

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 24 funds and 2 managed accounts across a range of long-only and alternative products, with combined AUM of £14.7 billion as at 30 September 2018.

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 • Tokyo • Jersey • Connecticut • Edinburgh • Paris • Shanghai

Assets Under Management (AUM) At 30 September 2018

£14.7bn

31 March 2018: £12.0bn

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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 2018

Financial

Assets Under Management (AUM)

30 September 2018	£14.7bn
31 March 2018	£12.0bn

Core Operating Profit[†]

(excluding performance fees)

30 September 2018	£21.7m
30 September 2017	£12.0m

Operating profit before Share-based Payments on Preference Shares[†]

30 September 2018	£27.7m
30 September 2017	£14.4m

Pre-tax Profit

30 September 2018	£27.3m
30 September 2017	£11.8m

Basic Earnings Per Share

30 September 2018	24.3p
30 September 2017	10.2p

Adjusted Diluted Earnings Per Share[†]

30 September 2018	21.9p
30 September 2017	11.8p

Cash and Investments

30 September 2018	£105.3m
30 September 2017	£75.7m

Shareholders' Funds

30 September 2018	£83.9m
30 September 2017	£68.8m

Interim Dividend Per Ordinary Share

declared to be paid in January 2019

2018	8.0p
2017	6.0p

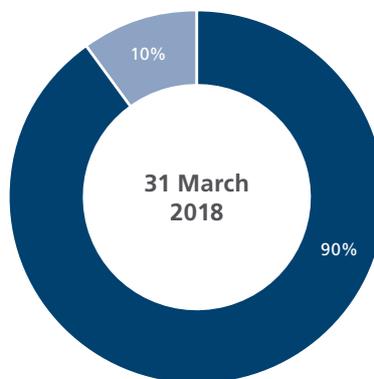
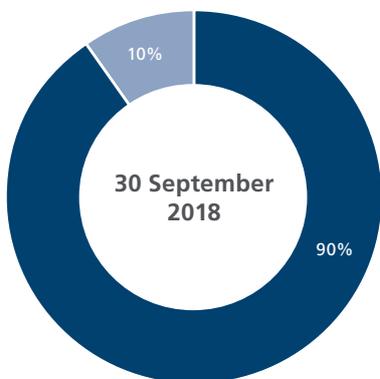
[†] The non-GAAP measures shown here are described on the Alternate Performance Measures (APMs) page

Corporate

During the current interim period we have launched and seeded our Emerging Market Stars, China Stars and China Mercury funds.

Assets Under Management

AUM split by Type

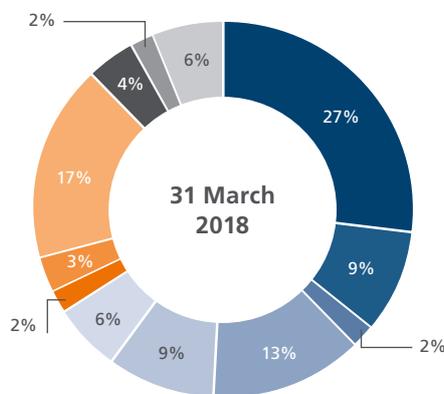
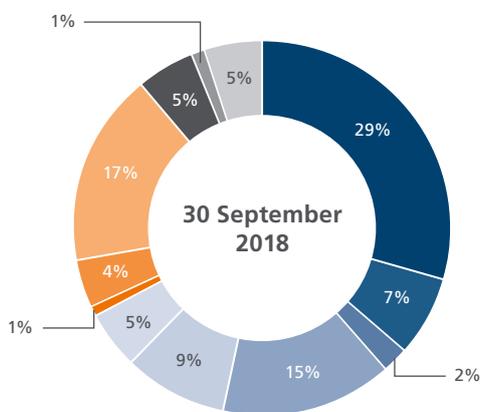


30 September 2018		
	£bn	%
● Long-only	13.2	90%
● Alternative	1.5	10%
Total AUM	14.7	

31 March 2018		
	£bn	%
● Long-only	10.8	90%
● Alternative	1.2	10%
Total AUM	12.0	

AUM split by Business Strategy

(in chronological order)



30 September 2018		
	£bn	%
● Technology	4.4	29%
● Japan	1.0	7%
● European Long/Short	0.2	2%
● Healthcare	2.2	15%
● Insurance	1.3	9%
● Financials	0.7	5%
● Emerging Markets Income	0.1	1%
● Convertibles	0.6	4%
● North America	2.5	17%
● UK Absolute Equity	0.7	5%
● European Income	0.2	1%
● UK Value Opportunities	0.8	5%
● Emerging Market Stars	*	-
Total AUM	14.7	

31 March 2018		
	£bn	%
● Technology	3.3	27%
● Japan	1.1	9%
● European Long/Short	0.2	2%
● Healthcare	1.6	13%
● Insurance	1.1	9%
● Financials	0.7	6%
● Emerging Markets Income	0.2	2%
● Convertibles	0.4	3%
● North America	2.0	17%
● UK Absolute Equity	0.5	4%
● European Income	0.2	2%
● UK Value	0.7	6%
● Emerging Market Stars	-	-
Total AUM	12.0	

* AUM at 30 September 2018 comprised seed capital of £19m

Chief Executive's Statement

Six months ended 30 September 2018



"Our active, bottom-up, fundamental fund strategies have exposure to all global markets and are positioned to take advantage of valuation anomalies that arise in good quality, publicly-traded companies."

Gavin Rochussen

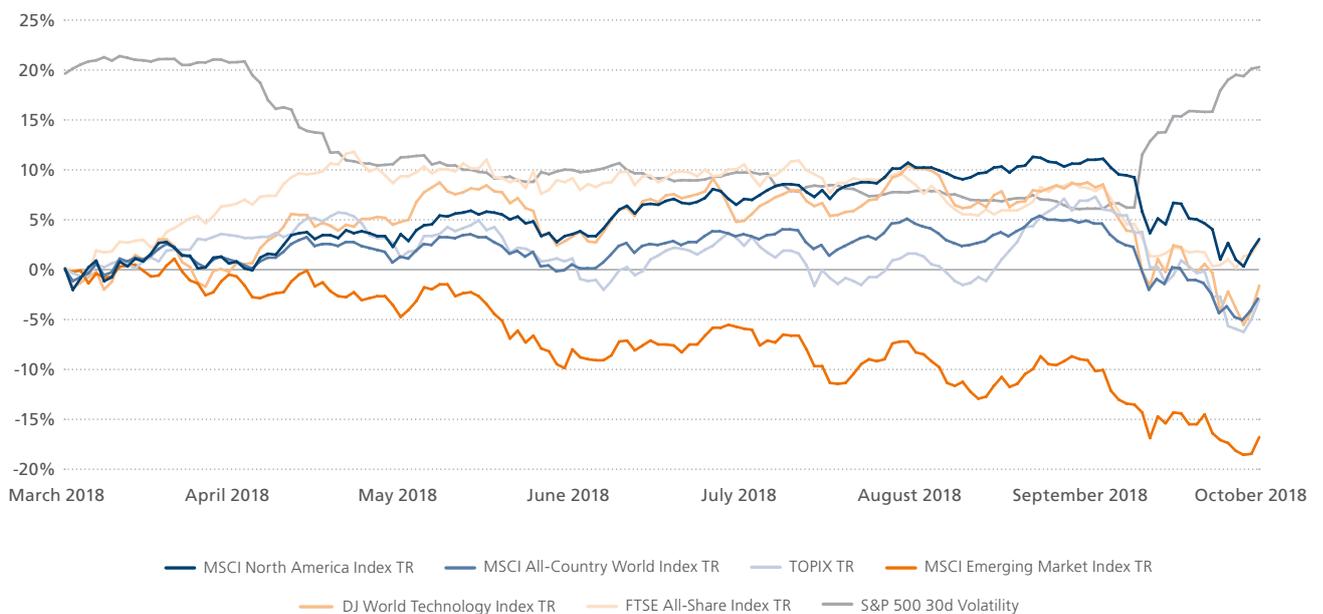
Chief Executive

Markets

The period was characterised by a further rise in the US and Japanese equity markets, while the UK, Europe and emerging markets continued to fall. The US has led the way all year; economic growth has been strong, unemployment has fallen, and tax cuts have contributed to vibrant corporate earnings increases. At the same time, reported inflation, and inflation expectations derived from the difference between inflation-linked and conventional bonds, have been well behaved. The best performing global sectors in the six months to the end of September were healthcare (12.9% in local currency), energy (11.2%) and technology (9.7%). The oil price moved higher due to looming sanctions on Iranian oil exports, and supply control from Russia and Saudi Arabia. The weakest sectors were real estate (-1.8%) and financials (-4.9%) with the flattening US yield curve proving to be a headwind for banks in particular.

The US Federal Reserve raised interest rates again at the end of September and signalled that the era of accommodative monetary policy is over. This led to a significant change in the behaviour of financial markets in the days following the end of the reporting period. Long-term government bond yields have risen to their highest level since 2011 and equity markets have fallen sharply, with this year's leaders suffering most. It remains to be seen whether this is a short-term correction or the start of a tougher phase for financial assets.

Global Indices vs Volatility



Source: Bloomberg

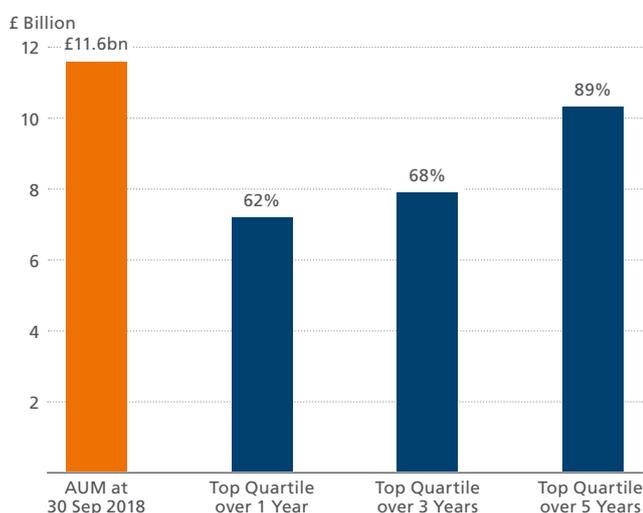
Chief Executive's Statement continued

Six months ended 30 September 2018

Fund Performance

At 30 September 2018, 62% of Polar's UCITS fund AUM is ranked in the top quartile versus peers over 12 months, 68% is top quartile over three years and 89% is ranked top quartile over five years. Low interest rates have driven outperformance of growth and quality styles versus value. This has been a contributory factor in the outperformance of Polar Capital's technology and healthcare strategies versus their benchmarks. Conversely, value styles, both within sectors and across the market, continued to suffer in the period, extending the underperformance of value versus growth that has been a feature of much of the past 10 years, and contributing to the underperformance against benchmark of Polar Capital's Japan and UK Value strategies.

Performance over time for long and alternative UCITS Funds AUM



Source: Lipper figures for long-only and alternative UCITS funds at 30 September 2018.

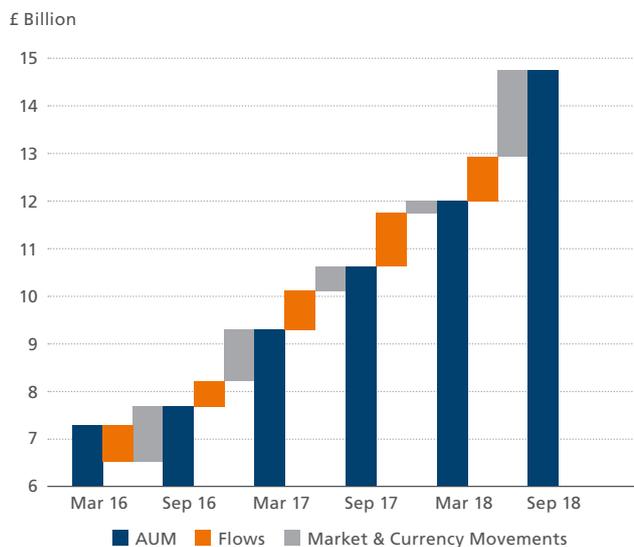
Net performance fees, marked to market after the deduction of fund manager participation, at 30 September amounted to £32.5m of which £5.5m has crystallised and been received. It should be noted that the balance of performance fees crystallises on 31 December 2018 and performance fees, by their very nature, can be volatile. The Group only recognises performance fees once they have crystallised in the underlying funds. Net performance fees crystallised and earned in the financial year to 31 March 2018 amounted to £15.3m.

AUM and Fund Flows

In the six months to 30 September 2018, AUM increased by £2.7bn from £12bn to £14.7bn. Net inflows amounted to £932m with a further £1.8bn of the increase in AUM coming from market movement and fund performance. Net inflows of £193m and £739m were received by the Polar Capital alternative funds and long-only funds respectively.

Net inflows were broadly dispersed across our fund range. The technology team benefitted from net inflows of £402m which included £27m into the Automation & Artificial Intelligence Fund that was launched in October 2017. The North American funds had net inflows of £218m, the UK

Polar Capital AUM



Source: Polar Capital

Value Opportunities Fund – £125m, the Biotechnology Fund – £91m, the Global Convertible Bond Fund – £93m, the Global Insurance fund – £86m, the UK Absolute Equity Fund – £55m and the European Forager Fund – £41m.

The Japan fund strategies continued to face performance headwinds and suffered net outflows of £144m with the Emerging Markets Income Fund, despite improved performance, experiencing £25m net outflows. The financials team's Income Opportunities and Financial Opportunities Funds recorded net outflows of £43m.

In line with Polar Capital's philosophy of managing fund capacity to enhance and protect fund performance, the UK Absolute Return Fund was soft closed during the period and the Healthcare Opportunities Fund remained closed to new investors.

New Fund Launches

Following the arrival of the five-strong emerging markets team earlier this year, three emerging market funds have been launched - Emerging Market Stars Fund, China Stars Fund (both UCITS) and China Mercury Fund, an absolute return fund in our Cayman structure. Despite challenging and volatile markets for investors in emerging market equities, the team maintained their process and style that enabled top quartile performance over the previous six years and have been able to attract early subscriptions.

It is our intention, in the new year, to launch a fourth fund for the team, the UCITS Asia ex-Japan Stars Fund. Once the track record for the team at Polar Capital is firmly established, we intend to introduce the Emerging Market Stars strategy to the US market via separate account mandates and a US-domiciled fund vehicle.

Results

Core profit (excluding performance fees and other income) increased by 81% from £12m in the comparable prior year period to £21.7m. This is as a result of higher average assets

under management, a steady revenue margin and costs, that are in the main variable, increasing at a reduced rate of 30% (2018: £41.6m; 2017: £32.0m) compared to the increase in revenues of 68% (2018: £74.5m; 2017: £44.4m). Average assets under management increased from £10bn for the comparable prior period to £13.4bn, an increase of 34%. Net profit before tax and share-based payments on preference shares increased by 92% due to increased core profit and the crystallisation of a performance fee in April from the Polar Capital Technology Trust of £5.5m net of fund manager participation.

	Six months to 30 September 2018	Six months to 30 September 2017
Core operating profit	£21.7m	£12.0m
Performance fee profit ¹	£5.5m	–
Other income	£0.5m	£2.4m
Profit before share-based payments on preference shares and tax	£27.7m	£14.4m
Share-based payments on preference shares	£(0.4)m	£(2.6)m
Profit before tax	£27.3m	£11.8m
Adjusted diluted EPS (non-GAAP measure)	21.9p	11.8p

1 Gross performance fee receipt of £11.2m net of fund manager interests of £5.7m

Profit during the six months was also augmented by the decision of the Healthcare Fund managers to 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 early October, took effect from 1 April 2018 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 4,060,074 shares in three tranches which can be adjusted downward if profitability of the Healthcare Opportunities Fund and Polar Capital Global Healthcare Trust decline. Based on the results for the financial year ended 31 March 2018, the impact of the crystallisation would have been an earnings enhancement of around 3p per share†.

Adjusted diluted earnings per share increased by 86% to 21.9p.

The Board has declared an interim dividend of 8.0p to be paid in January 2019 (January 2018: 6.0p), calculated according to the standard metric of 50% of the first half's core earnings.

Brexit

The Group is the manager of only three UK-resident products, all of which are closed-end investment trusts that are not marketed into continental Europe. These investment trusts make up £2.5bn in AUM which is 17% of the total Group AUM and this part of the business will be unaffected post March 2019. However, the Group is also the appointed

manager of an Irish UCITS fund range that is distributed throughout Europe including the UK. As a consequence of uncertainty over the arrangements that will apply from March 2019, the Group has opened an AMF-regulated subsidiary in France through which all European activities, including European distribution, will be conducted.

Current Trading

October and November witnessed increasingly volatile markets as concerns arose on US corporate earnings growth and continued US monetary tightening. European markets were led lower by Brexit uncertainty, Italian monetary policy and slowing growth. In the current quarter, investors have reduced risk and there has been the largest equity sell-off in six years led by technology stocks in particular. The market sell-off has had the effect of reducing the AUM of Polar Capital from £14.7bn at 30 September to £13.6bn on 31 October. The average AUM during the six months to 30 September were £13.4bn.

While our funds have generally continued to perform well in a more volatile market, some of the outperformance reported to the end of September was given back in October. The net performance fee profit marked to market of £32.5m at 30 September had reduced to £23.3m as at 31 October.

Outlook

While we have had a highly satisfactory first six months, there is no doubt that we will encounter more volatile markets and a reduction in risk appetite by investors as developed markets begin to reduce accommodative monetary policy in the case of Europe and Japan and as the US continues to normalise interest rates with monetary tightening. There are currently large valuation dispersions between regions with the UK and Europe impacted by Brexit, Italy's increasingly strained relationship with Brussels and changes in the German political landscape. Meanwhile the emerging markets, as a consequence of a strengthening US dollar, fears of escalating trade wars and concerns over slowing consumption in China, have experienced a significant market sell-off. While the US equity markets have performed well, driven in large part by deregulation and monetary policy, at some point there is likely to be a rebalancing of valuations across key geographic regions.

The headwinds faced by active fund managers have been evident for some time. Competition from passive strategies and continued fee pressure means we must remain focused on true active fund management producing value for money outcomes for clients by beating benchmark and peer group performance.

Our active, bottom-up, fundamental fund strategies have exposure to all global markets and are positioned to take advantage of valuation anomalies that arise in good quality, publicly-traded companies.

Gavin Rochussen

Chief Executive

25 November 2018

† Presented for illustrative purposes based on the year end results for 31 March 2018 and assuming the full crystallisation occurred as at 31 March 2018.

Alternative Performance Measures ('APMs')

The Group uses the following Non-GAAP APMs:

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 accounts 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 fee earned by the Group after accounting for staff remuneration payable 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 again 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 2018

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Revenue	74,519	44,439
Other income	453	2,402
Gross income	74,972	46,841
Commissions and fees payable	(6,043)	(3,086)
Net income	68,929	43,755
Operating costs	(41,606)	(32,001)
Profit for the period before tax	27,323	11,754
Taxation	(5,330)	(2,607)
Profit for the period attributable to ordinary shareholders	21,993	9,147
Earnings per share		
Basic	24.3p	10.2p
Diluted	22.1p	9.6p
Adjusted basic (Non-GAAP measure)	24.1p	12.5p
Adjusted diluted (Non-GAAP measure)	21.9p	11.8p

Interim Consolidated Statement of Other Comprehensive Income

For the six months ended 30 September 2018

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Profit for the period attributable to ordinary shareholders	21,993	9,147
Other comprehensive income – items that may be reclassified to income statement in subsequent periods:		
Net movement on the fair valuation of cash flow hedges	(2,028)	1,694
Deferred tax effect	385	(322)
	(1,643)	1,372
Exchange differences on translation of foreign operations	245	(67)
Other comprehensive income for the period	(1,398)	1,305
Total comprehensive income for the period, net of tax, attributable to ordinary shareholders	20,595	10,452

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

Interim Consolidated Balance Sheet

As at 30 September 2018

	(Unaudited) 30 September 2018 £'000	(Audited) 31 March 2018 £'000
Non-current assets		
Property and equipment	1,871	1,971
Deferred tax assets	5,552	3,808
Total non-current assets	7,423	5,779
Current assets		
Investment securities	24,773	9,750
Assets at fair value through profit or loss	20,004	11,679
Trade and other receivables	16,943	12,923
Other financial assets	–	833
Cash and cash equivalents	60,554	87,950
Total current assets	122,274	123,135
Total assets	129,697	128,914
Non-current liabilities		
Provisions and other liabilities	1,951	2,026
Deferred tax liabilities	1,102	1,216
Total non-current liabilities	3,053	3,242
Current liabilities		
Liabilities at fair value through profit or loss	2,139	1,790
Trade and other payables	33,916	34,256
Other financial liabilities	1,726	–
Current tax liabilities	5,013	1,958
Total current liabilities	42,794	38,004
Total liabilities	45,847	41,246
Net assets	83,850	87,668
Capital and reserves		
Issued share capital	2,341	2,335
Share premium	18,902	18,872
Investment in own shares	(16,909)	(9,221)
Capital and other reserves	11,560	11,441
Retained earnings	67,956	64,241
Total equity – attributable to ordinary shareholders	83,850	87,668

Interim Consolidated Statement of Changes in Equity

For the six months to 30 September 2018

	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 2018 (audited)	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 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 employee share options	–	–	–	–	237	–	237
Deferred tax in respect of employee share options	–	–	–	–	1,280	–	1,280
As at 30 September 2018 (unaudited)	2,341	18,902	(16,909)	695	10,865	67,956	83,850
As at 1 April 2017 (audited)	2,286	18,631	(3,747)	695	7,145	45,730	70,740
Profit for the period	–	–	–	–	–	9,147	9,147
Other comprehensive income	–	–	–	–	1,305	–	1,305
Total comprehensive income	–	–	–	–	1,305	9,147	10,452
Dividends paid to shareholders	–	–	–	–	–	(17,469)	(17,469)
Dividends paid to third-party interests	–	–	–	–	–	(25)	(25)
Issue of shares against options	11	45	–	–	–	(10)	46
Release of own shares	–	–	215	–	–	(215)	–
Share-based payment	–	–	–	–	–	3,962	3,962
Current tax in respect of employee share options	–	–	–	–	306	–	306
Deferred tax in respect of employee share options	–	–	–	–	799	–	799
As at 30 September 2017 (unaudited)	2,297	18,676	(3,532)	695	9,555	41,120	68,811

Interim Consolidated Cash Flow Statement

For the six months to 30 September 2018

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Operating activities		
Cash generated from operations	25,391	9,397
Tax paid	(2,238)	(1,851)
Net cash flow from operating activities	23,153	7,546
Investing activities		
Interest received and similar income	51	34
Investment income	348	–
Sale of investment securities	3,704	1,417
Purchase of investment securities	(19,114)	(2,089)
Sale of assets at fair value through profit or loss	1,833	2,781
Purchase of assets at fair value through profit or loss	(8,801)	(1,104)
Purchase of property and equipment	(75)	(44)
Net cash flow (used in)/ from investing activities	(22,054)	995
Financing activities		
Dividends paid to shareholders	(19,980)	(17,469)
Dividends paid to third-party interests	(30)	(25)
Issue of ordinary shares	34	45
Purchase of own shares	(8,717)	–
Third-party subscriptions into consolidated funds	614	308
Third-party redemptions from consolidated funds	(419)	(25)
Net cash outflow from financing activities	(28,498)	(17,166)
Net decrease in cash and cash equivalents	(27,399)	(8,625)
Cash and cash equivalents at start of period	87,950	58,539
Effect of exchange rate changes on cash and cash equivalents	3	(27)
Cash and cash equivalents at end of period	60,554	49,887

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months to 30 September 2018

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 2018 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 2018, 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 2018 except for the adoption of new standards effective as of 1 January 2018.

New standards adopted by the Group

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were adopted by the Group on 1 April 2018. Neither standard has had a material impact on the Group's financial statements.

Group information

The Group is required to consolidate seed capital investments where it is deemed to control them. Since 31 March 2018, the following additional funds have been consolidated by the Group as they were judged to be subsidiaries at 30 September 2018:

	Country of incorporation	Registered office	Principal activities	Percentage of ordinary shares held
Polar Capital Emerging Market Stars Fund	Ireland	4 Georges Court, 54-62 Townsend Street, Dublin	UCITS sub-fund	99%
Polar Capital China Stars Fund	Ireland	4 Georges Court, 54-62 Townsend Street, Dublin	UCITS sub-fund	100%
Polar Capital China Mercury Fund	Cayman Islands	PO Box 309 Uglund House Grand Cayman	Alternative Fund	87%

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 interim unaudited financial statements.

2. Revenue

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Investment management and research fees	62,989	45,003
Investment advisory fees	58	61
Investment performance fee	11,207	–
Gain/(loss) on hedging	265	(625)
	74,519	44,439

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

continued
For the six months to 30 September 2018

3. Operating Costs

a) Operating costs include the following significant items:

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Staff costs	32,019	24,592
Depreciation	175	254
Operating lease rentals – land & buildings	660	646

For the comparative period ended 30 September 2017 share-based payments have been reclassified from a separate line on the face of the Consolidated Statement of Profit or Loss to Operating Costs.

b) Auditors' remuneration:

Audit of Group financial statements	26	26
Other fees		
– local statutory audits of subsidiaries	20	20
– non-audit services	36	36
– tax advisory services	1	10
	83	92

4. Dividends

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Dividend paid	19,980	17,469

On 27 July 2018 the Group paid a second interim dividend for 2018 of 22p (2017: 19.5p) per ordinary share.

5. Share-based Payments

A summary of the charge to the income statement for each share-based payment arrangement is as follows:

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Preference shares	393	2,630
LTIP and initial share award	1,502	980
Equity incentive plan	300	352
Deferred remuneration plan	572	–
	2,767	3,962

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 October 2018 one investment team with the right to do so, the Healthcare team, has called for a conversion. This has been accounted for as an adjusting event at 30 September 2018. At 30 September 2018 a further two sets of preference shares (2017: three 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) Six months to 30 September 2018 Number of shares	(Unaudited) Six months to 30 September 2017 Number of shares
At 1 April	8,427,313	7,046,768
Conversion/crystallisation	(4,060,074)	–
Movement during the period	518,699	1,461,109
At 30 September	4,885,938	8,507,877

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

	(Unaudited) Six months to 30 September 2018 Number of shares	(Unaudited) Six months to 30 September 2017 Number of shares
Outstanding at 1 April	–	–
Conversion/crystallisation	4,060,074	–
Issued during the period	–	–
Outstanding at 30 September ¹	4,060,074	–

¹ Of the 4,060,074 shares outstanding at 30 September 2018, 406,006 shares were issued on 11 October 2018.

The initial conversion calculation is made in relation to the crystallisation period ended 31 March 2018 and results in an initial crystallisation value equivalent to the issue of up to 4,060,074 new ordinary shares. This calculation is repeated at each of the first, second and third anniversaries of the crystallisation event date, 31 March 2018, 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 4,060,074 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 crystallisation event date of 31 March 2018.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements continued

For the six months to 30 September 2018

6. Earnings Per Share

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

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	21,993	9,147
Adjustments (post tax):		
Add back cost of share-based payments on preference shares	393	2,630
Less net amount of deferred staff remuneration	(582)	(598)
Profit after tax for purpose of adjusted basic and adjusted diluted EPS	21,804	11,179
Weighted average number of shares		
	(Unaudited) Six months to 30 September 2018 Number of shares	(Unaudited) Six months to 30 September 2017 Number of shares
Weighted average number of ordinary shares, excluding own shares, for purposes of basic and adjusted basic EPS	90,373,161	89,747,434
Effect of dilutive potential shares – share options	5,121,776	5,139,759
Effect of preference shares crystallised but not yet issued	4,060,074	–
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted EPS	99,555,011	94,887,193
	(Unaudited) Six months to 30 September 2018 Pence	(Unaudited) Six months to 30 September 2017 Pence
Earnings per share		
Basic	24.3	10.2
Diluted	22.1	9.6
Adjusted basic	24.1	12.5
Adjusted diluted	21.9	11.8

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.

	30 September 2018				31 March 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Financial assets								
Investment securities	24,773	–	–	24,773	9,750	–	–	9,750
Assets at FVTPL	20,004	–	–	20,004	11,679	–	–	11,679
Other financial assets	–	–	–	–	57	776	–	833
	44,777	–	–	44,777	21,486	776	–	22,262
Financial Liabilities								
Liabilities at FVTPL	2,139	–	–	2,139	1,790	–	–	1,790
Other financial liabilities	495	1,231	–	1,726	–	–	–	–
	2,634	1,231	–	3,865	1,790	–	–	1,790

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

continued

For the six months to 30 September 2018

8. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	(Unaudited) Six months to 30 September 2018 £'000	(Unaudited) Six months to 30 September 2017 £'000
Cash flows from operating activities		
Profit on ordinary activities before tax	27,323	11,754
Adjustments for:		
Interest receivable and similar income	(51)	(34)
Investment income	(355)	–
Depreciation of non-current property and equipment	175	254
Decrease/ (increase) in fair value of investment securities	391	(550)
Increase in fair value of assets at fair value through profit or loss	(1,509)	(2,279)
Increase in other financial liabilities	605	43
Increase in receivables	(4,020)	(810)
Decrease in trade and other payables	(340)	(2,932)
Decrease in provisions	(74)	(78)
Share-based payments	2,767	3,962
Increase in liabilities at fair value through profit or loss	463	67
Other non-cash items	16	–
Cash generated from operations	25,391	9,397

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 £7,450,500 (September 2017: £5,990,800). The amounts receivable at period end in this respect were £2,660,700 (March 2018: £2,385,349).

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 2018 and 2017 has not been audited. The information for the year ended 31 March 2018 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 22 June 2018. 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

Chief Operating Officer,
Finance Director

H G C Aldous

Non-executive Director,
(Retired 25 July 2018)

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 Committee from 25 July
2018
(Appointed 25 July 2018)

Q R S Price

Non-executive Director
(Appointed 25 July 2018)

W E Robbins

Non-executive Director
Chair of Remuneration Committee from
22 November 2018

M W Thomas

Non-executive Director,
(Retired 22 November 2018)

T J Woolley

Non-executive Director
(Retired 25 July 2018)

Company No.

4235369

Registered Office

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

Company Secretary

Neil Taylor

Website

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

Dividend

A first interim dividend of 8.0p per share has been declared for the year to 31 March 2019. This will be paid on 11 January 2019 to shareholders on the register on 21 December 2018. The shares will trade ex-dividend from 20 December 2018.

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 – 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.



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