



**Polar Capital Holdings plc**  
Half Year Report & Financial Statements 2011

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## Who we are

Polar Capital Holdings plc is a specialist investment management company offering professional and institutional investors a range of geographical and sector funds. The Company's investment strategies have a fundamental research driven approach. The Company has long only and hedge funds in its product range.

Founded in 2001, Polar currently has 74 employees of whom 37 are investment professionals managing 8 funds, and 5 managed accounts. These funds have combined assets under management of US\$3.9bn as at 30 September 2011 (30 September 2010: US\$3.1bn).

The Company is AIM quoted following its IPO in February 2007. Consistent with the Company's founding strategy of fostering an equity culture amongst its employees and providing high levels of transparency to clients, 45% of the equity is currently held by Directors, founders and employees

## Polar Capital at a glance

### Financial highlights

- Assets under management (AUM) at 30 September 2011 up over 2% at US\$3.94bn compared to US\$3.86bn at 31 March 2011 (30 September 2010: US\$3.1bn)
- Profit before tax share-based payments and amortisation/impairment of intangibles of £4.8m (30 September 2010: £2.3m)
- Basic earnings per share of 3.91p (30 September 2010:1.89p) and adjusted\* diluted earnings per share of 4.25p (30 September 2010: 2.17p)
- First interim dividend per ordinary share of 1.5p declared (2010: 1.5p) to be paid in January 2012
- Well capitalised, with a strong balance sheet comprising cash and investments of £42.2m

\*Adjusted to exclude cost of share-based payments and amortisation/impairment of intangibles

### Corporate highlights

- New North American Fund was launched in November 2011 raising over US\$75m
- European Market Neutral Franchise established

## Our funds/strategies at a glance

(Assets under Management)

### Assets by fund / strategy

	30 September 2011 US\$m	31 March 2011 US\$m	30 September 2010 US\$m
<b>Technology</b>	<b>1,176</b>	<b>1,402</b>	<b>985</b>
Technology Trust plc	639	762	
Global Technology UCITS Fund	537	640	
<b>Japan</b>	<b>1,266</b>	<b>1,063</b>	<b>740</b>
Japan UCITS Fund (including managed accounts run off the same strategy)			
<b>UK</b>	<b>137</b>	<b>170</b>	<b>243</b>
UK Hedge Fund	9	26	
UK Absolute Return UCITS Fund	38	144	
Managed accounts (Long only)	90		
<b>Europe</b>	<b>560</b>	<b>576</b>	<b>532</b>
European Forager Hedge Fund	450	479	
European Conviction Hedge Fund	110	97	
<b>Healthcare</b>	<b>298</b>	<b>233</b>	<b>214</b>
Global Healthcare Growth & Income Trust plc	157	151	
Healthcare Opportunities UCITS Fund	141	82	
<b>Financials*</b>	<b>364</b>	<b>296</b>	<b>249</b>
Asian Financial Fund	52	70	
European Financial Fund	–	30	
Global Insurance UCITS Fund	238	129	
Financials Income Fund	61	67	
Financial Opportunities UCITS Fund**	13		
<b>Global emerging markets***</b>	<b>105</b>	<b>96</b>	
Global Emerging Markets Growth UCITS Fund	91	83	
(including managed accounts run off the same strategy)			
Global Emerging Markets Income UCITS Fund	14	13	
<b>ALVA Global Convertibles Hedge Fund ****</b>	<b>37</b>	<b>39</b>	
<b>Total</b>	<b>3,943</b>	<b>3,875</b>	<b>3,052</b>

\* HIM Capital was acquired in September 2010

\*\* Financial Opportunities was launched in May 2011

\*\*\*Global Emerging Markets was launched in December 2010

\*\*\*\*ALVA Global Convertibles was launched in November 2010

### Analysis of changes in asset types for the six months to 30 September 2011

	Long US\$m	Hedge US\$m	Total US\$m
Total assets as at 31 March 2011	3,104	771	3,875
Performance and currency movements	(511)	(54)	(565)
Net subscriptions/(redemptions) from ongoing business	706	(73)	633
<b>Total assets at 30 September 2011</b>	<b>3,299</b>	<b>644</b>	<b>3,943</b>

## Chief Executive's statement



**Tim Woolley**  
Chief Executive

**Despite the extremely challenging market conditions over the last six months as the European debt crisis intensified, I am pleased to report that we were still able to grow our assets under management (AUM) over the period to \$3.94bn.**

This is an increase of 2% over the AUM level at the start of our financial year and a 27% increase over the AUM level at the interim stage last year.

The heavy falls in world equity markets particularly those in Europe over the six months reduced our AUM levels by \$0.6bn. Most of this not surprisingly was in our long only funds, which by their nature are most exposed to movements in markets. Encouragingly though net inflows continued into a number of our funds over the period which more than offset the reduction in AUM from market movements.

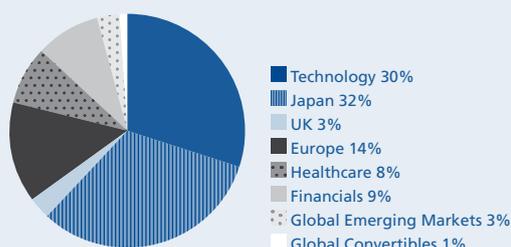
We continue to focus on executing the strategy I set out two years ago when I became the Chief Executive Officer. The strategy focuses on three key areas for growth:

- increase fund flows in to our existing products;

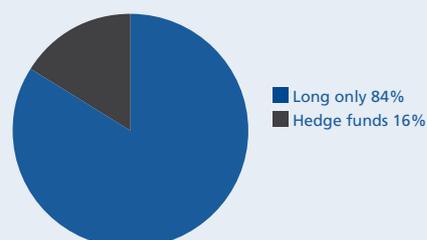
- launch new products as and when we see the investment opportunity; and,
- attract new investment teams to Polar Capital through hiring or by acquisition.

In terms of attracting further flows into existing products we continue to have success on this front thanks to the excellent performance of many of our funds allied to the investment we have made in improving our distribution side over recent years. Our Japan Fund saw strong inflows over the period as James Salter and his team continue to build on their long and impressive performance record. We also had significant inflows into our Global Insurance Fund, which we acquired last year through the purchase of HIM Capital. The Fund has more than doubled in size since the acquisition in September last year.

**AUM split by business unit as at 30 September 2011**



**AUM split by type of funds as at 30 September 2011**



## Chief Executive's statement

continued

The Global Technology Fund saw further inflows, although not at the pace of the previous six months, and there was a pick up in interest in our Healthcare Opportunities Fund.

On the new fund front we launched one product in the period the Financial Opportunities Fund managed by John Yakas who was one of the senior managers at HIM Capital. John has extensive experience in financial stocks having managed the Asian Financial Fund and the European Financial Funds for many years and it seemed sensible to expand his offering to cover all financial stocks on a global basis now that he is part of Polar Capital. Despite the gloom surrounding many financial stocks we are starting to see opportunities emerge and will be encouraging clients to look at our product offering in the sector over the coming year.

We added one new team over the period with the addition of Andrew Holliman and Richard Wilson who joined us in August from Threadneedle Asset Management. Andrew and Richard are highly experienced and proven North

American equity managers and we are delighted that they chose to join Polar Capital. We have just launched a North American long only fund with them which is another exciting development in our product offering.

In October we also added a European market neutral hedge fund team led by the highly experienced Ton Tjia, who joins us from Ratio Asset Management where he managed the European Opportunities Fund. We have now taken over the management contract for the Fund and hope in time to market it into our existing client base. Additionally we intend to launch a Pan European UCITS 3 product with the team over the coming months and so expand our product offering in this important and growing segment for European clients.

### Financial Review

The core operating profit of the business is directly correlated to the value of AUM managed by the Company. It is pleasing to note the improved trend as the profit has doubled compared to the equivalent period last year, rising to £3.5m from £1.7m.

The profitability of the business in the period has been set out below:

	Six months to 30 September 2011	Six months to 30 September 2010	Year to 31 March 2011
Core operating profitability	£3.5m	£1.7m	£3.6m
Performance fee profitability	£1.5m	£0.5m	£5.7m
Finance expense / income	£(0.2)m	£0.1m	£0.9m
Profit before tax before share based payments	£4.8m	£2.3m	£10.2m

The calculation and payment of performance fees falls mainly in the second half of the Company's financial year. One fund paid a fee in the period which resulted in £1.5m being received. The volatility of markets and returns makes it difficult to forecast or predict the amount of further fees that will be received in the second half of the year.

In the period a loss of £0.2m was realised when the Company sold one of its seed investments.

The Board has decided to pay a first interim dividend of 1.5p (2010: 1.5p). The dividend will be paid on 20 January 2012 to shareholders on the register at 6 January 2012 and the shares will trade ex dividend from 4 January 2012.

## **Outlook**

Although the external environment is likely to remain challenging for the second half of our financial year I feel the Company is well placed to weather the storm. Our overall fund performance remains strong and we continue to expand and diversify our product offering. We continue to have the financial resource to maintain our investment on the client service side and to maintain a strong and transparent operational infrastructure, which is increasingly a competitive advantage for us against lesser resourced competitors.

Finally we continue to maintain a strong financial position, which we view as essential in these difficult markets allowing us to continue to invest in the business for the long term yet giving us the financial flexibility to seize the opportunities which invariably occur in such turbulent times.

## **Tim Woolley**

Chief Executive

8 December 2011

## Consolidated income statement

for the six months to 30 September 2011

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
Revenue	18,732	12,072
Finance (expense)/income	(197)	76
<b>Gross income</b>	<b>18,535</b>	<b>12,148</b>
Commissions and fees payable	(1,457)	(886)
Net income	17,078	11,262
Operating costs before share-based payments	(12,300)	(8,929)
Operating profit on ordinary activities before share-based payments, amortisation/impairment and tax	4,778	2,333
Share-based payments	(320)	(368)
Amortisation/impairment of intangible assets	(540)	–
<b>Profit for the period before tax</b>	<b>3,918</b>	<b>1,965</b>
Taxation	(1,031)	(584)
<b>Profit for the period attributable to ordinary shareholders</b>	<b>2,887</b>	<b>1,381</b>
Basic earnings per ordinary share	3.91p	1.89p
Diluted earnings per ordinary share	3.28p	1.71p
Adjusted earnings per ordinary share	4.25p	2.17p

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

## Consolidated statement of comprehensive income

for the six months to 30 September 2011

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
<b>Profit for the period attributable to ordinary shareholders</b>	2,887	1,381
<b>Other comprehensive income:</b>		
Net gain/(loss) on the revaluation of available-for-sale assets	19	(735)
Deferred tax effect	(3)	206
	16	(529)
Net movement on the fair valuation of hedging contracts	(678)	39
Deferred tax effect	143	116
	(535)	155
Other comprehensive income	(519)	(374)
Total comprehensive income for the period, net of tax, attributable to ordinary shareholders	2,368	1,007

**Consolidated balance sheet**

as at 30 September 2011

	<b>(Unaudited)</b> <b>30 Sept 2011</b> <b>£'000</b>	<b>(Audited)</b> <b>31 March 2011</b> <b>£'000</b>
<b>Non-current assets</b>		
Fixed assets	75	53
Intangible assets	1,080	1,620
Available-for-sale financial assets	32,577	29,418
Deferred tax assets	1,336	640
<b>Total non-current assets</b>	<b>35,068</b>	<b>31,731</b>
<b>Current assets</b>		
Other financial assets	–	225
Trade and other receivables	3,992	3,555
Cash at bank and in hand	9,644	19,194
<b>Total current assets</b>	<b>13,636</b>	<b>22,974</b>
<b>Total assets</b>	<b>48,704</b>	<b>54,705</b>
<b>Non-current liabilities</b>		
Deferred tax Liabilities	226	391
<b>Current liabilities</b>		
Other financial liabilities	635	–
Trade and other payables	4,275	9,265
Current tax liabilities	1,170	1,697
<b>Total current liabilities</b>	<b>6,080</b>	<b>10,962</b>
<b>Total liabilities</b>	<b>6,306</b>	<b>11,353</b>
<b>Net assets</b>	<b>42,398</b>	<b>43,352</b>
<b>Capital and reserves</b>		
Issued share capital	1,920	1,895
Share premium	16,010	15,905
Investment in own shares	(1,142)	(1,167)
Other reserves	1,318	1,243
Retained earnings	24,292	25,476
<b>Total shareholders' funds – equity interests</b>	<b>42,398</b>	<b>43,352</b>

## Consolidated statement of changes in equity

for the six months to 30 September 2011

	Share Capital £'000	Share premium £'000	Own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2011 (restated)</b>	1,895	15,905	(1,167)	363	880	25,504	43,380
Profit for the period	–	–	–	–	–	2,887	2,887
Other comprehensive income	–	–	–	–	(519)	–	(519)
Total comprehensive income	–	–	–	–	(519)	2,887	2,368
Dividends paid	–	–	–	–	–	(4,419)	(4,419)
Issue of shares against options	5	105	25	–	–	–	135
Issue of shares on crystallisation event	20	–	–	(20)	–	–	–
Share based payment	–	–	–	–	–	320	320
Deferred tax on share based payments	–	–	–	–	614	–	614
<b>As at 30 September 2011 (unaudited)</b>	1,920	16,010	(1,142)	343	975	24,292	42,398
<b>As at 1 April 2010</b>	1,877	15,268	(1,392)	363	222	19,795	36,133
Profit for the period	–	–	–	–	–	1,381	1,381
Other comprehensive income	–	–	–	–	(860)	–	(860)
Total comprehensive income	–	–	–	–	(860)	1,381	521
Issue of shares	18	637	60	–	–	–	715
Share based payment	–	–	–	–	–	368	368
As at 30 September 2010 (unaudited)	1,895	15,905	(1,332)	363	(638)	21,544	37,737

## Consolidated statement of cash flows

for the six months ended 30 September 2011

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
<b>Operating activities</b>		
Cash generated /used in from operations	(556)	834
Tax paid	(1,644)	(1,145)
<b>Net cash outflow generated from operating activities</b>	<b>(2,200)</b>	<b>(311)</b>
<b>Investing activities</b>		
Interest received and similar income	3	37
Purchase of property, plant and equipment	(35)	(14)
Proceeds from sale of available-for-sale financial assets	644	2,539
Purchase of available-for-sale financial assets	(3,988)	(4,006)
Acquisition of a subsidiary	–	(1,487)
Cash flows related to derivatives	310	–
<b>Net cash outflow from investing activities</b>	<b>(3,066)</b>	<b>(2,931)</b>
<b>Financing activities</b>		
Dividends paid	(4,419)	–
Issue of ordinary shares	110	–
Receipts in relation to investment in own shares	25	60
Receipts on issue of share capital as part of the acquisition of a subsidiary	–	655
<b>Net cash outflow from financing activities</b>	<b>(4,284)</b>	<b>715</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,550)</b>	<b>(2,527)</b>
Cash and cash equivalents at start of period	19,194	19,706
<b>Cash and cash equivalents at end of period</b>	<b>9,644</b>	<b>17,179</b>

# Notes to the unaudited consolidated financial statements

for the six months ended 30 September 2011

## 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 consolidated financial statements to 30 September 2011 have been prepared in accordance with IAS 34: Interim Financial Reporting.

The unaudited 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 2011 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 consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

Group retained earnings at 1 April 2011 have been restated and increased by £28,000 to reflect the cancellation of preference shares in prior periods.

## Notes to the unaudited consolidated financial statements

for the six months ended 30 September 2011 continued

### 2. Revenue

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
Investment management fees	15,168	11,018
Investment advisory fees	100	–
Investment performance fees	3,337	1,156
(Loss)/profit on hedging	127	(102)
	18,732	12,072

### 3. Profit on ordinary activities before taxation

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
Profit on ordinary activities before taxation is stated after charging:		
Staff costs	8,361	6,291
Depreciation of tangible fixed assets	19	22
Operating lease rentals – land & buildings	344	315
– other	179	152
Auditor's remuneration		
Audit services	35	75
Internal controls review	20	42

#### 4. Dividends

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
Dividend paid	4,419	–

#### 5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period of £2,887,749 (September 2010: profit £1,380,697); and on 73,799,718 (September 2010: 72,981,606) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit for the period of £2,887,749 (September 2010: profit £1,380,697) and 88,097,043 (September 2010: 80,760,728) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 6,890,608 (September 2010: 7,779,122) which are dilutive as well as shares granted during the period under a crystallisation event but not yet issued of 7,406,717 (September 2010: nil).

The calculation of adjusted earnings per ordinary share is based on a profit for the period of £2,887,749 (September 2010: profit of £1,380,697) but adjusted for the share-based payments charge of £318,591 (September 2010: £368,200) and 88,097,043 (September 2010: 80,760,728) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options and as shares granted during the period under a crystallisation event but not yet issued.

As shown in note 21 of the Group's annual financial statements to 31 March 2011 the Group's total share-based payment charge is made up of a charge under a preference share scheme and a further charge for employee share options. For the period ended 30 September 2011 the charge for the preference share scheme amounted to £28,450 (September 2010: £208,500) and the charge for the employee share options amounted to £290,141 (September 2010: £159,700).

## Notes to the unaudited consolidated financial statements

for the six months ended 30 September 2011 continued

### 6. Available-for-sale financial assets

	(Unaudited) Six months to 30 Sept 2011 £'000	(Audited) Year to 31 March 2011 £'000
At beginning of period	29,418	19,693
Additions	3,988	42,291
Redemptions	(848)	(32,327)
(Loss)/gain on movement in fair value	19	(239)
<b>At end of period</b>	<b>32,577</b>	<b>29,418</b>

### 7. Notes to the cash flow statement

Reconciliation of profit before taxation to cash generated from operations

	(Unaudited) Six months to 30 Sept 2011 £'000	(Unaudited) Six months to 30 Sept 2010 £'000
<b>Cash flows from operating activities</b>		
Profit/(loss) on ordinary activities before tax	3,918	1,965
Interest received	(3)	(76)
Depreciation of tangible fixed assets	19	22
(Increase)/decrease in trade and other receivables	(437)	850
Decrease in trade and other payables	(4,990)	(2,295)
Loss on disposal of available for sale assets	204	–
Gain on derivatives	(127)	–
Share-based payment	320	368
Amortisation of intangibles	540	–
<b>Cash generated from operations</b>	<b>(556)</b>	<b>834</b>

## **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 £2,453,970 (September 2010: £2,831,430). The amounts receivable at period end in this respect were £794,797 (March 2011: £829,866).

At the end of the period, the Group had an outstanding loan due of £1,141,992 (March 2011: £1,166,992) 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 employees.

## **9. The publication of non-statutory accounts**

The financial information contained in this 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 2011 and 2010 has not been audited. The information for the year ended 31 March 2011 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 7 July 2011. 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

### Directors

**T H Bartlam**

Non-executive Chairman

**T J Woolley**

Chief Executive Officer

**J B Mansell**

Chief Operating Officer

**H G C Aldous**

Non-executive director,  
Chairman of Audit Committee

**B J D Ashford-Russell**

Non-executive director

**J M B Cayzer-Colvin**

Non-executive director, Chairman  
of Remuneration Committee

**GV Bumedner**

(appointed 8 September 2011)

Non-executive director

**M Thomas**

Non-executive director

**Polar Capital Holdings plc****Company No**

4235369

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020 7227 2700

**Website**

[www.polarcapital.co.uk](http://www.polarcapital.co.uk)

**Company Secretary**

Neil Taylor

### Auditors

**Ernst & Young LLP**

1 More London Place  
London SE1 2AF

### Bankers

**HSBC Bank plc**

60 Queen Victoria Street  
London, EC4N 4TR

### Nominated adviser and corporate broker

**Canaccord Genuity**

Cardinal Place  
80 Victoria Street  
London, SW1E 5JL

### Solicitors

**Herbert Smith LLP**

Exchange House  
Primrose Street  
London EC2M 2HS

### Registrars

**Equiniti Limited**

Aspect House  
Spencer Road  
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**Shareholder helpline**

0800 8766660

or if calling from overseas:  
+44 121 4517047

**Website**

[www.shareview.co.uk](http://www.shareview.co.uk)

### 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](http://www.londonstockexchange.com)  
– code: POLR; or on Bloomberg  
– code: POLR LN.

**ISIN number**

GB00B1GCLT25

**SEDOL code**

B1GCLT2

### Dividends

Where possible, it is recommended  
that dividend payments are made  
directly into a bank account to  
provide improved security and  
faster access to funds. You may  
give instruction via the registrar's  
website or in writing.

### Key dates

**First interim dividend**

For the financial year ended  
31 March 2012

**Amount**

1.5p per ordinary share

**Ex-dividend date**

4 January 2011

**Record Date**

6 January 2011

**Payment date**

20 January 2011

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