months of our financial year.

Chief Executive's Statement continued

Six months to 30 September 2016

There remains the possibility of further redemptions on our Japan fund although performance has picked up markedly over the last three months and market conditions are turning decidedly more favourable to the team's style.

We will have further redemptions of around \$62m on the hedge fund side this quarter as we have decided to close our ALVA hedge fund strategy at the end of December. The Global Convertible team wishes to focus on its successful UCITS product, the Global Convertible Bond fund, which has grown rapidly over the last eighteen months.

Our UK Value long-only UCITS fund will be launched at the end of January. The fund will be managed by Georgina Hamilton and she will be joined by George Godber in April. Whilst the fund will not materially impact results for the current financial year, we believe the team has the potential to make a significant contribution in fiscal 2018 and beyond.

Overall we have become somewhat more positive on the outlook for our business over the second half of the financial year. We also expect to maintain the dividend for the current financial year.

Tim Woolley

Chief Executive
7 December 2016

Interim Consolidated Statement of Profit or Loss

For the six months to 30 September 2016

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|--|---|---|
| Revenue | 33,637 | 39,862 |
| Finance income/ (expense) | 2,068 | 879 |
| Gross income | 35,705 | 40,741 |
| Commissions and fees payable | (2,999) | (3,971) |
| Net income | 32,706 | 36,770 |
| Operating costs before share-based payments | (21,462) | (23,481) |
| Operating profit before share-based payments and tax | 11,244 | 13,289 |
| Share-based payments | (2,107) | (1,597) |
| Profit for the period before tax | 9,137 | 11,692 |
| Taxation | (2,460) | (2,474) |
| Profit for the period attributable to ordinary shareholders | 6,677 | 9,218 |
| Basic earnings per ordinary share | 7.40p | 10.44p |
| Diluted earnings per ordinary share | 7.09p | 9.77p |
| Adjusted basic earnings per ordinary share (Non-GAAP measure) | 9.74p | 12.25p |
| Adjusted diluted earnings per ordinary share (Non-GAAP measure) | 9.33p | 11.46p |

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

Interim Consolidated Statement of Other Comprehensive Income

For the six months to 30 September 2016

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|--|---|---|
| Profit for the period attributable to ordinary shareholders | 6,677 | 9,218 |
| Other comprehensive income – items that may be reclassified to income statement in subsequent periods (net of tax): | | |
| Net movement on the fair valuation of cash flow hedges | (582) | 650 |
| Exchange differences on translation of foreign operations | 30 | (3) |
| Other comprehensive income for the period, net of tax | (552) | 647 |
| Total comprehensive income for the period, net of tax, attributable to ordinary shareholders | 6,125 | 9,865 |

Interim Consolidated Balance Sheet

As at 30 September 2016

| | (Unaudited) 30 September 2016 £'000 | (Audited) 31 March 2016 £'000 |
|---|--|-------------------------------------|
| Non-current assets | | |
| Property, plant and equipment | 2,637 | 2,862 |
| Deferred tax assets | 2,700 | 3,654 |
| Total non-current assets | 5,337 | 6,516 |
| Current assets | | |
| Assets at fair value through profit or loss | 27,943 | 33,293 |
| Assets held for sale | 11,626 | 6,835 |
| Trade and other receivables | 9,338 | 7,984 |
| Cash and cash equivalents | 32,181 | 48,762 |
| Total current assets | 81,088 | 96,874 |
| Total assets | 86,425 | 103,390 |
| Non-current liabilities | | |
| Provisions and other liabilities | 2,248 | 2,132 |
| Deferred tax liabilities | 112 | 124 |
| Total non-current liabilities | 2,360 | 2,256 |
| Current liabilities | | |
| Trade and other payables | 12,761 | 21,235 |
| Other financial liabilities | 3,782 | 2,966 |
| Current tax liabilities | 2,136 | 1,332 |
| Total current liabilities | 18,679 | 25,533 |
| Total liabilities | 21,039 | 27,789 |
| Net assets | 65,386 | 75,601 |
| Capital and reserves | | |
| Issued share capital | 2,283 | 2,280 |
| Share premium | 18,657 | 18,509 |
| Investment in own shares | (878) | (878) |
| Capital and other reserves | 5,434 | 6,897 |
| Retained earnings | 39,890 | 48,793 |
| Total equity – attributable to ordinary shareholders | 65,386 | 75,601 |

Interim Consolidated Statement of Changes in Equity

For the six months to 30 September 2016

| | Issued share capital £'000 | Share premium £'000 | Investment in own shares £'000 | Capital reserves £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|--|-------------------------------------|---------------------------|---|------------------------------|----------------------------|-------------------------------|--------------------------|
| As at 31 March 2016 (audited) | 2,280 | 18,509 | (878) | 123 | 6,774 | 48,793 | 75,601 |
| Profit for the period | – | – | – | – | – | 6,677 | 6,677 |
| Other comprehensive income | – | – | – | – | (552) | – | (552) |
| Total comprehensive income | – | – | – | – | (552) | 6,677 | 6,125 |
| Issue of shares against options | 3 | 148 | – | – | – | (104) | 47 |
| Dividends paid | – | – | – | – | – | (17,583) | (17,583) |
| Share-based payment | – | – | – | – | – | 2,107 | 2,107 |
| Current tax in respect of employee share options | – | – | – | – | 45 | – | 45 |
| Deferred tax in respect of employee share options | – | – | – | – | (956) | – | (956) |
| As at 30 September 2016 (unaudited) | 2,283 | 18,657 | (878) | 123 | 5,311 | 39,890 | 65,386 |
| As at 31 March 2015 (audited) | 2,232 | 16,715 | (962) | 133 | 6,532 | 50,581 | 75,231 |
| Profit for the period | – | – | – | – | – | 9,218 | 9,218 |
| Other comprehensive income | – | – | – | – | 647 | – | 647 |
| Total comprehensive income | – | – | – | – | 647 | 9,218 | 9,865 |
| Issue of shares against options | 15 | – | 72 | – | – | (15) | 72 |
| Dividends paid | – | – | – | – | – | (17,188) | (17,188) |
| Share-based payment | – | – | – | – | – | 1,597 | 1,597 |
| Current tax in respect of employee share options | – | – | – | – | – | – | – |
| Deferred tax in respect of employee share options | – | – | – | – | 95 | – | 95 |
| As at 30 September 2015 (unaudited) | 2,247 | 16,715 | (890) | 133 | 7,274 | 44,193 | 69,672 |

Interim Consolidated Cash Flow Statement

For the six months to 30 September 2016

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|---|---|---|
| Operating activities | | |
| Cash (used) /generated from operations | (449) | 2,282 |
| Tax paid | (1,447) | (2,576) |
| Net cash flow from operating activities | (1,896) | (294) |
| Investing activities | | |
| Interest received and similar income | 19 | 9 |
| Purchase of property, plant and equipment | (28) | (322) |
| Purchase of assets at fair value through profit or loss | – | (9) |
| Disposal of assets at fair value through profit or loss | 9,975 | – |
| Purchase of assets held for sale | (3,836) | (6) |
| Cash flows related to derivatives | (3,277) | 1,483 |
| Net cash flow from investing activities | 2,853 | 1,155 |
| Financing activities | | |
| Dividends paid | (17,583) | (17,188) |
| Issue of ordinary shares | 45 | – |
| Receipts in relation to investments in own shares | – | 72 |
| Net cash flow from financing activities | (17,538) | (17,116) |
| Net decrease in cash and cash equivalents | (16,581) | (16,255) |
| Cash and cash equivalents at start of period | 48,762 | 41,385 |
| Cash and cash equivalents at end of period | 32,181 | 25,130 |

Notes to the Unaudited Interim Consolidated Financial Statements

For the six months to 30 September 2016

1. General Information, Basis of Preparation and Accounting Policies

Polar Capital Holdings plc ('the Company') is a public limited Company registered in England and Wales.

The unaudited interim condensed consolidated financial statements to 30 September 2016 have been prepared in accordance with IAS 34: Interim Financial Reporting.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

2. Revenue

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|-----------------------------|---|---|
| Investment management fees | 34,609 | 40,374 |
| Investment advisory fees | 42 | – |
| Investment performance fees | – | 42 |
| Loss on hedging | (1,014) | (554) |
| | 33,637 | 39,862 |

3 Profit on Ordinary Activities Before Taxation

3.1) This is stated after charging:

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|-------------------------|---|---|
| Staff costs | 15,075 | 17,405 |
| Depreciation | 253 | 197 |
| Operating lease rentals | | |
| – land & buildings | 654 | 637 |
| – other | 860 | 642 |

3.2) Auditors' remuneration:

| | | |
|--|----|----|
| Audit of group financial statements | 27 | 24 |
| Other fees | | |
| – local statutory audits of subsidiaries | 20 | 18 |
| – GIPS Review | 11 | 11 |
| – internal controls review | 25 | 24 |
| – tax advisory services | 17 | 2 |

Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2016

4. Taxation

The tax charge for the six months ended 30 September 2016 includes a charge for share-based payment costs of £440,000 (30 September 2015: £160,000) that were not deductible for tax purposes. Under UK tax legislation the Group is only allowed a deduction for share-based payment costs when options are exercised by employees. When compared to the comparative period, the smaller number of option exercises in 2016 and the lower Group share price has resulted in a higher proportion of the accounting share-based payment cost being disallowed for tax purposes during the current period.

5. Dividends

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|---------------|---|---|
| Dividend paid | 17,583 | 17,188 |

6. Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit for the period of £6,676,500 (September 2015: profit £9,217,800) and on 90,177,700 (September 2015: 88,255,362) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted basic earnings per ordinary share is based on the profit for the period of £6,676,500 (September 2015: profit £9,217,800) and 94,180,600 (September 2015: 94,356,332) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 4,002,900 (September 2015: 5,683,882) which are dilutive as well as shares granted under a crystallisation event but not yet issued of nil (September 2015: 417,088).

The calculation of adjusted basic earnings per ordinary share is based on a profit for the period of £6,676,500 (September 2015: profit of £9,217,800) but adjusted for the share-based payments charge of £2,107,700, (September 2015: share-based payments charge of £1,597,500) and on 90,177,700 (September 2015: 88,255,362) ordinary shares, being the weighted number of ordinary shares.

The calculation of adjusted diluted earnings per ordinary share is based on a profit for the period of £6,676,500 (September 2015: £9,217,800) but adjusted for the share-based payments charge of £2,107,700, (September 2015: share-based payments charge of: £1,597,500) and 94,180,600 (September 2015: 94,356,332) ordinary shares being the weighted average number of ordinary shares allowing for all options of 4,002,900 (September 2015: 5,683,882) which are dilutive as well as shares granted under a crystallisation event but not yet issued of nil (September 2015: 417,088).

7. Notes to the Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

| | (Unaudited) Six months to 30 September 2016 £'000 | (Unaudited) Six months to 30 September 2015 £'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit on ordinary activities before tax | 9,137 | 11,692 |
| Adjustments for: | | |
| Interest received | (19) | (9) |
| Depreciation of property, plant and equipment | 253 | 197 |
| Increase in trade and other receivables | (1,354) | (297) |
| Decrease in trade and other payables | (8,474) | (9,645) |
| (Gain)/ loss on financial assets at fair value through profit or loss | (4,624) | 2,480 |
| Increase in non-current provisions and other liabilities | 116 | – |
| Loss/ (gain) on financial instruments at fair value through profit or loss | 3,364 | (2,954) |
| Gain on assets held for sale | (955) | (779) |
| Share-based payment | 2,107 | 1,597 |
| Cash (used)/ generated from operations | (449) | 2,282 |

8. Related Party Transactions

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

B J D Ashford-Russell is a member of Polar Capital LLP and a director of the Polar Capital Technology Trust plc (the Trust). Polar Capital LLP is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust were £4,290,300 (September 2015: £3,912,500). The amounts receivable at period end in this respect were £1,628,000 (March 2016: £1,319,000).

At the end of the period, the Group had an outstanding loan due of £877,700 (March 2016: £877,700) from the Polar Capital Employee Benefit Trust, which was set up in 2002 to hold ordinary shares in Polar Capital Holdings plc for the benefit of employees.

9. The Publication of Non-Statutory Accounts

The financial information contained in this unaudited half year report does not constitute statutory accounts as defined in S434 of the Companies Act 2006. The financial information for the six months ended 30 September 2016 and 2015 has not been audited. The information for the year ended 31 March 2016 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The audited accounts filed with the Registrar of Companies contain a report of the independent auditor dated 23 June 2016. The report of the independent auditor on those financial statements contained no qualification or statement under S498 of the Companies Act 2006.

Shareholder Information and Advisers

Company No.

4235369

Registered office

16 Palace Street
London, SW1E 5JD
Tel: 020 7227 2700

Company Secretary

Neil Taylor

Website

www.polarcapital.co.uk

Directors

T H Bartlam

Non-executive Chairman

T J Woolley

Chief Executive Officer

J B Mansell

Chief Operating Officer,
Finance Director

H G C Aldous

Non-executive Director,
Chairman of Audit Committee

B J D Ashford-Russell

Non-executive Director

G V Bumedder

Non-executive Director

J M B Cayzer-Colvin

Non-executive Director

M W Thomas

Non-executive Director,
Chairman of Remuneration Committee

Registrars

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Shareholder helpline

0800 876 6660
(+44 121 415 7047)

Website

www.shareview.co.uk

Dividend

A first interim dividend of 5.5p per share has been declared for the year to 31 March 2017. This will be paid on 13 January 2017 to shareholders on the register on 30 December 2016. The shares will trade ex-dividend from 29 December 2016.

Auditors

Ernst & Young LLP

25 Churchill Place
Canary Wharf
London, E14 5EY

Bankers

HSBC Bank plc

Barclays Bank plc

Solicitors

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London, EC2M 2EG

Nominated Advisor and Joint Corporate Broker

Canaccord Genuity

88 Wood Street
London, EC2V 7QR

Joint Corporate Broker

Peel Hunt

Moor House
120 London Wall
London, EC2Y 5ET

Shares

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

ISIN number: GB00B1GCLT25

SEDOL code: B1GCLT2

Remuneration Code

Disclosure of the group's Remuneration Code will be made alongside its Pillar 3 disclosure which is available on the Company's website.



