

Polar Capital Holdings plc ("Polar Capital" or "the Group")

Unaudited interim results for six months ended 30 September 2021

65% increase in core profits

Highlights

- Assets under Management ("AuM") at 30 September 2021 £23.4bn (31 March 2021: £20.9bn)
- Core operating profit[†] £36.3m (30 September 2020: £22.0m)
- Pre-tax profit £31.7m (30 September 2020: £27.0m)
- Basic earnings per share 26.5p (30 September 2020: 23.4p) and adjusted diluted total earnings per share[†] 28.1p (30 September 2020: 22.1p)
- Interim dividend per ordinary share of 14.0p (January 2021: 9.0p) declared to be paid in January 2022*
- Shareholders' funds £146.8m (30 September 2020: £114.4m) including cash and investments of £140.5m (30 September 2020: £111.3m)

[†] The non-GAAP alternative performance measures shown here are described and reconciled to IFRS measures on the Alternative Performance Measures (APM) page

* Further details on the timetable for the interim dividend are described on the shareholder information page

Gavin Rochussen, Chief Executive Officer, commented:

"In the six months to 30 September 2021, AuM increased by £2.5bn from £20.9bn to £23.4bn, an increase of 12% over the period and since then has increased to £25.0bn as at 12 November 2021.

"Core operating profit (excluding performance fees, other income and exceptional items) was up 65% to £36.3m compared to the comparable prior half year period and up 23% from £29.5m in the immediately preceding six-month period to 31 March 2021.

"This time last year, Polar Capital established a new Head of Sustainability role and put in place separate Sustainability and Diversity committees to increase focus on these areas, in investment and for the Group. Six of Polar Capital's funds have been classified as Article 8 under the European Union's SFDR regulations and there is a pipeline of funds aiming to reclassify as Article 8. The recently launched Smart Energy and Smart Mobility funds are classified as Article 9 funds.

"There is much greater concern about the impact of climate change, and this will result in growing demand for greener technologies and the investment landscape will be shaped by the conversations and outcomes from COP26 held in Glasgow.

"The launch of the Polar Capital Smart Energy and Smart Mobility Funds in September 2021 were well received with early flows and demonstrable appetite from potential investors in these funds.

"Our diverse and differentiated range of sector, thematic and regional fund strategies and our performance led culture where 74%, 93% and 99% of our AuM is in the top two quartiles against peers over three years, five years and since inception respectively together with significant remaining capacity provides confidence that momentum will continue."

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Assets Under Management

AuM split by type

	30 September 2021		31 March 2021	
	£bn	%	£bn	%
Open-ended funds	17.8	76%	16.6	79%
Investment trusts	4.5	19%	3.9	19%
Segregated mandates	1.1	5%	0.4	2%
Total	23.4		20.9	

AuM split by strategy

(Ordered according to launch date)

	30 September 2021		31 March 2021	
	£bn	%	£bn	%
Technology	10.7	46%	10.2	49%
Japan	0.2	0.8%	0.1	0.5%
European Long/Short	0.1	0.4%	0.2	1%
Healthcare	3.8	16%	2.9	14%
Financials	0.5	2%	0.3	1%
Insurance	1.7	7%	1.7	8%
Emerging Markets Income	-	-	0.1	0.5%
Convertibles	0.8	3%	0.8	4%
North America	0.9	4%	0.8	4%
European Income	0.1	0.4%	0.2	1%
UK Value	1.7	7%	1.4	7%
Emerging Markets and Asia	0.9	4%	0.4	2%
Phaeacian	0.6	3%	0.5	2%
European Opportunities	1.3	6%	1.1	5%
European Absolute Return	0.1	0.4%	0.1	0.5%
Melchior Global Equity	*	-	0.1	0.5%
Sustainable Thematic Equity	**	-	-	-
Total	23.4		20.9	

* AuM as at 30 September 2021 was £5m.

** AuM as at 30 September 2021 comprised of seed capital of £7m.

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Chief Executive's Report

Market Overview

The six-month period to the end of September 2021 saw a change in investment environment and market leadership. Growth once again outperformed value, and the technology sector was one of the best performers, with the materials and industrials sectors at the bottom of the pack.

US 10-year bond yields and the US 2-10 year yield curve hit a post COVID-19 high on 31 March 2021 and, until recently, had been moving persistently lower as excitement about economic re-opening began to wane in the face of continuing COVID-19 outbreaks across the world. This was the opposite of the prior six-month period; equity markets had rallied strongly from the point in early November 2020 when the first announcements on effective COVID-19 vaccines were made, and the victorious US Democrats proposed a stimulatory set of policy initiatives.

News media are giving extensive coverage to supply chain problems and intermediate goods shortages across the world. At the margin, these trends are likely to lead companies to carry more inventory, and to shorten supply lines in the search for resilience.

Talk of higher inflation is widespread, particularly in the UK, where apparent labour shortages in particular industries are exacerbating goods shortages. Oil and gas prices have risen rapidly. As ever, the solution has a political dimension. Europe does not want to concede too much to Russia, which plays a big role in gas supply.

Despite the possibility that these changes in investment backdrop bring greater risk, financial markets have so far been reasonably well behaved.

The reason for such a moderate response may be that growth remains strong in much of the world; output has probably peaked at high levels but should remain above trend through 2022. Similarly, while central banks are starting to remove policy support, it is likely to be some time before policy becomes restrictive.

Equally, governments have little incentive to endanger the nascent recovery by tightening fiscal policy too rapidly. Paying down large amounts of COVID-19 related debt would be much harder in a lower growth phase.

Data indicates that US consumers have not spent all of the stimulus cheques which they received. This means that there is still pent-up consumer demand, but it may be the case that households want to retain a higher level of savings in these uncertain times.

There is much greater concern about the impact of climate change, and this will result in growing demand for greener technologies and the investment landscape will be shaped by the conversations and outcomes from COP26 held in Glasgow.

Fund Performance

The past 18 months have seen significant variability in equity market leadership, visible in the performance of value versus growth and quality, of small companies versus large and, more broadly, of disruptors versus more established businesses.

The six months to end September 2021 saw the style pendulum swing back from value to growth, consistent with lower market interest rates. Those Polar strategies with greater value orientation, such as North America and European ex UK Income underperformed over the period, although strategies which combine value and quality, such as UK Value and Phaeacian International Value, outperformed their benchmarks.

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In the growth group, Emerging Market Stars and Asian Stars, both of which incorporate sustainability as an important part of their process, delivered outperformance, building on their strong foundations since inception at Polar in 2018.

Polar Capital's Technology and Healthcare teams have had a tougher time in the first six months of the financial year. The Global Technology Fund and the Healthcare Opportunities fund underperformed, in part due to the outperformance of the very large companies in their respective areas; both strategies have an all-cap orientation. The Technology team came into 2021 with a cautious view of their sector, due to high valuations; their defensive tactics, expressed via cash and index puts, have not yet borne fruit as valuations across the sector have continued to go up.

The small and mid-cap Healthcare Discovery fund, the Healthcare Blue Chip fund, and the Automation and Artificial Intelligence fund have outperformed their benchmarks nevertheless.

This time last year, Polar Capital established a new Head of Sustainability role and put in place separate Sustainability and Diversity committees to increase focus on these areas, in investment and for the Group. Six of Polar Capital's funds have been classified as Article 8 under the European Union's SFDR regulations and there is a pipeline of funds aiming to reclassify as Article 8. The recently launched Smart Energy and Smart Mobility funds are classified as Article 9 funds.

As at 29 October 2021, 74% of Polar Capital's UCITS fund AuM is ranked in the top two quartiles versus peers over three years with 21% ranked in the top quartile over the same period. Over five years, 74% of AuM is ranked top quartile and 93% ranked in the top two quartiles versus the Lipper peer group. Since inception, 84% of AuM is ranked in the top quartile and 99% is ranked in the top two quartiles.

AuM and Fund Flows

In the six months to 30 September 2021, AuM increased by £2.5bn from £20.9bn to £23.4bn, an increase of 12% over the period and since then has increased to £25.0bn as at 12 November 2021. The £2.5bn increase in AuM comprised net subscriptions of £690m and £1,807m relating to market movement and fund performance. There were net inflows of £596m into segregated mandates, net inflows from share issuance of £136m by the investment trusts and net outflows of £42m from the open-ended funds.

In the six months, the largest beneficiaries of net inflows were the sustainability oriented Emerging Market Stars Fund with £366m of net inflows and the Asian Stars Fund which had net inflows of £70m. Within the healthcare suite of funds, the Biotechnology Fund benefited from net inflows of £199m and three segregated healthcare mandates were funded with £427m. The Polar Capital Global Financials Trust had share issuances amounting to £154m while the Polar Capital Technology Trust had net share buy-backs amounting to £18m.

The Convertibles team attracted £85m of net inflows into their Global Convertible Fund and Global Absolute Return Fund. The Phaeacian International Mutual Fund had net inflows of £27m and the Japan Value Fund benefited from net inflows of £20m reversing a multi-year period of sustained net outflows.

The Technology Fund, which had benefited from inflows in 2020, suffered from client allocation decreasing away from the technology sector as well as profit taking by investors following excellent absolute performance over the past years. Net outflows from the fund, which was soft closed in 2020, were £413m and the A&AI Fund had outflows, for similar reasons, of £49m. While the UK Value Opportunities Fund, also soft-closed in 2020, suffered modest net outflows of £18m in the period, the team benefited from the funding of a segregated mandate amounting to £169m. Our North American Fund which has suffered sustained prior periods of net outflows saw this trend reduce and net outflows in the six-month period were £33m with net inflows in the more recent months.

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Following the retirement of the lead fund manager, the GEM Income Fund was closed and merged with the Emerging Market Stars Fund resulting in £34m of net outflows in the period leading up to the merger of the two funds. Other funds experiencing outflows in the period were the European ex-UK Income Fund, Global Insurance Fund and Healthcare Opportunities Fund, although outflows from the latter were more than offset by the funding of segregated healthcare mandates.

The launch of the Polar Capital Smart Energy and Smart Mobility Funds in September 2021 were well received with early flows and demonstrable appetite from potential investors in these funds.

Results

Average AuM over the six months to 30 September 2021 increased by 53% to £22.5bn from £14.7bn in the comparable prior half year period, while there has been a 20% rise in average AuM compared to average AuM of £18.7bn for the immediately preceding six months to 31 March 2021. The increase in average AuM resulted in net management fees, after commission and rebates payable, increasing by 50% to £92.9m compared to the comparable six-month period and rose 15% compared to the immediately preceding six-month period. Management fee yield margin[†] declined, as anticipated, by 1bp to 83bp compared to the comparable prior six-month period.

Core operating profit[†] (excluding performance fees, other income and exceptional items) was up 65% to £36.3m compared to the comparable prior half year period and up 23% from £29.5m in the immediately preceding six-month period to 31 March 2021.

Profit before tax increased by 17% to £31.7m compared to the comparable prior half year period, although it declined compared to the immediately preceding six-month period which included performance fee profits which crystallise in the second half of our financial year. Basic EPS has increased by 13% compared to the half year period to September 2020. Adjusted diluted core EPS[†] of 28.2p is a 25% increase on the immediately preceding six months to 31 March 2021 and a 56% increase over the comparable half year period to September 2020. Adjusted diluted total EPS[†] of 28.1p is a 27% increase compared to the comparable six-month period to 30 September 2020.

	Six months to 30 September 2021 £	Six months to 31 March 2021 £	Six months to 30 September 2020 £
Average AuM	22.5bn	18.7bn	14.7bn
Net management fees	92.9m	80.7m	61.8m
Core operating profit [†]	36.3m	29.5m	22.0m
Performance fee profit [†]	-	19.5m	0.5m
Other income*	(0.3)m	2.5m	4.9m
Share-based payments on preference shares	(0.4)m	0.7m	(0.4)m
Exceptional items	(3.9)m	(2.8)m	-
Profit before tax	31.7m	48.9m	27.0m
Basic EPS	26.5p	43.8p	23.4p

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Adjusted diluted earnings per share [†] (non-GAAP measure)	28.1p	40.1p	22.1p
Adjusted diluted core EPS [†]	28.2p	22.6p	18.0p

[†] The non-GAAP alternative performance measures shown here are described on the APM page.

* A reconciliation to reported results is given on the APM page.

In accordance with the stated dividend policy, the Board has declared an interim dividend of 14p to be paid in January 2022 (January 2021: 9p). This represents a 56% increase in the first interim dividend which aligns with the increase in adjusted diluted core EPS.

Net inflows have continued in October 2021 and early November 2021 and the pipeline for the remainder of the financial year is encouraging.

Strategic progress and thanks

The sustainable thematic team joined Polar Capital in September 2021 and the Polar Capital Smart Energy and Smart Mobility Funds were launched. This provides additional capacity in appealing equity strategies and will, over time, further diversify the concentration of our assets under management across a broader array of teams. There has been considerable progress in the growth and diversification of our distribution activities and further investment in our digital marketing efforts. Following the funding of further segregated institutional mandates in the period, we had in excess of £1bn in segregated mandates at the period end including a mandate with an Australian institution marking success in our expansion into the Asia Pacific region.

Continued progress has been made in the area of sustainability both at Polar Capital corporate level and within our funds. In terms of SFDR, we have two Article 9 funds, six Article 8 Funds with a pipeline of funds aiming to reclassify as Article 8.

With the attainment of a highly credible three-year track record since joining Polar Capital, the AuM in the sustainable Emerging Market Stars suite of fund strategies now exceeds £1bn and has been instrumental in establishing a meaningful and valued client base in the Nordic region.

During the period, Polar Capital was recognised as Boutique of the Year in the Financial News Fund Manager awards.

We are extremely grateful for the support of our clients and the hard work and commitment of our partners and staff during the period as we continue to emerge from lockdown into a more normalised working environment.

Outlook

Our diverse and differentiated range of sector, thematic and regional fund strategies and our performance led culture where 74%, 93% and 99% of our AuM is in the top two quartiles against peers over three years, five years and since inception respectively together with significant remaining capacity provides confidence that momentum will continue.

Gavin Rochussen
Chief Executive
19 November 2021

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Alternate Performance Measures (APMs)

APM	Definition	Reconciliation	Reason for use
Core operating profit	Profit before performance fee profits, other income, exceptional items and tax.	APM reconciliation	To present a measure of the Group's profitability excluding performance fee profits and other components which may be volatile, non-recurring or non-cash in nature.
Performance fee profit	Gross performance fee revenue less performance fee interests due to staff.	APM reconciliation	To present a clear view of the net amount of performance fee earned by the Group after accounting for staff remuneration payable that is directly attributable to performance fee revenues generated.
Core distributions	Variable compensation payable to investment teams from management fee revenue.	APM reconciliation	To present additional information thereby assisting users of the accounts in understanding key components of variable costs paid out of management fee revenue.
Performance fee interests	Variable compensation payable to investment teams from performance fee revenue.	APM reconciliation	To present additional information thereby assisting users of the accounts in understanding key components of variable costs paid out of performance fee revenue.
Adjusted diluted total EPS	Profit after tax but excluding (a) cost of share-based payments on preference shares, (b) the net cost of deferred staff remuneration and (c) exceptional items which may either be non-recurring or non-cash in nature, and in the case of adjusted diluted earnings per	APM reconciliation	The Group believes that (a) as the preference share awards have been designed to be earnings enhancing to shareholders adjusting for this non-cash item provides a better understanding of the financial performance of the Group, (b) comparing staff remuneration and profits generated in the same time period (rather than deferring remuneration over a longer vesting period) allows users of the accounts to gain a better understanding of the Group's results and their comparability period on period and (c) removing acquisition related transition and termination costs as well as the non-cash

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	share, divided by the weighted average number of ordinary shares.		amortisation, and any impairment, of intangible assets and goodwill provides a better understanding of the Group's results and allows users of the accounts to better compare results across companies to the extent the identification, or not, of intangible assets affects the relative amortisation costs.
Adjusted diluted core EPS	Core operating profit after tax excluding the net cost of deferred core distributions divided by the weighted average number of ordinary shares.	APM reconciliation	To present additional information that allows users of the accounts to measure the Group's earnings excluding those from performance fees and other components which may be volatile, non-recurring or non-cash in nature.
Core operating margin	Core operating profit divided by net management fees.	Chief Executive's report	To present additional information that allows users of the accounts to measure the core profitability of the Group before performance fee profits, and other components, which can be volatile and non-recurring.
Net Management fee yield	Net management fees divided by average AuM.	Chief Executive's report	To present additional information that allows users of the accounts to measure the fee margin for the Group in relation to its assets under management.

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Summary of non-GAAP financial performance and reconciliation of APMs to interim reported results

The summary below reconciles key APMs the Group measures to its interim reported results for the current year and also reclassifies the line by line impact on consolidation of seed investments to provide a clearer understanding of the Group's core business operation of fund management.

Any seed investments in newly launched or nascent funds, where the Group is determined to have control, are consolidated. As a consequence, the statement of profit or loss of the fund is consolidated into that of the Group on a line by line basis. Any seed investments that are not consolidated are fair valued through a single line item (other income) on the Group consolidated statement of profit or loss.

	Interim reported Results £'m	Reclassification on consolidation of seed investments £'m	Reclassification of costs £'m	Interim Non-GAAP results £'m	APMs
Investment management and research fees	103.6	–	–	103.6	
Commissions and fees payable	(10.7)	–	–	(10.7)	
	92.9	–	–	92.9	
Operating costs	(60.5)	0.3	29.0	(31.2)	
	–	–	(25.4)	(25.4)	Core distributions
	32.4	0.3	3.6	36.3	Core operating profits
Investment performance fees	–	–	–	–	
	–	–	–	–	Performance fee interests
	–	–	–	–	Performance fee profits
Other income	(0.7)	(0.3)	0.7	(0.3)	
Share-based payments on preference shares	–	–	(0.4)	(0.4)	
Exceptional items	–	–	(3.9)	(3.9)	
Profit for the year	31.7	–	–	31.7	

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The effect of the adjustments made in arriving at the adjusted diluted total EPS and adjusted diluted core EPS figures of the Group is as follows:

Earnings per share	Unaudited 30 September 2021 Pence
Diluted earnings per share	25.3
Impact of share-based payments - preference shares only	0.4
Impact of exceptional items	3.9
Impact of deferment, where IFRS defers cost into future periods	(1.5)
Adjusted diluted total EPS	28.1
Performance fee profit and other income	0.1
Adjusted diluted core EPS	28.2

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Interim Consolidated Statement of Profit or Loss
For the six months to 30 September 2021

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Revenue	103,647	68,826
Other income	(722)	5,290
Gross income	102,925	74,116
Commissions and fees payable	(10,735)	(6,055)
Net income	92,190	68,061
Operating costs	(60,468)	(41,020)
Profit for the period before tax	31,722	27,041
Taxation	(6,366)	(5,216)
Profit for the period attributable to ordinary shareholders	25,356	21,825
Earnings per share		
Basic	26.5p	23.4p
Diluted	25.3p	22.5p
Adjusted basic (Non-GAAP measure)	29.4p	23.0p
Adjusted diluted (Non-GAAP measure)	28.1p	22.1p

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Interim Consolidated Statement of Other Comprehensive Income
For the six months to 30 September 2021

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Profit for the period attributable to ordinary shareholders	25,356	21,825
Other comprehensive income – items that will be reclassified to income statement in subsequent periods:		
Net movement on the fair valuation of cash flow hedges	–	1,167
Deferred tax effect	–	(222)
	–	945
Exchange differences on translation of foreign operations	327	(668)
Other comprehensive income for the period	327	277
Total comprehensive income for the period, net of tax, attributable to ordinary shareholders	25,683	22,102

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

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Interim Consolidated Balance Sheet
As at 30 September 2021

	(Unaudited) 30 September 2021 £'000	(Audited) 31 March 2021 £'000
Non-current assets		
Goodwill and intangible assets	26,743	24,998
Property and equipment	4,458	5,104
Deferred tax assets	4,598	5,783
	35,799	35,885
Current assets		
Assets at fair value through profit or loss	71,451	57,151
Trade and other receivables	27,621	23,924
Other financial assets	164	84
Current tax assets	3,136	1,966
Cash and cash equivalents	103,382	136,718
	205,754	219,843
Total assets	241,553	255,728
Non-current liabilities		
Liabilities at fair value through profit or loss	7,692	4,258
Provisions and other liabilities	3,505	4,123
Deferred tax liabilities	3,896	4,116
	15,093	12,497
Current liabilities		
Liabilities at fair value through profit or loss	15,076	16,124
Trade and other payables	64,182	71,598
Other financial liabilities	367	4,069
	79,625	91,791
Total liabilities	94,718	104,288
Net assets	146,835	151,440

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Capital and reserves

Issued share capital	2,502	2,468
Share premium	19,364	19,364
Investment in own shares	(21,683)	(26,579)
Capital and other reserves	12,451	11,030
Retained earnings	134,201	145,157
Total equity attributable to ordinary shareholders	146,835	151,440

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Interim Consolidated Statement of Changes in Equity
For the six months to 30 September 2021

	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 1 April 2021 (audited)	2,468	19,364	(26,579)	695	10,335	145,157	151,440
Profit for the period	-	-	-	-	-	25,356	25,356
Other comprehensive income	-	-	-	-	327	-	327
Total comprehensive income	-	-	-	-	327	25,356	25,683
Dividends paid to shareholders	-	-	-	-	-	(29,836)	(29,836)
Issue of shares	34	-	-	-	-	(34)	-
Own shares acquired	-	-	(7,629)	-	-	-	(7,629)
Release of own shares	-	-	12,525	-	-	(10,489)	2,036
Share-based payment	-	-	-	-	-	4,047	4,047
Current tax in respect of employee share options	-	-	-	-	2,477	-	2,477
Deferred tax in respect of employee share options	-	-	-	-	(1,383)	-	(1,383)
As at 30 September 2021 (unaudited)	2,502	19,364	(21,683)	695	11,756	134,201	146,835
As at 1 April 2020 (audited)	2,417	19,101	(24,139)	695	7,646	110,358	116,078
Profit for the period	-	-	-	-	-	21,825	21,825
Other comprehensive income	-	-	-	-	277	-	277
Total comprehensive income	-	-	-	-	277	21,825	22,102
Dividends paid to shareholders	-	-	-	-	-	(23,494)	(23,494)
Issue of shares	45	38	-	-	-	(44)	39
Own shares acquired	-	-	(4,277)	-	-	-	(4,277)
Release of own shares	-	-	2,287	-	-	(1,150)	1,137
Share-based payment	-	-	-	-	-	2,282	2,282
Current tax in respect of	-	-	-	-	145	-	145

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employee share options

Deferred tax in respect of
employee share options

	-	-	-	-	414	-	414
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As at 30 September 2020 (unaudited)	2,462	19,139	(26,129)	695	8,482	109,777	114,426
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Interim Consolidated Cash Flow Statement
For the six months to 30 September 2021

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Operating activities		
Cash generated from operations	27,015	5,718
Tax paid	(5,404)	(5,069)
Interest on lease	(51)	(65)
Net cash flow from operating activities	21,560	584
Investing activities		
Interest received and similar income	13	37
Investment income	176	137
Sale of assets at fair value through profit or loss	14,698	18,166
Purchase of assets at fair value through profit or loss	(30,666)	(18,357)
Re-measurement of purchase consideration in respect of business acquisition	38	-
Payments in respect of asset acquisition	(363)	-
Purchase of property and equipment	(30)	(50)
Net cash outflow from investing activities	(16,134)	(67)
Financing activities		
Dividends paid to shareholders	(29,836)	(23,494)
Issue of shares	-	9
Purchase of own shares	(7,585)	(3,900)
Lease payments	(653)	(648)
Third-party subscriptions into consolidated funds	3,194	2,501
Third-party redemptions from consolidated funds	(3,811)	(94)
Net cash outflow from financing activities	(38,691)	(25,626)
Net decrease in cash and cash equivalents	(33,265)	(25,109)
Cash and cash equivalents at start of period	136,718	107,753

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Effect of exchange rate changes on cash and cash equivalents	(71)	(170)
Cash and cash equivalents at end of period	103,382	82,474

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Notes to the Unaudited Interim Consolidated Financial Statements

For the six months to 30 September 2021

1. General Information, Basis of Preparation and Accounting Policies

1.1 General information

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

1.2 Basis of Preparation

The unaudited interim condensed consolidated financial statements to 30 September 2021 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 2021, 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 and the estimates and judgements used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with the Group's annual financial statements for the year ended 31 March 2021.

1.3 Group information

The Group is required to consolidate seed capital investments where it is deemed to control them. In addition to the operating subsidiaries and seed capital investments consolidated at 31 March 2021, the Group has consolidated the following two funds as at 30 September 2021:

- Polar Capital Smart Energy Fund
- Polar Capital Smart Mobility Fund

1.4 Going concern

The Directors have made an assessment of going concern taking into account both the Group's current results as well as the Group's outlook. As part of this assessment the Directors have used information available to the date of issue of these interim financial statements and considered the following key areas:

- Analysis of the Group's budget for the year ending March 2022, longer-term financial projections and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the Group's ICAAP have also been revisited to ensure they remain appropriate.
- Cash flow forecasts and an analysis of the Group's liquid assets, which include cash and cash equivalents and seed investments.
- The operational resilience of the Group and its ability to meet client servicing demands across all areas of the Group's business, including outsourced functions, whilst ensuring the wellbeing and health of its staff.

The Group continues to maintain a robust financial resources position, access to cashflow from ongoing investment management contracts and the Directors believe that the Group is well placed to manage its business risks. The Directors also have a reasonable expectation that the Group has adequate resources to

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continue operating for a period of at least 12 months from the balance sheet date. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2. Revenue

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Investment management and research fees	103,647	67,909
Investment performance fee	–	1,050
Loss on forward currency contracts	–	(133)
	103,647	68,826

Effective 1 April 2021, the Group has discontinued its revenue hedging programme.

3. Operating costs

a) Operating costs include the following items:

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Staff costs including partnership profit allocations	46,576	30,437
Depreciation	678	670
Amortisation of intangible assets	932	–
Auditors remuneration	175	133

b) Auditors' remuneration:

Audit of Group financial statements	68	43
Local statutory audits of subsidiaries	63	51
Audit-related assurance services	5	–
Other assurance services – internal controls review	39	39
	175	133

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4. Other income

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Interest income and cash and cash equivalents	13	41
Net gain/ (loss) on other financial liabilities – short positions and futures	1,704	(4,600)
Net (loss)/gain on forward contracts	(440)	718
Net gain on financial assets at FVTPL	360	4,308
Net (loss)/ gain on financial liabilities at FVTPL	(3,048)	5,347
Investment income	190	155
Other gain/ (loss) – attributed to third party holdings	499	(679)
	(722)	5,290

Net loss on financial liabilities at fair value through profit or loss includes a mark to market charge of £0.7m relating to the deferred consideration payable on the Dalton acquisition.

5. Dividends

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Dividend paid	29,836	23,494

On 31 July 2021, the Group paid a second interim dividend for 2021 of 31p (2020: 25p) per ordinary share.

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6. Share-based Payments

A summary of the charge to the consolidated statement of profit or loss for each share-based payment arrangement is as follows:

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Preference shares	444	429
LTIP and initial share awards	2,303	810
Equity incentive plan	739	380
Deferred remuneration plan	561	663
	4,047	2,282

Certain employees of the Group and partners of Polar Capital LLP hold Manager Preference Shares or Manager Team Member Preference Shares (together 'Preference Shares') in Polar Capital Partners Limited, a group company.

The preference shares are designed to incentivise and retain the Group's fund management teams. These shares provide each manager with an economic interest in the funds that they run and ultimately enable the manager, at their option and at a future date, to convert their interest in the revenues generated from their funds to a value that may (at the discretion of the parent undertaking, Polar Capital Holdings plc) be satisfied by the issue of ordinary shares in Polar Capital Holdings plc. Such conversion takes place according to a pre-defined conversion formula intended to be earnings enhancing for the Group and that considers the relative contribution of the manager to the Group as a whole. The equity is awarded in return for the forfeiture of a manager's current core economic interest and is issued over three years from the date of conversion.

In November 2021, the Biotechnology team called for a full conversion and the Convertible team called for a partial conversion of preference shares into Polar Capital Holdings equity (2020: none). At 30 September 2021, three sets of preference shares (2020: four sets) have the right to call for conversion.

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued.

Estimated number of ordinary shares to be issued against preference shares with a right to call for conversion:

	(Unaudited) 30 September 2021 Number of shares	(Unaudited) 30 September 2020 Number of shares
At 1 April	4,426,258	4,676,882
Conversion/crystallisation	(1,350,514)	-

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Movement during the period	(718,593)	147,276
At 30 September	2,357,421	4,824,158

Number of ordinary shares to be issued against converted preference shares:

	(Unaudited) 30 September 2021 Number of shares	(Unaudited) 30 September 2020 Number of shares
Outstanding at 1 April	1,766,541	3,733,904
Conversion/crystallisation	1,350,514	-
Adjustment on re-calculation	-	(28,261)
Issued during the period	(1,333,921)	(1,622,380)
Outstanding at 30 September	1,783,134	2,083,263

7. Earnings Per Share

A reconciliation of the figures used in calculating the basic, diluted and adjusted earnings per share (EPS) figures is as follows:

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	25,356	21,825
Adjustments (post tax):		
Add back cost of share-based payments on preference shares	444	429
Add back exceptional items - acquisition related costs	2,262	-
Add back exceptional items - amortisation of intangible assets	932	-
Add back exceptional items - fair value charge on deferred consideration relating to business acquisition	686	-
Less net amount of deferred staff remuneration	(1,500)	(832)
Profit after tax for purpose of adjusted basic and adjusted diluted EPS	28,180	21,422

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	(Unaudited) Six months to 30 September 2021 Number of shares	(Unaudited) Six months to 30 September 2020 Number of shares
Weighted average number of shares		
Weighted average number of ordinary shares, excluding own shares, for purposes of basic and adjusted basic EPS	95,743,599	93,307,573
Effect of dilutive potential shares – share options	2,711,240	1,699,471
Effect of preference shares crystallised but not yet issued	1,783,134	2,083,263
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted EPS	100,237,973	97,090,307

	(Unaudited) Six months to 30 September 2021 Pence	(Unaudited) Six months to 30 September 2020 Pence
Earnings per share		
Basic	26.5	23.4
Diluted	25.3	22.5
Adjusted basic	29.4	23.0
Adjusted diluted	28.1	22.1

8. Goodwill and intangible assets

Goodwill relates to the acquisition of Dalton Capital (Holdings) Limited, the parent company of Dalton Strategic Partnership LLP (Dalton), a UK based boutique asset manager, which completed on 28 February 2021.

Intangible assets relate to investment management contracts acquired as part of the business combination with Dalton and the asset acquisition related to the International Value and World Value equity team from the Los Angeles based asset manager First Pacific Advisors LP (FPA). The net book value of these intangible assets as at 30 September 2021 were £10.9m and £9.1m respectively.

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(Unaudited)	Goodwill £'000	Investment management Contracts £'000	Total £'000
Cost			
As at 1 April 2021	6,770	18,647	25,417
Re-measurement of goodwill ¹	(38)	-	(38)
Revaluation ²	-	2,715	2,715
As at 30 September 2021	6,732	21,362	28,094
Amortisation and impairment			
As at 1 April 2021	-	419	419
Amortisation for the period	-	932	932
Impairment for the period	-	-	-
As at 30 September 2021	-	1,351	1,351
Net book value as at 30 September 2021	6,732	20,011	26,743

Audited	Goodwill £'000	Investment management Contracts £'000	Total £'000
Cost			
As at 1 April 2020	-	-	-
Acquisition during the year	6,770	18,647	25,417
As at 31 March 2021	6,770	18,647	25,417
Amortisation and impairment			
As at 1 April 2020	-	-	-
Amortisation for the year	-	419	419
Impairment for the year	-	-	-
As at 31 March 2021	-	419	419
Net book value as at 31 March 2021	6,770	18,228	24,998

1. The re-measurement of goodwill relates to the purchase price adjustment recognised in the current period.

2. Revaluation of intangible asset relates to investment management contracts acquired from FPA and is a result of the subsequent fair value measurement of the deferred consideration amount payable to FPA.

Goodwill is tested for impairment at least on an annual basis or more frequently when there are indications that goodwill may be impaired.

The Group has reviewed the investment management contracts related intangible assets as at 30 September 2021 and has concluded that there are no indicators of impairment.

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9. Issued Share Capital

	(Unaudited) 30 September 2021 £'000	(Audited) 31 March 2021 £'000
Allotted, called up and fully paid:		
100,113,855 ordinary shares of 2.5p each (31 March 2021: 98,745,668 ordinary shares of 2.5p each)	2,502	2,468

During the period, Polar Capital Holdings plc has issued 34,266 shares on exercise of employee share options and 1,333,921 shares in connection with the crystallisation of manager preference shares.

10. Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, such as forward exchange contracts, the fair value is determined using appropriate valuation techniques that take into account the terms and conditions and use observable market data, such as spot and forward rates, as inputs.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	(Unaudited) 30 September 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Assets at FVTPL	71,451	-	-	71,451
Other financial assets	-	164	-	164
	71,451	164	-	71,615
Financial Liabilities				
Liabilities at FVTPL	5,543	-	17,225	22,768
Other financial liabilities	367	-	-	367
	5,910	-	17,225	23,135

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	(Audited)			
	31 March 2021			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Assets at FVTPL	57,151	-	-	57,151
Other financial assets	-	84	-	84
	57,151	84	-	57,235
Financial Liabilities				
Liabilities at FVTPL	6,328	-	14,054	20,382
Other financial liabilities	4,069	-	-	4,069
	10,397	-	14,054	24,451

During the period there were no transfers between levels in fair value measurements.

Movement in liabilities at FVTPL categorised as Level 3 during the year were:

	(Unaudited)	(Audited)
	30 September	31 March
	2021	2021
	£'000	£'000
At 1 April	14,054	-
Additions	-	15,014
Repayment	(363)	(517)
Fair value movement	3,402	-
Foreign currency revaluation loss/ (gain)	132	(443)
At 30 September	17,225	14,054

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11. Notes to the Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	(Unaudited) Six months to 30 September 2021 £'000	(Unaudited) Six months to 30 September 2020 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	31,722	27,041
Adjustments for:		
Interest receivable and similar income	(13)	(41)
Investment income	(190)	(155)
Interest on lease	51	65
Amortisation of intangible assets	932	-
Depreciation of non-current property and equipment	678	670
Decrease/ (increase) in fair value of assets at fair value through profit or loss	2,001	(9,656)
(Decrease)/ increase in other financial liabilities	(3,050)	3,311
Increase in receivables	(3,697)	(15,302)
Decrease in trade and other payables	(7,433)	(2,059)
Share-based payments	4,047	2,282
(Decrease)/ increase in liabilities at fair value through profit or loss	(1,004)	175
Release of fund units held against deferred remuneration	2,971	(613)
Cash generated from operations	27,015	5,718

12. 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. All related party transactions during the period are consistent with those disclosed in the Group's annual financial statements for the year ended 31 March 2021 and have taken place on an arm's length basis.

13. The Publication of Non-Statutory Accounts

The financial information contained in this unaudited interim report for the period to 30 September 2021 does not constitute statutory accounts as defined in s434 of the Companies Act 2006. The financial information for the six months ended 30 September 2021 and 2020 has not been audited. The information

Polar Capital Holdings plc ("Polar Capital" or "the Group")

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for the year ended 31 March 2021 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 30 June 2021. The report of the independent auditor on those financial statements contained no qualification or statement under s498 of the Companies Act 2006.

Shareholder Information

Directors

David Lamb	Non-executive Chairman
Gavin Rochussen	Chief Executive Officer
John Mansell	Executive Director
Jamie Cayzer-Colvin	Non-executive Director
Alexa Coates	Non-executive Director, Chair of Audit and Risk Committee
Win Robbins	Non-executive Director, Chair of Remuneration Committee
Andrew Ross	Non-executive Director
Samir Ayub	Executive Director (appointed 17 November 2021)
Laura Ahto	Non-executive Director (appointed 17 November 2021)

Company No.

Registered in England and Wales

4235369

Registered Office

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

Group Company Secretary

Neil Taylor

Dividend

A first interim dividend of 14.0p per share has been declared for the year to 31 March 2022. This will be paid on 14 January 2022 to shareholders on the register on 24 December 2021. The shares will trade ex-dividend from 23 December 2021.

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.

Half Year Report

Copies of this announcement and of the Half Year report will be available from the Secretary at the Registered Office, 16 Palace Street, London SW1E 5JD and from the Company's website at www.polarcapital.co.uk

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Neither the contents of the Company's website nor the contents of any website accessible from the hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

ENDS