POLAR CAPITAL HOLDINGS plc
Group Audited Results for the year ended 31 March 2023

“During a difficult period for markets, Polar Capital has demonstrated resilience and improving investment performance. The Group’s strong balance sheet and significant capacity in fund strategies that are currently benefitting from net inflows, positions Polar Capital well for the future.”

Gavin Rochussen, CEO

Highlights

- Assets under Management (AuM) at 31 March 2023 down 13% to £19.2bn (2022: £22.1bn)
- Average AuM for the year down 14% to £19.6bn (2022: £22.8bn)
- Core operating profit† down 31% to £47.9m (2022: £69.4m)
- Profit before tax down 27% to £45.2m (2022: £62.1m)
- Basic earnings per share of 36.8p (2022: 50.8p) and adjusted diluted total earnings per share† down 21% to 44.3p (2022: 56.0p)
- Second interim dividend of 32.0p per share (2022: 32.0p) bringing the total dividend for the year to 46.0p per share (2022: 46.0p). The dividend payment date is 28 July 2023, with an ex-dividend date of 6 July 2023 and a record date of 7 July 2023.

Polar Capital continues to deliver as a client focused organisation as shown by the results of the annual Broadridge Fund Brand 50 Survey, against much larger peers, where in the UK we were ranked: 7th highest brand, 1st for Thematic Equity, 2nd for Client Oriented thinking and 3rd in Sales and Account Management.

† 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:

“Investment performance, including that of our world class Technology strategy, has improved over the year notwithstanding the headwind for growth stocks.”

“As at 31 March 2023, 79% of our UCITS funds’ AuM were in the top two quartiles against the Lipper peer group over one year, 65% in the top two quartiles over three years with 87% and 93% in the top two quartiles over five years and since inception respectively.”

“It is notable that no less than 88% of our UCITS AuM is in the first quartile against the Lipper peer group since inception.”

“The decline in assets under management and net outflows in the 2023 financial year is considered modest relative to industry wide outflows.”

“On the positive side, the Emerging Market Stars suite of funds had net inflows in the year of £236m and Sustainable Thematic Equities strategy had inflows of £103m.”

"There is in excess of £23bn of capacity in fund strategies that are currently benefitting from net inflows".

"Total dividend per share for the year has been maintained at 46.0p."

"Strategic progress has continued under the 'growth with diversification' mantra with much progress diversifying our distribution footprint into new regions. The Nordic region has become a significant market where our funds find favour and we have opened an office in Singapore to service a growing Asian client base."

"We have continued to develop our US footprint with experienced business development capability covering the major regions within the US. This has resulted in promising net inflows into the US 40 Act Fund and increased interest in our Emerging Markets Stars fund strategies."

"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 2023			31 March 2022	
	£bn	**%**		**£bn**	**%**
Open ended funds	14.3	75%	Open ended funds	16.6	75%
Investment Trusts	3.9	20%	Investment Trusts	4.4	20%
Segregated mandates	1.0	5%	Segregated mandates	1.1	5%
Total	**19.2**		Total	**22.1**	

AuM split by strategy

Ordered according to launch date

	31 March 2023			31 March 2022	
	£bn	**%**		**£bn**	**%**
Technology	7.2	38%	Technology	9.2	42%
European Long/Short	0.1	0.5%	European Long/Short	0.1	0.3%
Healthcare	3.8	20%	Healthcare	3.7	17%
Global Insurance	2.1	11%	Global Insurance	1.9	9%
Financials	0.5	2%	Financials	0.6	3%
Convertibles	0.7	4%	Convertibles	0.8	4%
North America	0.6	3%	North America	0.8	4%
Japan Value	0.2	1%	Japan Value	0.2	0.5%
European Income	0.2	1%	European Income	0.1	0.3%
UK Value	1.2	6%	UK Value	1.6	7%
Emerging Markets and Asia	1.3	7%	Emerging Markets and Asia	1.1	5%
Phaeacian*	-	-	Phaeacian*	0.5	2%
European Opportunities	1.0	5%	European Opportunities	1.2	5%
European Absolute Return**	0.1	0.5%	European Absolute Return	0.1	0.3%
Melchior Global Equity**	-	-	Melchior Global Equity	0.1	0.3%
Sustainable Thematic Equities	0.2	1%	Sustainable Thematic Equities	0.1	0.3%
Total assets	**19.2**	100%	Total assets	**22.1**	100%

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

** The Melchior European Absolute Return Fund and the Melchior Global Equity Fund were closed down in May 2023 and December 2022 respectively.

Chair's Statement

Introduction
The year since my last report has, once again, proved to be eventful and, in its own way, quite extraordinary. It is clear that calendar year 2022 has been a very difficult year for the global economy as world stock markets struggled to deal with the fallout from higher interest rates and rising inflation; as well as the reality of Russia's invasion of the Ukraine. Gavin Rochussen covers this impact for investors in his CEO report.

Last year, we also sadly lost the UK's longest serving monarch with the death of Her Late Majesty, Queen Elizabeth II, just a few months after celebrating her Diamond Jubilee. She was one of the most experienced and respected global leaders, and will be missed by many.

In the UK, investor confidence in the operation of government and the direction of policy was badly damaged in the turmoil following the resignation of not one but two Prime Ministers. The fallout from this was seen very clearly as UK interest rates climbed steeply. Sterling fell and gilt yields increased, pushing up government borrowing costs and affecting everything from pension funds to mortgages, as well as the continuing increased pressure on high street inflation.

Despite this challenging background, it is encouraging to be able to report on improved investment performance over the year against the Lipper peer group, positive investor interest, and indeed new investment, across a number of our strategies; rewarding our fund managers for remaining true to their processes and continuing to focus on producing good risk adjusted returns.

Looking ahead, we are clear on our strategy. We have the support of a strong balance sheet, and we have the benefit of a talented executive team working with some of the best investment management people. We know there will always be new challenges, as well as new opportunities, for the business. One topical example is the emergence of Artificial Intelligence and what this might mean for economies and industry, including the investing industry. And, of course, we are mindful of the elections in the US and UK in 2024.

Whilst we cannot be certain as to how the future will play out, we are used to navigating our way through uncertain times and I and the Board are confident that the outlook for the business remains positive.

Results
Despite a more stable period for investors at the start of calendar year 2023, the weakness of markets overall in 2022 together with the loss of AUM following the previously announced closure of the Phaeacian mutual funds, led to funds under management at the year end, 31 March 2023, of £19.2bn, 13% lower when compared to £22.1bn a year earlier.

The corresponding reduction in revenues led to an overall fall in core operating profits† from £69.4m in 2022 to £47.9m in 2023, 31% lower over the year, compared to a 35% increase in the prior year. The resulting profit before tax for the year amounted to £45.2m (2022: £62.1m).

Dividend
The effect of the lower profit figure for the year leads directly to a lower earnings result, and hence diluted EPS of 36.1p (2022:48.7p) and adjusted diluted total EPS† of 44.3p (2022: 56.0p). Nevertheless, given the strength of our balance sheet and our confidence in the long term outlook of the Company, the Board recommend maintaining a second interim dividend per share of 32.0p (2022: 32.0p) to be paid in July 2023. This, together with the first interim dividend per share of 14.0p paid in January 2023, means that the total dividend per share for the year is maintained at 46.0p (2022: 46.0p).

Board
As announced last year, two of the Company's founders retired from the Board as part of the succession plans for the Company as it transitions to a 'post founder' leadership team. Hence, it was with mixed emotions that we said goodbye to John Mansell and Jamie Cayzer-Colvin. They have been dedicated servants of the Company.

The Board meet regularly with Gavin Rochussen and his executive team and all the Directors have opportunities to provide feedback, on the workings of the Board, the operation and leadership of the Company and fulfilment of their own role, formally during the year. The Directors confirmed they are comfortable with the way in which their responsibilities are discharged, the operation of the Company, and with the relationship between the Board and the executive team of the Company.

Now that we have completed the first full year of operating with the current Board membership, it is intended to initiate an external review of Board effectiveness to be carried out by an independent third party over the coming year.

Strategy

I am pleased to be able to report the continuing progress made in the year in pursuit of our strategy. We have seen improvements in investment performance and a pickup in net inflows into some of the more recently launched mandates following the broadening of our distribution footprint, and as investor interest increases in our wider investment offering. It was also encouraging to see the slowing of outflows from some of the more established strategies, reflecting improving investor sentiment in the second half of the year.

Culture

I am particularly proud of the culture at Polar Capital. Time and again during the year we saw this ably demonstrated as the team dealt with the inevitable challenges faced by the business, without compromising the collaborative, inclusive and supportive values that underpin what it means to work at Polar Capital. Nowhere was this better illustrated than through the mentoring support provided to students at Westminster City School, a local academy, by our staff volunteers. This, together with the broader support offered by Polar Capital to the students of Westminster City School is a demonstration of the Polar Capital culture 'in action'.

It is no surprise then that it is our staff who are at the heart of our business and it is very encouraging to be able to report that over 91% of them in our most recent survey replied that they would recommend Polar Capital as a great place to work. We remain convinced that the alignment of interests between fund managers delivering long term superior returns, supported by excellent staff providing great client service, is the best way to deliver a superior investment experience to our investors.

Notice of Annual General Meeting

We are planning to hold the Company's forthcoming Annual General Meeting ('AGM') as a physical meeting at 2.00pm on Thursday 28 September 2023 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 ahead of the meeting. The notice of meeting is also available on the Company's website and will be sent, along with the Annual Report, to shareholders in due course.

Thank you

I want to thank Gavin Rochussen and his executive team, our fund managers, and our staff, for their efforts in another very challenging year for the industry. Everyone at Polar Capital has stepped up and performed exceptionally well. On behalf of the Board and myself, thank you.

David Lamb
Chair
23 June 2023

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

Chief Executive's Report

Major events such as wars and pandemics have historically marked inflexion points in secular economic cycles. The post-World War II era was marked by strong and sustained period of economic growth and prosperity, while the 1970s and 1980s were characterised by rising inflation and economic stagnation. The period from the early 1990s to mid-2000s was marked by the proliferation of new technologies, while the years following the Global Financial Crisis saw a prolonged period of economic contraction and slow recovery, followed by a decade of falling interest rates and monetary easing that fuelled asset values as risk premia fell. It seems that Covid-19 and the Ukraine war are likely to mark the latest inflexion point for markets.

Covid-19 and the sudden stalling of all global economies brought massive monetary stimulus which ultimately fuelled inflation rising to a 40-year high with soaring energy costs caused by a dislocation of energy supply due to geopolitical factors in central Europe.

As a result, the financial year to 31 March 2023 was characterised by an unprecedented combination of events comprising; the continuing war in Ukraine, accompanied by the surge in energy costs and inflation across a broad front of goods and services, together with unprecedented monetary tightening as Governments around the world sought to rein in the excess monetary support provided during Covid-19.

In the US, the Federal Reserve embarked on the steepest tightening cycle in 40 years as rates were raised by 450bps. In Europe, the European Central Bank raised rates by 250bps despite the likelihood of recession ending a decade long experiment with negative interest rates. Unsurprisingly, markets weakened over the period with the MSCI All-Country World Index down by 20%, the worst annual return since 2008. Breaking a six-year run of outperformance, US equities underperformed the global equity index by 330bps, the worst relative year since 2005. The year was also the worst year for combined total returns for equities and bonds since 1982, and was the worst year since 2000 for growth stocks, with the Morningstar Growth index underperforming the Morningstar Value index by 36%.

Technology stocks suffered in 2022 contending with the post Covid-19 unwind with technology growth stocks suffering the most. The technology sector had outperformed in each of the eight prior years taking the technology sector's share of global market capitalisation from 20% to a peak of 38%. But the sector declined by 32% in 2022 compared to the overall market decline of 17%. Similarly, the Dow Jones Industrial Average outperformed the NASDAQ Composite by more than 24%, the greatest divergence in these benchmarks since 2000.

More encouragingly, we saw a positive start to 2023 for equities, as inflationary pressure seemed to be abating, energy prices declining following a less harsh winter in Europe and peak interest rates now look to be within sight. But the likelihood of lower rates was not enough to prevent the collapse of Silicon Valley Bank in the US and the forced takeover of Credit Suisse by UBS to avert a systemic banking crisis.

It was against this market backdrop and, particularly given Polar Capital's large exposure to the technology and related sectors, that assets under management declined over the financial year by 13% from £22.1bn to £19.2bn, although the rate of net outflows has been declining and in April 2023, we registered net inflows.

Investment performance has improved over the year notwithstanding the headwind for growth stocks.

As at 31 March 2023, 79% of our UCITS funds' AuM were in the top two quartiles against the Lipper peer group over one year, 65% in the top two quartiles over three years with 87% and 93% in the top two quartiles over five years and since inception respectively.

It is notable that no less than 88% of our UCITS AuM is in the first quartile against the Lipper peer group since inception.

Of our 22 funds listed within the Dublin UCITS umbrella 73% were in the top two quartiles over one year, and 85%, 80% and 96% in the top two quartiles over three years, five years and since inception respectively.

The decline in assets under management and net outflows in the 2023 financial year is considered modest relative to industry wide outflows and the decline in the valuations of technology and related sector stocks that suffered a material de-rating in the period. Net redemptions amounted to £1.5bn, fund closures were £0.5bn and market decline and performance accounted for £0.9bn of the net £2.9bn of reduction in AuM over the period. As a result, total AuM across the Group declined by 13% from £22.1bn to £19.2bn, while the decline in AuM in our three investment trusts and segregated mandates declined 11% and 9% respectively. It is notable that in the last quarter of the financial year, AuM increased by £749m representing a 4% increase in the quarter.

While total net outflows from the Technology strategy were £1.2bn, the net outflows in the last quarter were £237m. This net flow profile should be considered in the context of net outflows of £1.3bn from the technology funds in the 2022 financial year and net inflows of £1.8bn in the 2021 financial year, the year that benefited from the so called Covid-19 winners.

The Healthcare team manage seven different strategies within the healthcare sector and total net flows were neutral, with Polar Capital Biotechnology Fund and Polar Capital Blue Chip Fund receiving £223m of subscriptions while the other funds had net redemptions of roughly the same quantum. Polar Capital UK Value Opportunities Fund and Melchior European Opportunities Fund suffered net outflows in line with industry wide experience of £265m and £172m respectively. As sentiment for UK companies has improved, we have begun to experience net inflows into the Polar Capital UK Value Opportunities Fund.

On the positive side, the Emerging Market Stars suite of funds had net inflows in the year of £236m and Sustainable Thematic Equities strategy had inflows of £103m. Notably, as performance has improved and as sentiment for European companies has become less bearish, Polar Capital European Income ex-UK Fund has had net inflows with net inflow momentum building towards the end of the financial year.

Financial performance for the year was more challenging following the decline in revenue resulting from lower average AuM given redemptions and market values declining. Average AuM declined by 14% resulting in a fall in net management fees of 17% and a 31% decline in core operating profit†. While performance fee profit† was lower than the prior year, share based payments and exceptional items were lower in 2023 compared to the prior year. As a result, profit before tax and basic EPS decreased by 27% and 28% respectively. Adjusted diluted total EPS† declined by 21% from 56.0p to 44.3p. Total dividend per share for the year has been maintained at 46.0p (2022: 46.0p).

The regulatory environment has continued to evolve for the financial services sector and for the Group. Polar Capital continues to navigate a highly regulated environment ranging from routine regulatory inspections to reporting from existing and new regulators as the Group expanded its regulatory activities subject to the Swiss Financial Market Supervisory Authority with the establishment of a Swiss subsidiary.

The FCA's new Consumer Duty has increased the expectations on UK authorised financial services firms requiring '**a firm must act to deliver good outcomes for the retail consumers of its products**.' For new and existing products or services that are open to sale or renewal, the Duty will come into force on 31 July 2023. For closed products or services, the Duty will apply from 31 July 2024.

Strategic progress has continued under the 'growth with diversification' mantra with much progress diversifying our distribution footprint into new regions. The Nordic region has become a significant market where our funds find favour. We have also opened an office in Singapore to service a growing Asian client base.

Notwithstanding the closure of the Phaeacian strategy, we have continued to develop our US footprint with experienced business development capability covering the major regions within the US. This has resulted in promising net inflows into the US 40 Act Fund and increased interest in our Emerging Markets Stars fund strategies.

Sustainability is fundamental to our business, and we are committed to integrating sustainable practices across the Company. This includes the way we treat our employees, how we interact with society and our community, our impact on the environment, and our duty as responsible stewards of our clients' capital.

This is demonstrated by the internal work of the staff Diversity & Inclusion Committee on topics such as Mental Health, participation in industry initiatives such as the staff Diversity Project and Investment 20/20, and our ongoing partnership and bursary programme with a local academy to our London offices.

We remain focused on developing our climate change strategy, which includes implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) across our business strategy, governance structure and risk management process. In addition, we are considering what a net zero transition strategy means to our business, and we have recently joined the Institutional Investors Group on Climate Change (IIGCC) to help develop our investment climate strategy.

The outlook is positive with global inflation abating and the peak interest rate cycle within medium term sight. The Group has 13 specialist sector, thematic and regionally focused teams with compelling long term track records in actively managed strategies. 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
23 June 2023

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

Business Review

Assets under Management and Fund Flows

Following a record year for the funds industry in calendar year 2021, 2022 proved exceptionally challenging, with growing uncertainty and rising market volatility driving net outflows in both Europe and the US.

The positive correlation between equities and bonds meant there were few, if any, places to hide and the impact on investors led to all asset classes registering outflows.

Polar Capital was not immune from the headwinds; however, we held up relatively well given the backdrop and bear markets impacting our larger strategies. While we experienced selling pressure across many of our growth centric strategies, including Technology outflows (£1.2bn) and from areas that were out of favour with investors, such as UK and European equities, we saw interest and net new inflows into Polar Capital Biotechnology Fund (£154m), Polar Capital Healthcare Blue Chip Fund (£69m) and Polar Capital Global Absolute Return Fund (£26m) including Emerging Market Stars (£230m) and Sustainable Thematic Equities (£103m) strategies.

Despite the headwinds, our emergent US business made meaningful progress over the year, including £115m of net inflows for our US Emerging Markets Stars strategy, which represented over half of the total raised for the strategy globally.

Overall, we saw total net outflows for the year of £1.5bn. Encouragingly, we saw a marked improvement in the second half of the year, as outflows slowed. We experienced positive net inflows in April 2023.

Over the period, AuM declined by 13%, to end the year at £19.2bn (2022: £22.1bn), while the decline in AuM in our three investment trusts and segregated mandates declined by 11% and 9% respectively. Average AuM was £19.6bn, a decrease of 14% (2022: £22.8bn). It is notable that in the last quarter of the financial year, AuM increased by £749m representing a 4% increase in the quarter.

Communicating with our clients

With uncertainty prevailing and markets likely to remain volatile for the foreseeable future, our distribution team is focused on the elements we can control. As ever, we aim to provide our clients with exceptional service and support, including the provision of timely and accurate investment insights, both in-person and digitally. We believe that face-to-face engagement remains a key element of that provision and is particularly effective in defending and maintaining existing assets, and also in identifying new business opportunities.

We continue to 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 optimise our client services and marketing so that it is increasingly tailored to specific client segments and geographies. As an example, in Q4 2022 we launched our new institutional website (www.polarcapitalstrategies.com) in both the UK and the US, providing a tailored platform for institutional investors to access information on our strategies and capabilities.

Client communication and engagement 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. It was pleasing to see that Polar Capital scored well in the annual Broadridge Fund Brand 50 survey of investment professionals. Within the UK, we were the 7th highest ranked brand, up from 8th the prior year, the smallest group in the top ten based on AuM and in the company of many much larger peers. Our approach has always been to deliver a specialist investment offering with a premium service to our clients and therefore, it was also pleasing to see Polar Capital retain its number one ranking for Thematic Equity in the UK and scoring 2nd for client-oriented thinking.

Growth with diversification

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

By successfully combining our sales and digital marketing capabilities we can extend the reach of our distribution to accelerate growth. We have established distribution platforms and deep client relationships in the UK, continental Europe and the Nordic region.

We continue to extend our reach in the US and south-east Asia. We recently established a distribution office in Singapore to support our clients in the region and drive business development in Japan and Australia.

Our approach to global expansion remains both targeted and measured.

Outlook

While the outlook for the year ahead remains uncertain and fund sales difficult to predict, our forecast for the year ahead favours the positive. Industry fund flows may remain under pressure, at least in the near-term, however, we believe we are well positioned to grow by taking market share.

Fund performance and oversight

One of the most interesting aspects of the last 12-18 months has been the change in macroeconomic and style influences across equity markets. During this period, there has been a significant pick-up in the performance of value styles versus growth, and episodes where the outperformance of large companies versus small has been particularly marked. The rapid and sizeable moves in interest rates during calendar year 2022 played a role in style preference, while investor caution goes some way to explaining the strong performance of large capitalisation companies.

Polar Capital's strategies are reasonably evenly distributed in terms of directional sensitivity (i.e. whether they outperform on up days or down days in the market), and there is also representation in both value and growth styles, although a greater percentage of AuM is in growth styles. Many Polar Capital strategies generate outperformance on days when smaller companies outperform larger ones.

This is expected, given the bottom-up research orientation of Polar Capital's investment teams, and the likelihood therefore of finding the most attractive opportunities in the less well researched areas of the market. It is also in part a response to passive competition; clients want us to do something other than own the largest names in the investment universe.

Nevertheless, this has been a headwind for the performance for Polar Capital's Technology and North America strategies in the past year, due to the extended period of outperformance of the world's largest companies. Further, in down markets, investors often retreat to the perceived safety and resilience of larger companies.

Polar Capital Global Technology Fund lagged its benchmark by 450bps in the 12 months to end of March 2023, and Polar Capital North America Fund underperformed by 120bps. The MST European Opportunities strategy also suffered from the dominance of larger names and oil companies in Europe, underperforming by 830 bps in the year, despite resilient operating performance from many of the companies in which it invests.

Polar Capital's European ex-UK Income and Japan Value strategies benefited from the change in market leadership towards value styles, and reaped the rewards of patience. Polar Capital European ex-UK Income Fund outperformed by 610 bps in the year, and Polar Capital Japan Value Fund by 1100bps; both have seen a significant improvement in 3 year performance as a result.

Polar Capital's Global Insurance Fund, which invests principally in non-life insurance businesses, outperformed by over 500bps in the year to March 2023. Increasing short term interest rates give insurance companies the opportunity to reinvest their 'float' at higher yields, while insurance premia in many parts of property and casualty insurance continue to firm.

Polar Capital's Healthcare team also delivered index-beating returns in the year, with Polar Capital Healthcare Opportunities Fund outperforming by 280bps, Polar Capital Biotechnology Fund by 200bps and Polar Capital Healthcare Discovery Fund (small and mid-cap) by 400bps. In the first quarter of 2022, investors sought safety in the shares of large, well-known pharmaceutical companies, but their smaller, typically higher growth peers recovered strongly later in the year, which benefited Polar Capital Healthcare Opportunities Fund.

Polar Capital's Emerging Market and Asia Stars strategies finished the year marginally behind benchmark, having gained ground during the second half of the year to March 2023 as the headwind from higher energy prices abated, and as the Chinese economy began to re-open. Polar Capital's China strategy outperformed by 610 bps over the same period. Stock selection was strong across a number of sectors, particularly industrials.

The UK Value strategy had a difficult year, with the UK market dominated by the performance of its large oil and mining companies, which Polar Capital's team does not in the main own, typically finding value further down the market capitalisation scale. Rock bottom valuations in this part of the market are beginning to attract investors, and the long term potential is significant.

The Zurich based Sustainable Thematic Equities team which joined Polar Capital in 2021 and invests in beneficiaries of decarbonisation, electrification, electric vehicles and autonomous driving performed well, with Polar Capital Smart Energy Fund and Polar Capital Smart Mobility Fund outperforming their reference portfolios by 1070bps and 880bps respectively. Demand for energy management solutions led to power management semiconductor manufacturers outperforming the broader technology sector.

Polar Capital's closed ended and open ended Financials funds were a little behind and a little ahead of benchmark respectively. The year ended on a difficult note due to the underperformance of some of the funds' US bank holdings. These positions were significantly reduced, which limited the losses.

Outside long only equities, the Global Convertibles strategy outperformed by 110bps. 2022 was an unusual year, with bond and equity markets falling at the same time. In this light, the flat return delivered by the Convertibles team's Global Absolute Return fund was a good outcome for clients. The European Long/Short strategy delivered a negative return of 5.5% over the year, but has returned +6.4% annualised over 3 years.

As at 31 March 2023, 79% of our UCITS funds' AuM were in the top two quartiles against the Lipper peer group over one year, 65% in the top two quartiles over three years with 87% and 93% in the top two quartiles over five years and since inception respectively.

Of our 22 funds listed within the Dublin UCITS umbrella 73% were in the top two quartiles over one year, and 85%, 80% and 96% in the top two quartiles over three years, five years and since inception respectively.

Financial Review

AuM

AuM movement in twelve months to 31 March 2023 (£bn)	Open ended funds	Investment Trusts	Segregated mandates	Total
AuM at 1 April 2022	16.6	4.4	1.1	22.1
Net redemptions	(1.4)	(0.1)	-	(1.5)
Fund closures	(0.4)	-	(0.1)	(0.5)
Market movement and performance	(0.5)	(0.4)	-	(0.9)
Total AuM at 31 March 2023	14.3	3.9	1.0	19.2

During the financial year, AuM decreased by net redemptions of £1.5bn, outflows from fund closures of £0.5bn and a £0.9bn decrease related to market movement and fund performance.

The mix of AuM between open ended funds, investment trusts and segregated mandates remained unchanged from the prior year.

Average AuM decreased by 14% from £22.8bn to £19.6bn. This follows a 37% increase in average AuM over the previous financial year.

Revenue

Management fees	**31 March 2023 £'m**	31 March 2022 £'m
Management and research fees	176.2	209.9
Commissions and fees payable	(21.4)	(22.6)
Net management fees†	154.8	187.3

The decrease in the average AuM of 14% translated into the Group's net management fees† decreasing from £187.3m in 2022 to £154.8m this year.

Net management fee yield	**31 March 2023**	31 March 2022
Average AuM (£bn)	19.6	22.8
Net management fees† (£m)	154.8	187.3
Net management fee yield† (bps)	79	82

Net management fee yield† over the year measured 79bps (2022: 82bps). The decrease was slightly more than our stated expectation of an annual decrease of at least 1-2bps as net outflows from the higher margin Technology and Healthcare strategies were replaced by early stage net inflows into more recently launched strategies at lower margins.

Performance fees	**31 March 2023 £'m**	31 March 2022 £'m
Performance fees	6.7	14.1

The more muted performance posted by our underlying funds resulted in performance fees earned for the financial year to 31 March 2023 falling to £6.7m (2022: £14.1m).

Operating Costs	**31 March 2023**	31 March 2022

	£'m	£'m
Salaries, bonuses and other staff costs[1]	36.1	36.7
Core distributions[2†]	44.0	54.0
Share-based payments[3]	2.7	5.7
Performance fee interests[†]	5.0	10.0
Total staff compensation	87.8	106.4
Other operating costs	24.7	23.1
Exceptional items	6.2	11.4
Total operating costs	118.7	140.9

1. Including share awards under deferment plan of £0.8m (2022: £0.9m).
2. Including share awards under deferment plan of £0.9m (2022: £0.8m).
3. Share-based payments on preference shares of £0.3m (2022: £1.1m), LTIPs of £1.8m (2022: £3.8m) and equity incentive plan of £0.6m (2022: £0.7m). Refer to Note 5 below.

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

Total operating costs decreased to £118.7m (2022: £140.9m) due to lower variable staff compensation costs.

Core distributions, which are variable compensation amounts payable to investment teams from management fee revenue, decreased as a direct consequence of the lower average AuM and the resulting lower management fee revenues and core profits.

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

Other operating, non-staff compensation related, costs increased marginally to £24.7m (2022: £23.1m) demonstrating good cost discipline under the prevailing back drop of significant inflationary pressures.

Exceptional items for both 2023 and 2022 comprised of significant items of income or expenditure related to acquisitions, or their unwinding, and are 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.

In May 2023, the Group's legal action against First Pacific Advisors (FPA), the vendor of the funds in the Phaeacian transaction, and FPA's counterclaim was settled out of court. All such associated legal costs are included in termination and reorganisation costs. A further £0.6m has been recorded at 31 March 2023 for costs related to the closure of the Phaeacian entities, and £0.3m for the closure of subscale Dalton funds, with these costs being classified as exceptional items.

A breakdown of exceptional items is as follows:

Exceptional items	**31 March 2023**	31 March 2022
	£'m	£'m
Recorded in operating costs		
Termination and reorganisation costs[1]	5.0	3.5
Amortisation of intangibles	1.2	1.9
Impairment of intangibles	-	6.0
	6.2	11.4
Recorded in other income		
Additional charge on deferred consideration	-	1.0
Derecognition of deferred consideration liability	-	(4.8)
	-	(3.8)
Net exceptional items recorded in the consolidated statement of profit or loss	6.2	7.6

1. Charges for the current year includes termination and reorganisation costs of £4.7m relating to the Phaeacian transaction and £0.3m relating to the closure of subscale Dalton funds (2022: Termination and reorganisation costs of £0.4m relating to Phaeacian and £3.1m relating to Dalton acquisition).

Profit before tax	**31 March 2023 £'m**	31 March 2022 £'m
Core operating profit†	47.9	69.4
Performance fee profit†	1.7	4.1
Other income/ (loss)^	2.1	(2.7)
Share-based payments on preference shares	(0.3)	(1.1)
Exceptional items	(6.2)	(7.6)
Profit before tax	45.2	62.1

† 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 27% to £45.2m (2022: £62.1m).

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

• **Core operating profit**
Decreased to £47.9m (2022: £69.4m) reflecting mainly the impact of falling average AuM on net management fees and operating costs.

• **Performance fee profit**
Performance fee profit decreased because of muted investment performance during the current year, where high inflation, rising interest rates and slowing economic growth were only a few of the concerns weighing on market sentiment.

• **Other income**
The increase in other income is due to marked to market gains from seed investments held on the Group's balance sheet as well as interest income from bank balances.

Earnings per share

Basic EPS decreased to 36.8p during the year (2022: 50.8p) and diluted EPS decreased to 36.1p (2022: 48.7p). 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 2023**	31 March 2022
Diluted earnings per share	36.1	48.7
Impact of share-based payments – preference shares	0.3	1.1
Impact of deferment, where staff compensation costs are deferred into future periods	1.7	(0.8)
Impact of exceptional items	6.2	7.0
Adjusted diluted total EPS†	44.3	56.0
Of which: Performance fee profit and other income	4.6	2.2
Adjusted diluted core EPS†	**39.7**	**53.8**

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 2023 there were no conversions of preference shares into Polar Capital Holdings plc equity (2022: two conversions).

As at 31 March 2023 five sets of preference shares have the ability to call for a conversion.

The call must be made on or before 30 November 2023 if any conversion is to take place with effect from 31 March 2023.

As indicated last year, no further preference shares are expected to be issued and any new teams arriving are expected to 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 balance of the Group was £107.0m (2022: £121.1m). In line with the Group treasury policy, cash is held across several UK banking counterparties on maturity terms ranging from 30 to 90 days. At the balance sheet date the Group held £44.1m of investments in its own funds (2022: £48.3m).

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, as a buffer for times of uncertainty, to pay dividends and fund the EBT to buy Company shares to reduce the dilutive effects of LTIP and option awards. Depending on the market outlook, and as the Group grows in size, the allocation of overall capital amongst these four categories may vary over time.

As at 31 March 2023 £44.1m (2022: £48.3m) of the Group's balance sheet was invested to seed fledgling funds and during the year the Group advanced loans to the EBT of £6.0m (2022: £11.8m) 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. Where appropriate, the Group will consider using its balance sheet strength to support the dividend.

As at 31 March 2023 the Group had surplus capital of £57.7m (2022: £69.7m) above its regulatory capital requirement of £26.0m (2022: £26.0m) and July dividend commitment of £30.9m (2022: £30.9m).

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 financial statements.

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 and Risk Assessment ('ICARA').

Based on this 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
23 June 2023

Alternative Performance Measures (APMs)

The Group uses the non-GAAP APMs listed below to provide users of the Annual Report 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 Annual Report 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 Annual Report 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 Annual Report 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 Annual Report 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 profit margin	Core operating profit divided by net management fees revenue.	Finance review	To present additional information that allows users of the Annual Report 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 Annual Report 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.

	2023 Reported Results £'m	Reclassification on consolidation of seed investments £'m	Reclassification of costs £'m	2023 Non-GAAP results £'m	2022 Non-GAAP results £'m	APMs
Investment management and research fees	176.2	–	–	176.2	209.9	
Commissions and fees payable	(21.4)	–	–	(21.4)	(22.6)	
	154.8	–	–	154.8	187.3	Net management fees
Operating costs	(118.7)	0.4	55.6	(62.7)	(63.9)	
Finance costs	(0.2)	–	–	(0.2)	–	
	–	–	(44.0)	(44.0)	(54.0)	Core distributions
	35.9	0.4	11.6	47.9	69.4	Core operating profit
Performance fees	6.7	–	–	6.7	14.1	
	–	–	(5.0)	(5.0)	(10.0)	Performance fee interests
	6.7	–	(5.0)	1.7	4.1	Performance fee profit
Other income/ (loss)	2.6	(0.4)	(0.1)	2.1	(2.7)	
Exceptional items	–	–	(6.2)	(6.2)	(7.6)	
Share-based payments on preference shares	–	–	(0.3)	(0.3)	(1.1)	
Profit for the year before tax	45.2	–	–	45.2	62.1	

Consolidated Statement of Profit or Loss
For the year ended 31 March 2023

	31 March 2023 £'000	31 March 2022 £'000
Revenue	**182,877**	224,107
Other income	**2,579**	1,561
Gross income	**185,456**	225,668
Commissions and fees payable	**(21,383)**	(22,642)
Net income	**164,073**	203,026
Operating costs	**(118,694)**	(140,936)
Finance costs	**(175)**	-
Profit before tax	**45,204**	62,090
Taxation	**(9,592)**	(13,166)
Profit for the year attributable to ordinary shareholders	**35,612**	48,924
Earnings per share		
Basic	**36.8p**	50.8p
Diluted	**36.1p**	48.7p
Adjusted basic (Non-GAAP measure)	**45.2p**	58.4p
Adjusted diluted (Non-GAAP measure)	**44.3p**	56.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	31 March 2023	31 March 2022
	£'000	£'000
Profit for the year attributable to ordinary shareholders	**35,612**	48,924
Other comprehensive income – items that will be reclassified to profit or loss statement in subsequent periods		
Exchange differences on translation of foreign operations	**430**	1,140
Other comprehensive income for the year	**430**	1,140
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders	**36,042**	50,064

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

Consolidated Balance Sheet
As at 31 March 2023

	31 March 2023 £'000	Restated[1] 31 March 2022 £'000
Non-current assets		
Goodwill and intangible assets	**15,937**	17,100
Property and equipment	**10,534**	4,113
Deferred tax assets	**106**	40
	26,577	21,253
Current assets		
Assets at fair value through profit or loss	**83,048**	77,783
Trade and other receivables	**19,523**	25,430
Other financial assets	**5,237**	2,695
Cash and cash equivalents	**106,976**	121,128
Current tax assets	**319**	1,563
	215,103	228,599
Total assets	**241,680**	249,852
Non-current liabilities		
Provisions and other liabilities	**8,900**	2,871
Liabilities at fair value through profit or loss	**462**	637
Deferred tax liabilities	**518**	-
	9,880	3,508
Current liabilities		
Liabilities at fair value through profit or loss	**16,369**	10,023
Trade and other payables	**68,651**	80,054
Provisions	**3,203**	-
Other financial liabilities	**10**	20
Current tax liabilities	**712**	-
	88,945	90,097
Total liabilities	**98,825**	93,605
Net assets	**142,855**	156,247

Capital and reserves		
Issued share capital	**2,520**	2,506
Share premium	**19,364**	19,364
Investment in own shares	**(31,623)**	(24,915)
Capital and other reserves	**12,299**	12,417
Retained earnings	**140,295**	146,875
Total equity – attributable to ordinary shareholders	**142,855**	156,247

[1] Comparative deferred tax balances have been reclassified to show a net position by tax jurisdiction. See note 1 below for further information.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Issued share capital £'000	Share premium £'000	Investment in own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings = £'000	Total equity £'000
As at 1 April 2021	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 1 April 2022	2,506	19,364	(24,915)	695	11,722	146,875	156,247
Profit for the year	-	-	-	-	-	35,612	35,612
Other comprehensive income	-	-	-	-	430	-	430
Total comprehensive income	-	-	-	-	430	35,612	36,042
Dividends paid to shareholders	-	-	-	-	-	(44,481)	(44,481)
Issue of shares	14	-	-	-	-	(14)	-
Own shares acquired	-	-	(10,922)	-	-	-	(10,922)
Release of own shares	-	-	4,214	-	-	(2,083)	2,131
Share-based payment	-	-	-	-	-	4,386	4,386
Current tax in respect of employee share options	-	-	-	-	31	-	31
Deferred tax in respect of employee share options	-	-	-	-	(579)	-	(579)
As at 31 March 2023	**2,520**	**19,364**	**(31,623)**	**695**	**11,604**	**140,295**	**142,855**

Consolidated Cash Flow Statement
For the year ended 31 March 2023

	31 March 2023 £'000	31 March 2022 £'000
Cash flows generated from operating activities		
Cash generated from operations	**51,975**	85,323
Tax paid	**(7,738)**	(10,861)
Interest received	**888**	307
Interest on lease	-	(95)
Net cash inflow generated from operating activities	**45,125**	74,674
Cash flows generated from investing activities		
Investment income	**421**	227
Sale of assets/liabilities at fair value through profit or loss	**55,277**	41,240
Purchase of assets at fair value through profit or loss	**(62,765)**	(70,335)
Purchase of property and equipment	**(486)**	(552)
Payments in respect of business combination	**-**	(8,120)
Payments in respect of asset acquisition	**(226)**	(1,257)
Net cashflow from deconsolidation of seed investment	**(11,710)**	-
Net cash outflow from investing activities	**(19,489)**	(38,797)
Cash flows generated from financing activities		
Dividends paid to shareholders	**(44,481)**	(43,400)
Lease payments	**(1,425)**	(1,306)
Interest on lease	**(175)**	-
Issue of shares	**-**	1
Purchase of own shares	**(10,660)**	(12,383)
Third-party subscriptions into consolidated funds	**20,673**	9,857
Third-party redemptions from consolidated funds	**(3,869)**	(4,552)
Net cash outflow from financing activities	**(39,937)**	(51,783)
Net decrease in cash and cash equivalents	**(14,301)**	(15,906)
Cash and cash equivalents at start of the year	**121,128**	136,718
Effect of exchange rate changes on cash and cash equivalents	**149**	316
Cash and cash equivalents at end of the year	**106,976**	121,128

Selected notes to the Consolidated Financial Statements for the year ended 31 March 2023

1. General information, Basis of Preparation and Accounting policies

Corporate information

Polar Capital Holdings plc (the 'Company') is a public limited company incorporated and domiciled 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 accounting policies used in the preparation of these financial statements have been consistently applied, except when otherwise stated.

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.

Restatement of prior period information

The Group has amended the presentation of deferred tax on the consolidated balance sheet to offset deferred tax assets and liabilities and present these on a net basis for each separate tax jurisdiction. As a result, the 2022 comparative amounts have also been reclassified.

The reclassification impact of the change in presentation is that for the year ended 31 March 2022, a net deferred tax asset position of £40,000 is presented (previously: deferred tax asset of £3,475,000 and deferred tax liability of £3,435,000). There was no impact on the profit for the year ended 31 March 2022 or total equity attributable to ordinary shareholders at 31 March 2022. The reclassification impact on the opening balance at 1 April 2021 was a net deferred tax asset position of £1,667,000 (previously: deferred tax asset of £5,783,000 and deferred tax liability of £4,116,000) with no impact on total equity attributable to ordinary shareholders.

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 a range of information available to the date of issue of these financial statements and considered the Group budget, longer term financial projections, cash flow forecasts and an analysis of the Group's liquid assets and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the Group's ICARA have also been revisited to ensure they remain appropriate.

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 and the Company have 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 2023. 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 funds consolidated at 31 March 2023 are disclosed in Note 8.

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.

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.

Property and equipment
Property and equipment is made up of leasehold improvements, computer equipment and office furniture and right-of-use lease assets.
Property and equipment (excluding right-of-use lease assets) are stated at cost, including directly attributable acquisition costs, less depreciation and accumulated impairment provisions. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life.
Depreciation is charged from the date that the asset is brought into use on a straight-line basis as follows:

- Leasehold improvements 10%
- Computer equipment 33%
- Office furniture 33%
- Right-of-use assets Shorter of the lease term and the estimated useful life of the asset

Property and equipment is derecognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on the disposal is included in the consolidated statement of profit or loss.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed regularly and adjusted prospectively, if appropriate.

Leases
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use (ROU) assets
The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities and presented with property and equipment. The cost of ROU assets includes the initial amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, payments of penalties for terminating a lease and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Group uses an incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Group's lease liabilities are included in trade and other payables and non-current provisions and other liabilities.

Short-term and low value leases
Lease payments on short-term leases (where the lease term is 12 months or less) and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Financial assets
The Group's financial assets include seed capital investments, investment securities, trade and other receivables, cash and cash 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.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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, and 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 2023 £'000	31 March 2022 £'000
Investment management and research fees	**176,219**	209,988
Investment performance fees	**6,658**	14,119
	182,877	224,107

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

	31 March 2023 £'000	31 March 2022 £'000
United Kingdom	**29,293**	35,138
Ireland	**140,319**	166,752
Cayman Islands	**1,308**	4,232
United States of America	**609**	5,698
Rest of Europe	**10,180**	11,675
Rest of the world	**1,168**	612
	182,877	224,107

3. Operating costs

a) Operating costs include the following expenses:

	31 March 2023 £'000	31 March 2022 £'000
Staff costs including partnership profit allocations	**88,308**	107,989
Depreciation	**2,166**	1,404
Amortisation and impairment of intangible assets	**1,163**	7,860
Auditors' remuneration	**432**	383

Included within operating costs is an amount of £5.0m in relation to costs treated as exceptional items including termination costs of £0.5m.

b) Auditors' remuneration:

	31 March 2023 £'000	31 March 2022 £'000
Audit of Group and Company financial statements	**106**	125
Statutory audits of subsidiaries	**199**	151
Audit-related assurance services	**7**	6
Other assurance services – internal controls report	**120**	101
	432	383

4. Dividends paid and proposed

Dividends on ordinary shares declared and paid during the year:

	31 March 2023 £'000	31 March 2022 £'000
First interim dividend for 2023: 14.0p per share (2022: 14.0p per share)	**13,570**	13,564
Second interim dividend for 2022: 32.0p per share (2021: 31.0p per share)	**30,911**	29,836
Total dividend paid and charged to equity	**44,481**	43,400

The Board has declared a second interim dividend of 32.0p (2022: 32.0p) to be paid in July 2023.

Together with the first interim dividend of 14.0p paid in January 2023 the total dividend for the year amounts to 46.0p (2022: 46.0p).

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 2023 £'000	31 March 2022 £'000
Preference shares	**316**	1,095
LTIP awards	**1,737**	3,808
Equity incentive plan	**603**	740
Deferred remuneration plan	**1,730**	1,708
	4,386	7,351

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 2023, no conversions of preference shares into Polar Capital Holdings plc equity were made (2022: two teams called for a conversion).

At 31 March 2023 five sets of preference shares (2022: five 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 2023 Number of shares	31 March 2022 Number of shares
At 1 April	**2,740,604**	4,426,528
Conversion/crystallisation	**-**	(1,350,514)
Movement in the year	**(372,924)**	(335,410)
At 31 March	**2,367,680**	2,740,604

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

	31 March 2023 Number of shares	31 March 2022 Number of shares
Outstanding at 1 April	**1,352,128**	1,766,541
Conversion/crystallisation	**-**	1,350,514
Adjustment on re-calculation	**-**	(295,954)
Issued in the year	**(541,818)**	(1,468,973)
Outstanding at 31 March	**810,310**	1,352,128

6. Earnings per Share

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

	31 March 2023 £'000	31 March 2022 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	**35,612**	48,924
Adjustments (post tax):		
Add exceptional items – acquisition related costs	**-**	2,896
Add exceptional items – amortisation of intangible assets	**1,163**	1,865
Add exceptional items – impairment of intangible assets	**-**	5,995
Add exceptional items – termination and reorganisation costs	**4,959**	-
Less exceptional items – net gain on derecognition of deferred consideration liabilities	**-**	(3,749)
Add back cost of share-based payments on preference shares	**316**	1,095
Add/(less) net amount of deferred staff remuneration	**1,663**	(793)
Profit after tax for purpose of adjusted basic and adjusted diluted total EPS	**43,713**	56,233

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 get a useful supplemental understanding of the Group's results and their comparability year on year.

Exceptional items were also excluded from the adjusted EPS calculations as they included costs such as non-recurring termination and reorganisation costs and the amortisation of acquired intangible assets.

	31 March 2023 Number of shares '000	31 March 2022 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	**96,778**	96,300
Effect of dilutive potential shares – LTIPs, share options and preference shares crystallised but not yet issued	**1,870**	4,190
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted total EPS	**98,648**	100,490

	31 March 2023	31 March 2022
	Pence	Pence
Earnings per share		
Basic	**36.8**	50.8
Diluted	**36.1**	48.7
Adjusted basic	**45.2**	58.4
Adjusted diluted	**44.3**	56.0

7. Goodwill and intangible assets

	Goodwill £'000	**Investment management contracts £'000**	**Total £'000**
Cost			
As at 1 April 2022	6,732	18,647	25,379
As at 31 March 2023	**6,732**	**18,647**	**25,379**
Accumulated amortisation and impairment			
As at 1 April 2022	–	8,279	8,279
Amortisation for the year	–	1,163	1,163
As at 31 March 2023	**–**	**9,442**	**9,442**
Net book value as at 31 March 2023	**6,732**	**9,205**	**15,937**
Cost			
As at 1 April 2021	6,770	18,647	25,417
Acquisition during the year	(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

1. The re-measurement of goodwill relates to the purchase price adjustment recognised in the year ended 31 March 2022.

Amortisation and impairment of intangible assets are 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 acquired on 26 February 2021. 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 2023		31 March 2022	
	Carrying value £'000	**Remaining amortisation period**	Carrying value £'000	Remaining amortisation period
Investment management contracts acquired from Dalton Capital (Holdings) Limited	**9,205**	**7.9 years**	10,368	8.9 years
	9,205		10,368	

8. Property and equipment

	Right-of-use assets £'000	**Leasehold Improvements £'000**	**Computer Equipment £'000**	**Office Furniture £'000**	**Total £'000**
2023					
Cost					
As at 1 April 2022	10,749	2,086	969	497	14,301
Additions	4,126	370	108	8	4,612
Modification	3,975	–	–	–	3,975
As at 31 March 2023	**18,850**	**2,456**	**1,077**	**505**	**22,888**
Accumulated Depreciation					
As at 1 April 2022	7,763	1,256	743	426	10,188
Charge for the year	1,768	220	134	44	2,166
As at 31 March 2023	**9,531**	**1,476**	**877**	**470**	**12,354**
Net book value as at 31 March 2023	**9,319**	**980**	**200**	**35**	**10,534**

Additions to right-of-use assets include £2.5m in respect of a new lease for additional premises at 16 Palace Street, £1.1m and £0.5m for leased premises for the Zurich and Connecticut offices respectively. The weighted average lessee's incremental borrowing rate applied was 2.54%.

Effective 1 February 2023, the Group has extended its existing lease at 16 Palace Street for an additional tenure of 4 years and has treated this transaction as a modification of the existing lease under the accounting standards.

	Right-of-use assets £'000	Leasehold Improvements £'000	Computer Equipment £'000	Office Furniture £'000	Total £'000
2022					
Cost					
As at 1 April 2021	10,749	1,756	957	426	13,888
Additions	–	330	151	71	552
Disposal	–	–	(139)	–	(139)
As at 31 March 2022	10,749	2,086	969	497	14,301
Accumulated Depreciation					
As at 1 April 2021	6,654	1,066	649	415	8,784
Charge for the year	1,109	190	94	11	1,404
As at 31 March 2022	7,763	1,256	743	426	10,188
Net book value as at 31 March 2022	2,986	830	226	71	4,113

9. Leases

A maturity analysis of the Group's lease liabilities is as follows:

Lease liabilities	**31 March 2023 £'000**	31 March 2022 £'000
Current	**1,729**	1,246
Non-current	**7,526**	1,896
	9,255	3,142

The lease liabilities relate to the two leases in respect of the Group's premises at 16 Palace Street in London, both expiring in January 2028, and the Group's premises in Zurich, expiring in November 2026. The movement in lease balances during the year was £6.1m, of which £1.6m were lease payments, £0.2m was the interest expense, £3.5m related to initial recognition of new leases and £4.0m related to lease modification of the existing lease (2022: The movement in lease balances was £1.2m, of which £1.3m were lease payments, £0.1m was the interest expense).

The consolidated statement of profit or loss includes the following amounts relating to leases recorded within operating costs:

	31 March 2023 £'000	31 March 2022 £'000
Interest expense on lease liabilities	**175**	95
Depreciation on ROU assets	**1,768**	1,109
	1,943	1,204

There are no lease expenses incurred in relation to low-value assets or short-term leases.

10. Subsidiary undertakings

The consolidated financial statements of the Group include the operating subsidiaries listed below. At 31 March 2023 and 2022 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 54% (2022: 23%) 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	Dormant
Polar Capital (America) Corporation	USA	2711 Centreville Road, Wilmington, Delaware, USA	Investment advisory
Polar Capital (Europe) SAS	France	18 Rue de Londres, Paris, France	Investment management
Polar Capital (Shanghai) Consulting Co Limited	China	Bund Finance Centre S2, No.600 Zhongshan East 2 Road, Shanghai	Services company
Polar Capital Holdings LLC	USA	1209 Orange Street, Wilmington, Delaware, 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	Dormant
Polar Capital (Switzerland) AG	Switzerland	Klausstrasse 4, 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 2023:

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	47%
Polar Capital Smart Mobility Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	35%

Phaeacian Partners Holdings LP	USA	1209 Orange Street, Wilmington, Delaware, USA	Investment management	55%
Phaeacian Partners LLC	USA	1209 Orange Street, Wilmington, Delaware, USA	Investment management	55%

The Group was deemed to have lost control over two of its seed capital investments during the current financial year. The Group has therefore deconsolidated Polar Capital Emerging Market Stars Fund, the US 40-Act mutual fund, and Polar Capital China Mercury Fund effective 31 July 2022 and 30 December 2022 respectively.

11. 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.

- other financial liability classified as Level 3. These were fair valued using a 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:

	31 March 2023				31 March 2022			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets								
Assets at FVTPL	**83,048**	**–**	**–**	**83,048**	77,783	–	–	77,783
Other financial assets	**5,237**	**–**	**–**	**5,237**	2,695	–	–	2,695
	88,285	**–**	**–**	**88,285**	80,478	–	–	80,478
Financial liabilities								
Liabilities at FVTPL	**16,285**	**–**	**546**	**16,831**	9,805	–	855	10,660
Other financial liabilities	**–**	**10**	**–**	**10**	–	20	–	20
	16,285	**10**	**546**	**16,841**	9,805	20	855	10,680

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

	31 March 2023 £'000	31 March 2022 £'000

At 1 April	**855**	14,054
Repayment	**(226)**	(9,416)
Net gain recognised in the statement of profit or loss	**(83)**	(3,783)
At 31 March	**546**	855

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.

12. Cash flows generated from operations
A reconciliation of profit before tax to cash generated from operations is as follows:

	31 March 2023	31 March 2022
	£'000	£'000
Profit before tax	**45,204**	62,090
Interest receivable and similar income	**(745)**	(60)
Investment income	**(564)**	(247)
Interest on lease	**175**	95
Depreciation of non-current property and equipment	**2,166**	1,404
Amortisation and impairment of intangible assets	**1,163**	7,860
(Increase)/ decrease in assets at FVTPL	**(4,152)**	7,710
Decrease in other financial liabilities	**(504)**	(10,402)
Decrease/(increase) in receivables	**5,906**	(1,506)
(Decrease)/increase in trade and other payables including other provisions	**(8,678)**	8,421
Share-based payment	**4,386**	7,351
Increase/(decrease) in liabilities at FVTPL[1]	**262**	(3,931)
Release of fund units held against deferred remuneration	**7,356**	6,538
Cash flows generated from operations	**51,975**	85,323

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

13. Contingent liabilities

There are no contingent liabilities to disclose at 31 March 2023 (2022: nil).

14. 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.

15. Status of results announcement
The Board of Directors approved this results announcement on 23 June 2023. 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 2023 or 31 March 2022.

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