



**Polar Capital Holdings plc**

Interim results for six months ended 30 September 2019

## At a Glance

Polar Capital Holdings plc is a specialist, investment led, active fund management company with a collegiate and meritocratic culture where the capacity of investment strategies is managed to enhance and protect performance.

### Who we are

Founded in 2001, the Group currently supports 13 investment teams managing 25 funds and 1 managed account across a range of long-only and alternative products, with combined AuM of £14.3 billion as at 30 September 2019.

The shares of Polar Capital Holdings plc were admitted to trading in London on the Alternative Investment Market in February 2007. It trades under the ticker 'POLR.LN'.

### Our Office Locations

London • Jersey • Connecticut • Edinburgh • Paris • Shanghai

### Assets Under Management (AuM) At 30 September 2019

**£14.3bn**

31 March 2019: £13.8bn

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### Our Philosophy

Primacy of investment performance.

Institutional robustness across operational, compliance, risk and relationship management.

Diversified yet complementary set of funds with a focus on fundamental research driven strategies.

Culture which is flexible, entrepreneurial and transparent.

Environment for employees in which talent can flourish and be well rewarded.

To have high equity ownership amongst staff.

# Summary of Results

For the six months ended 30 September 2019

## Financial

### Assets Under Management (AuM)

|                   |                |
|-------------------|----------------|
| 30 September 2019 | <b>£14.3bn</b> |
| 31 March 2019     | £13.8bn        |

### Core Operating Profit†

(excluding performance fees)

|                   |               |
|-------------------|---------------|
| 30 September 2019 | <b>£21.3m</b> |
| 30 September 2018 | £21.7m        |

### Operating Profit Before Share-based Payments On Preference Shares†

|                   |               |
|-------------------|---------------|
| 30 September 2019 | <b>£25.4m</b> |
| 30 September 2018 | £27.7m        |

### Pre-tax Profit

|                   |               |
|-------------------|---------------|
| 30 September 2019 | <b>£24.9m</b> |
| 30 September 2018 | £27.3m        |

### Basic Earnings Per Share

|                   |              |
|-------------------|--------------|
| 30 September 2019 | <b>21.6p</b> |
| 30 September 2018 | 24.3p        |

### Adjusted Diluted Earnings Per Share

|                   |              |
|-------------------|--------------|
| 30 September 2019 | <b>19.8p</b> |
| 30 September 2018 | 21.9p        |

### Interim Dividend Per Ordinary Share

declared to be paid in January 2020

|      |             |
|------|-------------|
| 2019 | <b>8.0p</b> |
| 2018 | 8.0p        |

### Shareholders' Funds

|                   |                |
|-------------------|----------------|
| 30 September 2019 | <b>£103.6m</b> |
| 30 September 2018 | £83.9m         |

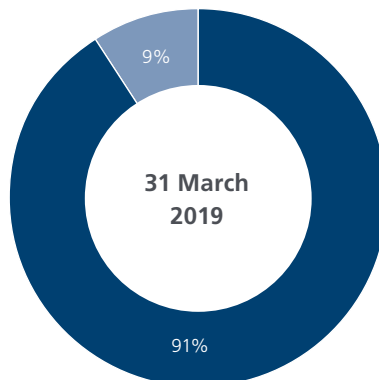
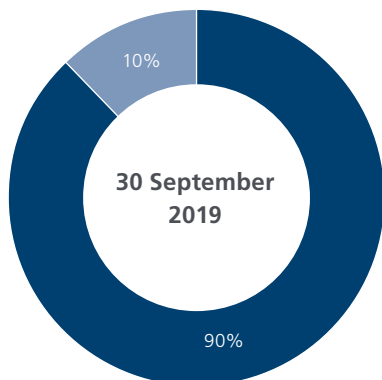
### Cash And Investments

|                   |                |
|-------------------|----------------|
| 30 September 2019 | <b>£108.7m</b> |
| 30 September 2018 | £105.3m        |

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

# Assets under Management

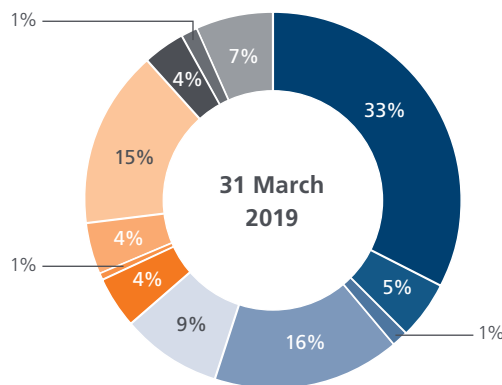
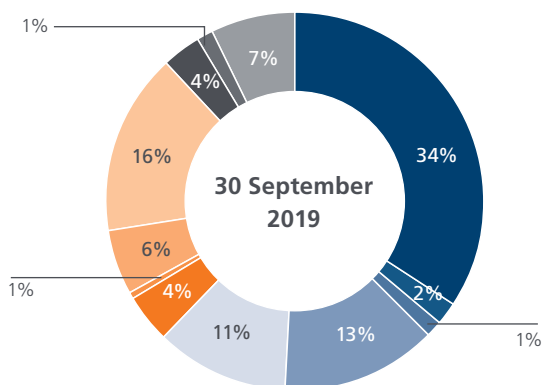
## AuM split by Type



|                  | 31 September 2019 |     |
|------------------|-------------------|-----|
|                  | £bn               | %   |
| ● Long-only      | 12.8              | 90% |
| ● Alternative    | 1.5               | 10% |
| <b>Total AuM</b> | <b>14.3</b>       |     |

|                  | 31 March 2019 |     |
|------------------|---------------|-----|
|                  | £bn           | %   |
| ● Long-only      | 12.5          | 91% |
| ● Alternative    | 1.3           | 9%  |
| <b>Total AuM</b> | <b>13.8</b>   |     |

## AuM split by Strategy (In chronological order)



|                           | 31 September 2019 |     |
|---------------------------|-------------------|-----|
|                           | £bn               | %   |
| ● Technology              | 4.9               | 34% |
| ● Japan                   | 0.3               | 2%  |
| ● European Long/Short     | 0.2               | 1%  |
| ● Healthcare              | 1.9               | 13% |
| ● Insurance               | 1.6               | 11% |
| ● Financials              | 0.6               | 4%  |
| ● Emerging Markets Income | 0.1               | 1%  |
| ● Convertibles            | 0.8               | 6%  |
| ● North America           | 2.2               | 16% |
| ● UK Absolute Return      | 0.5               | 4%  |
| ● European Income         | 0.2               | 1%  |
| ● UK Value                | 1.0               | 7%  |
| ● Emerging Market Stars   | *                 | –   |
| <b>Total AuM</b>          | <b>14.3</b>       |     |

|                           | 31 March 2019 |     |
|---------------------------|---------------|-----|
|                           | £bn           | %   |
| ● Technology              | 4.5           | 33% |
| ● Japan                   | 0.7           | 5%  |
| ● European Long/Short     | 0.2           | 1%  |
| ● Healthcare              | 2.2           | 16% |
| ● Insurance               | 1.2           | 9%  |
| ● Financials              | 0.6           | 4%  |
| ● Emerging Markets Income | 0.1           | 1%  |
| ● Convertibles            | 0.6           | 4%  |
| ● North America           | 2.1           | 15% |
| ● UK Absolute Return      | 0.5           | 4%  |
| ● European Income         | 0.2           | 1%  |
| ● UK Value                | 0.9           | 7%  |
| ● Emerging Market Stars   | *             | –   |
| <b>Total AuM</b>          | <b>13.8</b>   |     |

\* AuM at 30 September 2019 of £42m (31 March 2019: £36m).

# Chief Executive's Statement



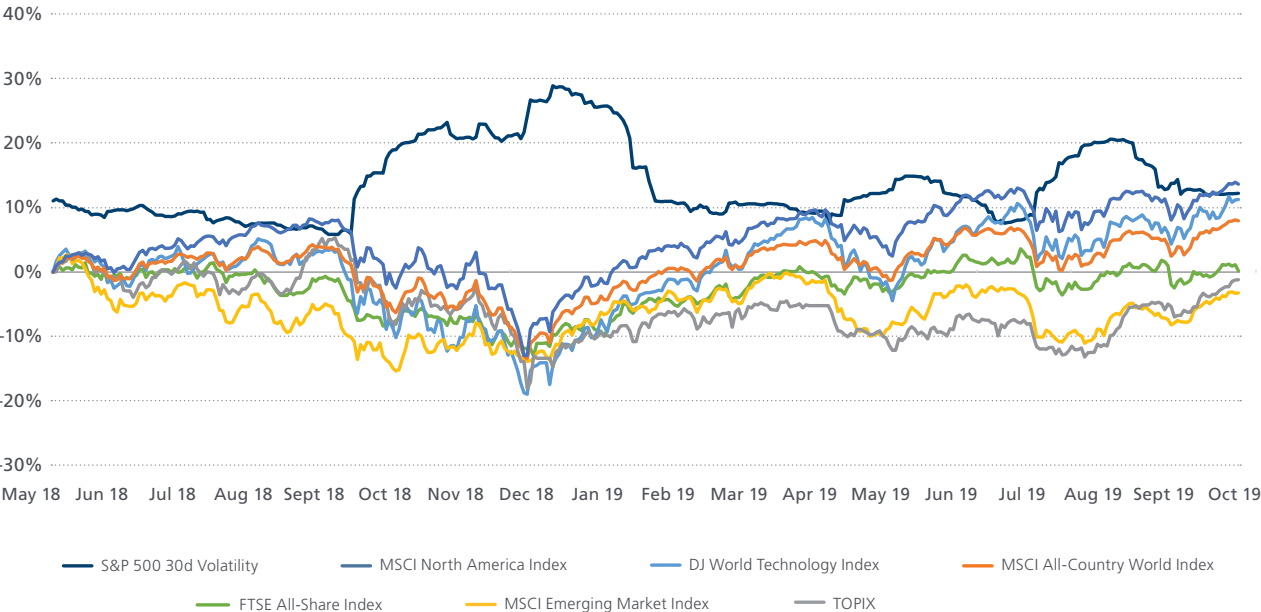
**Gavin Rochussen**  
Chief Executive

### Markets

The six-month period to end September 2019 was characterised by modest rises in most major equity markets and sectors, with returns to sterling-based investors further enhanced by the weakness of the pound against the US dollar, Yen and Euro. The US equity market rose by more than Europe, the UK and Japan. The technology sector continued to lead, which goes some way to explaining superior US market returns, with the energy sector and healthcare weaker over the period. Healthcare suffered due to concerns that Democrat Presidential candidates in the US may change drug pricing and procurement policies. For much of 2019, persistently low inflation expectations, a declining growth outlook, and investor caution have led to lower long-term bond yields; the US 2-10 year yield curve briefly inverted in late August. This backdrop has been much more favourable for growth and quality styles in equities than for value.

Style rotation in markets changed dramatically in early September. A degree of optimism about the state of US-China trade negotiations, and signs that fiscal policy changes may be implemented in order to stimulate economic growth, resulted in a sharp pick-up in bond yields, inflation expectations and in the performance of value versus growth. The scale and speed of change in style preference illustrates that investor positioning had become extreme. It remains to be seen whether this is the beginning of a more fundamental change; bond yields are still well below the levels of early 2019 and the yield curve is flat.

### Global Indices vs Volatility



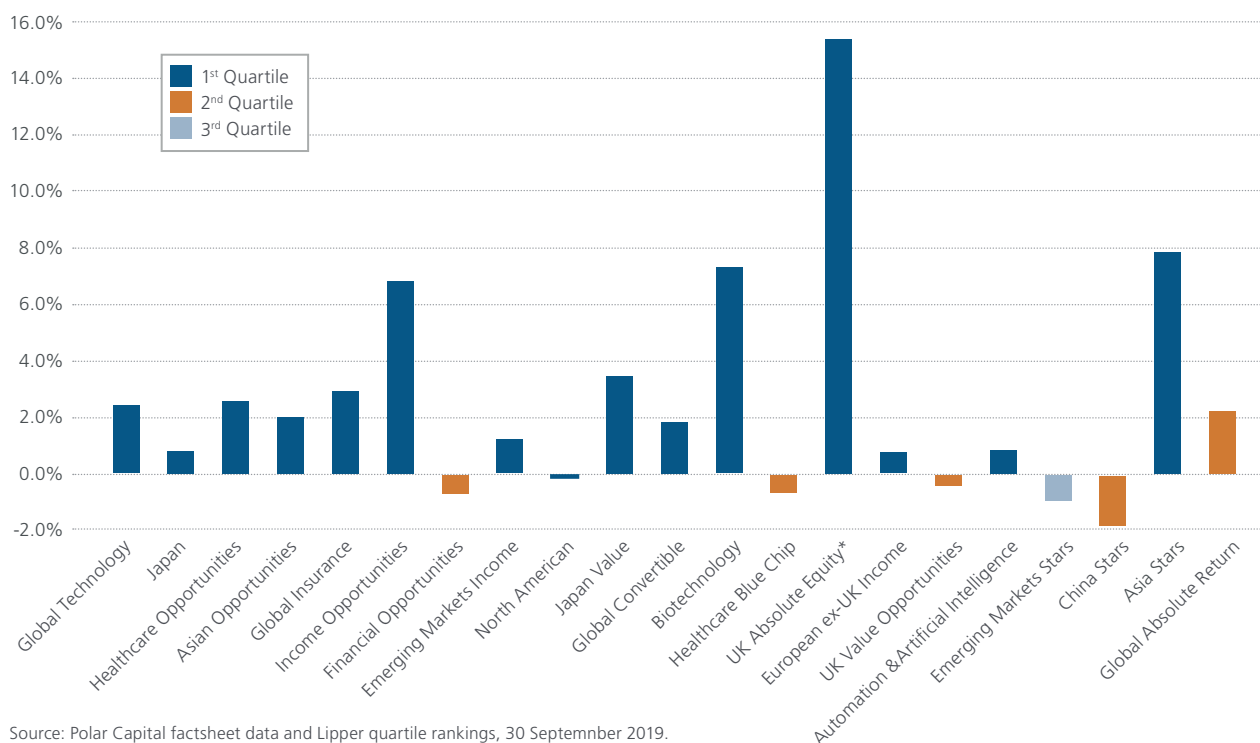
Source: Bloomberg

# Chief Executive’s Statement continued

## Fund performance

As at 30 September 2019, 68% of Polar’s UCITS fund AuM is ranked in the top quartile versus peers over three years, 75% is ranked top quartile over five years and 90% is ranked top quartile since inception. The rapid and severe change in style rotation in markets during September, favouring value at the expense of growth and quality, had a significant short-term impact on fund performance versus benchmark right at the end of the reporting period. Polar strategies which had been performing well, and which have growth characteristics, such as Technology, Healthcare and UK Absolute, suffered a performance reversal in the month of September which negatively affected their peer rankings such that only 20% of our total UCITS fund AuM was ranked in the top quartile over one year to the end of September. This is materially less than is the case over longer time periods. All three strategies lag their performance benchmarks year-to-date but have outperformed over three years and longer.

### Annualised strategy performance against benchmark (since inception)



Source: Polar Capital factsheet data and Lipper quartile rankings, 30 September 2019.

More recently launched investment strategies with significant remaining capacity in funds such as Emerging Market Stars, Asian Stars and Automation & Artificial Intelligence, and more established strategies such as Global Insurance, performed well versus benchmark over the six-month period. Emerging Market Stars, Asian Stars and Global Insurance were ahead of benchmark by close to 500 basis points and both Emerging Market Stars and Global Insurance are ranked in the top decile versus peers over six months and are ranked within the top quartile over one year.

With the exception of the UK Absolute Equity Fund, all the alternative strategies achieved positive absolute performance in the calendar year to 30 September 2019. European Forager (USD Share Class) was up 5.77%, Global Convertible Bond Fund (GBP Share Class) returned 8.16%, the Convertibles’ Global Absolute Return Fund launched in January this year returned 1.65% and the China Mercury Fund returned 6.01% in the calendar year to 30 September. The UK Absolute Equity Fund (GBP Share Class) to the end of September was marginally down by 58bps having suffered a decline in September as a consequence of the rapid change in style rotation in markets, from growth to value, in September referred to earlier.

### MSCI Global Value vs Global Growth



Source: Bloomberg

Each investment team at Polar is autonomous and there is no 'house view'. Diversity of approach across Polar means that strategies will typically perform well at different times. Our investment oversight team monitors the characteristics of each investment strategy to ensure that style and factor sensitivities are intentional and appropriately scaled, and to help fund management teams play to their strengths over the investment cycle.

### AuM and Fund Flows

In the six months to 30 September 2019, AuM increased by £467m from £13.8bn to £14.3bn. The increase in AuM resulted from £915m in market movement, currency and performance offset by net outflows of £448m. There were net inflows of £112m into the alternative funds and £560m of net outflows from the long-only strategies.

The largest contributor to net outflows in the six months was the Japan Fund where, following a sustained period of underperformance, it was decided that the team be re-aligned to focus on the Japan Value Fund where, over three years it has been within the top decile against the UCITS Lipper peer group and within the top quartile against the UCITS Lipper peer group over one year, five years and since inception in October 2012. The Japan Fund has now been merged with the Japan Value Fund which received subscriptions of £256m as a consequence of the fund merger.

In the six months to September 2019, two long-standing clients redeemed in excess of £500m from two of our highly rated funds, the Global Technology Fund and the Healthcare Opportunities Fund to take profits and reduce risk in their underlying client portfolios. This has provided the Technology and Healthcare strategies with additional capacity where the demand for the funds is robust.

Despite overall net outflows over the past six months, we have had net inflows into most of our funds.

### Results

Average AuM over the six months to 30 September 2019 increased by 5% from £13.4bn (the average AuM for the six months to 30 September 2018) to £14.1bn.

Most of this increase was driven by sterling weakness which, given the Group's revenue hedging strategy, saw net management fee revenues increase by 3% from £57.3m in the comparable prior half year period to £59.1m.

Core operating costs increased by £2.4m and performance fee interests declined by a similar amount to leave total operating costs unchanged when compared to the prior half year period. Core operating costs have increased mainly as a result of the investment in future growth, highlighted in the 2019 Annual Report, around the full cost of the GEM Stars team that arrived part way through last year, additional fund oversight and US

and Nordic distribution capabilities as well as an increase in variable core manager distribution costs due to deferrals from prior periods impacting the current interim period.

As a consequence, core operating profit (excluding performance fees and other income) decreased 2% to £21.3m compared to £21.7m in the prior half year period. Net profit before tax and share-based payments on preference shares decreased by 8% due to increased operating costs and the reduction in crystallised net performance fee down from £5.5m to £3.3m.

|   | Six months to<br>30 September<br>2019 | Six months to<br>30 September<br>2018 |
|---|---------------------------------------|---------------------------------------|
| Average AUM   | £14.1bn                               | £13.4bn                               |
| Core operating profit   | £21.3m                                | £21.7m                                |
| Performance fee profit <sup>1</sup>                                   | £3.3m                                 | £5.5m                                 |
| Other income  | £0.8m                                 | £0.5m                                 |
| Profit before share-based<br>payments on preference<br>shares and tax | £25.4m                                | £27.7m                                |
| Share-based payments on<br>preference shares                          | £(0.5)m                               | £(0.4)m                               |
| Profit before tax   | £24.9m                                | £27.3m                                |
| Adjusted diluted EPS<br>(non-GAAP measure)                            | 19.8p                                 | 21.9p                                 |

1. Gross performance fee receipt of £6.6m net of fund manager interests of £3.3m.

Profit during the six months was augmented by the decision of the North America Fund managers to partially crystallise their preference shares which involves the foregoing of profit share in return for receiving Polar Capital Holdings plc equity. The crystallisation, while triggered and announced to the market in late November, took effect from 1 April 2019 and accordingly the managers' profit share cost has been reduced over this six-month reporting period. The initial crystallisation value is to be satisfied by the issue of up to 1,442,064 shares in three tranches which can be adjusted downward if profitability of the North American Fund declines. Based on the results for the financial year ended 31 March 2019, the impact of the crystallisation would have been an earnings enhancement of around 1p per share<sup>†</sup>.

Adjusted diluted earnings per share decreased by 10% to 19.8p reflecting the reduction in core operating profits and net performance fees.

The Board has declared an interim dividend of 8.0p to be paid in January 2020 (January 2019: 8.0p).

<sup>†</sup> Presented for illustrative purposes based on the year end results for 31 March 2019 and assuming the partial crystallisation occurred as at 31 March 2019.

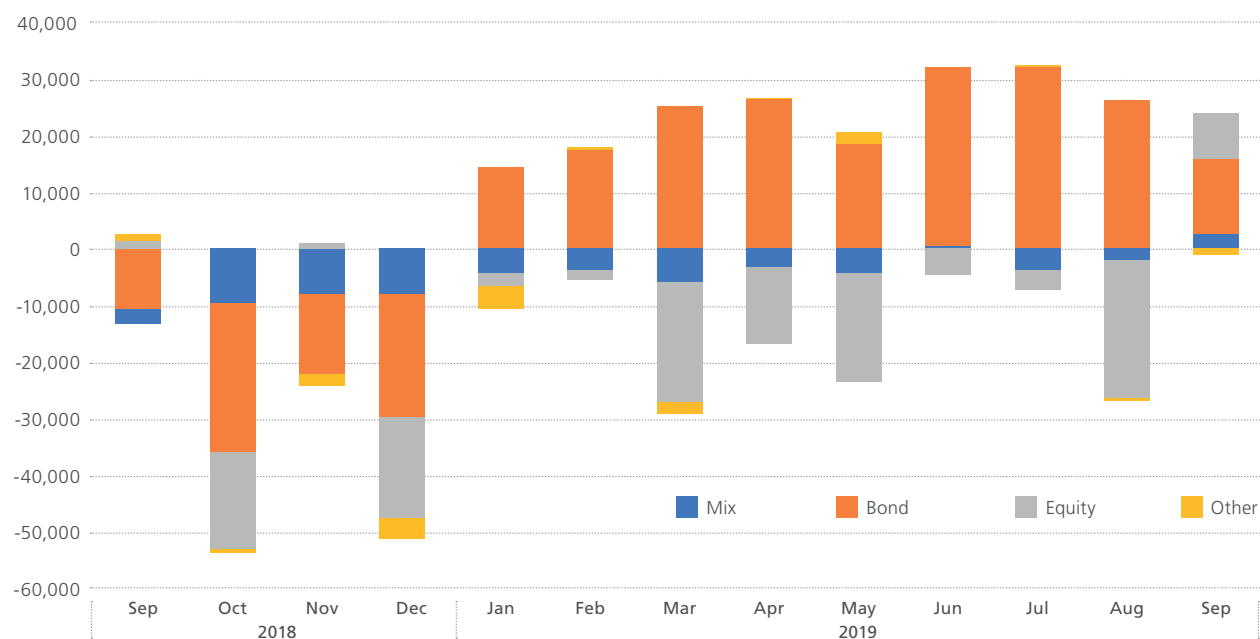
# Chief Executive's Statement continued

## Current trading

Short term performance and net fund flows have continued to be challenging. Accordingly, net performance fee profit uncrystallised and marked-to-market at 31 October was £3.8m which had reduced from £4.2m at 30 September. The net performance fees earned and crystallised in the year to 31 March 2019 were £24m.

October and November have seen a moderate rise in markets as a consequence of further monetary easing by the Federal Reserve and monetary stimulus by the ECB. This has had the impact of lifting markets but has not, as yet, increased the appetite for active equities. Across the UK and Europe, our core markets, retail active equity fund sales have been negative every month since October 2018.

## Net European mutual fund sales data (€m)



Excludes money market funds and funds of funds. Data express in €m  
Source: Broadridge GMI and Fund Radar

## Outlook

The past six months have been challenging. Close to home, the ongoing uncertainty surrounding the UK's relationship with Europe has led to a very polarised equity market. Accompanied by the weakness of sterling, economic uncertainty has resulted in marked performance divergence between the international food, drinks and pharmaceutical companies on the one hand, and more domestically focussed and economy sensitive manufacturing and construction companies on the other. This picture has started to change as hopes of a Brexit solution have risen; we are beginning to see signs of bargain hunters emerge in the UK.

Further afield, policy makers are working hard to support economic growth, but the outcome of trade talks and the implications of the US Presidential election are significant unknowns. While early September was a reminder of how quickly investor preference can change, particularly when positioning is extreme, we still do not believe that conditions are in place for a sustained swing towards value stocks; that would require considerably improved economic growth expectations, rising bond yields and a steepening yield curve.

Active equity strategies have seen continued outflows, and equity funds as a whole have experienced record outflows into bonds, but these have been dwarfed by buy-backs and M&A which have supported public markets. Positioning and sentiment surveys remain cautious, with reported cash positions at high levels and equities underweight.

With our diverse and differentiated range of sector and regional long-only and alternative strategies with and entrenched performance led culture, we believe that we are well placed to continue delivering above average returns for our clients and, as a consequence, compelling returns for our shareholders over the long term.

**Gavin Rochussen**  
Chief Executive

22 November 2019



## Alternative Performance Measures ('APMs')

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

### Core operating profit

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

**Reconciliation:** Chief Executive's statement.

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

### Performance fee profit

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

**Reconciliation:** Chief Executive's statement.

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

### Profit before share-based payments on preference shares

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

**Reconciliation:** Chief Executive's statement and Note 5.

**Reason for use:** The Group believes that as preference share awards have been designed to be earnings enhancing to shareholders adjusting for this non-cash item provides a better understanding of the financial performance of the Group.

### Adjusted and adjusted diluted earnings per share

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

**Reconciliation:** Note 6.

**Reason for use:** To present users of the accounts with a clear view of what the Group considers to be the distributions from its underlying operations. The Group believes that (a) as the preference share awards have been designed to be earnings enhancing to shareholders adjusting for this non-cash item provides a better understanding of the financial performance of the Group and (b) comparing staff remuneration and profits generated in the same time period (rather than deferring remuneration over a longer vesting period) allows users of the accounts to gain a better understanding of the Group's results and their comparability period on period.

## Interim Consolidated Statement of Profit or Loss

For the six months ended 30 September 2019

|  | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|--|---|---|
| Revenue  | 71,322  | 74,519  |
| Other income   | 768   | 453   |
| <b>Gross income</b>  | <b>72,090</b>   | <b>74,972</b>   |
| Commissions and fees payable                                       | (5,548)   | (6,043)   |
| Net income   | 66,542  | 68,929  |
| Operating costs  | (41,593)  | (41,606)  |
| <b>Profit for the period before tax</b>                            | <b>24,949</b>   | <b>27,323</b>   |
| Taxation   | (5,017)   | (5,330)   |
| <b>Profit for the period attributable to ordinary shareholders</b> | <b>19,932</b>   | <b>21,993</b>   |
| <b>Earnings per share</b>  |   |   |
| Basic  | 21.6p   | 24.3p   |
| Diluted  | 20.0p   | 22.1p   |
| Adjusted basic (Non-GAAP measure)                                  | 21.4p   | 24.1p   |
| Adjusted diluted (Non-GAAP measure)                                | 19.8p   | 21.9p   |

## Interim Consolidated Statement of Other Comprehensive Income

For the six months to 30 September 2019

|  | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|--|---|---|
| <b>Profit for the period attributable to ordinary shareholders</b>   | <b>19,932</b>   | <b>21,993</b>   |
| <b>Other comprehensive income</b> – items that will be reclassified to income statement in subsequent periods: |   |   |
| Net movement on the fair valuation of cash flow hedges   | (583)   | (2,028)   |
| Deferred tax effect  | 99  | 385   |
|  | (484)   | (1,643)   |
| Exchange differences on translation of foreign operations  | 680   | 245   |
| Other comprehensive income for the period  | 196   | (1,398)   |
| <b>Total comprehensive income for the period, net of tax, attributable to ordinary shareholders</b>            | <b>20,128</b>   | <b>20,595</b>   |

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

# Interim Consolidated Balance Sheet

As at 30 September 2019

|   | (Unaudited)<br>30 September<br>2019<br>£'000 | (Audited)<br>31 March 2019<br>£'000 |
|---|--|-------------------------------------|
| <b>Non-current assets</b>                                 |  |                                     |
| Property and equipment                                    | 6,918  | 1,723                               |
| Deferred tax assets                                       | 4,038  | 4,075                               |
|   | 10,956                                       | 5,798                               |
| <b>Current assets</b>                                     |  |                                     |
| Investment securities                                     | 11,687                                       | 9,902                               |
| Assets at fair value through profit or loss               | 36,430                                       | 25,223                              |
| Trade and other receivables                               | 16,012                                       | 15,246                              |
| Current tax asset   | 310  | –                                   |
| Cash and cash equivalents                                 | 71,566                                       | 111,734                             |
|   | 136,005                                      | 162,105                             |
| <b>Total assets</b>                                       | 146,961                                      | 167,903                             |
| <b>Non-current liabilities</b>                            |  |                                     |
| Provisions and other liabilities                          | 5,951  | 1,858                               |
| Deferred tax liabilities                                  | 279  | 30                                  |
|   | 6,230  | 1,888                               |
| <b>Current liabilities</b>                                |  |                                     |
| Liabilities at fair value through profit or loss          | 2,272  | 1,679                               |
| Trade and other payables                                  | 33,865                                       | 46,647                              |
| Other financial liabilities                               | 992  | 1,668                               |
| Current tax liabilities                                   | –  | 6,340                               |
|   | 37,129                                       | 56,334                              |
| <b>Total liabilities</b>                                  | 43,359                                       | 58,222                              |
| <b>Net assets</b>   | 103,602                                      | 109,681                             |
| <b>Capital and reserves</b>                               |  |                                     |
| Issued share capital                                      | 2,411  | 2,365                               |
| Share premium   | 19,059                                       | 19,059                              |
| Investment in own shares                                  | (22,910)                                     | (17,930)                            |
| Capital and other reserves                                | 9,561  | 9,067                               |
| Retained earnings   | 95,481                                       | 97,120                              |
| <b>Total equity attributable to ordinary shareholders</b> | 103,602                                      | 109,681                             |

# Interim Consolidated Statement of Changes in Equity

For the six months to 30 September 2019

|  | Issued<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Investment<br>in own<br>shares<br>£'000 | Capital<br>reserves<br>£'000 | Other<br>reserves<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|--|-------------------------------------|---------------------------|---|------------------------------|----------------------------|-------------------------------|--------------------------|
| <b>As at 1 April 2019 (audited)</b>                  | 2,365                               | 19,059                    | (17,930)                                | 695                          | 8,372                      | 97,120                        | 109,681                  |
| Effect of adoption of IFRS 16                        | –                                   | –                         | –                                       | –                            | –                          | (318)                         | (318)                    |
| As at 1 April 2019 (adjusted)                        | 2,365                               | 19,059                    | (17,930)                                | 695                          | 8,372                      | 96,802                        | 109,363                  |
| Profit for the period                                | –                                   | –                         | –                                       | –                            | –                          | 19,932                        | 19,932                   |
| Other comprehensive income                           | –                                   | –                         | –                                       | –                            | 196                        | –                             | 196                      |
| Total comprehensive income                           | –                                   | –                         | –                                       | –                            | 196                        | 19,932                        | 20,128                   |
| Dividends paid to shareholders                       | –                                   | –                         | –                                       | –                            | –                          | (23,249)                      | (23,249)                 |
| Issue of shares                                      | 46                                  | –                         | –                                       | –                            | –                          | (46)                          | –                        |
| Own shares acquired                                  | –                                   | –                         | (7,133)                                 | –                            | –                          | –                             | (7,133)                  |
| Release of own shares                                | –                                   | –                         | 2,153                                   | –                            | –                          | (1,087)                       | 1,066                    |
| Share-based payment                                  | –                                   | –                         | –                                       | –                            | –                          | 3,129                         | 3,129                    |
| Current tax in respect of<br>employee share options  | –                                   | –                         | –                                       | –                            | 629                        | –                             | 629                      |
| Deferred tax in respect of<br>employee share options | –                                   | –                         | –                                       | –                            | (331)                      | –                             | (331)                    |
| <b>As at 30 September 2019<br/>(unaudited)</b>       | 2,411                               | 19,059                    | (22,910)                                | 695                          | 8,866                      | 95,481                        | 103,602                  |
| <b>As at 1 April 2018 (audited)</b>                  | 2,335                               | 18,872                    | (9,221)                                 | 695                          | 10,746                     | 64,241                        | 87,668                   |
| Profit for the period                                | –                                   | –                         | –                                       | –                            | –                          | 21,993                        | 21,993                   |
| Other comprehensive income                           | –                                   | –                         | –                                       | –                            | (1,398)                    | –                             | (1,398)                  |
| Total comprehensive income                           | –                                   | –                         | –                                       | –                            | (1,398)                    | 21,993                        | 20,595                   |
| Dividends paid to shareholders                       | –                                   | –                         | –                                       | –                            | –                          | (19,980)                      | (19,980)                 |
| Dividends paid to third-party<br>interests           | –                                   | –                         | –                                       | –                            | –                          | (30)                          | (30)                     |
| Issue of shares against options                      | 6                                   | 30                        | –                                       | –                            | –                          | (6)                           | 30                       |
| Own shares acquired                                  | –                                   | –                         | (8,717)                                 | –                            | –                          | –                             | (8,717)                  |
| Release of own shares                                | –                                   | –                         | 1,029                                   | –                            | –                          | (1,029)                       | –                        |
| Share-based payment                                  | –                                   | –                         | –                                       | –                            | –                          | 2,767                         | 2,767                    |
| Current tax in respect of<br>employee share options  | –                                   | –                         | –                                       | –                            | 237                        | –                             | 237                      |
| Deferred tax in respect of<br>employee share options | –                                   | –                         | –                                       | –                            | 1,280                      | –                             | 1,280                    |
| <b>As at 30 September 2018<br/>(unaudited)</b>       | 2,341                               | 18,902                    | (16,909)                                | 695                          | 10,865                     | 67,956                        | 83,850                   |

# Interim Consolidated Cash Flow Statement

For the six months to 30 September 2019

|  | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|--|---|---|
| <b>Operating activities</b>                                  |   |   |
| Cash generated from operations                               | 13,741  | 25,391  |
| Tax paid   | (10,825)  | (2,238)   |
| <b>Net cash flow from operating activities</b>               | <b>2,916</b>  | <b>23,153</b>   |
| <b>Investing activities</b>                                  |   |   |
| Interest received and similar income                         | 139   | 51  |
| Investment income  | 139   | 348   |
| Sale of investment securities                                | 2,998   | 3,704   |
| Purchase of investment securities                            | (4,809)   | (19,114)  |
| Sale of assets at fair value through profit or loss          | –   | 1,833   |
| Purchase of assets at fair value through profit or loss      | (10,978)  | (8,801)   |
| Purchase of property and equipment                           | (71)  | (75)  |
| <b>Net cash outflow from investing activities</b>            | <b>(12,582)</b>   | <b>(22,054)</b>   |
| <b>Financing activities</b>                                  |   |   |
| Dividends paid to shareholders                               | (23,249)  | (19,980)  |
| Dividends paid to third-party interests                      | –   | (30)  |
| Issue of ordinary shares                                     | –   | 34  |
| Purchase of own shares                                       | (7,133)   | (8,717)   |
| Payment of lease liabilities                                 | (893)   | –   |
| Third-party subscriptions into consolidated funds            | 479   | 614   |
| Third-party redemptions from consolidated funds              | (15)  | (419)   |
| <b>Net cash outflow from financing activities</b>            | <b>(30,811)</b>   | <b>(28,498)</b>   |
| <b>Net decrease in cash and cash equivalents</b>             | <b>(40,477)</b>   | <b>(27,399)</b>   |
| Cash and cash equivalents at start of period                 | 111,734   | 87,950  |
| Effect of exchange rate changes on cash and cash equivalents | 309   | 3   |
| <b>Cash and cash equivalents at end of period</b>            | <b>71,566</b>   | <b>60,554</b>   |

# Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2019

## 1. General Information, Basis of Preparation and Accounting Policies

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

The unaudited interim condensed consolidated financial statements to 30 September 2019 have been prepared in accordance with IAS 34: Interim Financial Reporting.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2019 except for the adoption of new standards effective as of 1 January 2019.

### New standards adopted by the Group

IFRS 16 replaces IAS 17 Leases and provides a single on-balance sheet lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless exemptions are availed for lease terms of 12 months or less, or where the underlying asset is of low value.

The adoption of IFRS 16 has meant that the rental agreement for the Group's main office premises, which under IAS 17 was classified as an operating lease with rental payments charged to the Consolidated Statement of Profit or Loss on a straight line basis, has been remeasured under the new single lease accounting model.

IFRS 16 was adopted by the Group on 1 April 2019 using the modified retrospective approach permitted by the standard. The lease liability has been measured on initial application as the present value of the remaining lease payments. A corresponding Right-of-Use (ROU) asset has been recognised as if IFRS 16 had always been applied. Both the lease liability and ROU asset have been discounted using an incremental borrowing rate as at 1 April 2019 of 2.25%.

The effect of adoption of IFRS 16 is as follows:

### Impact on the Consolidated Balance Sheet (increase/(decrease)) as at 1 April 2019:

| Assets                             | £'000 |
|------------------------------------|-------|
| Property and equipment – ROU asset | 5,801 |
| Deferred tax                       | 65    |
| Total non-current assets           | 5,866 |

| Liabilities        | £'000 |
|--------------------|-------|
| Lease liabilities* | 7,067 |
| Other provisions   | (883) |
| Total liabilities  | 6,184 |

\* This represents the operating lease commitments of £7.6m disclosed in note 4.11 of the 2019 Annual Report discounted using an incremental borrowing rate as at 1 April 2019 of 2.25%. Of the total lease liability recognised on 1 April 2019 of £7.1m, £5.9m was a non-current lease liability and £1.2m was a current lease liability.

| Equity            | £'000 |
|-------------------|-------|
| Retained earnings | (318) |

### Impact on the Consolidated Statement of Profit and Loss (increase/(decrease)) for the six months ended 30 September 2019:

| Operating costs             | £'000 |
|-----------------------------|-------|
| Depreciation                | 504   |
| Rent expense                | (569) |
| Interest on lease liability | 78    |
| Total operating costs       | 13    |

There is no material impact on other comprehensive income and the basic and diluted EPS.

In applying the modified retrospective approach to IFRS 16 the Group has used the following practical expedients allowed by the standard:

- applied the new rules to leases previously identified in accordance with IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease;
- applied the recognition exemption for leases where the lease term ends within 12 months of 1 April 2019 and for leases of low value;
- excluded initial direct costs from the measurement of the ROU asset at 1 April 2019;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Set out below are the new Group accounting policies upon adoption of IFRS 16:

#### **Right-of-Use 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. 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 the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

#### **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.

#### **Group information**

The Group is required to consolidate seed capital investments where it is deemed to control them. There has been no change to the consolidation of the Group since 31 March 2019.

#### **Going concern**

The Group has a robust financial resources position, access to cashflow from ongoing investment management contracts and the Directors believe that the Group is well placed to manage its business risks. The Directors also have a reasonable expectation that the Group has adequate resources to continue operating for a period of at least 12 months from the balance sheet date. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the unaudited interim condensed consolidated financial statements.

# Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2019

## 2. Revenue

|   | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|---|---|---|
| Investment management and research fees | 65,840  | 62,989  |
| Investment advisory fees                | –   | 58  |
| Investment performance fee              | 6,644   | 11,207  |
| (Loss)/ gain on hedging                 | (1,162)   | 265   |
|   | 71,322  | 74,519  |

## 3. Operating costs

a) Operating costs include the following items:

|                             | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|-----------------------------|---|---|
| Staff costs                 | 32,010  | 32,019  |
| Depreciation                | 678   | 175   |
| Short term lease payments   | 76  | –   |
| Interest on lease liability | 78  | –   |

b) Auditors' remuneration:

|  |    |    |
|--|----|----|
| Audit of Group financial statements      | 26 | 26 |
| Other fees                               |    |    |
| – local statutory audits of subsidiaries | 20 | 20 |
| – non-audit services                     | 25 | 36 |
| – tax advisory services                  | 1  | 1  |
|  | 72 | 83 |

## 4. Dividends

|               | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|---------------|---|---|
| Dividend paid | 23,249  | 19,980  |

On 26 July 2019 the Group paid a second interim dividend for 2019 of 25p (2018: 22p) per ordinary share.



## 5. Share-based Payments

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

|                              | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|------------------------------|---|---|
| Preference shares            | 545   | 393   |
| LTIP and initial share award | 1,253   | 1,502   |
| Equity incentive plan        | 438   | 300   |
| Deferred remuneration plan   | 893   | 572   |
|                              | 3,129   | 2,767   |

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

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

In November 2019 one investment team with the right to do so, the North America team, called for a partial conversion. This has been accounted for as an adjusting event as at 30 September 2019. At 30 September 2019 a further three sets of preference shares (2018: two 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 on conversion of preference shares:

|                            | (Unaudited)<br>Six months to<br>30 September<br>2019<br>Number of shares | (Unaudited)<br>Six months to<br>30 September<br>2018<br>Number of shares |
|----------------------------|--|--|
| At 1 April                 | 6,628,293  | 8,427,313  |
| Conversion/crystallisation | (1,442,064)  | (4,060,074)  |
| Movement during the period | (51,192)   | 518,699  |
| At 30 September            | 5,135,037  | 4,885,938  |

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

|                             | (Unaudited)<br>Six months to<br>30 September<br>2019<br>Number of shares | (Unaudited)<br>Six months to<br>30 September<br>2018<br>Number of shares |
|-----------------------------|--|--|
| Outstanding at 1 April      | 3,654,068  | –  |
| Conversion/crystallisation  | 1,442,064  | 4,060,074  |
| Issued during the period    | (1,218,022)  | –  |
| Outstanding at 30 September | 3,878,110  | 4,060,074  |

# Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2019

## 5. Share-based payments continued

The initial conversion calculation is made in relation to the crystallisation period ended 31 March 2019 and results in an initial crystallisation value equivalent to the issue of up to 1,442,064 new ordinary shares. This calculation is repeated at each of the first, second and third anniversaries of the crystallisation event date, 31 March 2019, based on the profits of the business unit in the 12 months ended on the respective anniversary. If the result of the re-calculation provides for a smaller share consideration, then the shares issued to the owners of the preference shares are adjusted accordingly. The effect of such a re-calculation is to cap the shares issued on conversion to 1,442,064 and allow the Group to adjust the remaining number of unissued shares downwards in case of a deterioration in performance of the relevant investment team post the partial crystallisation event date of 31 March 2019.

## 6. Earnings Per Share

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

|   | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|---|---|---|
| <b>Earnings</b>   |   |   |
| Profit after tax for purpose of basic and diluted EPS                   | 19,932  | 21,993  |
| Adjustments (post tax):   |   |   |
| Add back cost of share-based payments on preference shares              | 545   | 393   |
| Less net amount of deferred staff remuneration                          | (748)   | (582)   |
| Profit after tax for purpose of adjusted basic and adjusted diluted EPS | 19,729  | 21,804  |

|  | (Unaudited)<br>Six months to<br>30 September<br>2019<br>Number of shares | (Unaudited)<br>Six months to<br>30 September<br>2018<br>Number of shares |
|--|--|--|
| <b>Weighted average number of shares</b>   |  |  |
| Weighted average number of ordinary shares, excluding own shares, for purposes of basic and adjusted basic EPS | 92,261,884   | 90,373,161   |
| Effect of dilutive potential shares – share options  | 3,744,900  | 5,121,776  |
| Effect of preference shares crystallised but not yet issued  | 3,878,110  | 4,060,074  |
| Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted EPS                    | 99,884,894   | 99,555,011   |

|                           | (Unaudited)<br>Six months to<br>30 September<br>2019<br>Pence | (Unaudited)<br>Six months to<br>30 September<br>2018<br>Pence |
|---------------------------|---|---|
| <b>Earnings per share</b> |   |   |
| Basic                     | 21.6  | 24.3  |
| Diluted                   | 20.0  | 22.1  |
| Adjusted basic            | 21.4  | 24.1  |
| Adjusted diluted          | 19.8  | 21.9  |

## 7. Financial Instruments

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

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

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

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

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

|                              | (Unaudited) 30 September 2019 |                  |                  |                |
|------------------------------|-------------------------------|------------------|------------------|----------------|
|                              | Level 1<br>£'000              | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
| <b>Financial assets</b>      |                               |                  |                  |                |
| Investment securities        | 11,687                        | –                | –                | 11,687         |
| Assets at FVTPL              | 36,430                        | –                | –                | 36,430         |
|                              | 48,117                        | –                | –                | 48,117         |
| <b>Financial Liabilities</b> |                               |                  |                  |                |
| Liabilities at FVTPL         | 2,272                         | –                | –                | 2,272          |
| Other financial liabilities  | –                             | 992              | –                | 992            |
|                              | 2,272                         | 992              | –                | 3,264          |

|                              | (Audited) 31 March 2019 |                  |                  |                |
|------------------------------|-------------------------|------------------|------------------|----------------|
|                              | Level 1<br>£'000        | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
| <b>Financial assets</b>      |                         |                  |                  |                |
| Investment securities        | 9,902                   | –                | –                | 9,902          |
| Assets at FVTPL              | 25,223                  | –                | –                | 25,223         |
|                              | 35,125                  | –                | –                | 35,125         |
| <b>Financial Liabilities</b> |                         |                  |                  |                |
| Liabilities at FVTPL         | 1,679                   | –                | –                | 1,679          |
| Other financial liabilities  | 506                     | 1,162            | –                | 1,668          |
|                              | 2,185                   | 1,162            | –                | 3,347          |

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

# Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2019

## 8. Notes to the Cash Flow Statement

### Reconciliation of profit before tax to cash generated from operations

|   | (Unaudited)<br>Six months to<br>30 September<br>2019<br>£'000 | (Unaudited)<br>Six months to<br>30 September<br>2018<br>£'000 |
|---|---|---|
| Cash flows from operating activities                                  |   |   |
| Profit on ordinary activities before tax                              | 24,949  | 27,323  |
| Adjustments for:  |   |   |
| Interest receivable and similar income                                | (139)   | (51)  |
| Investment income   | (132)   | (355)   |
| Depreciation of non-current property and equipment                    | 678   | 175   |
| Decrease in fair value of investment securities                       | 108   | 391   |
| Increase in fair value of assets at fair value through profit or loss | (1,007)   | (1,509)   |
| (Decrease)/ Increase in other financial liabilities                   | (1,326)   | 605   |
| Increase in receivables   | (766)   | (4,020)   |
| Decrease in trade and other payables                                  | (13,984)  | (340)   |
| Decrease in provisions  | –   | (74)  |
| Share-based payments  | 3,129   | 2,767   |
| Increase in liabilities at fair value through profit or loss          | 1,219   | 463   |
| Other non-cash items  | 1,012   | 16  |
| <b>Cash generated from operations</b>                                 | <b>13,741</b>   | <b>25,391</b>   |

## 9. 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.

## 10. The Publication of Non-Statutory Accounts

The financial information contained in this unaudited interim report for the period to 30 September 2019 does not constitute statutory accounts as defined in s434 of the Companies Act 2006. The financial information for the six months ended 30 September 2019 and 2018 has not been audited. The information for the year ended 31 March 2019 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The audited accounts filed with the Registrar of Companies contain a report of the independent auditor dated 21 June 2019. The report of the independent auditor on those financial statements contained no qualification or statement under s498 of the Companies Act 2006.

# Shareholder Information and Advisers

## Directors

### **T H Bartlam**

Non-executive Chairman

### **G M Rochussen**

Chief Executive Officer

### **J B Mansell**

Executive Director

### **B J D Ashford-Russell**

Non-executive Director

### **J M B Cayzer-Colvin**

Non-executive Director

### **A J Coates**

Non-executive Director,  
Chair of Audit and Risk Committee

### **Q R S Price**

Non-executive Director  
(Resigned 11 November 2019)

### **W E Robbins**

Non-executive Director  
Chair of Remuneration Committee

## Company No.

4235369

## Registered Office

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

## Company Secretary

Neil Taylor

## Website

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

## Registrars

### **Equiniti Limited**

Aspect House  
Spencer Road  
Lancing  
West Sussex, BN99 6DA

### **Shareholder helpline**

0800 876 6660  
(+44 121 415 7047)

### **Website**

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

## Dividend

A first interim dividend of 8.0p per share has been declared for the year to 31 March 2020. This will be paid on 10 January 2020 to shareholders on the register on 20 December 2019. The shares will trade ex-dividend from 19 December 2019.

## Auditors

### **Ernst & Young LLP**

25 Churchill Place  
Canary Wharf  
London, E14 5EY

## Bankers

**HSBC Bank plc**  
**Barclays Bank plc**

## Solicitors

### **Herbert Smith Freehills LLP**

Exchange House  
Primrose Street  
London, EC2M 2EG

## Nominated Advisor and Joint Corporate Broker

### **Numis**

The London Stock Exchange Building  
10 Paternoster Square  
London, EC4M 7LT

## Joint Corporate Broker

### **Peel Hunt**

Moor House  
120 London Wall  
London, EC2Y 5ET

## Shares

The shares are traded on the Alternative Investment Market of the London Stock Exchange and information on the share price and the Company can be accessed via the Company's website or at [www.londonstockexchange.com](http://www.londonstockexchange.com) – code: POLR; or Bloomberg: POLR LN.

**ISIN number: GB00B1GCLT25**

**SEDOL code: B1GCLT2**

## Remuneration Code

Disclosure of the group's Remuneration Code will be made alongside its Pillar 3 disclosure which is available on the Company's website.

