

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

Unaudited interim results for six months ended 30 September 2020

Highlights

- Assets under Management ("AuM") at 30 September 2020 £16.4bn (31 March 2020: £12.2bn) and at 31 October 2020 £16.9bn
- Core operating profit†, excluding performance fees, £22.0m (30 September 2019: £21.3m)
- Pre-tax profit £27.0m (30 September 2019: £24.9m)
- Basic earnings per share 23.4p (30 September 2019: 21.6p) and adjusted diluted earnings per share† 22.1p (30 September 2019: 19.8p)
- Interim dividend per ordinary share of 9.0p (January 2020: 8.0p) declared to be paid in January 2021
- Shareholders' funds £114.4m (30 September 2019: £103.6m) including cash and investments of £111.3m (30 September 2019: £108.7m)

† The non-GAAP measures shown here are described on the Alternate Performance Measures (APMs) page.

Gavin Rochussen, Chief Executive Officer, commented:

"Polar has demonstrated operational resilience since the initial lockdown in March 2020 and all aspects of the firm have operated effectively. The Board, my executive team and I are very grateful for the commitment and dedication of all our colleagues in London and other parts of the world during this extraordinary time."

"Given the market backdrop, the Polar fund strategies with a clear growth/quality style profile have performed well. Our diverse and differentiated range of sector and regional fund strategies, and our performance led culture, gives us confidence in our ability to withstand market turbulence in these uncertain times."

"There remains significant capacity in our strategies and we are well positioned to continue delivering above average returns for our clients and shareholders over the long term."

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Assets Under Management (AuM)

AuM split by Type

	30 September 2020	
	£bn	%
Long only	15.5	95%
Alternative	0.9	5%
Total	16.4	

	31 March 2020	
	£bn	%
Long only	11.1	91%
Alternative	1.1	9%
Total	12.2	

AuM split by Strategy
(in chronological order)

	30 September 2020	
	£bn	%
Technology	9.1	55%
Japan Value	0.1	1%
European Long/Short	0.1	1%
Healthcare	2.7	16%
Insurance	1.3	8%
Financials	0.2	1%
Emerging Markets Income	0.1	1%
Convertibles	0.7	4%
North America	0.8	5%
UK Absolute Return	-	-
European Income	0.2	1%
UK Value	0.9	6%
Emerging Market and Asia	0.2	1%
Total	16.4	

	31 March 2020	
	£bn	%
Technology	5.3	43%
Japan Value	0.2	2%
European Long/Short	0.2	2%
Healthcare	1.8	15%
Insurance	1.2	10%
Financials	0.3	2%
Emerging Markets Income	0.1	1%
Convertibles	0.6	5%
North America	1.0	8%
UK Absolute Return	0.3	2%
European Income	0.2	2%
UK Value	0.9	7%
Emerging Market and Asia	0.1	1%
Total	12.2	

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Chief Executive's Report

Markets

The six-month period to the end of September 2020 witnessed a market recovery as a consequence of unprecedented global fiscal and monetary stimulus. The market low point in March 2020, a month that was the most volatile on record, provided a base for the dramatic market recovery as COVID-19 case numbers were seen to be reducing in some parts of the world. The recovery in developed markets was led by the US with the UK and Europe also recovering, but at a slower pace.

In the period from 1 April 2020 to 31 October 2020, the S&P 500 advanced by 29% and is almost flat for the calendar year after a 7% sell-off in the last two weeks of October 2020. By contrast, the FTSE 100, dogged by rising COVID-19 cases in the UK and Brexit uncertainty has risen by 2% in the period 1 April 2020 to end of October 2020 and was down almost by 27% over the calendar year. Over the period under review, leadership across equity markets remained constant, with technology and consumer discretionary (the sector in which Amazon sits) outperforming energy, financials and utilities.

This profile was visible in the continued outperformance of growth and quality versus value, and led to some eye-catching facts, specifically that the market capitalisation of Apple exceeds the value of the UK stock market, and that the US tech sector has a larger market capitalisation than Europe. Equity investors placed their bets firmly in favour of the disruptors, whose penetration of consumer activity has accelerated as a result of quarantine and social distancing, but it has been in the interest of governments around the world to try and restart the 'traditional' consumer economy by encouraging a return to work.

The second two weeks of October 2020 brought a rapid rise in new COVID-19 cases across Europe, the UK and the US with regional lockdowns taking place and the prospect of tighter social distancing and national lockdowns in many countries ahead of Christmas. The markets responded to this increased risk and retreated materially in the latter two weeks of October 2020. However, the outcome of the US election in November 2020 lifted markets globally and news of positive vaccine trials gave rise to a recovery in cyclical and value stocks and a rotation out of momentum and growth.

COVID-19 and the remote office environment

As reported in June 2020 in the Annual Report, Polar demonstrated operational resilience since the initial lockdown in March 2020 and all aspects of the firm have operated effectively.

While staff wellbeing is of paramount importance and has been monitored closely, it has been noted that staff have been working long and irregular hours to ensure processes and systems meet our, and our clients, expectations. Holiday breaks over the summer were encouraged and additional counselling support has been made available to safeguard mental wellbeing.

The office at Palace Street was re-opened in July 2020 with up to 25% of staff working in the office on midweek days. While the number of staff in the office reduced in October 2020 as case numbers in London increased, the office remained open for those staff members who find working from home a challenge or less efficient than working from the office.

The month-long lockdown imposed in November 2020 does not pose any difficulty for our operations and we are confident that Polar will continue to operate resiliently and meet all the expectations of our clients. The Board, my executive team and I are very grateful for the commitment and dedication of all our colleagues in London and other parts of the world during this extraordinary time.

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Fund Performance

Given the market backdrop, the Polar fund strategies with a clear growth/quality style profile have performed well.

As at 31 October 2020, 84% of Polar's UCITS fund AuM is ranked in the top quartile and 86% is in the top two quartiles versus peers over three years. 91% of AuM is ranked top quartile with 91% ranked in the top two quartiles over five years. Since inception, 86% of AuM is ranked in the top quartile and 99% is ranked in the top two quartiles.

Notable performers against benchmark in the calendar year to 30 September 2020 are Emerging Market Stars (+19%), Automation & Artificial Intelligence and Asia Stars (each +17%), Biotechnology (+12%), Global Absolute Return (+12%), China Mercury (+11%), Income Opportunities (+9%), Global Technology (+9%) and Healthcare Discovery (+9%). Conversely, strategies with an underlying value style bias, such as European Forager, GEM Income, Japan Value and North America have underperformed.

In the calendar year to 31 October 2020, 80% of our AuM outperformed benchmark with 84% and 89% outperforming benchmark over three and five years respectively.

AuM and Fund Flows

In the six months to 30 September 2020, AuM increased by £4.2bn from £12.2bn to £16.4bn, an increase of 34% over the period, albeit from a depressed base after the March 2020 sell-off. The increase in AuM of £4.2bn comprised net subscriptions of £907m offset by outflows from a previously reported fund closure of £301m and an increase of £3.6bn relating to market movement and fund performance.

In the six months to 30 September 2020, the largest beneficiaries of net inflows were the technology suite of funds with £1.2bn into the Global Technology Fund, £66m of subscriptions through new share issuances by the Technology Investment Trust and £55m of net inflows into the Automation & Artificial Intelligence Fund. The Healthcare Opportunities Fund and Biotechnology Fund benefited from £120m and £198m of net inflows respectively. Notwithstanding the muted investor appetite for emerging market equities generally, the excellent performance and ESG credentials of our Emerging Market Stars Fund are helping it to gain market share. Net inflows in the six months were £55m and the rate of daily net inflows is steadily increasing, albeit from a low base.

Net outflows from our Japan Value Fund were £81m in the six months compared to net outflows of £485m from our Japan strategies in the prior 12 months. The North America Fund continued with challenging performance given its style bias also faced headwinds with investors opting for passive rather than active exposure to north American equities. Net outflows in the six months were £415m compared to net outflows of £1.1bn in the previous 12 months. Our UK Value Opportunities Fund had a challenging March 2020 for performance and has gradually recovered. Given the lack of investor appetite for UK equities, particularly small and mid-cap equities, this fund has experienced net outflows of £108m in the six months, but following the vaccine trial news in November 2020 the fund has received net inflows.

Results

Average AuM over the six months to 30 September 2020 increased by 4% to £14.7bn from £14.1bn in the comparable prior half year period and net management fees, after commission and rebates payable, increased by 4% to £61.8m against the comparable six-month period.

Operating costs were 1% lower compared to the prior half year period.

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Other income has increased materially when compared to the prior six-month period as a result of gains on seed investments, which in turn were due mainly to the strong performance against benchmark of the GEM Stars and Global Absolute Return funds.

	Six months 30 September 2020 £	Six months 31 March 2020 £	Six months 30 September 2019 £
Average AuM	14.7bn	14.0bn	14.1bn
Core operating profit [†]	22.0m	20.3m	21.3m
Performance fee profit [†]	0.5m	5.5m	3.3m
Other income ^Δ	4.9m	(0.3)m	0.8m
Profit before share-based payments on preference shares and tax [†]	27.4m	25.5m	25.4m
Share-based payments on preference shares	(0.4)m	0.4m	(0.5)m
Profit before tax	27.0m	25.9m	24.9m
Profit after tax attributable to shareholders	21.8m	20.3m	19.9m
Basic earnings per share	23.4p	21.9p	21.6p
Adjusted diluted earnings per share [†] (non-GAAP measure)	22.1p	20.9p	19.8p

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

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

Core operating profit (excluding performance fees and other income) was up 3% to £22.0m compared to the comparable prior half year period and up 8% from £20.3m in the immediately preceding six-month period to 31 March 2020.

Profit before tax increased by 8% to £27.0m against the comparable prior half year period and increased by 4% compared to the immediately preceding six-month period. Adjusted diluted earnings per share of 22.1p is a 12% increase compared to the comparable six-month period to 30 September 2019.

In accordance with the stated dividend policy of paying half of the first half's core earnings, the Board has declared an interim dividend of 9.0p to be paid in January 2021 (January 2020: 8.0p). Under normal circumstances, the total dividend for a full financial year is generally within a range of 55% to 85% of adjusted total earnings, with the exact quantum being dependant on the scale of performance fee profits in any given year but also on the short-term trading conditions of the Group.

Cash and investments (seed capital in funds) as at 30 September 2020 were £111.3m, up from £108.7m as at the end of September 2019.

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Current trading

October 2020 and early November 2020 has brought heightened volatility in markets with declines in most equity indices of around 5% in the final week of October 2020 and a recovery of similar magnitude in November 2020 following the US election and positive news of vaccine trials.

We had net inflows amounting to £158m in the month of October 2020 and the pipeline for the remainder of the financial year is encouraging.

With the UK and many countries in continental Europe entering second national lockdowns, we are well prepared for another phase of complete remote working until the pandemic is brought under control.

In October 2020, we announced the completion of the acquisition from the Los Angeles based asset manager First Pacific Advisors LP of its International Value and World Value team. Polar Capital now has a US 40 Act Mutual Fund range which will, over time, enable the attraction of US clients into our specialist fund strategies.

Outlook

Our diverse and differentiated range of sector and regional fund strategies, and our performance led culture, gives us confidence in our ability to withstand market turbulence in these uncertain times. Our strategy of growth with diversification has begun producing benefits with new channels to market developing and the broadening of our client base. There remains significant capacity in our strategies and we are well positioned to continue delivering above average returns for our clients and shareholders over the long term.

Gavin Rochussen

Chief Executive

18 November 2020

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Alternate Performance Measures (APMs)

The Group uses the Non-GAAP APMs listed below to provide users of the interim report and accounts supplemental financial information that helps explain its results for the current accounting period.

Core operating profit

Definition: Profit before performance fee profits, other income and tax.

Reconciliation: APM reconciliation page.

Reason for use: to present users of the interim report and accounts with a clear view of what the Group considers to be the results of its underlying operations before items which may either be volatile, non-recurring or non-cash in nature and taxation.

Performance fee profit

Definition: Gross performance fee income less performance fee interests due to staff.

Reconciliation: APM reconciliation page.

Reason for use: to present users of the interim report and accounts with a clear view of the net amount of performance fees earned by the Group after accounting for staff remuneration payable that is directly attributable to performance fee revenues generated.

Net management fee

Definition: Gross management fee income less commissions and fees payable.

Reconciliation: APM reconciliation page.

Reason for use: to present a subtotal of fee revenue after accounting for items without which some of the revenue would not have been earned.

Profit before share-based payments on preference shares

Definition: Profit before tax but excluding cost of share-based payments on preference shares.

Reconciliation: APM reconciliation page.

Reason for use: the Group believes that as 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.

Adjusted, and adjusted diluted, earnings per share

Definition: Profit after tax but (a) excluding cost of share-based payments on preference shares and (b) allowing for the net cost of deferred staff remuneration, and in the case of adjusted diluted earnings per share, divided by the weighted average number of ordinary shares.

Reconciliation: Note 6.

Reason for use: to present users of the interim report and accounts with a clear view of what the Group considers to be the distributions from its underlying operations. 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 and (b) comparing staff remuneration and profits generated in the same time period (rather than deferring

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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.

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

The summary below 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 and also reconciles key APMs the Group measures to its reported results for the current period.

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	Interim Non-GAAP results £'m	APM's
Management fees	Note 2	67.9	0.1	68.0	
Commissions and fees payable	Statement of Profit or Loss	(6.1)	-	(6.1)	
		61.8	0.1	61.9	Net Management fees
Loss on forward currency contracts	Note 2	(0.1)	-	(0.1)	
Core operating costs ¹		(40.1)	0.3	(39.8)	
		21.6	0.4	22.0	Core operating profits
Performance fees	Note 2	1.1	-	1.1	
Performance fee interests ¹		(0.6)	-	(0.6)	
		0.5	-	0.5	Performance fee profits
Other income	Statement of Profit or Loss	5.3	(0.4)	4.9	
		27.4	-	27.4	Profit for the year before share-based payments on preference shares
Share-based payments on preference shares ¹	Note 5	(0.4)	-	(0.4)	
Profit for the year before tax		27.0	-	27.0	

1 The total of these line items (figures quoted under interim reported results) reconciles to the operating costs line item presented on the face of the Consolidated Statement of Profit or Loss.

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Interim Consolidated Statement of Profit or Loss
For the six months to 30 September 2020

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Revenue	68,826	71,322
Other income	5,290	768
Gross income	74,116	72,090
Commissions and fees payable	(6,055)	(5,548)
Net income	68,061	66,542
Operating costs	(41,020)	(41,593)
Profit for the period before tax	27,041	24,949
Taxation	(5,216)	(5,017)
Profit for the period attributable to ordinary shareholders	21,825	19,932
Earnings per share		
Basic	23.4p	21.6p
Diluted	22.5p	20.0p
Adjusted basic (Non-GAAP measure)	23.0p	21.4p
Adjusted diluted (Non-GAAP measure)	22.1p	19.8p

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Interim Consolidated Statement of Other Comprehensive Income
For the six months to 30 September 2020

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Profit for the period attributable to ordinary shareholders	21,825	19,932
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	(583)
Deferred tax effect	(222)	99
	945	(484)
Exchange differences on translation of foreign operations	(668)	680
Other comprehensive income for the period	277	196
Total comprehensive income for the period, net of tax, attributable to ordinary shareholders	22,102	20,128

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 2020

	(Unaudited) 30 September 2020 £'000	(Audited) 31 March 2020 £'000
Non-current assets		
Property and equipment	5,651	6,271
Deferred tax assets	2,737	2,157
	8,388	8,428
Current assets		
Assets at fair value through profit or loss	49,729	38,654
Trade and other receivables	30,118	14,815
Other financial assets	68	2,322
Current tax asset	1,438	1,008
Cash and cash equivalents	82,474	107,753
	163,827	164,552
Total assets	172,215	172,980
Non-current liabilities		
Provisions and other liabilities	4,775	5,387
Deferred tax liabilities	1,243	512
	6,018	5,899
Current liabilities		
Liabilities at fair value through profit or loss	6,360	3,457
Trade and other payables	43,063	45,102
Other financial liabilities	2,348	2,444
	51,771	51,003
Total liabilities	57,789	56,902
Net assets	114,426	116,078

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Capital and reserves

Issued share capital	2,462	2,417
Share premium	19,139	19,101
Investment in own shares	(26,129)	(24,139)
Capital and other reserves	9,177	8,341
Retained earnings	109,777	110,358
Total equity attributable to ordinary shareholders	114,426	116,078

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Interim Consolidated Statement of Changes in Equity
For the six months to 30 September 2020

	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 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 employee share options	-	-	-	-	145	-	145
Deferred tax in respect of employee share options	-	-	-	-	414	-	414
As at 30 September 2020 (unaudited)	2,462	19,139	(26,129)	695	8,482	109,777	114,426
As at 1 April 2019 (audited)	2,365	19,059	(17,930)	695	8,372	97,120	109,681
Effect of adoption of IFRS 16	-	-	-	-	-	(318)	(318)
As at 1 April 2019 (adjusted)	2,365	19,059	(17,930)	695	8,372	96,802	109,363
Profit for the period	-	-	-	-	-	19,932	19,932
Other comprehensive income	-	-	-	-	196	-	196
Total comprehensive income	-	-	-	-	196	19,932	20,128
Dividends paid to shareholders	-	-	-	-	-	(23,249)	(23,249)
Issue of shares	46	-	-	-	-	(46)	-
Own shares acquired	-	-	(7,133)	-	-	-	(7,133)
Release of own shares	-	-	2,153	-	-	(1,087)	1,066
Share-based payment	-	-	-	-	-	3,129	3,129

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Current tax in respect of employee share options	-	-	-	-	629	-	629
Deferred tax in respect of employee share options	-	-	-	-	(331)	-	(331)
As at 30 September 2019 (unaudited)	2,411	19,059	(22,910)	695	8,866	95,481	103,602

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Interim Consolidated Cash Flow Statement
For the six months to 30 September 2020

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Operating activities		
Cash generated from operations	5,718	13,819
Tax paid	(5,069)	(10,825)
Interest on lease	(65)	(78)
Net cash flow from operating activities	584	2,916
Investing activities		
Interest received and similar income	37	139
Investment income	137	139
Sale of assets at fair value through profit or loss	18,166	2,998
Purchase of assets at fair value through profit or loss	(18,357)	(15,787)
Purchase of property and equipment	(50)	(71)
Net cash outflow from investing activities	(67)	(12,582)
Financing activities		
Dividends paid to shareholders	(23,494)	(23,249)
Issue of shares	9	-
Purchase of own shares	(3,900)	(7,133)
Lease payments	(648)	(893)
Third-party subscriptions into consolidated funds	2,501	479
Third-party redemptions from consolidated funds	(94)	(15)
Net cash outflow from financing activities	(25,626)	(30,811)
Net decrease in cash and cash equivalents	(25,109)	(40,477)
Cash and cash equivalents at start of period	107,753	111,734
Effect of exchange rate changes on cash and cash equivalents	(170)	309
Cash and cash equivalents at end of period	82,474	71,566

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Notes to the Unaudited Interim Consolidated Financial Statements

For the six months to 30 September 2020

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 2020 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 2020, 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 2020.

1.3 Group information

The Group is required to consolidate seed capital investments where it is deemed to control them. There has been no change to the consolidation of the Group since 31 March 2020.

1.4 Going concern

The impact of COVID-19 on global economies and markets looks likely to continue for some time and recovery will be dependent on the extent and effectiveness of measures taken by governments globally.

The Group's business model has continued to demonstrate its resilience through the challenging period since March 2020 and continues to prioritise the health and wellbeing of its staff and commitment to delivering long-term value for its clients.

The Directors have undertaken a detailed going concern assessment by using the information available to the date of issue of these condensed interim consolidated financial statements and considered the following key areas:

- Analysis of the Group's budget for the year ending March 2021, longer term financial projections and its regulatory capital position and forecasts, including various viability stress testing scenarios.
- Cash flow forecasts to 30 September 2021 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.

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The Group continues to maintain a robust financial resources position with a strong gross cash position and access to cash flows from ongoing investment management contracts. The Group's forecasts, which are subject to rigorous sensitivity analysis, show that the Group will be able to operate effectively even if there is a severe reduction in AuM.

As a consequence, the Directors have reasonable expectation that the Group has adequate resources to continue operating for at least 12 months from the date of approval of the interim financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed interim consolidated financial statements.

2. Revenue

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Investment management and research fees	67,909	65,840
Investment performance fee	1,050	6,644
Loss on forward currency contracts	(133)	(1,162)
	68,826	71,322

3. Operating costs

a) Operating costs include the following items:

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Staff costs	30,437	32,010
Depreciation	670	678
Short term lease payments	79	76
Interest on lease liability	65	78

b) Auditors' remuneration:

Audit of Group financial statements	43	26
Other fees		
– local statutory audits of subsidiaries	51	20
– non-audit services	39	25
– tax advisory services	-	1

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	133	72
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4. Dividends

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Dividend paid	23,494	23,249

On 31 July 2020 the Group paid a second interim dividend for 2020 of 25p (2019: 25p) per ordinary share.

5. 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 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Preference shares	429	545
LTIP and initial share awards	810	1,253
Equity incentive plan	380	438
Deferred remuneration plan	663	893
	2,282	3,129

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.

During the period to 30 September 2020, there was no conversion of preference shares into Polar Capital Holdings equity (2019: one). At 30 September 2020 four sets of preference shares (2019: three sets) have the right to call for conversion.

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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 2020 Number of shares	(Unaudited) 30 September 2019 Number of shares
At 1 April	4,676,882	6,628,293
Conversion/crystallisation	-	(1,442,064)
Movement during the period	147,276	(51,192)
At 30 September	4,824,158	5,135,037

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

	(Unaudited) 30 September 2020 Number of shares	(Unaudited) 30 September 2019 Number of shares
Outstanding at 1 April	3,733,904	3,654,068
Conversion/crystallisation	-	1,442,064
Adjustment on re-calculation	(28,261)	-
Issued during the period	(1,622,380)	(1,218,022)
Outstanding at 30 September	2,083,263	3,878,110

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6. 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 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	21,825	19,932
Adjustments (post tax):		
Add back cost of share-based payments on preference shares	429	545
Less net amount of deferred staff remuneration	(832)	(748)
Profit after tax for purpose of adjusted basic and adjusted diluted EPS	21,422	19,729

	(Unaudited) Six months to 30 September 2020 Number of shares	(Unaudited) Six months to 30 September 2019 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	93,307,573	92,261,884
Effect of dilutive potential shares – share options	1,699,471	3,744,900
Effect of preference shares crystallised but not yet issued	2,083,263	3,878,110
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted EPS	97,090,307	99,884,894

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	(Unaudited) Six months to 30 September 2020 Pence	(Unaudited) Six months to 30 September 2019 Pence
Earnings per share		
Basic	23.4	21.6
Diluted	22.5	20.0
Adjusted basic	23.0	21.4
Adjusted diluted	22.1	19.8

7. Issued Share Capital

	(Unaudited) 30 September 2020 £'000	(Audited) 31 March 2020 £'000
Allotted, called up and fully paid:		
98,492,358 ordinary shares of 2.5p each (31 March 2020: 96,691,656 ordinary shares of 2.5p each)	2,462	2,417

During the period, Polar Capital Holdings plc has issued 178,322 shares on exercise of employee share options and 1,622,380 shares in connection with the crystallisation of manager preference shares.

8. 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.

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	(Unaudited) 30 September 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Assets at FVTPL	49,729	-	-	49,729
Other financial assets	-	68	-	68
	49,729	68	-	49,797
Financial Liabilities				
Liabilities at FVTPL	6,360	-	-	6,360
Other financial liabilities	2,342	6	-	2,348
	8,702	6	-	8,708

	(Audited) 31 March 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Assets at FVTPL	38,654	-	-	38,654
Other financial assets	2,322	-	-	2,322
	40,976	-	-	40,976
Financial Liabilities				
Liabilities at FVTPL	3,457	-	-	3,457
Other financial liabilities	-	2,444	-	2,444
	3,457	2,444	-	5,901

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

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9. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	(Unaudited) Six months to 30 September 2020 £'000	(Unaudited) Six months to 30 September 2019 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	27,041	24,949
Adjustments for:		
Interest receivable and similar income	(41)	(139)
Investment income	(155)	(132)
Interest on lease ¹	65	78
Depreciation of non-current property and equipment	670	678
Increase in fair value of assets at fair value through profit or loss	(9,656)	(899)
Increase/ (decrease) in other financial liabilities	3,311	(1,326)
Increase in receivables	(15,302)	(766)
Decrease in trade and other payables	(2,059)	(13,984)
Share-based payments	2,282	3,129
Increase in liabilities at fair value through profit or loss	175	1,219
Release of fund units held against deferred remuneration	(613)	1,012
Cash generated from operations	5,718	13,819

1 In order to be consistent with the presentation of the current interim period consolidated cash flow statement, interest on lease of £78,000 has been reclassified as a separate line item in the comparatives.

10. 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 2020 and have taken place on an arm's length basis.

11. Post Balance Sheet Date Events

On 16 October 2020, the Group completed the acquisition of the International Value and World Value equity team from the Los Angeles-based asset manager First Pacific Advisors LP. The acquisition is part of the Group's strategy of diversifying its product offering into top-performing international and global strategies and its institutional presence in North America. The AuM managed by the team at date of acquisition was £431m.

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Due to the short period of time between the acquisition date and the date of this interim report, the accounting for the acquisition has not been finalised. The acquisition will be accounted for in accordance with IFRS 3 Business Combinations and full statutory disclosure will be provided in the Group's Annual Report and Accounts for 2021.

12. The Publication of Non-Statutory Accounts

The financial information contained in this unaudited interim report for the period to 30 September 2020 does not constitute statutory accounts as defined in s434 of the Companies Act 2006. The financial information for the six months ended 30 September 2020 and 2019 has not been audited. The information for the year ended 31 March 2020 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 19 June 2020. The report of the independent auditor on those financial statements contained no qualification or statement under s498 of the Companies Act 2006.

Directors

David Lamb	Non-executive Chairman (from 28 July 2020) Non-executive Director (appointed 9 April 2020)
Tom Bartlam	Non-executive Chairman (retired 28 July 2020)
Gavin Rochussen	Chief Executive Officer
John Mansell	Executive Director
Brian Ashford-Russell	Non-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 (appointed 9 April 2020)

Company No.

4235369

Registered Office

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

Group Company Secretary

Neil Taylor

Dividend

A first interim dividend of 9.0p per share has been declared for the year to 31 March 2021. This will be paid on 8 January 2021 to shareholders on the register as at 18 December 2020. The shares will trade ex-dividend from 17 December 2020.

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

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

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.

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