POLAR CAPITAL HOLDINGS plc
Group Audited Results for the year ended 31 March 2022

"Strong growth in core operating profit allows a 15% increase in total dividend" Gavin Rochussen, CEO

Highlights

- Assets under Management (AuM) at 31 March 2022 up 6% to £22.1bn (2021: £20.9bn)
- Average AuM for the year up 37% to £22.8bn (2021: £16.7bn)
- Core operating profit† up 35% to £69.4m (2021: £51.5m)
- Pre-tax profit down 18% to £62.1m (2021: £75.9m) due to lower contribution from performance fee profits compared to last year's near record high.
- Basic earnings per share of 50.8p (2021: 67.2p) and adjusted diluted total earnings per share† down 10% to 56.0p (2021: 62.2p)
- Second interim dividend of 32.0p per share (2021: 31.0p) bringing the total dividend for the year to 46.0p per share (2021: 40.0p), a 15% increase. The dividend payment date is 29 July 2022, with an ex-dividend date of 7 July 2022 and a record date of 8 July 2022.
- On 30 September 2021, the Group launched the Polar Capital Smart Energy Fund which seeks to take advantage of companies at the forefront of the global transition towards a cleaner, more efficient and sustainable energy future.
- On 30 September 2021, the Group launched the Polar Capital Smart Mobility Fund which seeks to invest in a portfolio of companies worldwide that support, through their technology solutions and services, the decarbonisation and transformation of the global transportation sector.

† The non-GAAP alternative performance measures shown here are described and reconciled to IFRS measures in the Alternative Performance Measures (APM) section.

Gavin Rochussen, Chief Executive Officer, commented:
"As we progressed through the second year of the pandemic our staff continued to operate effectively, partly remotely as guidance was altered, to service our clients and other stakeholders."

"Investment performance has been more challenging than the prior year when our portfolios benefited from many of the so called 'Covid-19 winners'. Over the two 'pandemic years' our fund performance has held up well."

"As at 31 March 2022, 84% of our UCITS fund's AuM were in the top two quartiles against the Lipper peer group over three years. Over five years, as at 31 March 2022, 93% of AuM was in the first two quartiles against the Lipper peer group with 100% of AuM in the top two quartiles since inception of the respective funds."

"Despite the current more volatile market backdrop, net inflows over the full year were resilient, although in line with industry sentiment turning negative, the last quarter was the first quarter of net outflows since early 2020. There has been notable success in the funding of institutional segregated mandates of £745m, bringing total segregated AuM to £1.1bn, 5% of total AuM."

"At times of uncertainty and volatility, communicating with our clients is especially important and something we always strive to achieve. It was pleasing therefore to see that Polar Capital ranked 6th out of 72 fund groups for 'keeping clients informed' and 7th for 'client orientated thinking' in Broadridge's research programme of UK fund buyers. I would like to thank our clients for their ongoing support."

"Strategic progress has continued under the 'growth with diversification' mantra. Three of our six largest investment teams by AuM were acquired or launched in the last 5 years."

"The arrival, in the last quarter of 2021, of the experienced team focused on sustainable investing and the launch of the Polar Capital Smart Energy and Polar Capital Smart Mobility, both Article 9 funds as defined by SFDR, provides significant capacity in active sustainable equities. The strategy level AuM managed by the team at year end was £116m, signalling good support from investors, with a positive pipeline in place."

"The Group's strong balance sheet and range of differentiated fund strategies, supported by our performance led approach and our strong culture, positions us well to weather the current backdrop of inflationary pressures, macro uncertainty, rising interest rates and market volatility. The outlook is constructive within the context of inflationary pressures, macro uncertainty, rising interest rates and market volatility. Against this backdrop, we believe that the Group's strong balance sheet and range of differentiated fund strategies positions us well for the future, supported by our performance led approach and our strong culture."

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Assets under Management (AuM)

AuM split by type

	31 March 2022	
	£bn	%
Open ended funds	16.6	75%
Investment Trusts	4.4	20%
Segregated mandates	1.1	5%
Total	**22.1**	

	31 March 2021	
	£bn	%
Open ended funds	16.6	79%
Investment Trusts	3.9	19%
Segregated mandates	0.4	2%
Total	**20.9**	

AuM split by strategy
Ordered according to launch date

	31 March 2022	
	£bn	%
Technology	9.2	42%
European Long/Short	0.1	0.3%
Healthcare	3.7	17%
Global Insurance	1.9	9%
Financials	0.6	3%
Emerging Markets Income	–	–
Convertibles	0.8	4%
North America	0.8	4%
Japan Value	0.2	0.5%
European Income	0.1	0.3%
UK Value	1.6	7%
Emerging Markets and Asia	1.1	5%
Phaeacian*	0.5	2%
European Opportunities	1.2	5%
European Absolute Return	0.1	0.3%
Global Equity	0.1	0.3%
Sustainable Thematic Equities	0.1	0.3%
Total assets	**22.1**	100%

	31 March 2021	
	£bn	%
Technology	10.2	49%
European Long/Short	0.2	1%
Healthcare	2.9	14%
Insurance	1.7	8%
Financials	0.3	1%
Emerging Markets Income	0.1	0.5%
Convertibles	0.8	4%
North America	0.8	4%
Japan Value	0.1	0.5%
European Income	0.2	1%
UK Value	1.4	7%
Emerging Markets and Asia	0.4	2%
Phaeacian	0.5	2%
European Opportunities	1.1	5%
European Absolute Return	0.1	0.5%
Global Equity	0.1	0.5%
Sustainable Thematic Equities	–	–
Total assets	**20.9**	100%

* The Phaeacian Accent International Value Fund and the Phaeacian Global Value Fund were closed down in May 2022.

Chair's Statement

Introduction

This is my second report to the shareholders of Polar Capital and, as we all know, it has been an extraordinary two years. In the conclusion of my report last year, I said that it felt inevitable that the impact of Covid-19 would be uneven across the various regions and sectors of the economy. As so it has proved, as the world seeks to reopen following the pandemic and struggles with the problems of interruptions to supply chains across the globe.

In addition, the tragic events unfolding in Ukraine, and the actions taken by central banks to combat the pressures from rising inflation, have combined to create increased uncertainty in equity markets.

Against this background, it has been a more challenging year for the Group, and the asset management sector more generally, as risk assets were sold-off and market volatility increased in response to rising interest rates. The overall impact has created a less conducive environment for the majority of our investment teams, who typically look to invest in more growth focused sectors and companies.

Despite these headwinds, the business, with its investment and performance led culture, has been nimble and the fund managers have adhered to their processes and continued to focus on producing good risk adjusted returns.

Hence, I and the Board are confident that the outlook for the business remains very positive. We have a proven strategy, supported by a strong balance sheet, and led by an exceptionally talented executive team working with some of the best investment management people. And the reality is that the world has recovered from economic and geopolitical challenges before and can be expected to eventually do so again.

Strategy

I am pleased to be able to report on the further progress that has been made in pursuit of the 'Growth with Diversification' strategy. During the year, net inflows into more recently launched strategies exceeded inflows into the more established strategies, thus reducing concentration in the core Technology funds, whilst helping to widen our investment offering.

The integration of the acquisition of Dalton Strategic Partnership LLP is now complete and the core Melchior European Opportunity Fund, a Luxembourg SICAV, has grown since the acquisition.

The arrival of a high calibre experienced sustainable equities team during the year has had a good start at Polar Capital with £120m of net inflows since the launch of the sustainable thematic equities strategy in the last calendar quarter of 2021.

Culture

Our culture is fundamental to the success of our business. At heart of our business are our people with a focus on fund performance. Whilst our investment teams are independent and act with investment autonomy, we believe there is an alignment of interest between fund managers delivering long term superior returns and the interests of clients.

Following the successful vaccine rollout in the UK and the lifting of all Covid-19 related restrictions earlier this year, staff have returned to the office, albeit with flexible working arrangements in place, and we are already seeing some of the positive impact as all our staff return to a collaborative face-to-face environment.

A number of events have been held across the business to engender and promote the benefits of in-person collaboration and help to integrate our new joiners, who found themselves beginning their careers at Polar Capital under remote working conditions. With almost a quarter of our current staff joining during the last two years, this return to the office has proved invaluable in helping to integrate everyone into a business that prides itself on a strong culture.

Results

Despite the challenges described above, the business performed well with average AuM increasing by 37% and AuM at 31 March 2022 rising 6% to £22.1bn from £20.9bn a year earlier. Performance fee profit† declined from £19.5m, a level that is significantly higher than average for Polar Capital, to £4.1m. This meant that core operating profit† increased by 35% compared to a 24% increase in the prior year and the lower contribution from performance fees resulted in profit before tax for the year of £62.1m (2021: £75.9m), diluted EPS of 48.7p (2021: 64.0p) and adjusted diluted EPS† of 56.0p (2021: 62.2p).

Dividend
In line with our policy, the second interim dividend per share will be 32.0p (2021: 31.0p) to be paid in July 2022. Together with the first interim dividend per share of 14.0p paid in January 2022, the total dividend per share for the year amounts to 46.0p (2021:40.0p).

Board Changes
Following a successful search for a new non-executive director, I am pleased to report that we were able to make two new appointments during the year. Laura Ahto and Anand Aithal bring different and varied perspectives to the Board and have already made a positive contribution. I am also very pleased to welcome Samir Ayub as Finance Director to the Board. Samir has been with Polar Capital for 12 years and his appointment is very much deserved.

These changes are an important part of the continuing preparation for the transition from the early founders of the Group to the next generation of leaders. As part of the transition, John Mansell, who has been an Executive Director since the establishment of Polar Capital in 2001, will step off the Board at the AGM in September 2022. As much as we will miss his experience and knowledge on the Board, I am very pleased that John has agreed to remain in an executive role, so we will continue to have the benefit of his advice for some time to come. In addition, Jamie Cayzer-Colvin, who has also been a Director since the formation of Polar Capital and was a key driver of the establishment and founding of the business in 2001, will retire from the Board at the end of the year.

We are very lucky to have had such long and beneficial service from both John and Jamie over the period since the Group started. They have been exceptional Directors over an extended number of years and will be sorely missed on the Board. On behalf of the Board, our shareholders, employees and our fund managers, I would like to thank them for everything they have done for the Group over the last 21 years. Polar Capital simply would not be here if it were not for their contribution.

Annual General Meeting
We are planning to hold the Company's forthcoming Annual General Meeting ('AGM') as a physical meeting at 2.30pm on Wednesday 7 September 2022, at the Company's registered office.

Shareholders are encouraged to submit any questions to our company secretary before the meeting (by using Investorrelations@polarcapital.co.uk, and using the subject title 'PCH AGM') who will arrange for a response to be provided to the questions. There will not be a presentation at the meeting, but a video of the CEO and Finance Director presenting the results will be available on the Company's website. The notice of meeting is also available on the Company's website.

Thank you
Last year, I began my Chair's statement with a thank you to Gavin and his executive team, our fund managers, and our staff, for their efforts in what was the first year of the pandemic. Today, I would like to repeat those thanks. This has been another extraordinarily challenging year. Despite this, everyone at Polar Capital has performed exceptionally well once again. On behalf of the Board and myself, thank you.

David Lamb
Chair
24 June 2022

† The non-GAAP alternative performance measures mentioned here are described and reconciled in the APM section.

Chief Executive's Report

The financial year to 31 March 2022 was a year characterised by gradual relaxation of Covid-19 induced restrictions and, following a highly successful vaccine programme in the UK, enabled us all to return to the workplace in early 2022. It has been a year when we transitioned to a 'living with Covid-19' mindset.

As we progressed through the second year of the pandemic, our staff continued to operate effectively, partly remotely as guidance was altered, to service our clients and other stakeholders. It is a testament to the commitment of our colleagues, people at Polar Capital and our outsourced service providers, that we continued to make progress toward our strategic objectives. Perhaps not a year of two halves, but one of three quarters and one quarter. Markets continued to rise for the large part of 2021 on the back of accommodative economic policy until the spectre of rapidly rising inflation, supply chain bottlenecks resulting from the shut down in China and concern about slowing global growth became a concern and investors moved abruptly to a risk-off mindset in early 2022. The unfolding of the tragic events in Ukraine in February 2022 with no near-term solution or ceasefire expected, led to equity risk by investors further reduced. Central Banks continued to raise interest rates, and signal further future rises, to dampen a rapid spike in inflation, but with the consequence of stalling economic recovery, dampening growth, and the dangers of a stagflation environment.

It was against this backdrop that Polar Capital delivered solid financial performance with a 35% increase in core operating profit† on the back of average assets under management increasing by 37% from £16.7bn to £22.8bn. Assets under management peaked at £25bn in early January 2022 and then declined as markets sold off in the March 2022 quarter. A transition to a rising interest environment severely impacted the valuations of growth companies and technology stocks sold off, together with small and mid-cap companies, as investors rotated into more value driven and larger cap liquid stocks. Assets under management were £22.1bn at the financial year end, a 6% increase over the year.

Investment performance has been more challenging than the prior year when our portfolios benefited from many of the so called 'Covid-19 winners'. Over the two 'pandemic years' our fund performance has held up well.

As at 31 March 2022, 84% of our UCITS fund's AuM were in the top two quartiles against the Lipper peer group over three years. Over five years, as at 31 March 2022, 93% of AuM was in the first two quartiles against the Lipper peer group with 100% of AuM in the top two quartiles since inception of the respective funds. 50% of our UCITS funds were in the top quartile over three years with 70% of our UCITS funds in the top two quartiles in this period. Over a five-year period 53% of the UCITS funds are in the first quartile and 80% in the top two quartiles.

Growth in assets under management and net inflows in the 2021 financial year were a record for Polar Capital and was always going to be a challenge to improve upon. In the event, AuM in the financial year increased by 6% from £20.9bn to £22.1bn, with a combination of net inflows of £391m and market performance of £867m.

Despite the current more volatile market backdrop, net inflows over the full year were resilient, although in line with industry sentiment turning negative, the last quarter was the first quarter of net outflows since early 2020. There has been notable success in the funding of institutional segregated mandates of £745m, bringing total segregated AuM to £1.1bn, 5% of total AuM. The diversification strategy continued to progress with net inflows in the last quarter of £228m into our sustainable Emerging Markets Stars and Sustainable Thematic Equities strategies, the latter which was launched in September 2021. Over the year, there has been progress in increasing the exposure Polar Capital has in strategies other than its core Technology funds.

While there were net outflows of £1.3bn from the Technology funds compared to £1.8bn of net inflows in the prior year, these outflows have been more than offset by net inflows of £873m into the sustainable Polar Capital Emerging Market Stars strategy, £561m into the Healthcare strategies, £143m into the alternative Convertible Bond funds, £85m into the European Opportunities fund and, pleasingly, £120m into the recently launched Sustainable Thematic Equities strategy.

Financial performance for the year in terms of core operating profit† was robust with a 35% increase over the prior year and 37% increase in average AuM. Performance fee profit† reduced over the year following a stronger than average performance fee profit in the prior year. As a result, profit before tax decreased by 18%, diluted EPS and adjusted diluted total EPS† decreased by 24% and 10% respectively. The increase in core operating profit† has enabled an increase in the total dividend from 40.0p per share to 46.0p representing a 15% pay-out which is at the higher end of the pay-out range reflecting the lower component of performance fee profit.

Strategic progress has continued under the 'growth with diversification' mantra. Following a multi-year project to configure our middle office processes, we are able to efficiently service increasing numbers of segregated mandates. We now have ten mandates with £1.1bn of AuM representing 5% of total AuM.

The integration of the acquisition of Dalton Strategic Partnership LLP, which completed on 1 March 2021, has progressed well with full integration being achieved and growth in AuM for the Melchior European Opportunities Fund.

The Phaeacian partnership which was announced in October 2020 is currently under review due to a change in circumstances for key team members. The Board of the two mutual funds managed by Phaeacian decided to close the funds with effect from 26 May 2022. As a result, a post balance sheet adjustment has been recorded to derecognise the related intangible asset, the corresponding deferred liability and reorganisation costs in relation to the closure of the funds resulting in a one off exceptional cost of £1.6m. The closure of the funds remains immaterial to the ongoing core profitability of the Group.

We have continued to develop our U.S. footprint with experienced business development capability covering the major regions within the U.S.

The arrival, in September 2021, of the experienced team focused on sustainable investing and the launch of the Polar Capital Smart Energy and Polar Capital Smart Mobility, both Article 9 funds as defined by SFDR, provides significant capacity in active sustainable equities.

Sustainability is a key focus and over the past year, we have placed more emphasis on sustainability than ever before. New EU regulation has driven rapid change in approaches to sustainable investment across the industry and we continue to raise our ambitions for responsible and sustainable investment.

Building on the establishment of the Polar Capital Sustainability Committee in 2021, we have established a Responsible Investment Working Group which provides a forum across our 15 teams for sharing approaches and best practice enabling collaboration on shareholder engagement, voting, and developing climate change strategy and net zero framework. We have invested in the central sustainability team resource and have significantly enhanced our data capabilities.

ESG and climate change metrics have been incorporated into Polar Capital's central monitoring and oversight of portfolio risks, alongside factors including liquidity, macro, and behavioural analysis. We support the new UK Stewardship Code and became a signatory to the Code during this year.

Polar Capital is delighted to be partnering with Westminster City School to launch the Polar Capital Aspire Scheme (PCAS) which supports Westminster City School students throughout their time at university. We firmly believe in the power of education and are excited to be able to provide these opportunities for the younger members of our local community.

The outlook is constructive within the context of inflationary pressures, macro uncertainty, rising interest rates and market volatility. Against this backdrop, we believe that the Group's strong balance sheet and range of differentiated fund strategies positions us well for the future, supported by our performance led approach and our strong culture.

Gavin Rochussen
Chief Executive Officer
24 June 2022

† The non-GAAP alternative performance measures mentioned here are described and reconciled in the APM section.

Business Review

Assets under Management and Fund Flows
On 31 March 2022, our assets under management (AuM) stood at £22.1bn (2021: £20.9bn), an increase of 6% over the financial year. We recorded net inflows of £391m in the reporting period (or 31% of the total asset growth), the balance attributable to global market and investment performance. The average AuM for the year was £22.8bn, compared to £16.7bn the previous year.

The financial year began as the prior year had ended, with investors undeterred by a wide array of headwinds – the global pandemic, new Covid-19 variants, rising inflation and worldwide supply chain issues to name but a few – industry fund flows remained strong and Polar Capital recorded three consecutive quarters of positive net inflows (totalling £0.8bn from 1 April to 31 December 2021). However, as the headwinds continued to accumulate – quantitative tapering, increasingly aggressive central bank rate hikes, conflict between Russia and Ukraine – investors were finally pushed into a risk-off stance and we experienced our first negative quarter for fund flows (£(0.4)bn from 1 January to 31 March 2022) since the first quarter of 2020.

Despite a more challenging end to the financial year, 13 of our UCITS/SICAV sub-funds recorded net inflows over the reporting period, led by Polar Capital Emerging Market Stars Fund and Polar Capital Asian Stars Fund (£743m), Polar Capital Biotechnology Fund (£263m), Polar Capital Global Convertible Fund (£91m), Melchior European Opportunities Fund (£86m) and Polar Capital Global Absolute Return Fund (£52m).

Outflows over the period were dominated by our Technology Funds (£1.3bn), as investors initially rotated from growth to value and then de-risked in the wake of prevailing uncertainty and rising market volatility (2021: net inflows of £1.8bn).

The rotation in markets saw renewed interest in the Polar Capital Global Financials Trust, driving £276m in new share issuance (£154m from the Trust's Treasury account and a further £122m in a successful C Share capital raise).

Segregated accounts have been a source of significant net new inflows over the reporting period. A total of seven new accounts were onboarded, across four investment teams, with combined AuM of £769m.

Communicating with our clients
After the enforced period of remote working and client servicing, we were delighted to be back in the office with colleagues and meeting clients in-person once again. Our distribution and fund management teams have been back on the road, and we have held a number of safe, Covid-19 secure events, including the return of our successful London based annual investor conference.

We aim to provide our clients with exceptional service and support and we believe that face-to-face engagement remains a key element of that provision. Pleasingly, and testament to this commitment, we ranked in 6th place out of 72 of all fund managers in the UK for 'keeping clients informed' in a research programme of professional fund buyers conducted by Broadridge*.

However, in a trend that was accelerated by the pandemic, the way in which clients are engaging with us has changed and for many of them that engagement, at least initially, is increasingly digital.

In response, we continue to focus on and invest in our digital marketing capabilities, aiming to further enhance and expand the way in which we engage and communicate with our clients. Our goal is to configure and optimize our client services and marketing so that it is increasingly tailored to specific client segments and geographies.

This is fast becoming a point of differentiation and a way for smaller asset management firms to compete with larger groups beyond simply price and investment performance.

By successfully combining our sales and digital marketing capabilities we can extend the reach of our distribution to accelerate growth.

* Source: Broadridge, Fund Brand 50, March 2022

Growth with diversification

Our distribution strategy remains growth with diversification, by product, client segment and geography.

Expanding our reach into the institutional channel remains a key priority, providing significant potential for growth. We have made good progress over the past year, winning seven new segregated mandates as noted above. Of these, one was from a UK institution and the rest were from investors based overseas.

We see significant opportunities outside our home market of the UK. We continue to broaden and deepen our presence and support in Continental Europe and the Nordic region, focusing on seven core markets for growth, namely Switzerland, Germany and Austria, France, Benelux, Spain, Italy and Scandinavia.

Our approach to wider global expansion is both targeted and measured. Our primary focus remains on the U.S. and on south-east Asia. We are extending our reach to the Australian market, where we recently won our first institutional mandate.

Overall, almost £10bn of our AuM is from clients based overseas, a 117% increase over the past three years (£4.5bn as at 29 March 2019).

Fund performance review to 31 March 2022

Polar Capital's prior financial year, to 31 March 2021, captured almost exactly the equity market rally from its Covid-19 low, leading to exceptional returns across our range of strategies. The year to 31 March 2022 has followed a different path, as higher interest rate and inflation expectations have led to more volatile equity and bond markets, and a change in market leadership.

The period began with the late stages of a value rally, precipitated by Covid-19 vaccine discovery, and by expectations that the new Biden administration would enact measures to stimulate the U.S. economy. As the summer of 2021 progressed, these influences faded.

Large U.S. technology companies continued to perform well, although early stage and higher growth tech companies suffered as higher market interest rates impacted their valuation. Now, value styles are once again in the ascendant, although in large part due to rising share prices in the energy and material sectors.

Polar Capital's range of investment strategies spans both value and growth; there is no central 'house view', and diversity of opinion on investment approach is an important part of Polar Capital's ethos. The corollary is that there has been performance dispersion across Polar Capital's range of funds over the past year, due to style and size effects in portfolios, and due to the market declines in the first quarter of 2022.

Four of the five strategies run by Polar Capital's healthcare team outperformed in the year to end March 2021. Large pharmaceutical companies proved resilient in the market falls of early 2022, which was a headwind for the all cap Polar Capital Healthcare Opportunities Fund, but the Polar Capital Healthcare Blue Chip Fund, the Polar Capital Global Healthcare Trust, the Polar Capital Healthcare Discovery Fund (which is measured against a small/mid cap benchmark), and the Polar Capital Biotechnology Fund all delivered returns in excess of their benchmark. Polar Capital Healthcare Blue Chip Fund and Polar Capital Biotechnology Fund sit in the first quartile of their respective peer groups for the year.

The Polar Capital Global Insurance Fund delivered a strong absolute return (+21.0%), outperformed its benchmark over the year, and also ranks first quartile versus peers. It invests predominantly in non-life insurance companies, which have been able to generate good net asset value growth due to strong underwriting results, and due to their investment portfolios benefiting from rising interest rates. The Polar Capital Financials Trust, and its open-ended sister fund the Polar Capital Financial Opportunities Fund, which invest mainly in banks, performed less well versus their benchmarks as the strong performance of bank stocks began to unwind due to bond yield curves flattening between two and ten years.

Polar Capital's two European equity strategies outperformed their benchmarks in the year. The European ex-

UK Income strategy has been rewarded in the first quarter of 2022 as its stable, income-generating investments have started to outperform more highly-valued sectors of the market. This strategy outperformed its benchmark by 6% in the first quarter of 2022 and by 3% over the year as a whole. The Melchior European Opportunities Fund, managed by Polar Capital following the acquisition of Dalton Strategic Partnership LLP, outperformed by 0.8%.

Polar Capital's Technology strategies performed less well, after a period of very strong returns versus benchmark in the challenging conditions of 2020. With technology sector performance dominated by the very large household names at one end of the spectrum, and by technology's value plays, namely semiconductors, at the other end, Polar Capital's Global Technology Fund and Polar Capital Technology Trust, which typically focus on higher growth, mid-sized companies, lagged their benchmarks. The stay-at-home beneficiaries, from which the funds had benefited in 2020, reversed course during 2021. The Polar Capital Automation and Artificial Intelligence Fund, a specific theme strategy, also lagged its World Equity benchmark due to its significant exposure to technology investments.

Polar Capital's Emerging Market Stars strategies, with sustainability at their core and which are now approaching their fourth anniversary at Polar Capital, have good long-term performance versus their benchmarks, but fared less well in the year under review. The Emerging Market Stars strategy underperformed by 3% and the Polar Capital China Stars Fund by 4%, although Polar Capital Asian Stars Fund was 1% ahead of its performance benchmark, the difference is attributable to the fact that the Emerging Market fund was underweight across parts of Latin America and the resource sector which performed well.

Polar Capital launched two new strategies at the end of September 2021, Smart Energy and Smart Mobility, which invest in companies at the forefront of the transition to a more efficient and sustainable energy future, and support the decarbonisation and transformation of the global transport sector. Both have Article 9 classification under SFDR.

In addition to its thematic and regional strategies, Polar Capital also runs country strategies for the UK, U.S. and Japan. The UK stock market has been one of the strongest performers in early 2022 due to the dominance of oil and resource companies in the index. Polar Capital's UK Opportunities strategy focuses on small and midsized companies with attractive valuation attributes, but this led to underperformance of 8% versus the broad index. The North America strategy faced similar headwinds, in this case due to large tech companies' sustained outperformance, and underperformed by 7%. Both UK Opportunities and North America had performed well in 2021.

The Polar Capital Japan Value strategy delivered performance in line with its benchmark for the year to March 2022. Value styles have begun to perform in Japan, but very much dominated by larger companies; Polar Capital's fund is focussed on small and mid cap areas of the market, where attractively valued investments are even more plentiful, but have yet to be fully recognised.

Polar Capital's absolute return strategies all delivered positive performance in the period under review. The Forager (european small and mid cap) strategy, which has a value-based approach, returned 13% and is up 8% annualised over the three years to end March 2022. The MST European Absolute Return Fund, a European market neutral strategy acquired with Dalton Strategic Partnership LLP, returned 4% over one year and is flat over three years. The Polar Capital Global Absolute Return Fund, a convertible bond strategy run by Polar's Convertibles team, returned 2% in the year and is up 9% annualised over three years. The Convertibles team's long biased Global Convertibles strategy performed in line with a modestly lower performance benchmark but offers attractive risk-reward characteristics in a world of higher volatility and weaker equity markets.

As at 31 March 2022, 84% of our UCITS fund's AuM were in the top two quartiles against the Lipper peer group over three years. Over five years, as at 31 March 2022, 93% of AuM was in the first two quartiles against the Lipper peer group with 100% of AuM in the top two quartiles since inception of the respective funds. 50% of our UCITS funds were in the top quartile over three years with 70% of our UCITS funds in the top two quartiles in this period. Over a five-year period 53% of the UCITS funds are in the first quartile and 80% in the top two quartiles.

Financial Review

AuM

AuM movement in twelve months to 31 March 2022 (£bn)	Open ended funds	Investment Trusts	Segregated mandates	Total
AuM at 1 April 2021	16.6	3.9	0.4	20.9
Net (redemptions)/subscriptions	(0.5)	0.2	0.7	0.4
Market movement and performance	0.5	0.3	–	0.8
Total AuM at 31 March 2022	16.6	4.4	1.1	22.1

A combination of net inflows, market movements and performance enabled our AuM to increase 6% over the financial year from £20.9bn to £22.1bn.

There was notable success in the net funding of further segregated mandates this year, which now represent around 5% of total AuM at 31 March 2022.

Average AuM increased by 37% over the financial year from £16.7bn to £22.8bn.

Revenue

Management fees	**31 March 2022 £'m**	31 March 2021 £'m
Management and research fees	209.9	157.3
Commissions and fees payable	(22.6)	(15.4)
Gain on forward currency contracts	–	0.6
Net management fees†	187.3	142.5

The increase in the average AuM of 37% translated into the Group's net management fee† revenue increasing by 31% from £142.5m in 2021 to £187.3m this year.

Net management fee yield	**31 March 2022**	31 March 2021
Average AuM (£bn)	22.8	16.7
Net management fees† (£m)	187.3	142.5
Net management fee yield† (bps)	82	85

Net management fee yield† over the year measured 82bps (2021: 85bps). The decrease was slightly ahead of our stated expectation of an annual decrease of at least 1-2bps as the product mix of the Group shifted due to a rebalancing between the Technology strategy and the rest of the business, as well as from the arrival of a number of institutional segregated mandates.

Performance fees	**31 March 2022 £'m**	31 March 2021 £'m
Performance fees	14.1	43.6

Following on from the significant out performance posted by our underlying funds in the previous financial year, market conditions and performance returns were more challenging this year. This resulted in performance fees earned for the financial year to 31 March 2022 falling to £14.1m (2021: £43.6m).

Operating Costs	**31 March 2022**	31 March 2021
	£'m	£'m
Salaries, bonuses and other staff costs	36.7	29.1
Core distributions[1†]	54.0	38.5
Share-based payments[2]	5.7	2.9
Performance fee interests[3†]	10.0	24.4
Total staff compensation	106.4	94.9
Other operating costs	23.1	20.8
Exceptional items	11.4	2.8
Total operating costs	140.9	118.5

1. Including share awards under deferment plan of £1.7m (2021: £1.8m).
2. Share-based payments on preference shares of £1.1m (2021: (£0.3m)), LTIPs of £3.8m (2021: £2.4m) and equity incentive plan of £0.7m (2021: £0.8m). Refer to Note 5 below.
3. Including LTIP award of £nil (2021: £0.9m).
† The non-GAAP alternative performance measures mentioned here are described and reconciled in the APM section.

Total operating costs rose to £140.9m (2021: £118.5m) partly due to higher staff compensation costs. The salaries, bonuses and other staff costs line this year includes, a full year's worth of compensation costs for the teams onboarded as part of the Dalton acquisition, whereas the comparative numbers include one month's cost due to the completion date falling on 28 February 2021. Also included this year are compensation costs for the new Sustainable Thematic Equities team that joined in September 2021.

Core distributions, which are variable compensation amounts payable to investment teams from management fee revenue, increased partly as a consequence of the higher average AuM and the resulting higher management fee revenues and core profits and partly as a function of the cost of the new teams from Dalton, Phaeacian and the Sustainable Thematic Equity team being included.

Share-based payments have increased mainly due to an increased charge on preference shares as the underlying value of certain sets of shares increased. Two teams called for conversion during the financial year (see Note 5 below for details).

Performance fee interests, which are variable compensation amounts payable to investment teams from performance fee revenue, decreased due to the lower amount of such fees generated this year.

Other operating, non-staff compensation related, costs increased marginally to £23.1m (2021: £20.8m) as a result of higher operating costs associated with the arrival of the Dalton, Phaeacian and Sustainable Thematic Equity as well as an increase in travel cost following easing of Covid-19 restrictions over the course of the financial year.

Exceptional items for both 2022 and 2021 comprised of significant items of income or expenditure related to acquisitions, and were therefore expected to be non-recurring, as well as the amortisation of acquired intangible assets. The items are presented separately to allow a supplemental understanding of the Group's results.

Exceptional items include non-recurring termination and reorganisation costs related to the Dalton acquisition of £3.1m. The total amount of such costs actually incurred post completion in February 2021 were £5.5m compared to the £6.2m that was anticipated at the time the acquisition was announced.

The Board of the Phaeacian mutual funds determined that it was in the best interest of investors for the funds to be closed down effective May 2022. Therefore, as a post balance sheet date adjusting event, the related intangible asset of £6.0m has been impaired and the deferred consideration liability of £4.8m has been derecognised and £0.4m of further reorganisation costs in relation to the closure of the mutual funds have been recorded with a net impact to profit before tax of £1.6m. These have been classified as exceptional items as they are non-recurring. A breakdown of exceptional items is as follows:

Exceptional items	**31 March 2022**	31 March 2021
	£'m	£'m
Recorded in operating costs		
Termination and reorganisation costs[4]	3.5	2.4
Amortisation of intangibles[5]	1.9	0.4
Impairment of intangibles[5]	6.0	–
	11.4	2.8
Recorded in other income		
Additional charge on deferred consideration – Dalton[6]	1.0	–
Derecognition of deferred consideration liability – Phaeacian[6]	(4.8)	–
	(3.8)	–
Net exceptional items recorded in the consolidated statement of profit or loss	7.6	2.8

4. Termination and reorganisation costs include £1.6m of termination costs and £1.5m of reorganisation costs relating to the Dalton acquisition and £0.4m of reorganisation costs relating to Phaeacian.
5. See Note 7 for details.
6. See Note 10 for details.

Profit before tax

Profits	**31 March 2022 £'m**	31 March 2021 £'m
Core operating profit†	69.4	51.5
Performance fee profit†	4.1	19.5
Other (loss)/income^	(2.7)	7.4
Share-based payments on preference shares	(1.1)	0.3
Net exceptional items	(7.6)	(2.8)
Profit before tax	62.1	75.9

† The non-GAAP alternative performance measures mentioned here are described and reconciled on the APM page.
^ A reconciliation to reported results is given in the APM section below.

The headline profit before tax for the year has decreased by 18% to £62.1m (2021: £75.9m).

The analysis of the three key components of profits shows that:

• **Core operating profits**
Increased by 35% to £69.4m (2021: £51.5m) reflecting the increase in net management fees† which in turn is due to the 37% increase in average AuM. Over time, we expect to grow core profits as a proportion of the Group's total earnings, and thereby reduce the volatility of total earnings due to performance fees.

• **Performance fee profits**
Performance fee profits decreased sharply because of more muted investment performance during the current year, where markets were more challenging for the Covid-19 winners from 2020.

• **Other (loss)/income**
In line with the reduction in performance fee profits, the decrease in other income is a product of the more muted performance of the portfolio of seed investments, net of hedging, held on the Group's balance sheet.

Earnings per share

Basic EPS decreased by 24% to 50.8p during the year (2021: 67.2p) and diluted EPS decreased by 24% to 48.7p (2021: 64.0p). 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:

(Pence)	**31 March 2022**	31 March 2021
Diluted earnings per share	48.7	64.0
Impact of share-based payments – preference shares	1.1	(0.3)
Impact of deferment, where staff compensation costs are deferred into future periods	(0.8)	(3.7)
Impact of exceptional items	7.0	2.2
Adjusted diluted total EPS†	56.0	62.2
Performance fee profit and other income	2.2	21.6
Adjusted diluted core EPS†	**53.8**	**40.6**

Preference shares

A separate class of preference share has historically been issued by Polar Capital Partners Limited for purchase by each new team of fund managers on their arrival at the Group.

These shares provide each manager with an economic interest in the funds that they run and ultimately enable the manager to convert their interest in the revenues generated from their funds into equity in Polar Capital Holdings plc.

The equity is awarded in return for the forfeiture of their current core economic interest and vests over three years with the full quantum of the dilution being reflected in the diluted share count (and so diluted EPS) from the point of conversion.

The event has been designed to be, at both the actual and the diluted levels, earnings enhancing to shareholders.

In the year to 31 March 2022 there were two conversions of preference shares into Polar Capital Holdings plc equity (2021: nil).

As at 31 March 2022 five sets of preference shares have the ability to call for a conversion.

The call must be made on or before 30 November 2022 if any conversion is to take place with effect from 31 March 2022.

No further preference shares are expected to be issued after this year and any new teams arriving will instead be on a revenue sharing model with deferment into equity in Polar Capital Holdings plc as the new long-term incentivisation plan for investment teams. This revised model is not expected to change core distributions when measured in percentage terms against net management fee revenue and is expected to be simpler to administer compared to the preference shares arrangement.

See Note 5 for details.

Balance sheet and cash

At the year end the cash balances of the Group were £121.1m (2021: £136.7m). The decrease was due to reduced cash generation from lower performance fee profits combined with the timing of the second interim dividend for

2021, which reflected the above average performance fee profits last year, being paid in July 2021. At the balance sheet date the Group held £48.3m of investments in its funds (2021: £39.1m).

Capital management

The Group believes in retaining a strong balance sheet. The capital that is retained in the business is used to seed new investment products, used as a buffer for times of uncertainty, pay dividends and fund the EBT to buy Company shares to reduce the dilutive effects of LTIP and option awards. As the Group grows in size, the allocation of overall capital amongst these four categories may change.

As at 31 March 2022 £48.3m (2021: £39.1m) of the Group's balance sheet was invested to seed fledgling funds and during the year the Group advanced loans to the EBT of £11.8m (2021: £10m) to buy shares in the Company.

The Group's dividend policy is to pay an annual dividend within a range of 55% and 85% of adjusted total earnings, dependent on the scale of performance fees in the relevant year and the anticipated trading conditions for the following year.

As at 31 March 2022 the Group had surplus capital of £69.7m (2021: £60.4m) above its regulatory capital requirement of £26m (2021: £25m) and July 2022 dividend commitment of £31m (2021: £29.8m).

We do not expect the implementation of IFPR and the introduction of the new Internal Capital Adequacy and Risk Assessment regime (ICARA) to have a material affect on the Group's regulatory capital requirements.

Going concern

The Financial Reporting Council has determined that all companies should carry out a rigorous assessment of all the factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts.

The Directors have reviewed and examined the financial and other processes embedded in the business, in particular the annual budget process and the financial stress testing inherent in the Internal Capital Adequacy Assessment Process (ICAAP).

On the basis of such review and the significant liquid assets underpinning the balance sheet relative to the Group's predictable operating cost profile the Directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

Samir Ayub
Finance Director
24 June 2022

Alternative Performance Measures (APMs)

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

APM	Definition	Reconciliation	Reason for use
Core operating profit	Profit before performance fee profits, other income 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 income 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 share, divided by the weighted average number of ordinary shares.	Finance review	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 useful supplemental 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 useful supplemental 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 amortisation, and any impairment, of intangible assets and goodwill provides a useful supplemental understanding of the Group's results.

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.	Finance review	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 revenue.	Finance review	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	Gross management fees less commissions and fees payable.	Finance review	To present a clear view of the net amount of management fees earned by the Group after accounting for commissions and fees payable.
Net management fee yield	Net management fees divided by average AuM.	Finance review	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.

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

The summary below reconciles key APMs the Group measures to its 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.

	2022 Reported Results £'m	**Reclassification on consolidation of seed investments £'m**	**Reclassification of costs £'m**	**2022 Non-GAAP results £'m**	**APMs**
Management and research fees	209.9	–	–	209.9	
Commissions and fees payable	(22.6)	–	–	(22.6)	
	187.3	–	–	187.3	Net management fees
Operating costs	(140.9)	0.5	76.5	(63.9)	
	–	–	(54.0)	(54.0)	Core distributions
	46.4	0.5	22.5	69.4	Core operating profit
Performance fees	14.1	–	–	14.1	
	–	–	(10.0)	(10.0)	Performance fee interests
	14.1	–	(10.0)	4.1	Performance fee profit
Other income/(loss)	1.6	(0.5)	(3.8)	(2.7)	
Share-based payments on preference shares	–	–	(1.1)	(1.1)	
Net exceptional items	–	–	(7.6)	(7.6)	
Profit for the year before tax	62.1	–	–	62.1	

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022

	31 March 2022 **£'000**	31 March 2021 £'000
Revenue	**224,107**	201,508
Other income	**1,561**	8,306
Gross income	**225,668**	209,814
Commissions and fees payable	**(22,642)**	(15,389)
Net income	**203,026**	194,425
Operating costs	**(140,936)**	(118,510)
Profit for the year before tax	**62,090**	75,915
Taxation	**(13,166)**	(13,197)
Profit for the year attributable to ordinary shareholders	**48,924**	62,718
Earnings per share		
Basic	**50.8p**	67.2p
Diluted	**48.7p**	64.0p
Adjusted basic (Non-GAAP measure)	**58.4p**	65.2p
Adjusted diluted (Non-GAAP measure)	**56.0p**	62.2p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	31 March 2022	31 March 2021
	£'000	£'000
Profit for the year attributable to ordinary shareholders	**48,924**	62,718
Other comprehensive income/(loss) – items that will be reclassified to profit or loss statement in subsequent periods		
Net movement on fair valuation of cash flow hedges	–	1,173
Deferred tax effect	–	(223)
	–	950
Exchange differences on translation of foreign operations	**1,140**	(1,264)
Other comprehensive income/(loss) for the year	**1,140**	(314)
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders	**50,064**	62,404

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

Consolidated Balance Sheet
As at 31 March 2022

	31 March 2022 £'000	31 March 2021 £'000
Non-current assets		
Goodwill and intangible assets	**17,100**	24,998
Property and equipment	**4,113**	5,104
Deferred tax assets	**3,475**	5,783
	24,688	35,885
Current assets		
Assets at fair value through profit or loss	**77,783**	57,151
Trade and other receivables	**25,430**	23,924
Other financial assets	**2,695**	84
Cash and cash equivalents	**121,128**	136,718
Current tax assets	**1,563**	1,966
	228,599	219,843
Total assets	**253,287**	255,728
Non-current liabilities		
Provisions and other liabilities	**2,871**	4,123
Liabilities at fair value through profit or loss	**637**	4,258
Deferred tax liabilities	**3,435**	4,116
	6,943	12,497
Current liabilities		
Liabilities at fair value through profit or loss	**10,023**	16,124
Trade and other payables	**80,054**	71,598
Other financial liabilities	**20**	4,069
	90,097	91,791
Total liabilities	**97,040**	104,288
Net assets	**156,247**	151,440
Capital and reserves		
Issued share capital	**2,506**	2,468
Share premium	**19,364**	19,364
Investment in own shares	**(24,915)**	(26,579)
Capital and other reserves	**12,417**	11,030
Retained earnings	**146,875**	145,157

Total equity – attributable to ordinary shareholders	**156,247**	151,440

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	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	2,417	19,101	(24,139)	695	7,646	110,358	116,078
Profit for the year	-	-	-	-	-	62,718	62,718
Other comprehensive loss	-	-	-	-	(314)	-	(314)
Total comprehensive income	-	-	-	-	(314)	62,718	62,404
Dividends paid to shareholders	-	-	-	-	-	(31,907)	(31,907)
Issue of shares	51	263	-	-	-	(487)	(173)
Own shares acquired	-	-	(6,473)	-	-	-	(6,473)
Release of own shares	-	-	4,033	-	-	(1,150)	2,883
Share-based payment	-	-	-	-	-	5,625	5,625
Current tax in respect of employee share options	-	-	-	-	377	-	377
Deferred tax in respect of employee share options	-	-	-	-	2,626	-	2,626
As at 1 April 2021	2,468	19,364	(26,579)	695	10,335	145,157	151,440
Profit for the year	-	-	-	-	-	48,924	48,924
Other comprehensive income	-	-	-	-	1,140	-	1,140
Total comprehensive income	-	-	-	-	1,140	48,924	50,064
Dividends paid to shareholders	-	-	-	-	-	(43,400)	(43,400)
Dividends paid to third-party interests	-	-	-	-	-	(3)	(3)
Issue of shares	38	-	-	-	-	143	181
Own shares acquired	-	-	(12,773)	-	-	-	(12,773)
Release of own shares	-	-	14,437	-	-	(11,297)	3,140
Share-based payment	-	-	-	-	-	7,351	7,351
Current tax in respect of employee share options	-	-	-	-	2,682	-	2,682

Deferred tax in respect of employee share options	-	-	-	-	(2,435)	-	(2,435)
As at 31 March 2022	**2,506**	**19,364**	**(24,915)**	**695**	**11,722**	**146,875**	**156,247**

Consolidated Cash Flow Statement
For the year ended 31 March 2022

	31 March 2022 £'000	31 March 2021 £'000
Cash flows generated from operating activities		
Cash generated from operations	**85,323**	90,854
Tax paid	**(10,861)**	(13,606)
Interest received	**307**	53
Interest on lease	**(95)**	(107)
Net cash inflow generated from operating activities	**74,674**	77,194
Cash flows generated from investing activities		
Investment income	**227**	193
Sale of assets at fair value through profit or loss	**41,240**	33,292
Purchase of assets at fair value through profit or loss	**(70,335)**	(45,188)
Purchase of property and equipment	**(552)**	(156)
Cash introduced through business combination	–	1,060
Payments in respect of business combination	**(8,120)**	(8,472)
Payments in respect of asset acquisition	**(1,257)**	(325)
Net cash proceeds from disposal of consolidated seed investment	–	(264)
Net cash outflow from investing activities	**(38,797)**	(19,860)
Cash flows generated from financing activities		
Dividends paid to shareholders	**(43,400)**	(31,907)
Lease payments	**(1,306)**	(1,296)
Issue of shares	**1**	257
Purchase of own shares	**(12,383)**	(6,118)
Third-party subscriptions into consolidated funds	**9,857**	12,037
Third-party redemptions from consolidated funds	**(4,552)**	(1,289)
Net cash outflow from financing activities	**(51,783)**	(28,316)
Net (decrease)/increase in cash and cash equivalents	**(15,906)**	29,018
Cash and cash equivalents at start of the year	**136,718**	107,753
Effect of exchange rate changes on cash and cash equivalents	**316**	(53)
Cash and cash equivalents at end of the year	**121,128**	136,718

Selected notes to the Consolidated Financial Statements for the year ended 31 March 2022

1. General information, Basis of Preparation and Accounting policies

Corporate information

Polar Capital Holdings plc (the 'Company') is a public limited company registered in England and Wales whose shares are traded on the Alternative Investment Market ('AIM') of the London Stock Exchange.

Group information

Details of operating subsidiaries, seed capital investments and indirectly held entities consolidated into the Group are disclosed in Note 8 below.

Basis of preparation

The consolidated Group financial statements have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, modified by the measurement at fair value of certain financial assets and liabilities and derivative financial instruments. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise stated.

Going concern

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

- Analysis of the Group's budget for the year ending 31 March 2023, 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 continue operating for a period of at least 12 months from the date of signing the financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. Subsidiaries are those entities over which the Group has control. The Group controls an investee if, and only if, the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the purpose and design of an investee, relevant activities, substantive and protective rights, voting rights and potential voting rights.

The financial statements of subsidiaries are either prepared for the same reporting period as the parent company or where necessary, adjustments are made to the financial statements of subsidiaries to bring their reporting period and results in line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognises the related assets, liabilities, third-party interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Seed capital investments in funds that the Group manages are accounted for as subsidiaries, associates or financial assets at fair value through profit or loss (FVTPL) depending on the holdings of the Group, on the level of influence and control that the Group is judged to have and whether the Group assesses it is acting as an agent or principal for its holdings in the seed capital investments. There is no fixed minimum percentage at which the Group consolidates, and each exposure is reviewed individually.

Where the Group concludes it is acting as a principal the entity is consolidated. This assessment is based on the Group's total exposure. This incorporates direct holdings, income earned from management and performance fees and the assessed strength of third-party kick-out rights.

The Group concludes that it acts as an agent when the power it has over an entity is deemed to be exercised for the benefit of third-party investors.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Where external investors hold redeemable shares in funds controlled by the Group, the portion of profit or loss and net assets held by these third-party interests is included within other income in the consolidated statement of profit or loss and as financial liabilities at FVTPL in the consolidated balance sheet respectively.

Net cashflows on initial consolidation or deconsolidation are presented as investing activities within the consolidated cashflow statement. Cashflows from third-party interests into consolidated funds are presented as financing activities.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Generally, it is presumed that the Group has significant influence where it has voting rights of 20% or more, but not control of an investee.

Seed capital investments over which the Group has significant influence, but not control, are carried on the balance sheet as assets at FVTPL as permitted by IAS 28: Investment in Associates, with changes in fair value recognised in the consolidated statement of profit or loss. The fair value of investments in associates is determined by reference to the quoted price at the close of business on the balance sheet date. The Group has no other investments in associates and, therefore, no associates are currently accounted for using the equity method.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value, as are the identifiable net assets acquired and liabilities incurred including any asset or liability resulting from a contingent or deferred consideration arrangement and equity instruments issued by the Group. The acquisition date is the date on which the Group effectively obtains control of the acquiree.

Acquisition-related costs are expensed as incurred and included within administrative costs in the consolidated statement of profit or loss.

The Group applies the optional concentration test to assess whether an acquired set of activities is not a business. If the concentration test is not met, the Group then determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

Goodwill and intangible assets

Goodwill arising on the acquisition of a business is the excess of the consideration paid over the net identifiable assets acquired and liabilities assumed. Goodwill is measured at cost less any accumulated impairment losses. Impairment testing is based on the expected future benefits of the relevant cash-generating unit (CGU) as a whole.

Intangible assets such as investment management contracts acquired separately are measured on initial recognition at cost which is their fair value as at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, with the related expenditure or charge recognised in the consolidated statement of profit or loss. Intangible assets are amortised on a straight-line basis over their useful economic lives. Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss on derecognition is included in the consolidated statement of profit or loss.

Financial assets

The Group's financial assets include seed capital investments, investment securities, trade and other receivables, cash and equivalents and derivative financial instruments. The classification adopted by the Group depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

Financial assets are initially recognised at fair value, being the consideration given, plus, any directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss where transaction costs are immediately recognised in the consolidated statement of profit or loss.

Purchases and sales of financial assets are recognised at trade date, being the date when the Group commits to purchase or sell the asset.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include the Group's investments in the funds that it manages, but does not control, including those which are held by the Group against bonus awards deferred into fund units. Such assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in the consolidated statement of profit or loss.

Investment securities

Investment securities represent securities both long and short positions, other than derivatives, held by consolidated funds. These securities are classified as FVTPL and are measured at fair value with gains and losses recognised through the consolidated statement of profit or loss.

Financial liabilities
The Group's financial liabilities include trade and other payables, derivative financial instruments, deferred consideration payable and third-party interests in funds that have been consolidated as subsidiaries.

Financial liabilities at fair value through profit or loss
Financial liabilities at FVTPL are carried at fair value, with gains and losses recognised in the consolidated statement of profit or loss within other income in the period in which they arise. Financial liabilities at FVTPL include third-party interests in consolidated funds which are classified as at FVTPL.

Contingent liabilities
Contingent liabilities are potential obligations that may arise due to uncertain future events that are not wholly within the control of the Group. Such liabilities are disclosed when the chance of such events occurring is no longer remote.

Revenue from contracts with customers

Revenue from contracts with customers represents fees receivable, excluding value added tax, for discretionary investment management services and research fees during the year.

Management fees are based on a percentage of assets under management either per calendar month or quarter as set out in the relevant investment management agreements (IMA). Management fees relate specifically to the Group's provision of investment management services for each relevant time period and therefore such services are satisfied over time because either the customer simultaneously receives and consumes the benefits provided by the fund manager as the service is provided or, the fund manager's performance enhances the assets that the fund controls. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Research fee income relates to research provided in respect of funds managed in accordance with the relevant IMA and is recognised as the service is provided and it is probable that the fee will be collected.

Performance fees are variable consideration based on a percentage of investment performance achieved relative to predefined benchmarks as set out in the relevant IMA. Performance fees by their nature are highly susceptible to volatility until they are crystallised and are no longer subject to claw back. This is usually at the end of the performance period of a fund when the performance fee calculation can be confirmed with certainty. Therefore, performance fees are recognised at the point when they are crystallised.

Commissions and fees payable
Commissions and fees payable to third parties are in respect of rebates on investment management fees, distribution and research fees payable to third parties are recognised over the period for which the service is provided.

Standards and amendments not yet effective
There are no new or amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements that would be expected to have a material impact on the Group when they become effective.

Changes in accounting policies and disclosures
No standards or amendments have been issued during the year that have had or are expected to have an impact on the Group's consolidated financial statements.

2. Revenue

	31 March 2022 £'000	31 March 2021 £'000
Investment management and research fees	**209,988**	157,326
Investment performance fees	**14,119**	43,584
Gain on forward currency contracts	–	598
	224,107	201,508

The Group used forward currency contracts to hedge management fees derived from non-Sterling based funds in previous years. Effective 1 April 2021, the Group has discontinued its revenue hedging programme.

Geographical analysis of revenue (based on the residency of source) is as follows:

	31 March 2022 £'000	31 March 2021 £'000
United Kingdom	**35,138**	28,431
Ireland	**166,752**	166,588
Cayman Islands	**4,232**	1,910
United States of America	**5,698**	2,002
Rest of Europe	**11,675**	1,979
Rest of the world	**612**	–
Gain on forward currency contracts	–	598
	224,107	201,508

3. Operating costs

a) Operating costs include the following expenses:

	31 March 2022 £'000	31 March 2021 £'000
Staff costs including partnership profit allocations	**107,989**	94,925
Depreciation	**1,404**	1,399
Amortisation and impairment of intangible assets	**7,860**	419
Auditors' remuneration	**383**	418

Included within operating costs is a net amount of £3.5m in relation to termination and reorganisation costs treated as exceptional items.

b) Auditors' remuneration:

	31 March 2022 £'000	31 March 2021 £'000
Audit of Group and Company financial statements	**125**	135
Local statutory audits of subsidiaries	**151**	128
Audit-related assurance services	**6**	10
Other assurance services – internal controls report	**101**	77
Other advisory services – regulatory review	–	28
Tax advisory services	–	40
	383	418

4. Dividends paid and proposed

Dividends on ordinary shares declared and paid during the year:

	31 March 2022 £'000	31 March 2021 £'000
First interim dividend for 2022: 14.0p per share (2021: 9.0p per share)	**13,564**	8,413
Second interim dividend for 2021: 31.0p per share (2020: 25.0p per share)	**29,836**	23,494
Total dividend paid and charged to equity	**43,400**	31,907

The Board has declared a second interim dividend of 32.0p (2021: 31.0p) to be paid in July 2022.

Together with the first interim dividend of 14.0p paid in January 2022 the total dividend for the year amounts to 46.0p (2021: 40.0p).

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:

	31 March 2022 £'000	31 March 2021 £'000
Preference shares	**1,095**	(333)
LTIP and initial share awards	**3,808**	3,312
Equity incentive plan	**740**	794
Deferred remuneration plan	**1,708**	1,852
	7,351	5,625

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 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.

The issue of the Preference Shares constitutes a share-based payment under IFRS 2 and the cost is the estimated fair value, at the date of issue of the preference shares, of the effective entitlement to the ordinary shares. At each reporting date the estimated number of ordinary shares to be ultimately issued upon conversion will vary and the holder, initially, and the Group, ultimately, determines the start of the three year period ('Crystallisation') over which the ordinary shares are awarded following conversion. The start of this period will always be at least three years after the end of the financial accounting period in which the preference shares are issued.

In the year to 31 March 2022, the Biotechnology team called for a full conversion and the Convertible team called for a partial conversion of preference shares into Polar Capital Holdings plc equity (2021: none).

At 31 March 2022 five sets of preference shares (2021: 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:

	31 March 2022 Number of shares	31 March 2021 Number of shares
At 1 April	**4,426,528**	4,676,882
Conversion/crystallisation	**(1,350,514)**	–
Movement in the year	**(335,410)**	(250,354)
At 31 March	**2,740,604**	4,426,528

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

	31 March 2022 Number of shares	31 March 2021 Number of shares
Outstanding at 1 April	**1,766,541**	3,733,904
Conversion/crystallisation	**1,350,514**	–
Adjustment on re-calculation	**(295,954)**	(344,982)
Issued in the year	**(1,468,973)**	(1,622,381)
Outstanding at 31 March	**1,352,128**	1,766,541

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:

	31 March 2022 £'000	31 March 2021 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	**48,924**	62,718
Adjustments (post tax):		
Add exceptional items – acquisition related costs	**2,896**	1,908
Add exceptional items – amortisation of intangible assets	**1,865**	419
Add exceptional items – impairment of intangible assets	**5,995**	–
Less exceptional items – net gain on derecognition of deferred consideration liabilities	**(3,749)**	–
Add/ (less) back cost of share-based payments on preference shares	**1,095**	(333)
Less net amount of deferred staff remuneration	**(793)**	(3,728)
Profit after tax for purpose of adjusted basic and adjusted diluted EPS	**56,233**	60,984

The adjusted EPS figure includes an adjustment for deferred remuneration costs. The Group believes that aligning staff remuneration and profits generated in the same period will allow users of the financial statements to gain a supplemental understanding of the Group's results and their comparability year on year.

Exceptional items were excluded from the adjusted EPS calculations as they included costs such as non-recurring acquisition related transition and termination costs as well as net gains arising on the derecognition of deferred consideration liabilities and the amortisation and impairment of certain acquired intangible assets.

	31 March 2022 Number of shares '000	31 March 2021 Number of shares '000
Weighted average number of shares		
Weighted average number of ordinary shares, excluding own shares, for the purpose of basic and adjusted basic EPS	**96,300**	93,396
Effect of dilutive potential shares – LTIPs, share options and preference shares crystallised but not yet issued	**4,190**	4,552
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted EPS	**100,490**	97,948

	31 March 2022 Pence	31 March 2021 Pence
Earnings per share		
Basic	**50.8**	67.2
Diluted	**48.7**	64.0
Adjusted basic	**58.4**	65.2
Adjusted diluted	**56.0**	62.2

7. Goodwill and intangible assets

	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)
As at 31 March 2022	**6,732**	**18,647**	**25,379**
Accumulated amortisation and impairment			
As at 1 April 2021	–	419	419
Amortisation for the year	–	1,865	1,865
Impairment for the year	–	5,995	5,995
As at 31 March 2022	**–**	**8,279**	**8,279**
Net book value as at 31 March 2022	**6,732**	**10,368**	**17,100**

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
Accumulated 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 year.

The amortisation and impairment of intangible assets have been treated as exceptional items.

(a) Goodwill

Goodwill relates to the acquisition of Dalton Capital (Holdings) Limited, the parent company of Dalton Strategic Partnership LLP, a UK based boutique asset manager. The goodwill is attributable to a single CGU.

(b) Intangible assets

The table below shows the carrying amount assigned to each component of the intangible asset and the remaining amortisation period.

	31 March 2022		31 March 2021	
	Carrying value £'000	**Remaining amortisation period**	Carrying value £'000	Remaining amortisation period
Investment management contracts acquired from Dalton Capital (Holdings) Limited	**10,368**	**8.9 years**	11,531	9.9 years
Investment management contracts acquired from First Pacific Advisors LP	**–**	**–**	6,697	9.5 years
	10,368		18,228	

The Group has fully impaired the carrying value of the intangible asset at the reporting date relating to the investment management contracts of the International Value and World Value equity funds acquired from First Pacific Advisors LP in 2021. This was due to the closure of the funds managed by the team in May 2022. As a result, an impairment loss of £6.0m was recognised within operating costs in the consolidated statement of profit or loss, an unrealised gain was recorded on the derecognition of the corresponding liability of £4.8m and £0.4m of further reorganisation costs in relation to the closure of the mutual funds have been recorded with a net impact to profit before tax of £1.6m.

8. Subsidiary undertakings

The consolidated financial statements of the Group include the operating subsidiaries listed below. At 31 March 2022 and 2021 all operating subsidiaries, other than Polar Capital Partners Limited and Polar Capital US Holdings Limited, were indirectly held. All operating subsidiaries are wholly owned, except for: Polar Capital LLP in which Polar Capital Partners Limited has contributed 23% (2021: 25%) of the capital. The Company is deemed to be the controlling party of Polar Capital LLP.

Name	Country of incorporation	Registered office	Principal activities
Polar Capital Partners Limited	UK	16 Palace Street, London, UK	Services company
Polar Capital US Holdings Limited	UK	16 Palace Street, London, UK	Investment holding company
Polar Capital LLP	UK	16 Palace Street, London, UK	Investment management

Polar Capital Secretarial Services Limited	UK	16 Palace Street, London, UK	Corporate secretary
Polar Capital Partners (Jersey) Limited	Jersey	12 Castle Street, St Helier, Jersey	Investment management
Polar Capital (America) Corporation	USA	2711 Centreville Road, Wilmington, USA	Investment advisory
Polar Capital (Europe) SAS	France	18 Rue de Londres, 75009 Paris, France	Investment management
Polar Capital (Shanghai) Consulting Co Limited	China	Bund Finance Centre S2, No.600 Zhongshan East 2 Road, Shanghai, 200010	Services company
Polar Capital Holdings LLC	USA	1209 Orange Street, Wilmington, USA	Investment holding company
Dalton Capital (Holdings) Limited	UK	16 Palace Street, London, UK	Investment holding company
Dalton Strategic Partnership LLP	UK	16 Palace Street, London, UK	Investment management
Polar Funds Marketing (Switzerland) AG	Switzerland	Klausstrasse 4, 8008 Zurich, Switzerland	Investment management
Polar Capital (Singapore) Private Limited	Singapore	77 Robinson Road, #13-00, Robinson 77, Singapore (068896)	Services company

The consolidated financial statements of the Group also include the following seed capital investments and indirectly held entities which were judged to require consolidation into the Group as at 31 March 2022:

Name	Country of incorporation	Registered office	Principal activities	Percentage of ordinary shares held
Polar Capital China Stars Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	67%
Polar Capital China Mercury Fund	Cayman Islands	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands	Alternative Fund	65%
Polar Capital Emerging Market Stars Fund	USA	50 S.LaSallee Street, Chicago, USA	Mutual Fund	98%
Polar Capital Smart Mobility Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	50%
Phaeacian Partners Holdings LP	USA	1209 Orange Street, Wilmington, USA	Investment management	55%
Phaeacian Partners LLC	USA	1209 Orange Street, Wilmington, USA	Investment management	55%

9. 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 of the contracts and utilise 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.

At the end of both the current year as well as the comparative period, all financial instruments at fair value through profit or loss held by the Group were Level 1 except for:

- forward foreign exchange contracts classified as Level 2. These were fair valued using valuation techniques that incorporate foreign exchange spot and forward rates.

- deferred consideration payable and other financial liability are classified as Level 3. These were fair valued using discounted cash flow models that incorporate unobservable inputs.

The fair value hierarchy of financial assets and liabilities which are carried at fair value at the year-end is as follows:

	2022				2021			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Financial assets								
Assets at FVTPL	**77,783**	**–**	**–**	**77,783**	57,151	-	-	57,151
Other financial assets	**2,695**	**–**	**–**	**2,695**	-	84	-	84
	80,478	**–**	**–**	**80,478**	57,151	84	-	57,235
Financial liabilities								
Liabilities at FVTPL	**9,805**	**–**	**855**	**10,660**	6,328	-	14,054	20,382
Other financial liabilities	**–**	**20**	**–**	**20**	4,069	-	-	4,069
	9,805	**20**	**855**	**10,680**	10,397	-	14,054	24,451

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

	31 March 2022	31 March 2021
	£'000	£'000
At 1 April	**14,054**	-
Additions	**–**	15,014
Repayment	**(9,416)**	(517)
Net gain recognised in the statement of profit or loss	**(3,783)**	(443)
At 31 March	**855**	14,054

The fair value of financial instruments not held at fair value approximates to their carrying value as at reporting date. During the reporting year there were no transfers between levels in fair value measurements.

10. Financial liabilities at fair value through profit or loss

	31 March 2022	31 March 2021
	£’000	£’000
Current:		
Securities – short positions	**407**	571
Third-party interests in consolidated funds	**9,398**	5,727
Deferred consideration	**125**	8,910
Other financial liability	**93**	886
	10,023	16,124
Non-current		
Other financial liability	**637**	–
Deferred consideration	**–**	4,258
Liabilities at fair value through profit or loss	**10,660**	20,382

Deferred consideration payable with respect to the acquisition of Dalton Capital (Holdings) Limited is nil at 31 March 2022 (2021: £7.1m). The deferred consideration was settled on 28 February 2022 for an amount of £8.1m resulting in an additional charge of £1.0m recognised in the statement of profit or loss.

The deferred consideration amount relating to the asset acquisition from First Pacific Advisors LP in 2021 was £0.1m at 31 March 2022 (2021: £6.1m). The movement represents a payment of £1.2m to First Pacific Advisors LP and an unrealised gain of £4.8m on derecognition of the remaining liability was recognised in the statement of profit or loss.

11. Notes to the Cash Flow Statement
A reconciliation of profit before taxation to cash generated from operations is as follows:

	31 March 2022	31 March 2021
	£’000	£’000
Profit on ordinary activities before taxation	**62,090**	75,915
Interest receivable and similar income	**(60)**	(53)
Investment income	**(247)**	(239)
Interest on lease	**95**	107
Depreciation of non-current property and equipment	**1,404**	1,399
Revaluation of liability at FVTPL	**–**	(443)
Amortisation and impairment of intangible assets	**7,860**	419
Decrease/(increase) in assets at FVTPL	**7,710**	(14,270)
(Decrease)/increase in other financial liabilities	**(10,402)**	5,109
Increase in receivables	**(1,506)**	(9,109)
Increase in trade and other payables	**8,421**	26,491
Share-based payment	**7,351**	5,625
Increase in liabilities at FVTPL[1]	**(3,931)**	(6,134)
Release of fund units held against deferred remuneration	**6,538**	5,633
Other non-cash item	**–**	404
Cash generated from operations	**85,323**	90,854

1. The movement includes those arising from acquiring and/or losing control of consolidated seed funds.

12. Contingent liabilities

In the normal course of the Group's business, it may be subject to legal and regulatory proceedings arising out of current and past operations, which in some cases may result in contingent liabilities.

No such proceedings or related claims have been issued as at 31 March 2022.

As disclosed in these financial statements, the Phaeacian Accent International Value and Phaeacian Global Value funds were closed by the Board of the funds in May 2022. Post year end, the Group has initiated legal action against counterparties involved in the Phaeacian transaction. This action remains at a relatively early stage and while it is not possible to predict the outcome, the Group believes that it has a valid basis, and it intends to pursue such action robustly.

It is possible that one or more of these parties might issue counterclaims against the Group but no such claims have been issued at the date of approving these financial statements. As a result, it is not possible to estimate the potential outcome of any such claims or to assess the quantum of any liability with any certainty at this stage.

13. 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.

14. Events after the reporting date
In April 2022, the Board of the Phaeacian mutual funds determined that it was in the best interests of the investors for the Phaeacian Accent International Value Fund and the Phaeacian Global Value Fund to be closed down.

Therefore, as an adjusting event after the reporting date, the related intangible asset (see Note 7) and the corresponding deferred liability (See Note 10) have been derecognised.

15. Status of results announcement
The Board of Directors approved this results announcement on 24 June 2022. Whilst the financial information included in this announcement has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of UK-adopted international accounting standards and does not constitute statutory accounts of the Group for the years ended 31 March 2022 or 31 March 2021.