



Polar Capital Holdings plc
Interim results for six months ended 30 September 2015

Who We Are

Polar Capital Holdings plc is a specialist investment management company offering professional and institutional investors a range of fundamentally research-driven funds diversified by asset class, geographical and sectoral specialisation. Since its foundation in 2001, it has steadily grown and currently supports 11 investment teams managing 24 funds and 4 managed accounts across a range of long-only and alternative products, with combined AUM of US\$10.9billion as at 30 September 2015.

Polar Capital Holdings plc was listed in London on the Alternative Investment Market in February 2007. It trades under the ticker 'POLR.LN'.

Consistent with Polar Capital's founding strategy of fostering an equity culture amongst its employees and providing high levels of transparency to clients, 34% of the equity is currently held by Directors, founders and employees. Polar Capital Holdings plc has two key corporate investors: Caledonia Investments plc, a London-listed investment trust with a notable track record of backing emerging companies in the financial sector, owns 9%, and XL Group plc, an Irish-domiciled NYSE-listed company, which through its subsidiaries and under the XL Catlin brand, provides insurance and re-insurance worldwide and has a proven pedigree of taking minority interests in alternative asset managers, holds 8%.

Polar Capital is principally located in London and maintains offices with investment staff in Edinburgh, Tokyo, Connecticut, Jersey and Geneva.

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Polar Capital at a Glance

For the six months ended 30 September 2015

Financial Highlights

- Assets under Management ('AUM') at 30 September 2015 were US\$10.9bn (31 March 2015: US\$12.3bn)
- Core operating profit, excluding performance fees, £12.4m (30 September 2014: £13.9m)
- Profit before share-based payments £13.3m (30 September 2014: £12.7m)
- Pre-tax profit £11.7m (30 September 2014: £11.6m)
- Basic earnings per share 10.44p (30 September 2014: 10.55p) and adjusted* diluted earnings per share 11.46p (30 September 2014: 10.75p)
- Interim dividend per ordinary share of 5.5p declared (2014: 5.5p) to be paid in January 2016
- Shareholders' funds £69.7m (31 March 2015: £75.2m) including cash and investments of £75.1m (31 March 2015: £93.1m)

* Adjusted to exclude cost of share-based payments

Corporate Highlights

- Long only European (ex-UK) Income UCITS Fund launched in June 2015



Our Funds/ Strategies (In chronological order)

	30 September 2015 US\$m	31 March 2015 US\$m	30 September 2014 US\$m
Assets Under Management			
Technology	1,866	2,037	1,898
Technology Trust plc	1,121	1,199	1,128
Global Technology UCITS Fund	745	838	770
Japan	3,033	3,743	5,301
Japan UCITS Fund*	2,927	3,612	5,158
Japan Alpha UCITS Fund	106	131	143
Europe	679	747	771
European Forager Alternative Fund	658	672	613
European Conviction Alternative Fund	21	75	158
Healthcare	1,452	1,503	1,170
Global Healthcare Growth & Income Trust plc	318	349	324
Healthcare Opportunities UCITS Fund	1,027	1,052	804
Biotechnology UCITS Fund	55	49	15
Healthcare Blue Chip UCITS Fund	52	53	27
Financials	1,032	1,035	979
Asian Financials UCITS Fund	37	53	48
Global Insurance UCITS Fund	527	526	471
Income Opportunities UCITS Fund	153	135	131
Financial Opportunities UCITS Fund	34	27	28
Global Financials Trust plc	281	294	301
Global Emerging Markets	504	783	972
Emerging Markets Growth UCITS Fund*	188	250	243
Emerging Markets Income UCITS Fund	316	533	729
Global Convertibles	436	313	202
ALVA Global Convertible Alternative Fund*	87	81	87
Global Convertible UCITS Fund	349	232	115
North American UCITS Fund	1,761	1,972	2,024
Global Alpha UCITS Fund	101	100	95
UK Absolute Equity UCITS Fund	22	11	10
European Income	44	12	–
European Income UCITS Fund	14	12	–
European (ex UK) Income UCITS Fund	30	–	–
Total	10,930	12,256	13,422

* Including managed accounts run off the same strategy

Analysis of Changes in Asset Types for the six months to 30 September 2015

	Long only Funds US\$m	Alternative Funds US\$m	Total US\$m
Total assets as at 31 March 2015	11,185	1,071	12,256
Net subscriptions/ (redemptions) from ongoing business	(783)	73	(710)
Market movements and performance	(609)	(7)	(616)
Total assets at 30 September 2015	9,793	1,137	10,930

Analysis of AUM by Business Unit and Type of Funds as at 30 September 2015

Technology	17%	Long only funds	93%
Japan	28%	Alternative funds	7%
Europe	6%		100%
Healthcare	13%		
Financials	10%		
Global Emerging Markets	5%		
Global Convertibles	4%		
North American	16%		
Global Alpha	1%		
UK Absolute Equity	–		
European Income	–		
	100%		

Chief Executive's Statement



Tim Woolley

Chief Executive

This proved another challenging half year for us with assets under management (AUM) falling 11% over the six months from our financial year end in March 2015 and 19% from the AUM level twelve months ago. Core operating profit, excluding performance fees, fell 11% in comparison with the same period last year.

	Six months to 30 September 2015	Six months to 30 September 2014
Core operating profit	£12.4m	£13.9m
Finance income/ (expense)	£0.9m	£(1.2)m
Profit before share based payments and tax	£13.3m	£12.7m
Share-based payments	£(1.6)m	£(1.1)m
Profit before tax	£11.7m	£11.6m
Adjusted diluted earnings per share (non GAAP measure)	11.47p	10.75p

Profit before share-based payments and tax increased marginally to £13.3m over the period, compared with £12.7m in the six months to September 2014, and adjusted diluted earnings per share increased 7% over the comparable six months, helped by an improvement in the net returns from our investment and seeding program and related hedging strategies resulting in higher finance income over the period.

The Company continues to be comfortable with its policy of the first interim dividend for any year being predicated on half of the first year's core earnings and in light of this position the interim dividend payment in January 2016 will be 5.5p (2014: 5.5p). In addition the Board wish to take the opportunity to advise shareholders that in 2016 it is considering bringing forward the second interim dividend from July to March.

As I cautioned in my outlook at the financial year end, our short-term results would remain heavily influenced by the direction of our Japanese assets and the direction of overall global equity markets given that over 90% of our AUM is in long only products. During the last six months we saw a significant fall in global equity markets in late summer and further redemptions from our Japan Fund. These two headwinds more than offset some good inflows seen on Global Convertibles, Financials and Healthcare.

It is worth noting that the bulk of the redemptions from the Japan Fund occurred in the first quarter and there are encouraging signs that the worst may now be behind us as performance on the Fund has improved markedly. On a rolling twelve months to the end of October, the Fund is again top quartile in the Lipper peer rankings. The long-term performance of the Fund remains exceptional with the Fund ranking 9th out of 193 funds over ten years in its Lipper peer group.

The two new legs that we added last year, UK Absolute and European Income have delivered good performance in their first year and we are optimistic that both strategies will start to raise assets in the coming twelve months. The UK Absolute Equity UCITS Fund was up an exceptional 27% in its first year whilst the European Income UCITS Fund outperformed its index by just over 4%. The European Income team had a further boost during this half-year with a number of clients seeding the launch of a second fund for the team, a European ex-UK Income UCITS Fund which we launched in June.

Since the end of September markets have recovered some of their summer losses, the pace of redemptions on our Japan Fund has slowed compared with the nadir of earlier in the year and we have seen good inflows elsewhere. This positive combination of factors has allowed AUM at the end of November to bounce back to US\$12.0bn, although performance fee profits remain unpredictable until the end of December when the majority of the Group's performance fees are due.

Whilst global stock markets are likely to be volatile in the face of near-term geopolitical concerns, the long-term performance across our funds remains strong and we believe that we remain well positioned to resume growth again over the medium-term.

Tim Woolley

Chief Executive

10 December 2015

Interim Consolidated Income Statement

For the six months to 30 September 2015

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Revenue	39,862	41,803
Finance income/ (expense)	879	(1,202)
Gross income	40,741	40,601
Commissions and fees payable	(3,971)	(4,633)
Net income	36,770	35,968
Operating costs before share-based payments	(23,481)	(23,254)
Operating profit before share-based payments and tax	13,289	12,714
Share-based payments	(1,597)	(1,122)
Profit for the period before tax	11,692	11,592
Taxation	(2,474)	(2,513)
Profit for the period attributable to ordinary shareholders	9,218	9,079
Basic earnings per ordinary share	10.44p	10.55p
Diluted earnings per ordinary share	9.77p	9.56p
Adjusted diluted earnings per ordinary share (Non GAAP measure)	11.46p	10.75p

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

Interim Consolidated Statement of Comprehensive Income

For the six months to 30 September 2015

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Profit for the period attributable to ordinary shareholders	9,218	9,079
Other comprehensive income – items that may be reclassified to income statement in subsequent periods:		
Net gain on the revaluation of available-for-sale financial assets	–	663
Deferred tax effect	–	(133)
	–	530
Net movement on the fair valuation of cash flow hedges	901	(1,277)
Deferred tax effect	(251)	427
	650	(850)
Exchange differences on translation of foreign operations	(3)	–
Other comprehensive income:	647	(320)
Total comprehensive income for the period, net of tax, attributable to ordinary shareholders	9,865	8,759

Interim Consolidated Balance Sheet

As at 30 September 2015

	(Unaudited) 30 September 2015 £'000	(Audited) 31 March 2015 £'000
Non-current assets		
Property, plant and equipment	2,133	2,007
Deferred tax assets	4,476	5,136
Total non-current assets	6,609	7,143
Current assets		
Assets at fair value through profit or loss	35,600	38,071
Assets held for sale	14,399	13,614
Trade and other receivables	9,631	9,334
Cash and cash equivalents	25,130	41,385
Total current assets	84,760	102,404
Total assets	91,369	109,547
Non-current liabilities		
Deferred tax liabilities	105	102
Current liabilities		
Trade and other payables	16,631	26,276
Other financial liabilities	2,986	5,357
Current tax liabilities	1,975	2,581
Total current liabilities	21,592	34,214
Total liabilities	21,697	34,316
Net assets	69,672	75,231
Capital and reserves		
Issued share capital	2,247	2,232
Share premium	16,715	16,715
Investment in own shares	(890)	(962)
Capital and other reserves	7,407	6,665
Retained earnings	44,193	50,581
Total equity – attributable to ordinary shareholders	69,672	75,231

Interim Consolidated Statement of Changes in Equity

For the six months to 30 September 2015

	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 2015	2,232	16,715	(962)	133	6,532	50,581	75,231
Profit for the period	–	–	–	–	–	9,218	9,218
Other comprehensive income	–	–	–	–	647	–	647
Total comprehensive income	–	–	–	–	647	9,218	9,865
Issue of shares against options	15	–	72	–	–	(15)	72
Dividends paid	–	–	–	–	–	(17,188)	(17,188)
Share-based payment	–	–	–	–	–	1,597	1,597
Current tax in respect of employee share options	–	–	–	–	–	–	–
Deferred tax in respect of employee share options	–	–	–	–	95	–	95
As at 30 September 2015 (unaudited)	2,247	16,715	(890)	133	7,274	44,193	69,672
As at 1 April 2014	2,184	16,288	(1,017)	143	9,507	47,065	74,170
Profit for the period	–	–	–	–	–	9,079	9,079
Other comprehensive income	–	–	–	–	(320)	–	(320)
Total comprehensive income	–	–	–	–	(320)	9,079	8,759
Issue of shares against options	23	368	25	–	–	(11)	405
Dividends paid	–	–	–	–	–	(18,100)	(18,100)
Share-based payment	–	–	–	–	–	1,122	1,122
Current tax in respect of employee share options	–	–	–	–	836	–	836
Deferred tax in respect of employee share options	–	–	–	–	(1,707)	–	(1,707)
As at 30 September 2014 (unaudited)	2,207	16,656	(992)	143	8,316	39,155	65,485

Interim Consolidated Statement of Cash Flow

For the six months to 30 September 2015

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Operating activities		
Cash generated/ (used) from operations	2,282	(8,021)
Tax paid	(2,576)	(3,010)
Net cash flow from operating activities	(294)	(11,031)
Investing activities		
Interest received and similar income	9	8
Purchase of property, plant and equipment	(322)	(33)
Purchase of assets at fair value through profit or loss	(9)	–
Purchase of assets held for sale	(6)	–
Proceeds from sale of available-for-sale financial assets	–	10,271
Purchase of available-for-sale financial assets	–	(6,212)
Cash flows related to derivatives	1,483	613
Net cash flow from investing activities	1,155	4,647
Financing activities		
Dividends paid	(17,188)	(18,100)
Issue of ordinary shares	72	405
Net cash flow from financing activities	(17,116)	(17,695)
Net decrease in cash and cash equivalents	(16,255)	(24,079)
Cash and cash equivalents at start of period	41,385	47,041
Cash and cash equivalents at end of period	25,130	22,962

Notes to the Unaudited Interim Consolidated Financial Statements

For the six months to 30 September 2015

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 2015 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 2015 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 2015.

2. Revenue

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Investment management fees	40,374	41,287
Investment performance fees	42	–
(Loss)/ gain on hedging	(554)	516
	39,862	41,803

3. Profit on Ordinary Activities Before Taxation

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
a) This is stated after charging:		
Staff costs	17,405	18,082
Depreciation	197	36
Operating lease rentals – land & buildings	637	483
Operating lease rentals – other	642	606
b) Auditors' remuneration:		
Audit of group financial statements	24	20
Other fees		
– local statutory audits of subsidiaries	18	15
– GIPS Review	11	–
– internal controls review	24	22
– tax services	2	–

4. Dividends

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Dividend paid	17,188	18,100

5. Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit for the period of £9,217,800 (September 2014: profit £9,078,624); and on 88,255,362 (September 2014: 86,077,915) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit for the period of £9,217,800 (September 2014: profit £9,078,624) and 94,356,332 (September 2014: 94,919,336) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 5,683,882 (September 2014: 8,007,244) which are dilutive as well as shares granted under a crystallisation event but not yet issued of 417,088 (September 2014: 834,177).

The calculation of adjusted earnings per ordinary share is based on a profit for the period of £9,217,800 (September 2014: profit of £9,078,624) but adjusted for the share-based payments charge of £1,597,500, (September 2014: share base payments charge of: £1,121,755) and 94,356,332 (September 2014: 94,919,336) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options and as well as shares granted during the period under a crystallisation event but not yet issued.

6. Assets at fair value through profit or loss

	(Unaudited) Six months to 30 September 2015 £'000	(Audited) Year to 31 March 2015 £'000
At beginning of period	38,071	43,912
Additions	9	13
Redemptions	–	(10,384)
Net (loss)/ gain on movement in fair value	(2,480)	4,530
At end of period	35,600	38,071

7. Assets held for sale

	(Unaudited) Six months to 30 September 2015 £'000	(Audited) Year to 31 March 2015 £'000
At beginning of period	13,614	–
Additions	6	12,470
Redemptions	–	–
Net gain on movement in fair value	779	1,144
At end of period	14,399	13,614

Notes to the Unaudited Interim Consolidated Financial Statements continued

For the six months to 30 September 2015

8. Notes to the Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	(Unaudited) Six months to 30 September 2015 £'000	(Unaudited) Six months to 30 September 2014 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	11,692	11,592
Interest received	(9)	(7)
Depreciation of property, plant and equipment	197	36
Increase in trade and other receivables	(297)	(6,932)
Decrease in trade and other payables	(9,645)	(14,537)
(Gain)/ loss on revaluation of instruments at fair value through profit or loss	(2,680)	875
Loss on disposal of available-for-sale assets	–	33
Loss on revaluation of financial assets at fair value through profit or loss	2,480	–
Gain on revaluation of assets held for sale	(779)	–
Gain on derivatives	(274)	(203)
Share-based payment	1,597	1,122
Cash generated/ (used) from operations	2,282	(8,021)

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.

B J D Ashford-Russell is a member of Polar Capital LLP and a director of the Polar Capital Technology Trust plc (the Trust). Polar Capital LLP is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust were £3,912,500 (30 September 2014: £3,237,883). The amounts receivable at period end in this respect were £1,284,900 (31 March 2015: £1,289,200).

At the end of the period, the Group had an outstanding loan due of £890,500 (31 March 2015: £961,735) from the Polar Capital Employee Benefit Trust, which was set up in 2002 to hold ordinary shares in Polar Capital Holdings plc for the benefit employees.

10. The Publication of Non-Statutory Accounts

The financial information contained in this unaudited half year report does not constitute statutory accounts as defined in S434 of the Companies Act 2006. The financial information for the six months ended 30 September 2015 and 2014 has not been audited. The information for the year ended 31 March 2015 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The audited accounts filed with the Registrar of Companies contain a report of the independent auditor dated 19 June 2015. The report of the independent auditor on those financial statements contained no qualification or statement under S498 of the Companies Act 2006.

Shareholder Information

Directors

T H Bartlam

Non-executive Chairman

T J Woolley

Chief Executive Officer

J B Mansell

Chief Operating Officer

H G C Aldous

Non-executive Director,
Chairman of Audit Committee

B J D Ashford-Russell

Non-executive Director

G V Bumedel

Non-executive Director

J M B Cayzer-Colvin

Non-executive Director

M W Thomas

Non-executive Director,
Chairman of Remuneration Committee

Dividend

A first interim dividend of 5.5p per share has been declared for the year to 31 March 2016. This will be paid on 15 January 2016 to shareholders on the register on 29 December 2015. The shares will trade ex-dividend from 24 December 2015.

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

Nominated Advisor

Canaccord Genuity

Joint Corporate Brokers

Canaccord Genuity
Peel Hunt



