Polar Capital Holdings plc

Annual Report 2023

POLAR CAPITAL

Contents

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

Since its foundation in 2001, the Polar Capital Group has grown to support 13 investment teams managing 24 funds and 3 investment trusts across a range of long-only and alternative products, with combined AuM at 31 March 2023 of £19.2bn.

Polar Capital Holdings plc ordinary shares are traded on the Alternative Investment Market under the ticker 'POLR.LN'.

Combined
AuM
£19.2
BILLION

Our Office Locations

UK
USA
China
France
Spain
Germany
Switzerland
Singapore

Our Philosophy

- **Primacy of investment performance**
- **Diversified yet complementary set of funds with a focus on fundamental research driven strategies**
- **High equity ownership amongst staff**
- **Institutional robustness across operations, compliance, risk and relationship management**
- **A flexible, entrepreneurial and transparent culture**
- **An environment in which talent can flourish and be well rewarded**

Highlights

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

Gavin Rochussen, CEO

Financial

Assets under Management (AuM)

-13%

2023	£19.2bn
2022	£22.1bn

Profit before tax

-27%

2023	£45.2m
2022	£62.1m

Core operating profit†

-31%

2023	£47.9m
2022	£69.4m

Basic EPS

-28%

2023	36.8p
2022	50.8p

Adjusted diluted total EPS†

-21%

2023	44.3p
2022	56.0p

Dividend per share

+0%

2023	46.0p
2022	46.0p

Corporate

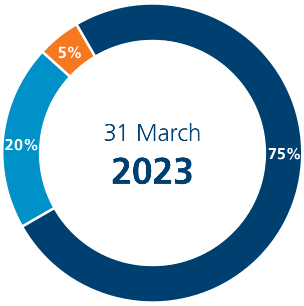
Polar Capital continues to deliver as a client focused organisation as shown by the results of the annual Broadridge Fund Brand 50 Survey, against much larger peers, where in the UK we were ranked:

- 7th highest brand;
- 1st for Thematic Equity;
- 2nd for Client Oriented thinking; and
- 3rd in Sales and Account Management.

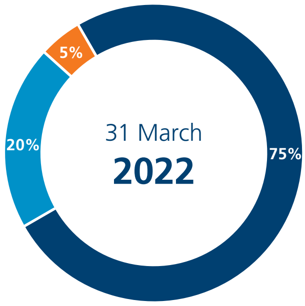
† The non-GAAP alternative performance measures shown here are described on page 30.

Assets under Management

AuM split by type



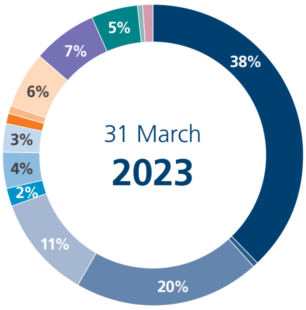
	£bn	%
Open ended funds	14.3	75%
Investment Trusts	3.9	20%
Segregated mandates	1.0	5%
Total	19.2	



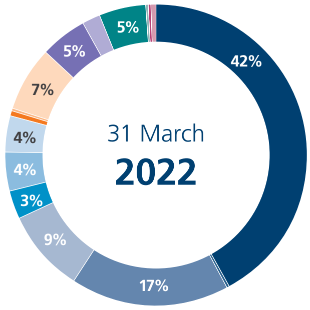
	£bn	%
Open ended funds	16.6	75%
Investment Trusts	4.4	20%
Segregated mandates	1.1	5%
Total	22.1	

AuM split by strategy

Ordered according to launch date



	£bn	%
Technology	7.2	38%
European Long/Short	0.1	0.5%
Healthcare	3.8	20%
Global Insurance	2.1	11%
Financials	0.5	2%
Convertibles	0.7	4%
North America	0.6	3%
Japan Value	0.2	1%
European Income	0.2	1%
UK Value	1.2	6%
Emerging Markets and Asia	1.3	7%
Phaeacian*	–	–
European Opportunities	1.0	5%
European Absolute Return**	0.1	0.5%
Melchior Global Equity**	–	–
Sustainable Thematic Equities	0.2	1%
Total assets	19.2	100%



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

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

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

Chair's Statement

David Lamb Chair

Introduction

The year since my last report has, once again, proved to be eventful and, in its own way, quite extraordinary. It is clear that calendar year 2022 has been a very difficult year for the global economy as world stock markets struggled to deal with the fallout from higher interest rates and rising inflation; as well as the reality of Russia's invasion of the Ukraine. Gavin Rochussen covers this impact for investors in his CEO report on page 6.

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

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

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

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

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

Results

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

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

Dividend

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

Board

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

The Board meets regularly with Gavin Rochussen and his executive team and all the Directors have opportunities to provide feedback, on the workings of the Board, the operation and leadership of the Company and fulfilment of their own role, formally during the year. A summary of the most recent feedback is included in the report of the Nomination Committee on page 64. As reported, the Directors confirmed they are comfortable with the way in which their responsibilities are discharged, the operation of the Company, and with the relationship between the Board and the executive team of the Company.

Now that we have completed the first full year of operating with the current Board membership, it is intended to initiate an external review of Board effectiveness to be carried out by an independent third party over the coming year. More information on this is included in the report of the Nomination Committee on page 64.

Strategy

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

Culture

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

It is no surprise then that it is our staff who are at the heart of our business and it is very encouraging to be able to report that over 91% of them in our most recent survey replied that they would recommend Polar Capital as a great place to work.

We remain convinced that the alignment of interests between fund managers delivering long term superior returns, supported by excellent staff providing great client service, is the best way to deliver a superior investment experience to our investors.

Annual General Meeting

We are planning to hold the Company's forthcoming Annual General Meeting ('AGM') as a physical meeting at 2.00pm on Thursday 28 September 2023 at the Company's registered office.

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

Thank you

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

David Lamb
Chair

23 June 2023

† The non-GAAP alternative performance measures mentioned here are described on page 30 and reconciled to reported results on page 31.

Chief Executive's Report

Gavin Rochussen Chief Executive

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

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

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

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

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

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

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

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

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

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

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

The decline in assets under management and net outflows in the 2023 financial year is considered modest relative to industry wide outflows and the decline in the valuations of technology and related sector stocks that suffered a material de-rating in the period. Net redemptions amounted to £1.5bn, fund closures were £0.5bn and market decline and performance accounted for £0.9bn of the net £2.9bn of reduction in AuM over the period. As a result, total AuM across the Group declined by 13% from £22.1bn to £19.2bn, while the decline in

AuM in our three investment trusts and segregated mandates were 11% and 9% respectively. It is notable that in the last quarter of the financial year, AuM increased by £749m representing a 4% increase in the quarter.

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

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

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

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

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

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

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

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

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

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

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

The outlook is positive with global inflation abating and the peak of the interest rate cycle within medium term sight. The Group has 13 specialist sector, thematic and regionally focused teams with compelling long term track records in actively managed strategies. We believe that the Group's strong balance sheet and range of differentiated fund strategies positions us well for the future, supported by our performance led approach and our strong culture.

Gavin Rochussen
Chief Executive Officer

23 June 2023

† The non-GAAP alternative performance measures mentioned here are described on page 30 and reconciled to reported results on page 31.

Market Review

Significant changes in macroeconomic variables, particularly interest rates, have made assessing direction and leadership in financial markets a more than usually perilous activity over the past 12 months, and this backdrop shows only modest signs of stabilisation.

Polar Capital's financial year began with equity markets in retreat following Russia's invasion of Ukraine, and the downtrend continued until the beginning of October 2022, although a summer rally provided some short-term relief along the way.

During this period, long term inflation expectations rose to levels not seen for 40 years, central banks across the world raised interest rates on multiple occasions, and real interest rates (measured by the yield on inflation linked bonds) broke out of the extremely low, and occasionally negative range of the past decade into a range which was more typical of the earlier years of this century.

The pace and scale of interest rate increases recently seen in the US exceeds anything that investors have experienced since the early 1980s.

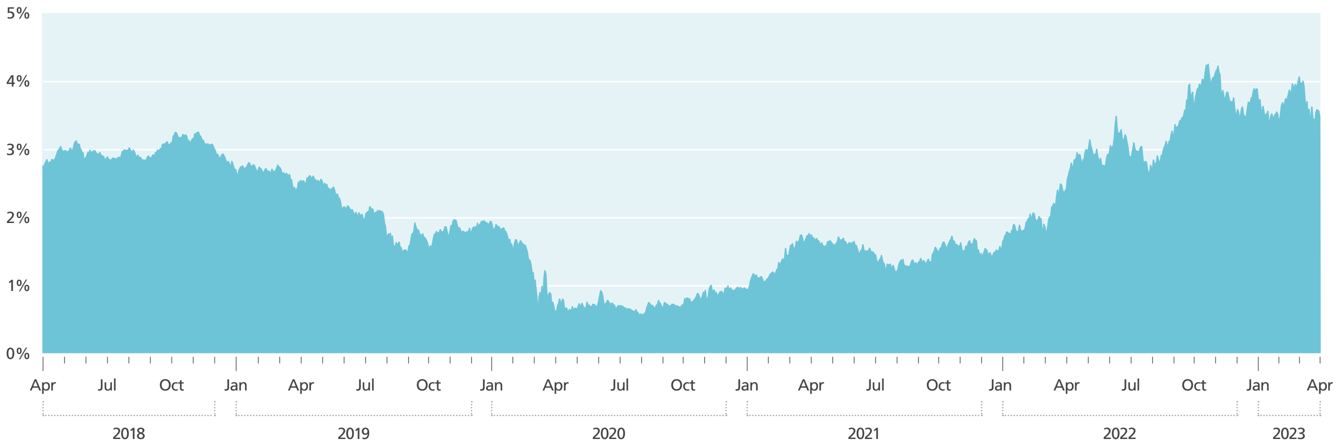
With this backdrop, war in Europe and rising interest rates and inflation almost everywhere else in the world, it is not surprising that equity market leadership changed markedly. Higher interest rates undermined the valuation of long duration growth companies, while the initially sharp increase in energy and raw material prices boosted the performance of resource stocks. The energy sector was by some distance the best performing equity market sector in 2022, while value styles outperformed growth and quality by a significant margin, a pattern which has only been seen for short periods since the end of the 2008 Financial Crisis.

Equity markets nevertheless underlined their role as a measure of investors' expectations by rallying strongly in the first quarter of 2023, the final quarter of Polar Capital's financial year. Few would have predicted at the beginning of 2023 that the Nasdaq index of high growth and technology companies would finish the first quarter 17% higher. Lower market interest rates provide part of the explanation, although a reversal of the predominant themes of 2022 was a more widespread phenomenon, in terms of style and sector. The other reason is investor positioning, which had become extremely negative very quickly.

With the wave of selling exhausted, a modest improvement in the outlook for inflation and growth, in part attributable to a warmer-than-usual winter in Europe, was able to push equity markets higher. The worst performing sectors in Q1 2023 were energy and healthcare, the former last year's runaway winner. The best performers in Q1 2023 were technology and communication services.

The outlook remains uncertain, as always.

US 10 year bond yield



Source: Bloomberg data at 31 March 2023.

Even though equity market volatility is towards the lower end of its long-term range, bond volatility is high. The US Federal Reserve is taking no chances with inflation and Jerome Powell is likely to remain cautious, understandably unwilling to be cast as the Federal Reserve Chair who let inflation get out of hand.

The big question for equity markets perhaps has as much to do with style and leadership as with direction. It is quite plausible that higher inflation for longer will support a decisive change of leadership from the quality and growth styles which have been dominant for much of the past decade. On the other side of the coin, if higher rates succeed in bringing down inflation quickly, and growth slows, it is possible that the scarcity premium enjoyed by genuine growth companies will re-emerge. This could favour technology again.

The largest tech stocks (the FAANGs) are not as expensive as they were at their 2000 peak, nor as expensive as 'nifty fifty' stocks were in the early 1970s. The argument that the long boom in tech disruption is not over is also credible. The explosion of interest in machine learning and large language models is a good example.

While the equity bear market of 2022 has fulfilled its typical function in exposing areas of excess in financial markets, such as SPACs and crypto currencies, we have not seen dramatic capitulation among equity investors. If 2022 was indeed a bear market, it was shorter and less extreme than many of its predecessors.

Strategy and Business Model

The Group's aim is to remain a leading specialist, investment led, active fund manager through a strategy of delivering to professional and institutional investors a range of fundamentally driven investment products that deliver differentiated risk adjusted returns over the long-term.

Objectives

Our focus is investment performance over and above the gathering of assets. We believe there is an alignment of interest between the fund managers we recruit, their focus on delivering superior returns and the interests of professional and institutional clients who are seeking differentiated investment products.

- Remain a leading global investment management boutique
- Deliver first quartile fund performance over the investment cycle
- Sustain high levels of corporate governance and transparency
- Be a strong and dependable partner to our clients offering them a range of attractive and diversified investment products
- Maintain a robust operational infrastructure
- Preserve a strong balance sheet

Business model

The Group operates as a scalable business platform for specialist, active fund management teams and is structured into three main business areas: Fund Management, Operations and Distribution and Client Services.

Fund Management

The Group currently supports 13 investment teams that manage a range of long-only and alternative products, including open-ended UCITS, SICAV, US 40 Act mutual fund as well as closed-ended investment trust companies and alternative funds. We have created an environment in which fund managers can focus on managing money and not get distracted by other day to-day aspects of running a business, particularly administration.

Operations

The Group maintains a robust and scalable operational infrastructure and system of risk control which in collaboration with third party service providers support all business areas.

Distribution and Client Services

The Group's distribution and client services teams distribute its products in the UK and internationally to professional and institutional investors through our strong digital platform with insightful content.

Strategy for further growth – Growth with diversification

Investment strategies

- Add complementary strategies to appeal to institutional investors
- Selectively extend existing teams to provide additional capacity

Distribution and Client Services

- Focus on building the institutional channel
- Increase US client assets over time
- Enhance international distribution capability
- Access distribution opportunities in Asia and Australia

Link to KPIs

- Core operating profit
- Performance fee profit
- Core operating margin
- Adjusted diluted total EPS
- Adjusted diluted core EPS
- Total shareholder return
- Net management fee
- Net management fee yield
- Net inflows
- Investment performance

Progress during 2022–23

- Net inflows across a number of funds and strategies including £103m for the year across the Sustainable Thematic Equities strategy.
- Continued demand and inflows into Polar Capital European ex-UK Income, Biotechnology, Global Convertibles, Global Absolute Return, Smart Energy and Emerging Market Stars Funds, with combined net inflows of £320m across these funds in the fourth quarter following a year of significant headwinds.
- Increased inflows to our US business including £115m net inflows to our US Emerging Market Stars strategies.
- Opening of the Singapore office to provide distribution presence in the region.
- Maintained total dividend per share at 46.0p.

Key Performance Indicators (KPIs)

We use the following key performance indicators to measure progress against our strategy. During a difficult period for markets (see page 8), Polar Capital has demonstrated resilience and improving investment performance. The Group's strong balance sheet and significant capacity in fund strategies that are currently benefitting from net inflows, positions Polar Capital well for the future.

Financial performance indicators

Core operating profit†

These are Group profits before performance fee related profits, other income and tax.

down by 31%

2023	£47.9m
2022	£69.4m

Core operating margin†

This measure of Group profitability is calculated as core operating profits divided by net management fee revenue.

down by 6ppt

2023	31%
2022	37%

Net management fee yield†

This measures the average management fee charged across our product range by dividing net management fees earned by the average AuM during the year.

down by 3bps

2023	79bps
2022	82bps

Performance fee profit†

Gross performance fee revenue less performance fee interests due to staff.

down by 59%

2023	£1.7m
2022	£4.1m

Total shareholder return

We measure the value created for shareholders by monitoring the sum of the change in share price plus dividends paid.

down by 14ppt

2023	-20%
2022	-6%

Adjusted diluted total EPS†

The Group's adjusted profits from management fees, performance fees and other income measured per share.

down by 21%

2023	44.3p
2022	56.0p

Adjusted diluted core EPS†

The Group's adjusted core operating profits measured per share.

down by 26%

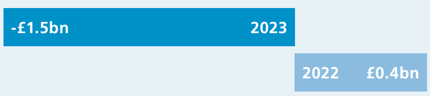
2023	39.7p
2022	53.8p

† These non-GAAP alternate performance measures are described in more detail on page 30.

Non-financial performance indicators

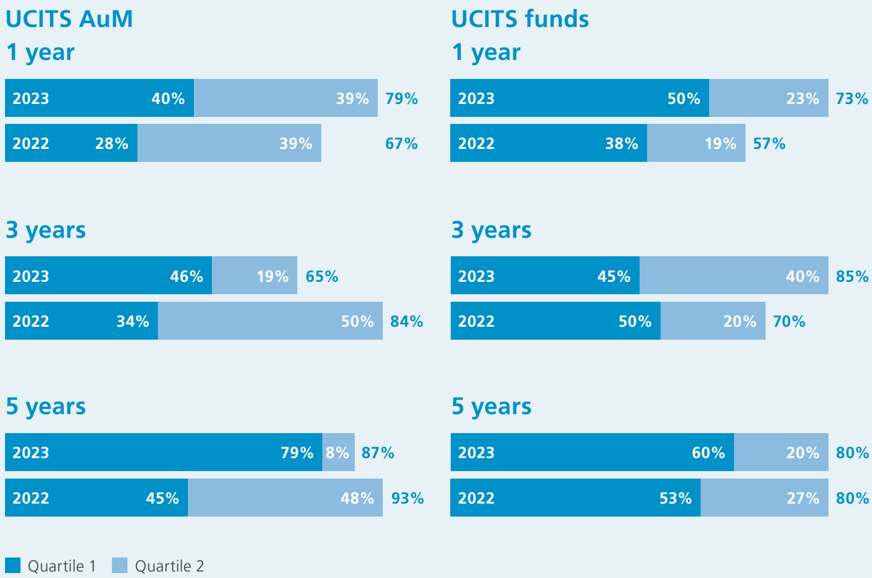
Net flows

These represent the net amount of inflows into and redemptions from our product range during the year.



Investment performance

We monitor the percentage of our UCITS AuM and number of funds in the top two quartiles per Lipper figures over 1, 3 and 5 year rolling periods.



Business Review

Assets under Management and Fund Flows

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

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

Polar Capital was not immune from the headwinds; however, we held up relatively well given the backdrop and bear markets impacting our larger strategies. While we experienced selling pressure across many of our growth centric strategies, including Technology outflows (£1.2bn) and from areas that were out of favour with investors, such as UK and European equities, we saw interest and net new inflows into Polar Capital Biotechnology Fund (£154m), Polar Capital Healthcare Blue Chip Fund (£69m) and Polar Capital Global Absolute Return Fund (£26m) including Emerging Market Stars (£236m) and Sustainable Thematic Equities (£103m) strategies.

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

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

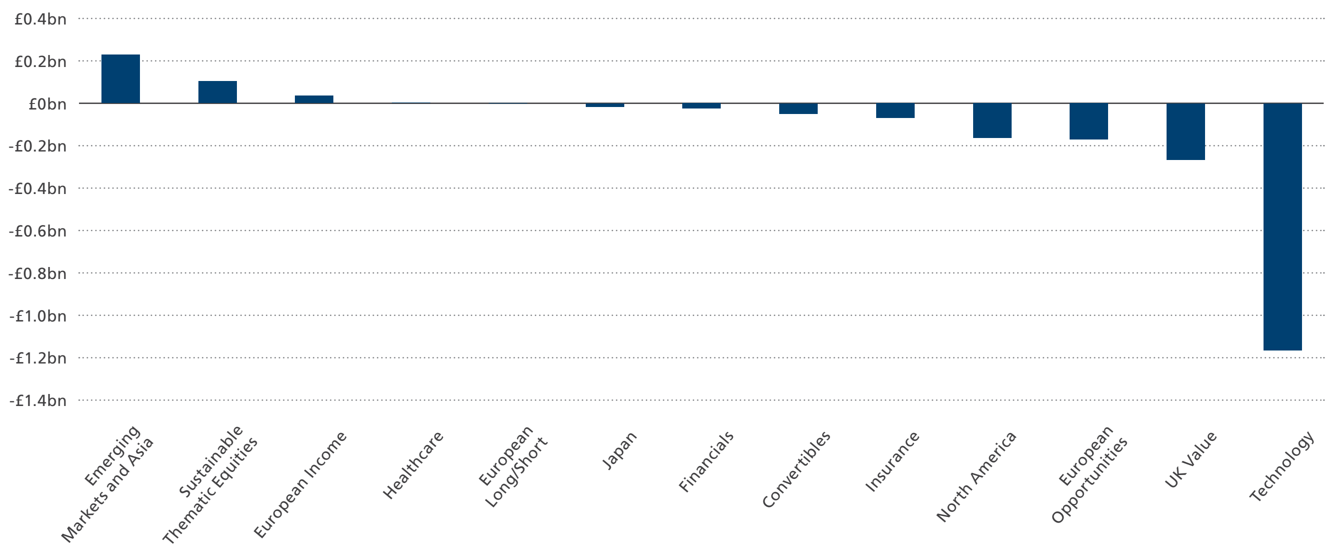
Over the period, AuM declined by 13%, to end the year at £19.2bn (2022: £22.1bn), while the decline in AuM in our three investment trusts and segregated mandates declined by 11% and 9% respectively. Average AuM was £19.6bn, a decrease of 14% (2022: £22.8bn). It is notable that in the last quarter of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

Communicating with our clients

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

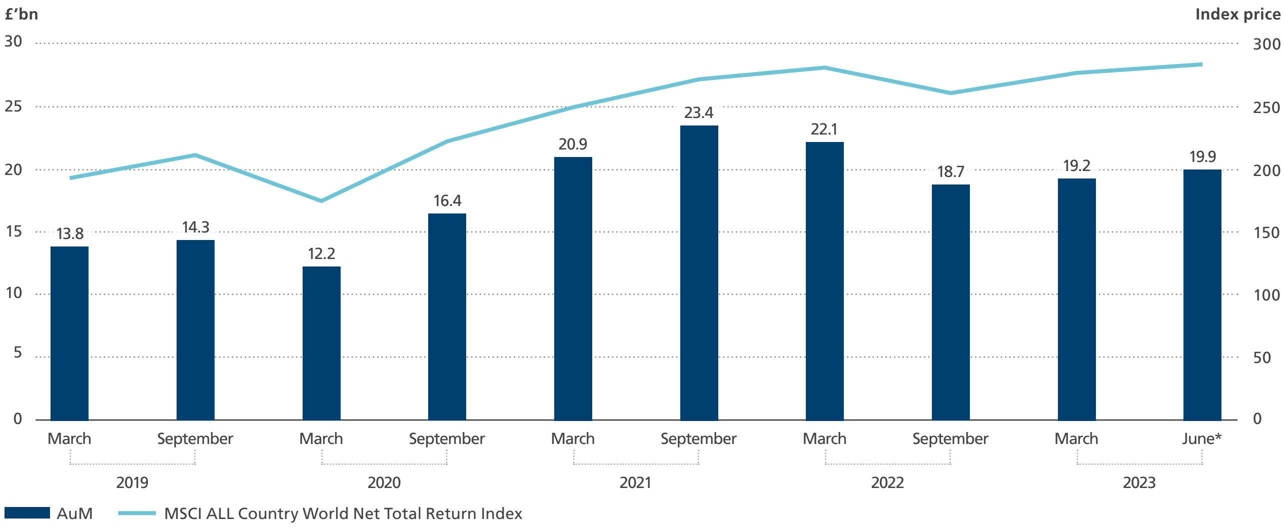
We continue to invest in our digital marketing capabilities, aiming to further enhance and expand the way in which we engage and communicate with our clients. Our goal is to configure and optimise our client services and marketing so that it is increasingly tailored to specific client segments and geographies. As an example, in Q4 2022 we launched our new institutional website (www.polarcapitalstrategies.com) in boththe UK and the US, providing a tailored platform for institutional investors to access information on our strategies and capabilities.

Strategy fund net flows for the 12 months to 31 March 2023[1]



1. The above table exclude Melchior European Absolute Return Fund and Melchior Global Equity Fund which were closed down in May 2023 and December 2022 respectively.

Polar Capital AuM



Source: AuM – Polar Capital, MSCI All Countries World Index – Bloomberg.

* At 16 June 2023.

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

Growth with diversification

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

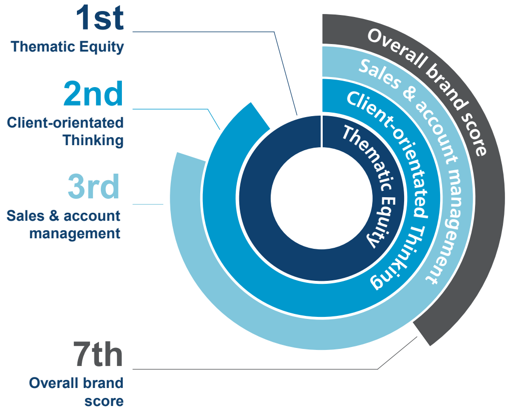
By successfully combining our sales and digital marketing capabilities we can extend the reach of our distribution to accelerate growth. We have established distribution platforms and deep client relationships in the UK, continental Europe and the Nordic region.

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

Our approach to global expansion remains both targeted and measured.

Outlook

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



Source: Broadridge, Fund Brand 50, March 2023.

Business Review continued

Fund performance and oversight

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

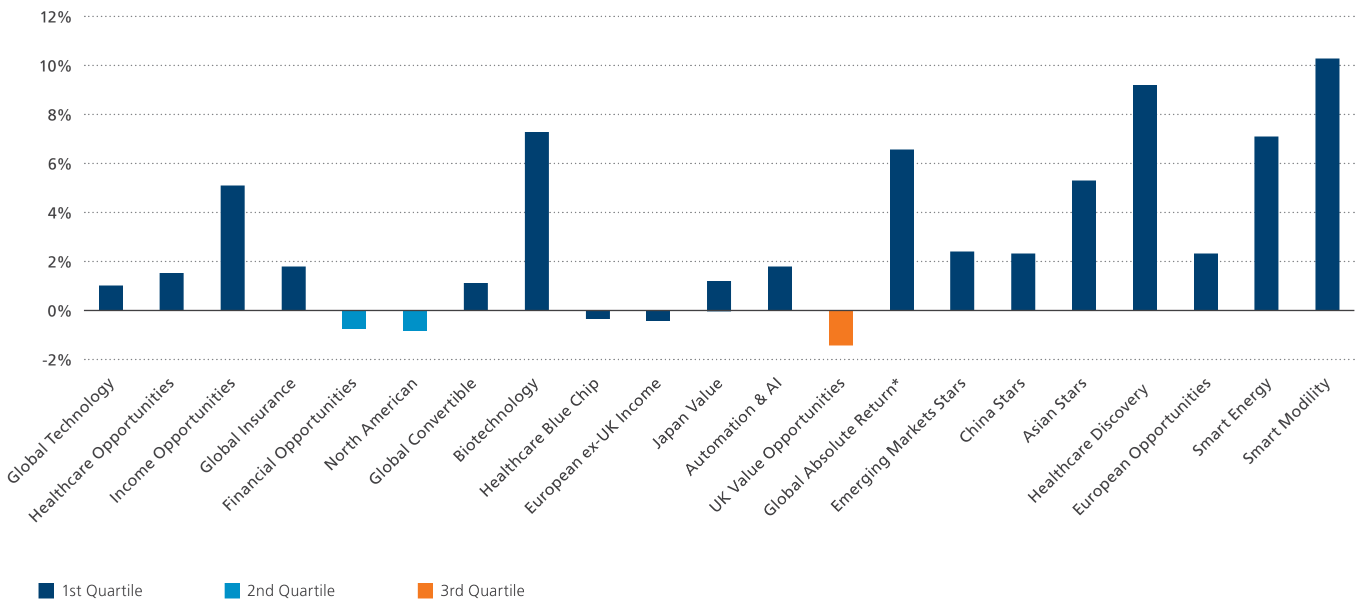
Polar Capital's strategies are reasonably evenly distributed in terms of directional sensitivity (i.e. whether they outperform on up days or down days in the market), and there is also representation in both value and growth styles, although a greater percentage of AuM is in growth styles. Many Polar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

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

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

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

Annualised UCITS/ SICAVs fund performance against benchmark since inception*



Funds ordered according to launch date.

Source: Polar Capital factsheet data and Lipper quartile ranking at 31 March 2023.

* Absolute return product, funds do not have a benchmark.

The above table excludes Melchior European Absolute Return Fund which closed down in May 2023.

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

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

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

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

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

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

Business Review continued

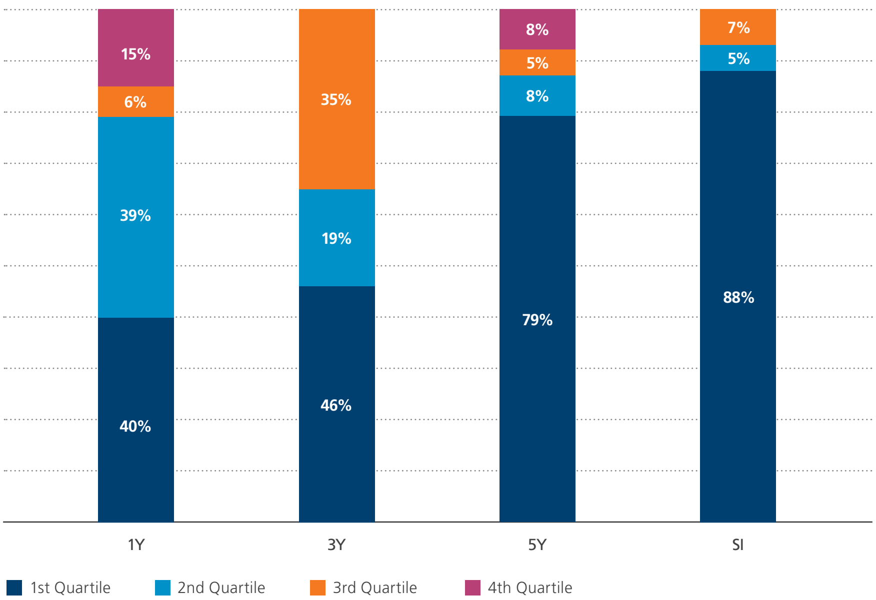
Polar Capital's closed ended and open ended Financials funds were a little behind and a little ahead of benchmark respectively. The year ended on a difficult note due to the underperformance of some of the funds' US bank holdings. These positions were significantly reduced, which limited the losses.

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

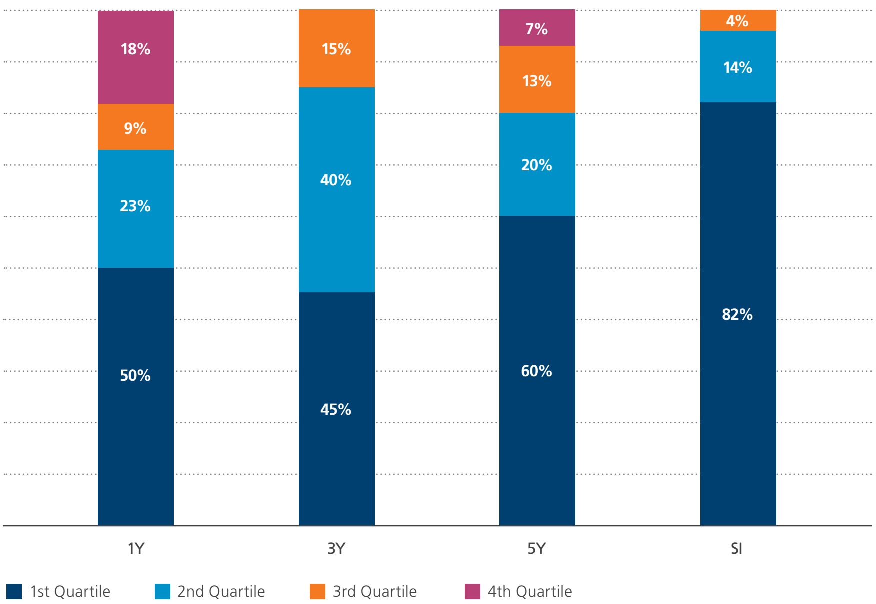
As at 31 March 2023, 79% of our UCITS funds' AuM were in the top two quartiles against the Lipper peer group over one year, 65% in the top two quartiles over three years with 87% and 93% in the top two quartiles over five years and since inception respectively.

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

Performance over time for UCITS funds AuM



Performance over time for UCITS funds



Source: Lipper figures for long-only and alternative UCITS funds at 31 March 2023.

Profile of investment teams

The Group comprises **13 investment teams** managing **23 funds**[1] and **3 investment trusts**. The following is the profile of each investment team in order of their establishment.

Technology

Established: **2001**

Team size: **8**

Years' experience: **120+**

Team AuM: **£7.2bn**

Polar Capital's technology team is one of the most respected in the industry. It leverages the knowledge and experience of eight sector specialists who run one of the largest pools of technology assets in Europe. The team's expertise lies in their identification of key secular growth trends in the industry and on their selection of companies best placed to benefit from those trends. Their approach emphasises growth while managing risk through a detailed knowledge of individual companies and an understanding of corporate obsolescence in an industry where change is ever present.

The technology sector has been transformed over the past 15 years by the growth of cloud computing, the mobile internet, e-commerce and the rapid pace of software adoption. As one of the largest beneficiaries of the pandemic, reopening was always going to generate crosscurrents for the technology sector which have been exacerbated by a compression in valuation multiples as bond yields have risen. Technology is already disrupting many other industries and the accelerated development of artificial intelligence will extend this trend to broaden the market opportunity substantially. This supports the team's positive longer-term outlook and their strong bias towards new, next-generation companies and away from incumbents that have struggled to adapt to the new environment.

Funds Managed:
- Global Technology
- Automation and Artificial Intelligence
- Technology Trust

European Long/Short

Established: **2003**

Team size: **3**

Years' experience: **45+**

Team AuM: **£0.1bn**

The team aims to maximise returns at a low level of risk by applying a bottom-up, value-biased approach to stock selection. They look to achieve this by investing predominantly in mispriced small-cap European equities, enhancing returns and reducing absolute volatility through short sales. They identify potential investments from a large, under-researched universe through due diligence that applies fundamental research techniques. In particular, they evaluate the underlying quality of a business franchise as well as its long-term prospects of maintaining or improving its market position and sustaining above-average profitability. This includes detailed financial statement analysis and maintaining a highly disciplined approach to the price paid for any portfolio holding.

The European smaller-companies landscape has many niche market leaders and national champions; the competitive landscape for these companies is ever-changing; there is a constant buzz of corporate activity and numerous structural trends and themes at play. They observe high valuation dispersion, with a significant disconnect between the valuations of modestly growing, high quality, but lesser-known smaller companies and their larger, more liquid peers. This creates a rich environment in which to forage for ideas on both sides of the book.

Funds Managed:
- European Forager

1. Melchior European Absolute Return Fund was closed down in May 2023.

Business Review continued

Healthcare

Established:	Team size:	Years' experience:	Team AuM:
2007	**8**	**180+**	**£3.8bn**

Our well-established and highly experienced healthcare team has a very clear, defined way of managing money: they use a bottom-up, stock-picking approach to construct well diversified but concentrated portfolios that target growth at a reasonable price. This conviction approach remains the same across the five-strong fund range, each of which has a different risk profile and provides exposure to different aspects of the healthcare sector.

The team view healthcare as a long-term, secular growth sector as an older population drives the demand and the need for increased healthcare provision. Moreover, technology is transforming the way healthcare is managed, delivered and paid for, changing the competitive structure of the industry. This shifting landscape creates investment opportunities that extend well beyond the familiar pharmaceutical companies.

Looking ahead, they expect returns to be polarised, with the winners being both the smaller companies that innovate to bring breakthrough new medicines and technologies to patients, as well as those larger companies which can adapt to, or perhaps even drive, structural change in the way healthcare is delivered. The team believe smaller companies – the innovators – will disrupt the sector with new technologies, devices, business models, drugs, software and services. At the same time, they believe it is those with proactive management using strategies to transform how healthcare is managed, delivered and paid for that will take market share as well as delivering stable earnings growth and compounding returns for investors.

Funds Managed:

- Healthcare Opportunities
- Healthcare Discovery
- Global Healthcare Trust
- Healthcare Blue Chip
- Biotechnology
- Segregated mandates

Global Insurance

Established:	Team size:	Years' experience:	Team AuM:
2010	**2**	**35+**	**£2.1bn**

The team invest primarily in the global non-life insurance industry. A key attraction of the sector is that the driver of book value (or net asset value) growth for the best companies is underwriting profits. This profit stream tends to be largely disconnected with the broader economy and financial markets. Insurance is mostly a compulsory purchase, often required by law, and therefore the industry exhibits robust demand characteristics and has historically been defensive in challenging economic times.

Non-life insurance company investment portfolios largely consist of cash and short-dated bonds as companies need liquidity to pay claims that can happen at any time, adding to sector defensiveness. Non-life insurers have coped well with the low investment returns since the global financial crisis. Insurance policies renew annually and therefore insurers have adjusted premiums to sustain overall returns. In the past year, companies have seen significant growth in their investment income given the rise in short-term bond yields which, when added to already exceptional underwriting profitability, has resulted in the best earnings power the team have seen in many years.

A well-run insurance company is a compounding machine. In insurance, the rate of compounding is best measured as the growth in book value per share and dividends over time. The team's investment process is to construct a diversified portfolio of 30-35 stocks where the holdings, in aggregate, can grow their book values at an attractive rate over time. The team favour smaller, specialist underwriters with significant management ownership rather than large conglomerates. The insurance industry exists to pay claims so having appropriate underwriting diversification and limiting exposure to volatile natural catastrophe (re)insurance are key to maintaining good returns.

Funds Managed:

- Global Insurance

Financials

Established:
2010

Team size:
5

Years' experience:
100+

Team AuM:
£0.5bn

The experienced specialist team of five are responsible for three funds that invest in the equities and bonds of financial companies, which is the second largest investment sector globally. The team's investment process looks for high-quality businesses with strong franchises and profitability from a bottom-up, fundamental stock analysis using their own proprietary analysis of companies built up over many years.

The financials sector has been a big beneficiary of rising interest rates and bond yields which has boosted earnings over the past year. Consequently, in 2022 financials outperformed wider equity markets for the second consecutive year despite concerns around the impact of the war in Ukraine and slowdown in economic growth on the sector.

In 2023, the collapse of Silicon Valley Bank, Signature Bank and the forced sale of Credit Suisse to UBS led to a sharp fall in equity and subordinated bond prices of many banks, in particular smaller US regional banks, as well as weakness across other financials. While there has been some recovery from the initial sell-off this has resulted in underperformance of the sector against wider equity markets.

Notwithstanding the more uncertain short-term outlook, the team do not believe the failures of these banks reflects the broader resilience of the sector following the steps policymakers and regulators took in the years following the global financial crisis. With valuations having fallen to record low levels relative to wider equity markets, the risk/reward looks very attractive when considering the sector will continue to benefit from higher interest rates for the foreseeable future which will also support a high level of capital return.

Funds Managed:
- Income Opportunities
- Global Financials Trust
- Financial Opportunities

Convertibles

Established:
2010

Team size:
6

Years' experience:
125+

Team AuM:
£0.7bn

Polar Capital's Convertible team is highly experienced and manages two funds with different risk characteristics. The Global Convertible Fund is a long-only fund and the Global Absolute Return Fund is a long convertible, short equity fund. Nonetheless both have a similar, three-stage investment process, namely fundamental credit analysis followed by convertible analysis and finally the identification of equity catalysts. The primary difference between the two funds is the extent of hedging of down-side risks.

Over the past three years, the convertible asset class has grown and broadened, leading to a universe today that is as diverse as the S&P 500. This, and the fact convertibles can benefit from higher equity volatility and higher interest rates, has led to renewed investor interest in this inherently defensive asset class.

Looking forwards, they expect higher equity volatility and market uncertainty to continue as central banks and regulators seek to wrestle both inflation and market stability. With interest rates higher, they expect their investment universe to broaden still further as companies seek alternatives to financing themselves in unpredictable credit markets. For all these reasons, they believe the outlook for convertibles is one of the most compelling they have seen in years.

Funds Managed:
- Global Convertible
- Global Absolute Return

Business Review continued

North America

Established: **2011**

Team size: **3**

Years' experience: **65+**

Team AuM: **£0.6bn**

The team's active approach to investing is driven by bottom-up, fundamental stock analysis. Their investment approach is based on the simple idea that they are investing their clients' savings in American businesses with the goal of compounding those savings over the long-term at an attractive return. They believe the best chance of doing this successfully is to invest in businesses that sustainably compound at attractive rates over time and to invest in them at an attractive price. They seek to identify companies across a broad market-cap spectrum that offer both long-term value creation and value. By focusing on both the value creation delivered via a business's underlying operational growth and capital return as well as taking a disciplined approach to value, the team believe the portfolio has both a higher probability of delivering attractive upside potential while also benefitting from a two-fold margin of safety – a fundamental margin of safety and a value margin of safety.

The team expect a very different investing environment in the coming years to that of the past decade. A different inflationary environment is one example of this. The team do not expect a repeat of the liquidity-driven revaluation environment that characterised the second half of the past decade. As a result, they expect their valuation discipline to reassert itself as a positive driver of alpha. Furthermore, after a such a strong period of mega-cap stock performance they expect a broadening of market strength to result in better relative stock performance further down the market-cap spectrum. The team's multi-cap approach is well suited to taking advantage of the broad range of investment opportunities on offer, a natural ongoing advantage of the American equity market.

Funds Managed:
- North American

Japan Value

Established: **2012**

Team size: **2**

Years' experience: **30+**

Team AuM: **£0.2bn**

The team believe in a long-term, bottom-up, research-driven approach to investing. They have a value philosophy and look to capitalise on the unique investment opportunities presented by Japan, with extreme divergence between intrinsic and market values caused by a combination of behavioural, capital and informational inefficiencies. The team look to exploit these unique inefficiencies to generate consistently strong risk-adjusted returns by investing in companies trading below their intrinsic value. The Fund offers an all-cap investment opportunity, but with greater exposure to small and mid-cap companies where the greatest market inefficiencies exist.

They believe the investment opportunities in Japan are attractive when put in a global context and return potential is underwritten by short and long-term drivers. In the short-term, they expect Japanese equities to benefit from the reopening of trade after social restrictions ended in late 2022. Although this benefit has largely played out in many western economies it has yet to fully benefit the Japanese economy.

On a longer-term perspective, the team expect the ongoing corporate governance reform to have a material impact on company valuations. Each year, management teams are placed under further pressure with increased regulations or disclosure requirements. The changes in 2023 are significant with all companies trading below book value being targeted by the Tokyo Stock Exchange. The team believe these developments will have a large impact on capital allocation and in turn deliver significant benefits to shareholders.

Funds Managed:
- Japan Value

European Income

Established:	Team size:	Years' experience:	Team AuM:
2014	**3**	**25+**	**£0.2bn**

The team focus on the compounding power of dividend growth over the medium-term and aim to achieve a double-digit annual total shareholder return (dividend yield plus earnings growth). Their investment process looks for contrarian entry points into good companies when they are out of favour. To do this, they undertake business, capital and ESG due diligence. Europe is an excellent index for income investing – the region has relatively low trend growth and an abundance of mature, cash-generative businesses.

The team avoids both very expensive and the lowest quality companies. Instead, the team favour large-cap, defensive, attractively valued sectors and companies that can sustainably grow their dividends over time. They believe the compounding power of growing dividends is a key driver of long-term investment returns. The team typically do not buy stocks yielding more than 6%, as anything beyond this level usually proves unsustainable and dividends are eventually cut.

The risk of a recession has increased in several regions as a result of higher inflation, surging energy costs and rising interest rates. Central banks have radically shifted their tone in response to an unprecedented rise in prices, becoming more hawkish and clearly declaring their stance on reducing inflation, even at the cost of a recession. While this environment is challenging for equity markets, the team think dividend-paying equities should be more resilient than other asset classes.

Funds Managed:
- European ex-UK Income

UK Value

Established:	Team size:	Years' experience:	Team AuM:
2017	**2**	**35+**	**£1.2bn**

The team has followed the same bottom-up, company-specific, research-driven process for over a decade. They have a value philosophy looking to uncover companies trading at a temporary discount to their intrinsic value, adopting a multi-cap approach, taking advantage of the best investment opportunities in UK large, mid- and small-cap stocks. The Fund has a high active share with stock holdings differing significantly from its benchmark.

The war in Ukraine led to a spike in inflation, a rapid rise in interest rates and sizeable underperformance of cyclicals and domestic shares; throw in a period of political instability, and 2022 was a year to forget for small and mid-cap investors. Looking forwards, they now have a more stable political backdrop, an improving UK economy and falling inflation. Crucially, sterling has proven to be resilient in the latest market turmoil surrounding the recent banking crisis. They see this as an attractive backdrop to unlocking the highly attractive valuations on offer in the UK equity market.

Funds Managed:
- UK Value Opportunities
- Segregated mandate

Business Review continued

Emerging Markets and Asia

Established: **2018**

Team size: **5**

Years' experience: **70+**

Team AuM: **£1.3bn**

The five-strong emerging markets team comprise fundamental, bottom-up stock pickers who take a long-term investment view. Their core objective is to add alpha by identifying companies whose potential growth in Economic Value Added (EVA) is mispriced. They seek to do this by leveraging their strong analytical skills and company relationships.

Part of this process includes a detailed analysis of a company's ESG characteristics that are most likely to create long-term, sustainable shareholder returns. They also look for potential improvements in a company's ESG profile as an indicator of an improved outlook for the company and thereby enhanced returns.

The team believe the outlook for corporate profits in emerging markets is positive. Markets have only priced in relatively low growth and return expectations over the medium-term. Consequently, the team believe that higher quality companies in particular offer a good balance of risk and reward.

The team also see interesting opportunities in the more structural, growing areas such as India, China and Vietnam. In terms of sectors, they favour technology, healthcare, property, advanced industrials and selective consumer areas.

Funds Managed:
- EM Stars
- Asian Stars
- Segregated mandates
- EM Stars Mutual Fund
- China Stars

European Opportunities

Established: **2010***

Team size: **3**

Years' experience: **40+**

Team AuM: **£1.0bn**

The Fund invests in a selective number of companies across the continent, including the UK, Switzerland and Scandinavia, across the market-cap spectrum. The patchwork of European equity markets, with over 30 individual geographic markets, increases their complexity and gives rise to inefficiencies and anomalies which the Fund looks to take advantage of. In particular, the team look to uncover stocks that are not widely known or followed, where there is greater scope to gain a comparative advantage.

The Fund invests in companies where the team sees strong medium-term growth potential, while exercising a valuation discipline. Since the inception of the Fund in 2010, the macro backdrop in Europe has often been challenging and volatile. The team look for companies that are not reliant on a strong macro tailwind, but instead have demonstrated their ability to thrive in less fertile environments. In particular, they look to identify companies with a competitive advantage or differentiation that will enable them to gain market share at the expense of weaker competitors. They also look to invest in companies delivering a steady improvement in returns where this improvement is not yet factored in by the market.

2022 saw war and inflation return to Europe, the latest in a series of exogenous shocks that have characterised the 2020s so far. Notwithstanding this, and the biggest tightening in monetary policy for years, the strong operating performance and earnings growth of the Fund's holdings in aggregate have reinforced the importance of investing in companies that are durable and resilient on the one hand, but on the other with a culture of flexibility and entrepreneurialism to adapt to and navigate changing and unpredictable currents. After the significant derating of 2022, many of these companies are trading at their lowest multiples for a number of years.

* Joined Polar Capital in 2021.

Funds Managed:
- Melchior European Opportunities
- Segregated mandates

Sustainable Thematic Equities

Established: **2021**

Team size: **5**

Years' experience: **85+**

Team AuM: **£0.2bn**

The seasoned and respected sustainable thematic investment team of five, with an enviable track record and more than 85 years' combined industry experience, joined Polar Capital in 2021. The team invest in opportunities that enable the transition towards a more sustainable economy. The investment objective of the fund range is to provide long-term capital growth while pursuing a sustainable objective as given by the theme.

A disciplined and rigorous investment process enables consistency in stock selection and focuses on fundamental analysis to build a high-conviction portfolio. The fundamental analysis entails an assessment of the attractiveness of the corresponding subthemes, the drivers underpinning them and solutions/technologies that contribute positively to them.

The portfolios are actively managed, flexibly looking for new investment opportunities in attractive growth areas while taking into account general macroeconomic conditions.

An investment is most likely if a company offers strong growth potential and high barriers of entry, is run by an experienced management team and appears underappreciated by the market participants. A comprehensive risk framework is in place, allowing an optimisation of the portfolio's risk/return characteristics through sufficient diversification, while carefully monitoring stock and cluster-specific risks.

The team's sustainability expertise is integrated at all the different stages of the investment process. The team invest in sustainable companies that have significant positive contributions to the theme through their innovative technologies and solutions. They believe sustainable companies can mitigate risks while providing positive, long-term returns.

Funds Managed:

- Smart Energy
- Segregated mandates
- Smart Mobility

Financial Review

Samir Ayub Finance Director

AuM

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

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

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

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

Revenue

Management fees

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

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

Net management fee yield

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

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

Performance fees

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

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

† The non-GAAP and alternative performance measures mentioned here are described on page 30 and reconciled on page 31.

Operating Costs

	31 March 2023 £'m	31 March 2022 £'m
Salaries, bonuses and other staff costs[1]	36.1	36.7
Core distributions[2†]	44.0	54.0
Share-based payments[3]	2.7	5.7
Performance fee interests[†]	5.0	10.0
Total staff compensation	87.8	106.4
Other operating costs	24.7	23.1
Exceptional items	6.2	11.4
Total operating costs	118.7	140.9

1. Including share awards under deferment plan of £0.8m (2022: £0.9m).
2. Including share awards under deferment plan of £0.9m (2022: £0.8m).
3. Share-based payments on preference shares of £0.3m (2022: £1.1m), LTIPs of £1.8m (2022: £3.8m) and equity incentive plan of £0.6m (2022: £0.7m). Refer to Note 3.6.

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

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

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

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

Exceptional items for both 2023 and 2022 comprised of significant items of income or expenditure related to acquisitions, or their unwinding, and are therefore expected to be non-recurring, as well as the amortisation of acquired intangible assets. The items are presented separately to allow a supplemental understanding of the Group's results.

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

A breakdown of exceptional items is as follows:

Exceptional items

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

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

† The non-GAAP and alternative performance measures mentioned here are described on page 30 and reconciled on page 31.

Financial Review continued

Profit before tax

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

^ A reconciliation to reported results is given on page 31.

The headline profit before tax for the year has decreased by 27% to £45.2m (2022: £62.1m).

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

- **Core operating profit**
  Decreased to £47.9m (2022: £69.4m) reflecting mainly the impact of falling average AuM on net management fees and operating costs.
- **Performance fee profit**
  Performance fee profit decreased because of the muted investment performance during the current year, where high inflation, rising interest rates and slowing economic growth were only a few of the concerns weighing on market sentiment.
- **Other income**
  The increase in other income is due to marked to market gains from seed investments held on the Group's balance sheet as well as interest income from bank balances.

Earnings per share

Basic EPS decreased to 36.8p during the year (2022: 50.8p) and diluted EPS decreased to 36.1p (2022: 48.7p). The effect of the adjustments made in arriving at the adjusted diluted total EPS and adjusted diluted core EPS figures of the Group is as follows:

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

Preference shares

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

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

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

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

In the year to 31 March 2023 there were no conversions of preference shares into Polar Capital Holdings equity (2022: two conversions).

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

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

† The non-GAAP and alternative performance measures mentioned here are described on page 30 and reconciled on page 31.

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

Balance sheet and cash

At the year end the cash balance of the Group was £107.0m (2022: £121.1m). In line with the Group treasury policy, cash is held across several UK banking counterparties on maturity terms ranging from 30 to 90 days. At the balance sheet date the Group held £44.1m of investments in its own funds (2022: £48.3m). See Note 4.5(a) to the financial statements.

Capital management

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

As at 31 March 2023 £44.1m (2022: £48.3m) of the Group's balance sheet was invested to seed fledgling funds and during the year the Group advanced loans to the EBT of £6.0m (2022: £11.8m) to buy shares in the Company.

The Group's dividend policy is to pay an annual dividend within a range of 55% and 85% of adjusted total earnings, dependent on the scale of performance fees in the relevant year and the anticipated trading conditions for the following year. Where appropriate, the Group will consider using its balance sheet strength to support the dividend.

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

Going concern

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

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

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

Samir Ayub
Finance Director

23 June 2023

Alternative Performance Measures (APMs)

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

APM	Definition	Reconciliation	Reason for use
Core operating profit	Profit before performance fee profits, other income and tax.	Page 31	To present a measure of the Group's profitability excluding performance fee profits and other components which may be volatile, non-recurring or non-cash in nature.
Performance fee profit	Gross performance fee revenue less performance fee interests due to staff.	Page 31	To present a clear view of the net amount of performance fee earned by the Group after accounting for staff remuneration payable that is directly attributable to performance fee revenues generated.
Core distributions	Variable compensation payable to investment teams from management fee revenue.	Page 27	To present additional information thereby assisting users of the Annual Report in understanding key components of variable costs paid out of management fee revenue.
Performance fee interests	Variable compensation payable to investment teams from performance fee revenue.	Page 27	To present additional information thereby assisting users of the Annual Report in understanding key components of variable costs paid out of performance fee revenue.
Adjusted diluted total EPS	Profit after tax but excluding (a) cost of share-based payments on preference shares, (b) the net cost of deferred staff remuneration and (c) exceptional items which may either be non-recurring or non-cash in nature, and in the case of adjusted diluted earnings per share, divided by the weighted average number of ordinary shares.	Page 28 Note 3.8	The Group believes that (a) as the preference share awards have been designed to be earnings enhancing to shareholders (See page 28) adjusting for this non-cash item provides a useful supplemental understanding of the financial performance of the Group, (b) comparing staff remuneration and profits generated in the same time period (rather than deferring remuneration over a longer vesting period) allows users of the Annual Report to gain a useful supplemental understanding of the Group's results and their comparability period on period and (c) removing acquisition related transition and termination costs as well as the non-cash amortisation, and any impairment, of intangible assets and goodwill provides a useful supplemental understanding of the Group's results.
Adjusted diluted core EPS	Core operating profit after tax excluding the net cost of deferred core distributions divided by the weighted average number of ordinary shares.	Page 28	To present additional information that allows users of the Annual Report to measure the Group's earnings excluding those from performance fees and other components which may be volatile, non-recurring or non-cash in nature.
Core operating profit margin	Core operating profit divided by net management fees revenue.	Page 26	To present additional information that allows users of the Annual Report to measure the core profitability of the Group before performance fee profits, and other components, which can be volatile and non-recurring.
Net management fee	Gross management fees less commissions and fees payable.	Page 26	To present a clear view of the net amount of management fees earned by the Group after accounting for commissions and fees payable.
Net management fee yield	Net management fees divided by average AuM.	Page 26	To present additional information that allows users of the Annual Report to measure the fee margin for the Group in relation to its assets under management.

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

The summary below reconciles key APMs the Group measures to its reported results for the current year and also reclassifies the line-by-line impact on consolidation of seed investments to provide a clearer understanding of the Group's core business operation of fund management.

Any seed investments in newly launched or nascent funds, where the Group is determined to have control (see Note 2.2), are consolidated. As a consequence, the statement of profit or loss of the fund is consolidated into that of the Group on a line-by-line basis. Any seed investments that are not consolidated are fair valued through a single line item (other income) on the Group consolidated statement of profit or loss.

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

Sustainability Report

Responsible Investment, Corporate Sustainability and Our People

Polar Capital aims to provide a range of fundamentally driven investment products that deliver differentiated, long-term returns to our investors and promote long-term value for shareholders and other stakeholders, acting as responsible stewards of our clients' capital.

One of the founding principles is the autonomy of the investment teams and this same principle is applied to investment related ESG practices. We believe incorporating ESG and stewardship approaches into the investment process is something that should be driven by the investment teams, ensuring ESG analysis, engagement and voting decisions are closely linked with the investment decision-making process, while being supported by robust central resources.

Considerable effort has been directed across our investment teams to meet these higher standards, and the majority of our funds employ systematic, rigorous and evidencable ESG investment approaches. While ESG approaches may differ from team to team, the central Sustainability team aims to deliver best practice for our funds and clients, help enhance our investment teams' integration of ESG considerations, develop stewardship practices and increase responsible engagement practices, as well as develop our climate change strategy and net zero framework for portfolios.

As we continue to raise our ambitions and standards for how we conduct our responsible investment and stewardship practices, we have developed our internal processes to ensure we have rigorous operational and monitoring procedures in place.

We have also increased our participation in industry initiatives to promote sustainability and support our internal goals of continually improving our practices and raising our sustainability ambitions. This includes our recent membership of the Institutional Investors Group on Climate Change (IIGCC) which will help develop our investment net zero approach.

We take pride in acting as responsible corporate citizens and seek to make a positive impact on the community around us. The work of our staff Diversity & Inclusion Committee has gone from strength to strength, demonstrated by the workstreams and initiatives led by the Committee. These have raised internal awareness for causes such as mental health and ongoing work with industry initiatives to improve diversity in the industry and within the Group. We are also pleased with the progress we are making with our Polar Capital Aspire Scheme (PCAS), a bursary programme offered in partnership with a local academy.

Responsible investment

Significant work has been carried out to incorporate principal adverse impact (PAI) and climate-related data from various sources into the internal oversight and reporting process. This is a key step for delivering consistent analysis to our portfolio managers with a focus on understanding the impacts of investee companies on the environment and society, and facilitating engagement with companies to improve their sustainability practices.

With the increased regulation and standards, we have strengthened our oversight and monitoring of commitments, limits, ESG and climate-related risk. In 2022, internal processes were reviewed to ensure compliance with ESG commitments and ensure that our funds remained true to their label. This has resulted in enhanced processes that involve our Sustainability, Legal, Product Management, Compliance and Operations teams.

In addition, each investment strategy is reviewed in detail every four months in a meeting with the lead portfolio manager, CIO, CRO and the Head of Sustainability. Further in-depth ESG analysis, in the form of an internal report for each portfolio, is produced by the Sustainability team as the starting point for discussion in the oversight meetings. As part of the report, the Sustainability team monitors changes in the aggregated ESG scores of the strategy and any material changes in company ratings. The portfolio is screened from a norms and controversies perspective to highlight any lagging company practices with regards to the UN Global Compact principles, global norms, human or labour rights. The report highlights any companies with material business involvement activities of particular interest to the strategy. Finally, company-specific carbon performance data and aggregated portfolio-level carbon metrics are included for review.

Regulation

Regulation, primarily the EU Sustainable Finance Disclosure Regulation (SFDR) in Europe, has continued to drive action in sustainable and responsible investment across the industry over the past two years.

As many of our funds are Irish domiciled, the EU SFDR and accompanying regulation has shaped how our funds communicate their responsible investment and stewardship approaches. While there has been greater regulatory clarity recently, a lack of clear definition and guidance has been a cause of confusion and a hindrance to progress in the industry.

SFDR has introduced terms that have now become common in European fund management; Article 6 funds are mainstream investment products that may consider ESG factors from a risk management perspective. Article 8 funds are products that promote environmental or social characteristics; Article 9, the highest designation of sustainable investing, are funds with sustainable investment as their objective, requiring all investments to be 'Sustainable Investments' as defined under the SFDR. Among other things, these products may disclose how the PAIs of their investments on the environment and society are considered. However, while these concepts have now been in effect for two years, they are still open for debate. For example, the industry is still dealing with uncertainty related to what may qualify as a sustainable investment or what consideration of PAIs practically entails.

Since SFDR was brought in, we have taken a conservative approach to its interpretation of the regulation and implementation across our products. We aim to provide clarity and transparency about the way our funds conduct their responsible investment and stewardship practices. All funds classified as Article 8 or 9 under SFDR have detailed disclosures on our Company website which includes each fund's ESG policy, key characteristics of their ESG approach, the methodology for ESG assessment and their engagement approach. Each year, these funds produce an annual report related to their ESG practices over the year. These include a description of the key concepts highlighted above, what the sustainable investment objectives of our Article 9 funds are and how their investments have supported these objectives, what actions have been taken to attain a fund's environmental or social characteristics, and how they have considered the adverse impacts of their investments on the environment and society.

As at 31 March 2023, of the UCITS/SICAV funds (excluding managed accounts) that are in scope of SFDR, 65% are classified as Article 8, 26% are classified as Article 6, while 9% (Polar Capital Smart Energy and Mobility funds) are classified as Article 9.

While European regulation has been a key focus over the past years, we are aware of emerging UK and US ESG-related regulation that will affect our business. In the UK, the Sustainability Disclosure Requirements (SDR) include proposals for sustainable investment labels, anti-greenwashing rules and disclosure requirements and restrictions. The SDR is still in development following significant feedback received during the consultation. The Policy Statement is likely to be published in September 2023, with the anti-greenwashing rule coming into force immediately, followed by the disclosure requirements 12 months later. Similarly, the US Securities and Exchange Commission (SEC) has proposed new rules regarding ESG classifications, disclosures and reporting for investment products, which will affect some of our US-domiciled products. Again, the rules are in development and we await further guidance from the regulators.

Sustainability initiatives and industry involvement

Polar Capital continues to participate in initiatives to promote well-functioning markets and aims to further increase its participation and contribution to such initiatives going forward.

We are a signatory of the UN Principles for Responsible Investment (PRI) and are committed to upholding these Principles. In late 2022, we received our assessment for the report we produced in March 2021. Under the new PRI assessment, we scored three 'stars' out of five for Investment & Stewardship Policy, four stars for active fundamental listed equity incorporation, and four stars for voting. Due to issues with the PRI reporting platform over the past year, there is no report for 2022. The next reporting cycle is due for the summer of 2023, and we expect a considerable change to the scores in the next report due to significant progress made on responsible investment across the business.

Polar Capital supports the UK Stewardship Code and aspires to the standards of best practice that it sets. The new format, based on activity and outcomes of stewardship practices, is an important step for the accountability and credibility of stewardship practices for the industry. We are pleased to remain a signatory of the Code.

Our Sustainability and Legal teams are actively involved in industry-wide sustainability initiatives and forums. They are important for ensuring we are up to date with emerging regulation, the practices of our peers and expectations of our clients. We have continued our participation in the Investment Association's (IA) EU SFDR Implementation Forum, the IA Stewardship Reporting Working Group, the IA Net Zero Forum, the IA TCFD Implementation Forum and the Independent Investment Management Initiative (IIMI) – Responsible Investment Forum.

Sustainability Report continued

Responsible investment continued

Polar Capital has joined the IIGCC, the European membership body for investor collaboration on climate change. The IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. The IIGCC is the key organisation in developing the Net Zero Asset Managers Initiative and Net Zero Investment Framework, which is used by asset managers to develop net zero commitments and targets. We hope membership will help us develop our own net zero strategy and support collaborative engagement on climate change within our portfolios.

We have also continued our involvement in Climate Action 100+ as co-lead on a collaborative engagement and intend to increase our involvement in collaborative engagement initiatives through our recent IIGCC membership.

Corporate Sustainability

Environment and Climate

Polar Capital supports the Paris Agreement to reduce global emissions and limit global warming to below 2°C as well as pursue efforts to limit warming to 1.5°C above pre-industrial levels. For an asset management company, the majority of our emissions footprint comes from our investee companies or financed emissions. Over the past 12 months, we have continued to invest in our resources to understand and manage our financed emissions footprint.

We are also cognisant of our corporate emissions footprint and continue to review our practices and seek to reduce consumption where possible, including moving away from paper-based presentation decks and using online systems for document presentation as well as the separation of recycling, non-recycling and food waste in our office to ensure waste is treated correctly.

As an asset management company, the vast majority of our scope 3 emissions fall into category 15 – financed emissions or the emissions footprint of investee companies. Understanding our financed emissions footprint has been a primary focus over the past year as it is a fundamental element of a comprehensive climate strategy.

The analysis of our financed emissions informs our ESG and climate risk management and oversight process, and also drives action from our fund managers on their stewardship activity by integrating climate risk into their investment approaches, engaging with companies on their climate strategy and, where appropriate, voting on climate-related resolutions.

More information on our strategy for our financed emissions is found in the climate-related financial disclosure section of the report below.

Streamlined Energy and Carbon Reporting (SECR) Regulation

The following statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions and energy consumption pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting:

GHG boundary and methodology

We quantify and report our scope 1 and 2 emissions in alignment with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, and the Scope 2 Guidance. We voluntarily report select scope 3 emissions in accordance with the GHG Protocol Scope 3 Reporting and Accounting Standard. We consolidate our organisational and reporting boundary according to the operational control approach, which includes sources of impact over which we have operational control. In some cases where data is missing, values have been estimated using standard methods of extrapolating currently available data or data from the previous year as proxy.

GHG performance

During the reporting period 1 April 2022 to 31 March 2023, our global measured scope 1 and 2 emissions (location-based) totalled 95 tCO_2e. This figure includes 56 tCO_2e from scope 1 emissions in our offices.

In our Palace Street, London office, electricity is purchased from renewable sources guaranteed by SmartestEnergy. SmartestEnergy's renewable electricity tariffs, including Renewable Standard, are certified by the Carbon Trust and compliant with the Greenhouse Gas Protocol scope 2 guidance.

Our London office building incorporates power-saving devices such as automatic reduction in lighting when offices are not in use, thus improving energy efficiency.

Energy, kWh	31 March 2023 UK	31 March 2023 Rest of World	31 March 2023 Total	31 March 2022 UK	31 March 2022 Rest of World	31 March 2022 Total
Scope 1 Fuels	304,959	582	305,541	304,817	875	305,692
Scope 2 Electricity	173,711	39,538	213,249	149,419	59,296	208,715
Total Scope 1 & 2	478,670	40,120	518,790	454,236	60,171	514,407

The majority of our GHG emissions come from indirect activities, therefore we voluntarily disclose scope 3 emissions for relevant categories where data is available. Over the two years that we have been collecting and reporting emissions data, we have developed data capture and measurement; the accuracy and quality of data has improved and reliance on estimations has decreased. Global scope 3 emissions for measured categories totalled 1,160 tCO_2e in 2022-23, making up 92% of the Group's total known location-based emissions.

This includes the impact of Polar Capital's capital goods, business travel, waste disposal, employee commuting and remote working as well as fuel and energy-related activities (FERA) not already included in scope 2. We have not yet included further other categories of Scope 3 emissions such as Purchased Goods and Services and Financed Emissions, and seek to do so in the future.

Overall, across all reported scopes (using location-based emissions for Scope 2 emissions) our total carbon emissions increased by 128% compared with the previous year. The majority of this was driven by an increase in business travel as marketing and company interactions and the associated travel returns to the pre-pandemic level, as we expected would happen going into this year.

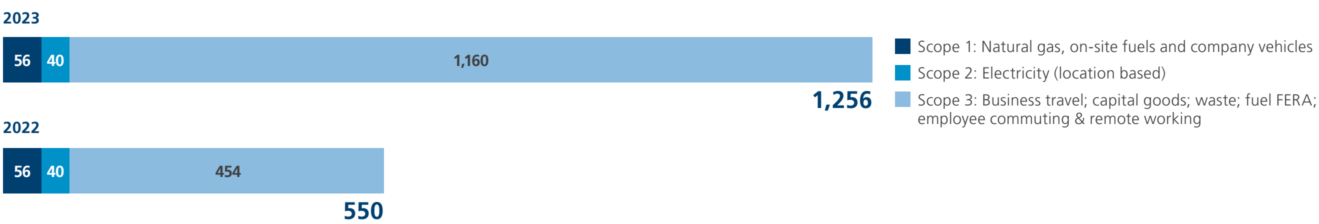
While business travel has also increased for a second year, our use of virtual channels to conduct business has increased since the pandemic and continues to be used while travel restrictions have been lifted. We believe this will continue to have a positive effect on our communication with clients and reduce unnecessary business travel.

The year-on-year reduction in emissions associated with capital goods reflects a number of changes to the places in which the Group operates. In the year to March 2023, the embodied emissions related to fixed assets for our Swiss office dropped substantially since it was set up in the previous period and, similarly, emissions related to one of our US offices reduced with its closure in 2022. Reduced investment in home working equipment for staff also had a positive impact on capital goods emissions.

In February 2023, we finalised the agreement to take on additional office space within our London headquarters. Our aim was to achieve a high-quality fit-out while keeping the waste and cost to the environment to a minimum. Working with our contractor, we sought to reduce the embodied emissions associated with the refit by taking a number of simple steps, such as, retaining as much of the original as possible, including flooring, wall panels, room dividers and kitchen units, and seeking to retain, reuse and recycle many of the existing floor plates and glass panel units.

Total CO_2e emissions (tonnes)

1,256



Sustainability Report continued

Corporate Sustainability continued

	31 March 2023			31 March 2022		
GHG emissions, tCO_2e	**UK**	**Rest of World**	**Total**	UK	Rest of World	Total
Scope 1	56	–	56	56	–	56
Scope 2: location based	34	6	40	32	8	40
Scope 2: market based	–	6	6	–	9	9
Total Scope 1 & 2: location based	90	6	96	88	8	96
Total Scope 1 & 2: market based	56	6	62	56	9	65
Scope 3 (optional reporting)	N/A	N/A	1,160	N/A	N/A	454
Capital goods	N/A	N/A	8	N/A	N/A	121
Fuel and energy related activities	N/A	N/A	27	N/A	N/A	36
Waste generated in operations	N/A	N/A	0.3	N/A	N/A	–
Business travel	N/A	N/A	1,009	N/A	N/A	207
Employee commuting & remote working	N/A	N/A	116	N/A	N/A	90
Total all scopes (location based)	N/A	N/A	1,256	N/A	N/A	550
Total all scopes (market based)	N/A	N/A	1,222	N/A	N/A	519
Intensity ratio per £m net income (location based)	N/A	N/A	0.6	N/A	N/A	0.5
Intensity ratio per FTE (location based)	N/A	N/A	0.5	N/A	N/A	0.5

Climate-related financial disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) was developed by the Financial Stability Board (FSB) to provide guidance for companies and investors on key information the former should disclose to support the latter. The FCA has now adopted the TCFD guidance to introduce mandatory climate-related reporting for asset managers in the UK, implemented in a phased approach depending on the size of the asset manager. Polar Capital falls within the second phase of reporting (with AuM between £5-50bn) in scope of the FCA's TCFD requirements from January 2023, requiring our first full TCFD report by June 2024. As such, this year we again provided a high-level disclosure focusing on the governance, strategy and risk management of climate-related risks and opportunities, and will provide the full TCFD report in 2024.

Governance

The Board is responsible for the overall stewardship of the business, approving its strategy, monitoring and holding the Executive Committee to account for the running of the business. Climate-related risks and opportunities are increasingly prominent in the Board's discussions and strategy development so it is aligned to the transition to a low carbon economy. We aim to ensure that we offer clients access to investment in climate solutions and that our existing funds have sophisticated climate data capabilities and resources to ensure they can manage climate-related risks and opportunities, as well as report on them.

The governance structure allows the Board, senior management and management committees to integrate climate-related risks and opportunities into guiding strategy, business plans and risk management.

The Board ensures that climate-related risks and opportunities are integrated into their oversight through the delegation of responsibility to senior management and management committees, with regular reports to the Board through formal reporting lines:

- The risk management framework now incorporates ESG and climate-related risk analysis into four-monthly investment reviews for each strategy, which are conducted by the CIO, and the sustainability and risk teams. Any escalations from these are reported to the Group Risk Committee (GRC) and thereafter the Board.
- Sustainability-related regulation risks and client demand is fed through the Sustainability Committee and escalated via the Executive Committee to the Board. The Sustainability Committee includes members of the GRC and Executive Committee.
- The Board is also updated on climate and sustainability activity and progress in each Board meeting through the CEO's report. The Board also receives regular progress reports from the Head of Sustainability.

- The Audit and Risk Committee (ARC) receive regular updates from the Group Compliance and Legal Officer, highlighting the most serious risks and escalated issues over the period. These include those associated with sustainability practices and the impact of sustainability risks on other risk categories, such as reputational and regulatory risk.

Underlying this is each investment team's approach to incorporating the data and information provided, offering their own sectoral, country or regional expertise and implementing the climate strategy best suited to their investment approach.

Internally the Head of Sustainability, Sustainability Committee, Executive Directors, CIO, risk management team and portfolio managers have various roles and responsibilities for developing and implementing our climate strategy.

Strategy and risk management

The identification and incorporation of climate-related risks and opportunities is applicable to the Company and its subsidiaries.

The Board is involved in monitoring strategy around the key risks to the business; this includes climate risk from a business perspective as well as climate risk within investment portfolios. ESG and climate change have been agenda items in Board meetings since the start of 2021, with explicit climate-related strategy added in late 2021. ESG and climate-related investment risk are incorporated into the regular investment risk oversight process.

The GRC considers all Group risks, including corporate, operational, distribution and portfolio risk. Since 2021, sustainability has been included under 'Strategy, business model and sustainability' as one of the nine macro risks identified by the GRC, reflecting the elevated risk related to sustainability and climate change.

There are various categories of climate-related risk that may impact investment performance due to their impact on underlying investments, in the same way they may affect the Group's business operationally. These risks include reputational, policy, legal and regulatory, technology and market risks.

While these sustainability and climate risks have been incorporated into the Strategy, Business Model and Sustainability risk factors, these are also inputs into other top macro risks for the business. In particular, regulatory risk and reputational risk to the business are elevated, and are anticipated to remain elevated, in part due to the regulatory and reputational sustainability risks to the business.

As part of our evolving strategy, considerable work has been carried out to understand the emissions profile of our portfolios and identify the risks and opportunities associated with them. Climate-related risk data and analysis have been incorporated into the regular investment risk oversight meetings for all our funds.

This process has been significantly improved to include a range of new data metrics and sources, and we have put considerable resource into linking the analysis of climate risks on our portfolios and their impact on investee company performance, to the impact of our portfolios on the environment and society.

Our aim has been to develop an approach to identifying adverse sustainability impact indicators at the investee company level to determine the most material issues within each fund. This allows our funds to identify risks and opportunities and prioritise engagement and interaction with investee companies in the most meaningful way.

We believe that when determining a company's impact on the environment, factors recommended by the TCFD such as carbon footprint, absolute emissions and emissions intensity as well as climate-related targets cannot be viewed independently as they all contribute to the impact assessment a company has through its GHG emissions. We monitor and report carbon metrics at a fund level, however, to make a real-world impact, we believe the metrics highlighted above must be reviewed at an individual company level.

In addition, Polar Capital is considering its position on making a net zero commitment that covers financed emissions and/or joining an organisation such as the Net Zero Asset Managers Initiative. While we have not yet made such a commitment, we continue to develop our capability to evaluate our funds' holdings using the IIGCC Paris Aligned Investment Initiative Net Zero Framework.

The framework sets out a number of components for an effective net zero investment strategy, with recommendations on the key actions and methodologies that can be used to implement such a strategy. Under the framework, the validity of a company's progress towards a net zero future is assessed using the Climate Action 100+ benchmark criteria that rely on a mixture of quantitative disclosures and goals, and qualitative policies and strategies towards a net zero future. The analysis aims to assess progress already made towards net zero and key areas for improvement at company and portfolio level.

Sustainability Report continued

Corporate Sustainability continued

Charitable giving

We believe we have a responsibility to make a positive impact on the environment and the communities in which we live.

We contribute a percentage of our profits towards charitable causes and encourage staff to nominate charities for us to support. In the year under review, the Group made financial contributions to 19 charities.

Each year we support charities that support causes that are important to members of staff or the business. While the focus of these charities may vary, over the past few years our contributions have been directed to causes such as community support, homelessness and child welfare, mental health, healthcare and education, and the environment. As we have previously, we tend to focus on smaller charities where we believe our contribution will make a big difference.

In the financial year ending 2024, the Group will commit up to 1% of annual core operating profit to environmental and social causes.

In the current financial year, we again partnered with Heal Rewilding, a charity established to respond to the biodiversity emergency. Our contribution has continued to focus on helping Heal raise the profile of their cause and awareness of their goal to rewild sub-economic farmland in the UK. We are very happy that the Heal Rewilding charity has continued to raise funds and support, and recently made an enormous step in achieving its objective. At the start of 2023, Heal purchased its first site, in Somerset, which "aims to tackle the nature and climate crises while creating new jobs and work for local tradespeople and businesses, with projects to be co-designed and delivered with the local community".

Our partnership with Heal will continue through to the financial year ending March 2024.

In addition to financial donations, we offer an employee volunteering scheme. Under this scheme, employees can take up to two days leave per year to support charitable causes.

Social responsibility

The Polar Capital Aspire Scheme (PCAS) was launched in 2021, with the aim of supporting further education for students who wish to pursue three-year university degree courses in the UK. Our ongoing partnership with Westminster City School (WCS),a local academy, sees PCAS's first two students enrolling at UK universities in September 2023. Successful students receive a bursary that covers their full tuition fees and a stipend until their course is complete. We intend to sponsor another two students each year on a rolling basis.

In addition, we have continued to fund the purchase of new laptops for each incoming student into the lower sixth form at WCS for their own use in their academic efforts and beyond sixth form.

While it is not a requirement for students to work in the finance industry upon graduation, one PCAS objective is to encourage more students to consider finance as a potential career choice. Their interactions with us will introduce them to fund management and hopefully pique their interest in the various careers available, not just at our Group, but elsewhere within financial services.

Our people

Polar Capital is proud of its culture which is underpinned by the people within the Company. Our people are the heart of our business and attracting and retaining key talent is of utmost importance to the Group. We achieve this by providing a supportive and inclusive working environment, with an open-door policy, focussing on workforce wellbeing, establishing a diverse culture, where rewards are based on merit and opportunities are given for personal development.

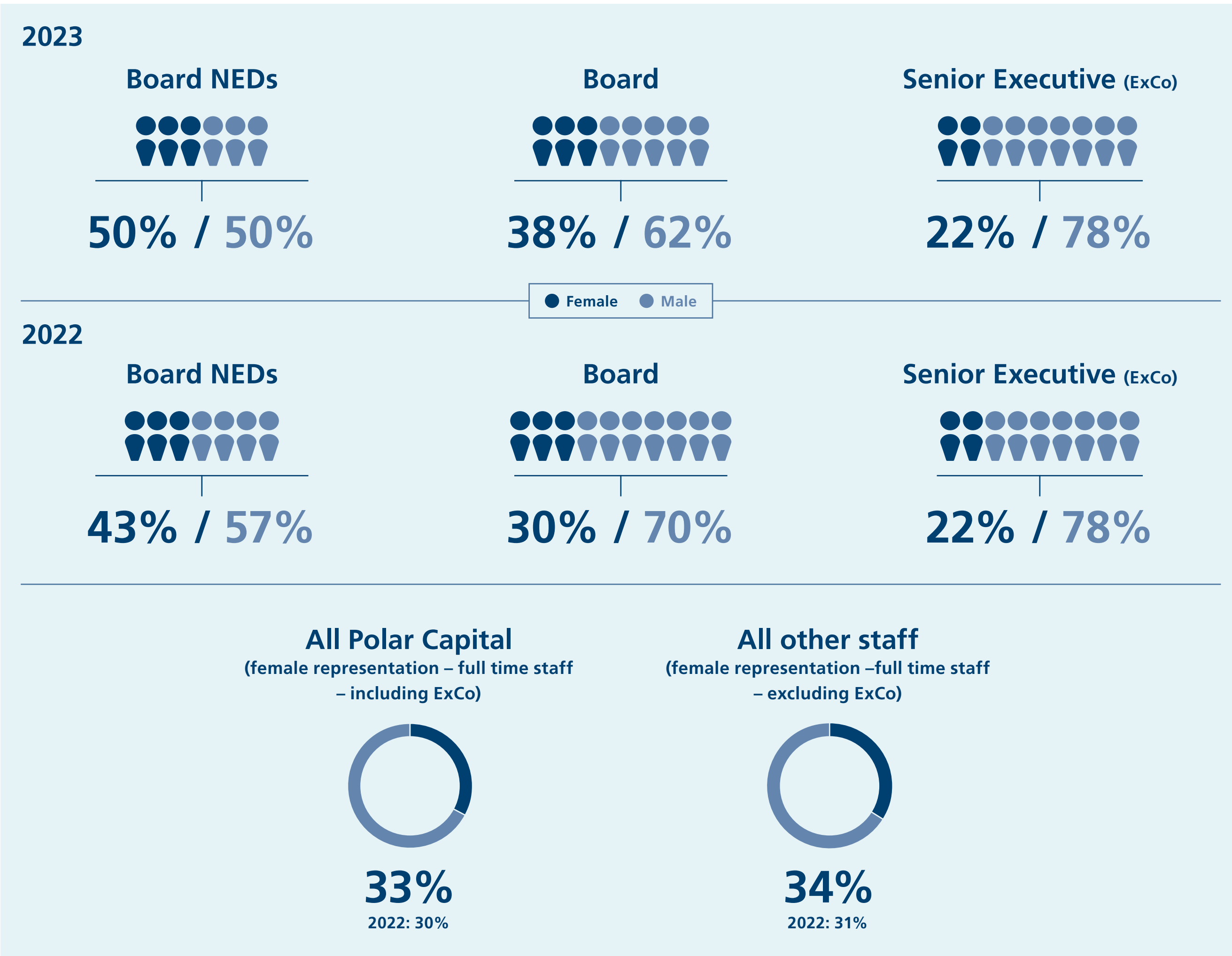
Diversity and inclusion

We believe a diverse and inclusive workplace allows us to achieve the best for our business and our clients. We actively promote a culture which enables our employees to be comfortable in themselves and to flourish in their role.

We are committed to ensuring our workforce is representative of the society we live in and that all voices and perspectives are heard.

We are an equal-opportunities employer and our staff is made up of a mix of genders, backgrounds and nationalities. We aim to ensure that nobody receives less favourable treatment on any grounds, including gender, sexual orientation, disability, background or race.

The Group's staff (including the Board) were broken down on a gender basis as follows:



Sustainability Report continued

Our people continued

Diversity survey

As we do every year, in January 2023 the Group conducted an anonymous diversity data survey, conducted by a third party. The purpose of the survey was to achieve a better understanding of the make-up of the workforce and where we might need to focus our efforts to attract more diverse talent as well as support the development and progression of existing talent.

The diversity monitoring categories used were based around the nine protected characteristics under the Equality Act 2010, including ethnicity, disability, sex and gender identity as well as other factors relating to socioeconomic background and caring responsibilities. The survey received an 80% response rate from full-time staff, down from 86% the previous year.

The percentage of employees from an ethnic minority background has not changed much since last year and still accounts for around a quarter of the total. The majority of employees from an ethnic minority background (73%) work in non-managerial roles. This has increased from 67% in the previous year.

In terms of sexual orientation, 92% of employees describe themselves as heterosexual/straight, 6% of employees identify as lesbian/gay, bisexual, asexual or pansexual. This compares to 5% last year. 1% prefer to self describe and 1% preferred not to answer.

The collection and reporting of socioeconomic data relating to employees and applicants is critical in understanding potential barriers in the workplace and attracting more socioeconomically diverse applicants.

44% received a state school education compared to just over a quarter (27%) of employees who received a private education. Just over a quarter (25%) attended school outside the UK.

The percentage of employees declaring a disability under the Equality Act 2010 has more than doubled in the past year from 2% to 5% this year. This compares to the national average self-declaring a disability at 6% according to the Business Disability Forum and it is possible this figure could be higher.

Staff Satisfaction survey

We conduct our anonymous staff satisfaction survey annually at the start of the calendar year. This year, 62% of staff completed it. The main reason for conducting the survey is to have an honest understanding of our workforce's feelings towards working at Polar Capital, understand how improvements can be made, and inform the Executive Committee's strategy related to human capital development, satisfaction and retention. Of the respondents, over 91% agreed they 'would recommend the company as a great place to work', with 45% strongly agreeing.

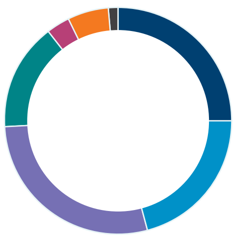
Chart 1: Ethnicity

White	73%
Asian	16%
Black, African Caribbean	3%
Mixed or Multiple Ethnic Groups	3%
Hispanic	0%
Any other ethnic group	4%
Other	1%

Chart 2: Sexual orientation

Heterosexual	92%
Lesbian/Gay	1%
Bisexual	3%
Asexual	1%
Pansexual	1%
Prefer to self describe	1%
Other	1%

Chart 3: Socio economic background



Attended school outside the UK	25%
Independent or fee-paying school – no bursary	21%
State-run or state-funded school – non-selective	28%
State-run or state-funded school selective on academic, faith or other grounds	16%
Prefer not to say	3%
Independent or fee-paying school – bursary	6%
Other	1%

Staff training and turnover

Staff development and training is essential for the success of our business, not only through the knowledge base improving productivity but also for enhancing job satisfaction and fostering a collegiate and ambitious workforce, staff motivation and retention. There is a formal appraisal process on an annual basis where staff are encouraged to raise any training and development suggestions to their line manager.

Staff turnover for the 12 months to March 2023 was 15% including the departures following the closure of the Phaeacian funds and partnership (12% excluding these). For the previous 12-month period, turnover was 12% including Phaeacian.

Mental health

In January 2023 we launched 'January Reframe', an initiative with activities focused on contributing positively to staff wellbeing, boosting morale and giving staff things to look forward to in what can be a rather dreary month. Linking with this initiative, at the beginning of Q2 2023 we offered every staff member another opportunity to attend Mental Health First Aid (MHFA) training with MHFA England. The aim was to increase the number of MHFAs across the firm to strengthen the support we offer and add additional staff members from different departments to increase peer-to-peer support. Polar Capital currently has 19 MHFAs, varying in seniority and departments. We continue to offer free subscriptions to Headspace, the mindfulness app, for our staff and other activities such as weekly yoga sessions.

Industry participation

Polar Capital is committed to improve diversity within our company and promote diversity within our industry. We are a member of a number of organisations and initiatives that help us develop our practices internally and support diversity and inclusion within the industry. We are a member of #includedAWM and the Diversity Project, both initiatives that work to promote an inclusive culture across the investment industry. Gavin Rochussen, our CEO, is an active participant on the Advisory Committee of the Diversity Project and the Group has participants working as part of multiple workstreams, covering topics like gender equality, race and ethnicity, and mental health.

In September 2022, as a member of the Diversity Project we took part in the first Asset Owner Diversity & Inclusion Questionnaire. We recently received the results and are using this information to benchmark our practices, not only for ourselves but against our peers, and to inform our strategy for the year ahead.

Following our successful partnership with Investment 20/20 over the past year we have renewed our membership of the initiative. Polar Capital currently has one Investment 20/20 trainee, and three of the trainees from the 2022 intake are now permanent members of our Finance, Compliance and Legal departments. We will seek to hire through the initiative where appropriate in the future.

Risk Management

The principal risks and uncertainties facing the Group are addressed through a risk management framework that provides a structured process for identifying, assessing and managing risks associated with the Group's business objectives and strategy.

Risk Governance

The Board of Directors of the Group is ultimately responsible for maintaining and reviewing the effectiveness of risk management and internal controls and for determining the nature and extent of the risks it is willing to accept in achieving its strategic objectives.

The Board is also responsible for identifying the principal and emerging risks supported by the management Group Risk Committee (GRC) and the Audit and Risk Committee (ARC), a sub-committee of the Board.

ARC: The ARC assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Group's internal controls, risk management framework, compliance and financial reporting framework.

GRC: The GRC is tasked with the identification, assessment and management of risks across the organisation and is responsible for ensuring each business unit takes appropriate actions to mitigate risks.

Risk Management Framework

The Group risk management framework is based on the following pillars and provides adequate and continual support to the Board in order for them to understand, identify, measure, manage and mitigate risks to which the Group is exposed to.

Identify	Assess	Manage	Monitor	Report
Risks are identified and assessed by each business unit department.	Assess the potential impact of each risk and the risk appetite.	Controls are designed and used to eliminate or reduce the extent, nature and/or severity of a specific risk related event.	Regular evaluations are completed to assess the Group's risk exposures over time versus the established tolerance levels.	All significant risks and issues are reported to the GRC, the ARC and the Board as appropriate.

Risk and Control Assessment

The risk and control assessment is performed by the compliance department. The Group's risk profile is regularly updated and reviewed so that any emerging key risks or other changes to existing risks can be reflected on a timely basis. This is done by conducting risk reviews of each business area and a risk rating is assigned to key risks and mitigating controls are identified.

The residual risk, after considering existing controls, is assessed and discussed with the head of each business unit and where required, additional controls are implemented to ensure that the residual risk ratings are within tolerance levels.

The Group also looks to monitor and manage emerging risks that may arise from geographical factors in the market that it operates in, changes in investor demand, the impact of technological change on the financial services industry as well as its internal environment.

Risk and control assessments are used to develop the compliance monitoring program. Any breaches found by the compliance department as part of their monitoring program are recorded in an error log and reported to the ARC and ultimately the Board.

Risk Appetite

A fundamental part of the Board's duties is to determine the Group's risk appetite and the tolerance level within which the Group must operate. As a business, we generally have a medium/low appetite for risk, particularly for those risks that could damage our operational integrity and reputation.

Risk Monitoring

The Group operates a comprehensive risk monitoring structure of the three lines of defence to support the Group's core business, fund management.

Polar Capital Holdings plc Board

↑

Audit and Risk Committee

↑

Group Risk Committee

First Line of Defence

The business units are primarily responsible for managing processes, identifying and controlling risks by using business control frameworks, and implementing internal processes and controls.

Second Line of Defence

Control and oversight functions including the Risk and Compliance department serve as the Group's second line of defence. The compliance department carries out monitoring and reviews of the first line controls to ensure they are effective. The compliance monitoring programme reviews the effective operation of relevant key processes against regulatory requirements. The risk team performs portfolio and investment risk monitoring.

Third Line of Defence

Review and oversight is performed by the outsourced internal audit function. Internal audit provides an independent, objective review and assessment of the adequacy of internal control arrangements in place to manage the risks Polar Capital faces in seeking to achieve its objectives. It objectively examines, evaluates and reports on the adequacy of the control environment, as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.

Risk Management continued

Key risks and reporting

Identified risks that have high likelihood and impact on the Group are reported to the Board.

The following section shows our assessment of the key risks that we face, along with how the significance of the risk has changed during the financial year and mitigation.

Strategic Risk

Strategy, business model and sustainability

Description

Failure to deliver against the Group's strategic goals and disruption to the business model from external factors such as technological, regulatory and legislative changes could lead to lower AuM and revenues generated.

Assessment

Risk Rating (unchanged)

2023: Medium/High 2022: Medium/High

Unchanged from previous year.

Mitigation

The Board reviews the business strategy periodically and considers whether management's business plans and targets are aligned with the delivery of the Group's strategic goals and also reviews the impact of changes in the external environment.

Shift in culture

Description

The Group identity that, environment, values and behaviour are fundamental to maintaining a collegiate, productive, loyal and compliance aware culture to effectively deliver our strategic goals.

Assessment

Risk Rating (unchanged)

2023: Medium/High 2022: Medium/High

Unchanged from previous year.

Mitigation

A collegiate and partnership ethos is set from the top of the organisation and allows such an approach to be practiced throughout the Group and underpins the loyalty and retention of key staff.

Fund manager retention

Description

The Group has a number of key fund managers the loss of which could result in significant investor redemptions from the funds they manage and loss of revenue to the Group.

Assessment

Risk Rating (unchanged)

2023: Medium/High 2022: Medium/High

Unchanged from previous year. Risk remains medium high whilst there is a concentration of group assets under management within certain investment teams.

Mitigation

Through a combination of culture, team support and providing each team with an economic interest in the success of their funds and the overall business, the Group offers a highly attractive environment for investment professionals.

By diversifying the business and assets under management across more investment teams the key manager risk can be reduced.

Risk Rating Low | Low/Medium | Medium/High | High

Market Risk

Description

The Group operates in a highly competitive industry and macroeconomic conditions and events, such as rising inflation, slowing growth and knock on impacts from the Russia-Ukraine conflict, could adversely affect the business.

Assessment

Risk Rating (unchanged)

2023: ⬢ 2022: ⬢

Unchanged from previous year.

Mitigation

Regular contact is maintained with all clients and fund investors and the strategy of the Group is to diversify both by product offering to be less susceptible to market movements in different sectors or geographies, and by its investor channel. The Group maintains a strong balance sheet with no debt to ensure it is able to respond to market shocks.

Fund performance Risk

Description

Poor fund performance could lead to outflows of AuM and consequent damage to the financial position of the Group.

Assessment

Risk Rating (unchanged)

2023: ⬢ 2022: ⬢

Unchanged from previous year.

Mitigation

Clearly defined investment processes exist to enable outperformance to be delivered within agreed investment mandates.

The GRC considers corporate, operational, distribution as well as investment and portfolio risk. The Committee reviews all the portfolios managed by the Group and analyses compiled by the Group risk function relating to portfolio structure, exposure, concentration, performance, liquidity and risk.

The Chief Investment Officer (CIO) and Group risk function carry out regular oversight and reviews of the fund management teams.

Regulatory Risk

Description

Failure to comply with regulations in the jurisdictions in which it operates, particularly those issued by the Financial Conduct Authority or the London Stock Exchange, could result in the Group losing the ability to operate as a regulated financial services business or its AIM quotation being suspended or withdrawn. This can also result in damage to the Group's reputation.

Assessment

Risk Rating (unchanged)

2023: ⬢ 2022: ⬢

Unchanged from previous year.

Mitigation

The Group reviews regulatory updates on an ongoing basis from all relevant regulatory authorities and works alongside third parties including legal advisers, compliance consultancies and investment manager trade bodies.

Risk Management continued

Operational Risk

Cybersecurity risk

Description

The probability of exposure or loss resulting from a cyber attack or data breach could result in significant loss or harm to the technical infrastructure, use of technology or reputation of the Group.

Assessment

Risk Rating (unchanged)

2023: Low/Medium 2022: Low/Medium

Unchanged from previous year.

Mitigation

The Group has implemented relevant IT policies and procedures to ensure best practice controls over cybersecurity.

The Group has an established cybersecurity committee comprising members of senior management who ensure that polcies, procedures and the Group's control environment remain relevant and appropriate to the risk landscape.

Disaster recovery plans ensure that data and systems are backed up regularly, retained offsite and regularly tested for recoverability.

Reputational risk

Description

The Group's reputation is one of its most important assets since it operates in an industry where integrity, customer trust and confidence are paramount.

Assessment

Risk Rating (unchanged)

2023: Medium/High 2022: Medium/High

Unchanged from previous year. Risk is medium-high due to the ongoing global diversification of the business.

Mitigation

The GRC consider and review the risks associated with overseas expansion on a regular basis and actions are taken where required.

A strong compliance culture is fostered within the business and regular staff training is conducted to ensure conduct standards are maintained.

A dedicated compliance team ensures regular horizon scanning for regulatory changes and leverage on specialist third party expertise, where required, to implement changes.

Process failure and operational resilience risk

Description

If any of the Group's financial, accounting or other data processing systems and processes do not operate properly or are disabled or, if the Group is unable to operate critical business services, including outsourced third party services, through extreme events, the Group could suffer financial loss, business disruption, liability to clients, regulatory sanction and damage to its reputation.

Assessment

Risk Rating (decreased)

2023: Low/Medium 2022: Medium/High

Risk rating has reduced in line with the Group's overall risk appetite on operational resilience framework post pandemic.

Mitigation

The Group's core businesses have in place disaster recovery plans covering current business requirements, which are tested annually to ensure an appropriate level of resilience in the day to day operations and minimise the risk of severe disruption occurring. The Group has undergone an operational resilience impact assessment and prepared an Operational Resilience Program.

The Group performs oversight procedures on third-party providers on a regular basis.

Risk Rating Low | Low/Medium | Medium/High | High

Directors’ Duties and Section 172 Statement

The Board recognises its duties to act in accordance with the Companies Act 2006. These include a fundamental duty to promote the success of the Company for the benefit of its shareholders, while having regard to other matters as set out in S172 (1) of the Act.

The Board fulfils its duties in collaboration with the executive and senior management team, to which day to day management has been delegated, and through the application of the corporate governance framework as set out on pages 56 to 63. The following overview provides further insight into how the Board has discharged their duties in engaging with key stakeholders. Page 49 sets out examples of how the Board has considered key stakeholders as part of its focus during the year.

Stakeholder group	How we engage with them
Clients Our clients are the people and firms that invest in our funds or engage us to manage their funds. Our goal is to help them achieve their long-term investment objectives.	Our client services, distribution, investment management, corporate secretariat, and operations teams all maintain contact with our clients through meetings, presentations and an annual investor day. During the year 3,344 client engagements were held, in 1,694 of which a fund manager was present. The Board of Directors receive a report on distribution and client servicing at each Board meeting.
Shareholders The ongoing support and engagement of our shareholders is vital in helping us deliver our long-term strategic objectives and grow the business.	Investor meetings are arranged each year after the annual and interim results to allow the CEO and the Finance Director to meet with potential and existing shareholders and discuss the performance of the Group. Our 2022 AGM was held at our offices in London and was open for shareholders to attend in person. All voting was carried out on a poll and the final votes were disclosed on the London stock Exchange and the Company’s website post the meeting, showing a comfortable majority in favour of each resolution. The 2023 AGM will be held in person in September and shareholders will be able to engage directly with the Board and members of the senior management team. The Chair contacts, and is available to meet, major shareholders without the Executive Directors present to permit direct feedback.
People Our people are our most valuable asset and the ability to attract, retain, develop and motivate the right people is critical to our current business needs and plans for growth.	The Board and senior management engage with staff and fund managers regularly through various methods including management communications, an internal magazine and presentations. An open-door culture is fostered where staff are encouraged to interact and feedback not only to direct reports but also the Executive Directors. The Board and the Audit and Risk Committee also engage regularly with departmental heads through direct meetings and regularly meet with the Executive Committee which is responsible for the day to day management of the Company on behalf of the Board. As flexible and hybrid working arrangements became the norm following the post pandemic return to work, we introduced a number of measures to ensure the physical and mental wellbeing of our staff. These measures have continued both in terms of business and training opportunities but also social functions to ensure the regular interaction of all staff irrespective of any individual hybrid working arrangements.

Directors' Duties and Section 172 Statement continued

Stakeholder group	How we engage with them
People (continued)	Annual staff satisfaction and diversity surveys are carried out which enable all staff to provide anonymous comments and feedback on the Company, how it is managed, how staff feel they are managed, the opportunities that are available to them and how their views are taken into account.
External service partners Our external service partners include third-party service providers such as our fund administrators and other key suppliers. Their services and support are vital in helping us deliver on our core competency of investment management.	Each area of business is responsible for day to day contact with our external service partners; our operations team are responsible for engagement with our third-party administrators and our distribution and client service teams engage with our third-party distributors / platforms. Regular meetings with members of our senior management team are also held to ensure engagement at the executive level. Service partner due diligence meetings which were forced to move on-line during Covid-19 have resumed in person and where appropriate extended to include responses connected to changes made to working practices as a result of Covid-19. The ARC, as part of, operational resilience reviews management's assessment on outsourced service providers.
Society and environment We recognise our responsibility to ensure a wider contribution to society and a positive impact on the environment.	The Group exercises stewardship of the assets it invests on behalf of its clients and is a signatory to the UK Stewardship Code. Corporate responsibility is also discharged by ensuring that investment management teams engage on ESG matters with the companies in which we invest. The Group attempts to deliver a positive impact in local communities, by way of its annual charity contributions, in the selection of which all Group staff take part. A payroll giving arrangement is also available. The Group also encourages staff to volunteer their time and effort through a formal volunteering leave policy. The Board considered ESG development and the Group's approach to ESG is set out on pages 32 to 41.
Regulators and state authorities The Group operates in several global locations and is therefore subject to the oversight of various regulators and state authorities across those locations.	We engage with our regulators and relevant state authorities primarily through the Group compliance and finance functions by way of regular mandatory reporting as well as any ad hoc interactions required by changing regulations and requirements. The Audit and Risk Committee and Board receive regular reports from the Group Compliance and Legal Officer on the Group's regulatory processes and procedures, its risk management framework and its interaction with regulators in various jurisdictions.

Stakeholder interests are embedded across all levels of the organisation, guided by the Board. Our culture, values, governance framework, code of conduct and training all help to support this. At a Board level, the Board considers information from across the Group and considers stakeholders in its decision making.

It should be understood that stakeholders can have different, and at times conflicting, interests, priorities and views, which the Board need to consider. Where possible these views are balanced within the wider duty of the Board to promote the long-term sustainable success of the Company. Not all decisions can deliver the desired outcomes for all stakeholders.

During the period when considering any principal decisions, the Board, has focused on how such decisions relate to the key stakeholders (as set out on pages 47 and 48) while maintaining a reputation for high standards of business conduct and governance and the need to act fairly between the shareholders of the Company.

Considerations and outcomes

Over the period, the Board received presentations from management on the impact and preparedness of the business for the implementation of Consumer Duty and how the business was to meet the challenge and implementation expectations.

The Board challenged management and sought external advice as necessary.

In considering this the Board discussed the recommendations with management to ensure that the interests of the various stakeholders were considered such as the viability of the funds, appropriate levels of staff and training, the ability to service investors and the operations of the business with outsourced suppliers so that appropriate regulatory requirements were met and the business delivered products that the current investors expected and would be attractive to new investors.

Stakeholder group considered

- Clients
- Shareholders
- People
- External service partners
- Regulators and state authorities

Pages 1 to 49 constitute the strategic report, which was approved by the Board on 23 June 2023 and signed on its behalf by:

Neil Taylor
Group Company Secretary

Board of Directors

The biographies of the Directors who served during the year are set out below and demonstrate the skills and experience brought to the Board by each individual which, together, contribute to the long-term sustainable success of the Company for shareholders.

All Directors in office at the end of the year will stand for re-election by Shareholders at the AGM to be held on 28 September 2023.

The Nomination Committee considers the composition of the Board and makes recommendations to the Board in support of the re-elections. The Nomination Committee supports the re-election of the Directors standing for re-election at the AGM.

David Lamb Independent Non-Executive Chair

Appointed to the Board in April 2020 and became Chair of the Board in July 2020.

Skills and experience: David has more than 30 years' leadership experience within the asset management sector, including roles as Managing Director and Chairman of the Investment Committee at St James's Place, having joined the firm at inception. He was a director of the main PLC board between 2007 and 2019.

Other appointments: David is chairman of the Board of Governors of the University of West of England.

Committee attendance: Nomination Committee (Chair), Remuneration Committee, Audit and Risk Committee (by invitation)

Rationale for re-election: David has a background in asset management with wide experience of listed companies and strong consensus leadership skills. He leads the Board meetings and has regular informal as well as formal interaction with his co-Directors and engages with the Executive and senior management of the business to ensure an open and supportive culture operates.

Gavin Rochussen Executive Director and Chief Executive

Appointed to the Board in July 2017.

Skills and experience: Before joining Polar Capital, Gavin was Group Chief Executive at J O Hambro Capital Management Limited (JOHCM). Prior to JOHCM, Gavin was Group Chief Executive at Fleming Family & Partners Limited, a European multi-family office. Gavin qualified as a Chartered Accountant in 1983 in South Africa.

Other Appointments: Gavin is advisor to Amigona Holdings Inc, an investment holding Company and a non-executive advisor to James Hambro & Partners LLP, a wealth management boutique, and Chair of the Governors of Tonbridge School, Kent.

Committee attendance: He is not a member of any committee but attends various committees by invitation to make proposals or respond to questions.

Rationale for re-election: He has proven skills of leading and developing asset management businesses and managing people in international organisations. He has maintained close contact with senior staff and the Board and has focused on leading the business, staff wellbeing and the implementation of ESG throughout the business.

Samir Ayub Executive Finance Director

Appointed to the Board in November 2021.

Skills and Experience: Samir has over 20 years' experience in the financial services sector across several jurisdictions around the world. He has been with Polar Capital since 2010 as Head of Finance and in 2019 took on responsibilities as Finance Director. He is a Chartered Accountant having qualified with Ernst & Young LLP.

Other Appointments: None.

Committee attendance: He is not a member of any committee but may attend a committee by invitation to make proposals or respond to questions.

Rationale for re-election: He has played a key role in the development of the business and has a fundamental understanding of the operational and financial aspects of the organisation.

Laura Ahto Independent Non-Executive Director

Appointed to the Board in November 2021.

Skills and Experience: Laura retired in 2021 as Chief Operating Officer, Global Asset Servicing and Digital (New York) for BNY Mellon Corp. having been with BNY Mellon in various posts in Europe since 2012 including CEO and Executive Director of the Bank of New York Mellon SA/NV in Belgium. Prior to this, between 2002 and 2012, Laura was deputy COO Baring Asset Management and SVP, Head of Operations, Administration and European Funds for PIMCO Europe Ltd. in London.

Laura also served on the Board of the American Chamber of Commerce in Belgium until 2018 and was a founder member of Woman in Finance (Belgium). She also served as a member of the BNY Mellon CEO's Diversity and Inclusion Advisory Council.

Other Appointments: Laura is a non-executive director of Global Give Back Circle, a charity focused on providing at-risk girls in Africa with skills and confidence to succeed in the work force.

Committee attendance: Audit and Risk Committee and Nomination Committee.

Rationale for re-election: Laura brings a wealth of international, including US, operational and leadership experience in financial services.

Anand Aithal Independent Non-Executive Director

Appointed to the Board in January 2022.

Skills and Experience: Anand is an entrepreneur with expertise in knowledge-intensive professional services organisations.

He was a co-founder of Amba Investment Services Ltd, a leading provider of data analysis services to the financial services industry. Previously, Anand had been a managing director at Goldman Sachs where he gained extensive business experience in international and emerging markets, having worked in multiple locations in Asia, Europe and the Americas.

Other Appointments: He is a board member of Saga PLC, a company focused on serving the needs of those aged 50 and over and Lifescale Ltd, a financial technology firm. Anand is also lead non-executive board member of the UK Cabinet Office and a non-executive appointee to the Council Board of the Association of Chartered Certified Accountants.

Committee attendance: Audit and Risk Committee and Nomination Committee.

Rationale for re-election: Anand has experience in establishing business with international experience of the financial services industry and this is supplemented by his broad range of other appointments.

Alexa Coates Independent Non-Executive Director and Chair of Audit and Risk Committee

Appointed to the Board in July 2018.

Skills and experience: Alexa is a Chartered Accountant with over 30 years' experience in finance and accounting. She spent the last nine years of her executive career at HSBC, where she was the Global CFO of the Asset Management division before heading up the finance function of its Commercial Banking business in Europe.

Other Appointments: Alexa is a non-executive director and audit committee chair of Aviva Investor Holdings Limited and Aviva Investors UK Funds Services Limited. She is also a non-executive director at Marsh Limited, the UK subsidiary of the insurer broker, MMC Inc. She is a non-executive director and audit and risk committee chair of Schroders Oriental Income Fund Limited, a FTSE 250 investment trust, and a trustee of the University of Essex.

Committee attendance: Audit and Risk Committee (Chair) and Nomination Committee.

Rationale for re-election: Alexa brings extensive financial and accounting expertise from her previous executive roles and current positions and works closely with the Auditors and the Finance team to ensure the Group's Financial Statements are accurate and comply with recent accounting standards. Alexa is the audit committee chair of another listed entity, as well as other regulated organisations, which provides her with an additional knowledge base which is of benefit to the Group's audit process.

Board of Directors continued

Win Robbins Independent Non-Executive Director and Chair of Remuneration Committee

Appointed to the Board in June 2017.

Skills and experience: Win has wide experience in the investment management industry holding senior positions at a number of asset management firms culminating as Head of European Fixed Income at Barclays Global Investors.

Other Appointments: Win is a non-executive senior independent director of Henderson Diversified Income Trust plc and a non-executive director of Blackrock Income and Growth Investment Trust plc.

Committee attendance: Remuneration Committee (Chair) and Nomination Committee.

Rationale for re-election: Win provides a wealth of asset management experience to the Board. In her role as Remuneration chair, she collaborates frequently with the senior executives and the independent remuneration consultants to determine the structure and implementation of remuneration policies across the Group.

Andrew Ross Independent Non-Executive Director

Appointed to the Board in April 2020.

Skills and experience: Andrew is a highly experienced financial services practitioner having spent over 20 years in senior roles at investment and wealth management firms. He was Chief Executive Officer of Cazenove Capital Management from 2001 until its acquisition by Schroders plc in 2013, when he became Global Head of Wealth Management.

Other appointments: Andrew is currently the non-executive chairman of Witan Investment Trust plc and a non-executive director of Cadogan Settled Estates. He is also a trustee of the Harris (Belmont) Charity and of the National Gallery Trust.

Committee attendance: Nomination Committee and Remuneration Committee.

Rationale for re-election: He has extensive experience of building asset manager businesses and is able to bring a challenging voice in the boardroom. He is the chairman of another listed entity which allows him to bring an informed alternative viewpoint to boardroom discussion and support the Board in its decision-making process.

Directors for Part of the Year

Jamie Cayzer-Colvin Non-Executive Director

Appointed to the Board in March 2002 as a founding director. Director until 31 December 2022.

Skills and experience: Jamie is head of funds and has been an executive director at Caledonia Investments plc since 2005. Prior to this he was a Business Development Manager at GPT, then a division of GEC. Jamie has an MBA from Henley Management College.

Other Appointments: Jamie is executive director at Caledonia Investments plc and was a non-executive director of Polar Capital Funds, the umbrella company for the Polar Capital range of UCITS.

Committee attendance: He was not a member of any committee but could attend a committee by invitation.

John Mansell Executive Director

Appointed to the Board in July 2002, as a founding director. Director until 7 September 2022.

Skills and experience: John joined Brian Ashford-Russell and Tim Woolley to form Polar Capital in 2001. Prior to this John spent 11 years at Lazard Asset Management. John is a Fellow of the Institute of Chartered Accountants of England and Wales.

Other Appointments: None.

Committee attendance: He was not a member of any committee but attended various committees by invitation to make proposals or respond to questions.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Polar Capital Holdings plc ('the Company') and the Group for the year ended 31 March 2023.

Status and trading

The financial results for the year ended 31 March 2023 are set out in the attached financial statements.

Details of foreign branches are included in Note 4.6 to the financial statements.

The Group's financial risk management objectives and policies, and its exposures to risks arising from the use of financial instruments, are set out in Note 4.14 to the financial statements.

The results for the year are given on page 96.

No political donations were made during the year to 31 March 2023 (2022: none).

Information on how we consider stakeholder interests including our S172 statement are disclosed in the Strategic Report on pages 47 to 49.

Polar Capital's objectives and matters relating to the future development of the business are set out in the Strategic Report on page 10. Its main country of operation is the UK.

The Company is incorporated in England and Wales as a public limited Company under registered number 4235369 and its registered office is at 16 Palace Street, London SW1E 5JD.

The Company is subject to the rules of the Alternative Investment Market (AIM), UK regulations including Company law, financial reporting standards, taxation law, and supervised by the Financial Conduct Authority and other regulators in countries in which the Company carries out its regulated business and its own Articles of Association.

Directors

At the date of this report, the Board comprises two Executive Directors and six Non-Executive Directors. The Directors who served during the year and were in office at the year-end are set out on pages 50 to 52.

Changes during the year:

- On 7 September 2022 John Mansell retired as a Director at the conclusion of the AGM.
- On 31 December 2022 Jamie Cayzer-Colvin retired as a Director.

All the Directors, with the exceptions stated above, held office throughout the year under review and up to the signing of this Report.

The remuneration, principal terms of employment and the interests of the Directors in the Company's shares and options are detailed in the Remuneration Report on pages 72 to 86.

Under the provisions of the Articles of Association all Directors are required to stand for re-election at each AGM.

None of the Non-Executive Directors have any interest in any contract with the Group or Company.

The Board has approved a policy on the disclosure, approval and management of Directors' conflicts of interest and its application is described on page 60.

Details of the Deeds of Indemnity granted to each Director in respect of their duties is given on page 77.

Dividends

The Directors have declared two interim dividends in respect of the financial year ended 31 March 2023 amounting to 46.0p per share (2022: 46.0p per share). The first interim dividend of 14.0p per share was paid on 13 January 2023 to shareholders on the register on 23 December 2022. The second interim dividend of 32.0p per share will be paid on 28 July 2023 to shareholders on the register on 7 July 2023. The shares will trade ex-dividend from 6 July 2023.

Remuneration code

Disclosure of the Group's Remuneration Code is made alongside its MIFIDPRU public disclosure document which is available on the Group's website: www.polarcapital.co.uk.

Capital structure

The capital structure of the Company is detailed in Note 4.12 to the financial statements. The fully paid ordinary shares of the Company are traded on AIM and it has not made any arrangements for its shares to be admitted or traded on any other exchanges or trading platforms.

The Board seeks shareholder approval at each Annual General Meeting to allot ordinary shares, disapply pre-emption rights and to make market purchases of ordinary shares. The separate Notice of Annual General Meeting sets out the resolutions and the Chair's letter accompanying the notice explains their purpose and any use made by the Board of the authorities.

Directors' Report continued

Rights attaching to the shares

On a show of hands at a general meeting of the Company every holder of an ordinary share present, in person or by proxy, shall have one vote and each ordinary share has one vote on a poll. All ordinary shares rank equally for dividends.

There are no restrictions on the transfer of the fully paid ordinary shares other than those where the Company is entitled to refuse to register a transfer of a fully paid ordinary share under the Uncertificated Securities Regulations.

There are no special rights with regard to control attached to the shares, no agreements between holders of the shares regarding their transfer known to the Company and no agreement to which the Company is a party that affects its control following a takeover bid. The Company is subject to the UK City code on Takeovers and Mergers.

Upon a winding up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro-rata to their holdings of ordinary shares.

Issued share capital and changes in the year

The number of ordinary shares in issue at the year-end was 100,790,725 (2022: 100,248,907). During the year the Company issued 541,818 (2022: 1,503,239) ordinary shares to cover the issue of new shares against previously crystallised preference shares.

No shares have been purchased by the Company to hold in treasury or for cancellation.

Since the year-end and up to the date of this report a further 405,154 shares have been issued to satisfy the preference share crystallisations. The issued share capital at the date of this report is 101,195,879 ordinary shares.

Employee benefit trust arrangements

The Company operates an Employee Benefit Trust (EBT) which is funded by the Company to make market purchases of the Company's shares which may be used to satisfy share awards made to Directors and employees.

The EBT undertakes regular market purchases and as at 31 March 2023 the EBT held 4,332,347 ordinary shares in the unallocated general account at the year end (2022: 4,037,346).

The Trustee has waived the dividend in respect of the shares held in the unallocated general account. Where it holds shares as the result of a vesting of employee long term incentive plans, but subject to a further holding period, it receives dividends to pass on to the staff.

The Trustee seeks directions from the Company for the casting of votes in respect of the shares and the Company has requested that the votes attached to the shares in the unallocated general account are not cast.

Substantial shareholdings

As at 21 June 2023, the Company had received notices for the purposes of Part 5 of the FCA's Disclosure and Transparency Rules and PDMR notifications from the undernoted shareholders. The percentage voting rights are calculated based on the number of shares shown in the notice divided by 101,195,879, the number of shares in issue as at 21 June 2023:

	Number of ordinary shares shown in notice	% of voting rights held
Fianchetto Limited[1]	7,828,573	8%
Harwood Capital LLP[1]	7,015,000	7%
Schroders plc[2]	5,023,115	5%
Unicorn Asset Management[1/2]	4,925,000	5%
Canaccord Genuity Group[1/2]	4,821,734	5%
Apex Financial Services (Trust Company) Limited (trustee of EBT)[2]	4,030,916	4%
Caledonia Investments PLC[1]	3,999,130	4%

1. Direct holding.
2. Indirect holding.

Annual General Meeting ('AGM')

The AGM will be held at 16 Palace Street, London SW1E 5JD at 2.00pm on 28 September 2023.

Full details of the resolutions and explanations of each resolution are given in the separate notice of meeting sent to shareholders.

Approved by the Board on 23 June 2023 and signed by order of the Board.

Neil Taylor
Group Company Secretary

Corporate Governance Report

Dear Shareholder

The Board of Directors considers good corporate governance to be important to the long-term success of the business and understands the reliance and reassurance that shareholders and other stakeholders place on the Board setting the standards and ethos. The Board follows the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 as the recognised corporate governance code.

As a Group operating in the financial services sector, the business of the Group is highly regulated and subject to scrutiny by the various regulators. This regulation and scrutiny brings into sharp focus the responsibilities of the Directors to analyse and manage risk throughout the business and while we did not have an internal audit function for the full period under review, an external provider has been appointed as you will read in the report of the Audit and Risk Committee (ARC). The compliance department of the Group remains central to its operations and risk monitoring. The compliance monitoring program is embedded throughout the Group and through the Group Risk Committee, (GRC) the Executive is provided with information on the control and reporting of risks as well as breaches. The GRC in turn provides information to the ARC and finally the Board considers the outcomes from the routine work, enhancements to the programme to address regulatory changes as improvements to both controls and monitoring following a breach of the existing system.

The Board remains committed to continue to develop best practice throughout the Group and will continue to lead the business by setting standards for behaviour expected by all staff in their actions within the business, in dealing with customers and when engaged in wider social interactions so that the reputation of the Group is enhanced.

The composition of the Board needs to contain the skills and experience required to guide and challenge the Executive. As reported in the Nomination Committee Report on pages 64 to 66 the Board, its composition and that of its Committees have been considered and reviewed and an externally facilitated Board and Committee evaluation is proposed for later in 2023.

The following report describes how the ten principles of the QCA Corporate Governance Code 2018 (the Code) have been addressed and it provides the disclosures indicated by the Code. The Board has reviewed the Corporate Governance disclosures set out below and believes that the Group complies with the principles and disclosure requirements of the Code in full.

David Lamb
Chair

23 June 2023

Principle 1

Establish a strategy and business model which promotes long-term value for shareholders

The Strategic Report set out on pages 1 to 49 describes the business objectives and business model which when read with the Chief Executive and the Finance Director's Reports covers the past year's achievements and the future prospects for the growth of the business.

The Sustainability Report on pages 32 to 41 expands on the work being carried out throughout the business to address and report on the embedding of ESG awareness in the investment process and the corporate culture.

The risk management arrangements including key risks to the business and our monitoring and reporting is set out on pages 42 to 46.

The statement on how Directors have discharged their duties in relation to the requirements of section 172 of the Companies Act 2006 is set out on pages 47 to 49 of the Strategic Report. Further reporting on how the Board has considered shareholders and other stakeholders can be found across the reports from the various Committees, such as engagement with staff in the Sustainability Report.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Company welcomes dialogue with shareholders in order to achieve a mutual understanding of objectives. The Board has regular reports from the Executive Directors on shareholder visits and meetings which include meeting current and potential shareholders as part of the road shows arranged by the Company's brokers, after the announcement of the annual and half year results, plus adhoc meetings as needed throughout the year.

The Chair of the Remuneration Committee engaged with shareholders in advance of publishing revised remuneration proposals in last year's Annual Remuneration Report. As in previous years, following the announcement of the results in June 2022, David Lamb as Chair, contacted major shareholders and offered the opportunity to meet and discuss their views. The results of these interactions were reported to the Board which noted no adverse comments which required following-up. Engagement with shareholders is an important aspect of the Chair's role and the ability of shareholders to meet him, without the Executive present, will be offered again in 2023.

The return to a physical Annual General Meeting (AGM) in 2022 provided a forum for investors to meet the Directors, both formally and informally as well as questioning the Chairs of the Board's Committees. Shareholder engagement prior to the AGM was provided by a dedicated email address for shareholders to ask questions. Voting was conducted on a poll vote (one vote for each share held) and all but one of the resolutions were passed with in excess of 99% of votes cast in favour, the resolution to approve the Directors' Remuneration Implementation Report was passed with a vote of 99% cast in favour. The 2023 AGM will be held on 28 September at the offices of the Group and shareholders will be offered the ability to ask questions in advance of the meeting as well as attend and question the Directors.

A website (www.polarcapital.co.uk) is maintained and regularly updated for shareholders to access information about the Company. This provides information about the business, its funds and investment teams, as well as corporate information on policies, corporate governance, the share price and announcements to the London Stock Exchange. There are also video presentations of the latest results.

Corporate Governance Report continued

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board takes collective responsibility for Environmental Social and Governance (ESG) matters and recognises the needs of society and the impact on the environment from the organisation's activities.

The Board meets with senior executives and heads of departments on a regular basis and through the reporting structures receives information on key customer and supplier relationships. The Board and its Committees have the opportunity to meet portfolio managers at least once a year and hear them present on their funds.

The Chief Compliance Officer reports to the ARC and the Board on all regulatory matters and the Nominated Advisor and Corporate Broker is available to the Directors to advise on stock exchange matters and ensures that any regulatory concerns are raised with the Board.

Appropriate steps have been taken in relation to the Anti-bribery and Modern Slavery Acts and a statement is available on the Company's website. The Company also has a whistleblowing policy and has appointed Alexa Coates as a whistleblowers' champion.

The Head of HR reports to the Board on staff matters and issues such as diversity and inclusion, staff survey results and staff turnover. The Board also monitors and takes an interest in the Polar Capital Aspire Scheme (PCAS) run in conjunction with the Westminster City School, a local academy. The Board hosted a lunch with the mentors involved in the PCAS to get a better understanding of the programme and to support the mentors. A staff Diversity and Inclusion committee acts as a co-ordinator for escalation and review of all diversity and inclusion issues. A flexible working pattern has been adopted with staff able to agree with their line managers a working pattern to include working from home.

The Head of Sustainability has presented to the Board and regularly reports on developments and the setting and meeting of appropriate ESG targets. He is supported by a dedicated team and by a committee drawn from staff throughout the organisation to act as a central point for corporate and investment sustainability across the Group. Further information on ESG and climate change is provided in the Sustainability Report.

Principle 4

Embed effective risk management, considering both opportunities and threats throughout the organisation

The Board, through the work of the ARC, considers the identified and emerging risks inherent in the business model and the management of such risks within the internal control environment. The Board considers the strategic direction in conjunction with the Executive and the Strategic Report identifies the key business risks. The MIFIDPRU public disclosure document, available on the Company's website, also describes the risk and control environment.

The Group's compliance and operations departments undertake a formal process on a regular basis to review the levels of service provided by third-party service providers to the Company or to the Company's clients such as investors in the Company's funds. This process is supplemented by the day-to-day interaction with the third-party service providers and permits senior management to review the arrangements and risks inherent in outsourced services.

The Company's sales and investor support teams keep in close contact with existing and potential investors in the Company's funds.

Internal control

The Board has overall responsibility for the Group's and Company's system of internal control including risk management framework, compliance and financial reporting as detailed on pages 42 to 46.

Principle 4 continued

The Group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. Any incidents are reviewed to ensure there are no systemic issues and additional controls are put in place to prevent recurrence.

The ARC as part of its role, has reviewed and monitored the effectiveness of the internal controls for the year ended 31 March 2023, approved the ISAE 3402 internals control report for the 12 months to 31 December 2022. More information on the activities of the ARC is set out in their report on pages 67 to 71. Overall the ARC has concluded that there was a satisfactory process in place to identify and manage the business risks.

Principle 5

Maintain the Board as a well-functioning balanced team led by the chair

Composition

The composition of the Board is described in the Report of the Directors. The individual biographies are listed on pages 50 to 52. At the date of this report the Board comprises of two Executive Directors, Gavin Rochussen, and Samir Ayub and six Non-Executive Directors. The skills and experience of each Director is detailed in their biographies. The Board is satisfied that there is the necessary mix of skills and personal qualities to deliver the strategy of the Company.

Directors' appointment, election and re-election

In accordance with the Articles of Association, any new Director, appointed by the Board, is required to seek election by shareholders at the next general meeting of the Company following their appointment. No Directors have been appointed in the period and all Directors are therefore seeking annual re-election.

Non-Executive Directors do not have specific time commitments, but it is estimated that between 20 and 25 days each year is required to fulfil their responsibilities. Executive Directors are full time employees.

Role and responsibilities

The Directors' general duties are set out under sections 171–181 of the Companies Act 2006 and the Board has responsibility to promote the success and interests of the Company and as a whole is responsible for the Group's success, its objectives and policies and the proper governance of the Group and Company.

The Directors have regard to the interests of a wider group of stakeholders in the success of the longer-term business and when exercising their judgement take such interests into account. The Board provides overall strategic direction to the Executive by monitoring the operating and financial results against plans and budgets; reviewing the performance of management; assessing the adequacy of risk management systems and monitoring their application.

The Board defines the culture and sets the Company's values and standards ensuring that the Company's obligations to its shareholders and others are understood and met.

Directors have the opportunity to engage with staff at informal gatherings as well as at more formal meetings throughout the year.

The Board, as noted elsewhere, receive reports and feedback from other parts of the business on suppliers, shareholders and investors in the Group's funds.

The role of the Non-Executive Directors is to challenge constructively, and contribute to, the development of strategy; to scrutinise the performance of executive management in meeting agreed goals and objectives, monitor their performance; and, through the various Committees, to satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible and remuneration across the Group is considered.

Corporate Governance Report continued

Principle 5 continued

All Directors receive appropriate and timely information to ensure that they are properly briefed in advance of Board and Committees meetings and have unlimited access to the advice and services of the Company Secretary and other senior management should further information be required. The Company Secretary is responsible for advising the Chair and the Board on governance matters.

A procedure has been established for Non-Executive Directors to have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. No such advice has been sought in the year to 31 March 2023.

As reported in the Nomination Committee report the independence, time commitments and conflicts of each Director are annually reviewed. The Board has noted and adopted recommendations of the Nomination Committee.

Conflicts of interests

The Companies Act 2006 ('the Act') imposes a duty on Directors to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company. Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval.

The Board may impose restrictions or refuse to authorise such conflicts if they consider them to conflict with the interests of the Company. Only Directors not involved in the conflict or potential conflict participate in the authorisation process taking into account their duty to promote the Company's success.

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits received from third parties in their capacity as a Director of the Company.

Each new Director on appointment is required to declare any potential conflict situations.

The register of conflicts is formally reviewed annually. The Board has concluded that the process has operated effectively during the period and no Director has declared receipt of any benefits during the year in his capacity as a Director of the Company.

Board meetings

The Board meets regularly and as required. It receives detailed papers in advance of their meetings and verbal reports at each meeting from the executive management covering the financial performance of the Group, updates on fund performance and distributions, business development, matters affecting the general trading conditions and operational issues, including risk and compliance.

The Board also receives reports from Committee Chairs on matters which relate to the Committee's responsibilities as well as reports and presentations from the heads of departments on matters affecting the Group. The Board receives presentations from third party advisors on regulatory and legal updates.

Principle 5 continued

The following table sets out the Board and Committee meetings schedules and attendance for the year 31 March 2022 to 31 March 2023:

	Board	Nomination	Audit and Risk	Remuneration	AGM 7 September 2022
Number of Meetings in the year	5	1	5	3	1
Directors throughout the year (Committee membership shown in brackets)					
David Lamb (Nomination, Remuneration and ARC as observer)	5/5	1/1	–	3/3	1/1
Gavin Rochussen (No committees)	5/5	–	–	–	1/1
Samir Ayub (No committees)	5/5	–	–	–	1/1
Laura Ahto (Nomination and ARC)	5/5	1/1	5/5	–	1/1
Anand Aithal (Nomination and ARC)	5/5	1/1	5/5	–	1/1
Alexa Coates (Nomination and ARC)	5/5	1/1	5/5	–	1/1
Win Robbins (Nomination, Remuneration and ARC to 16 June 2022)	5/5	1/1	1/1	3/3	1/1
Andrew Ross (Nomination and Remuneration)	5/5	1/1	–	2/3	1/1
Directors for part of the year					
John Mansell (retired 7 September 2022) (No committees)	2/2	–	–	–	1/1
Jamie Cayzer–Colvin (retired 31 December 2022) (No committees)	3/3	–	–	–	1/1

There were three Board Committees held on 24 June 2022, 18 November 2022 and 12 December 2022 to carry through procedural items agreed at a Board meeting and 15 Allotment Committee meetings to deal with the issue of shares and exercise of share awards by staff.

Mr Ross missed one Remuneration Committee meeting due to a family bereavement but contributed his views to the Chair prior to the meeting and was briefed following the meeting.

Directors other than Committee members may attend a Committee meeting for information purposes at the invitation of the Chair of that Committee. They are not part of the deliberations or decisions of that Committee. Where a Director attends a Committee of which they are not a member this has been excluded from this analysis. Executive Directors attend Committee meetings when required and they are presenting matters for the Committee to consider.

Corporate Governance Report continued

Principle 6

Ensure that between them the Directors have the necessary up to date experience, skills and capabilities

On appointment, new Directors are offered induction and training considered appropriate by the Board and subsequently as necessary. The Directors receive briefings at Board meetings on regulatory and other issues relevant to the Group and its business sector and may attend external courses to assist in their professional development.

The skills and experience of each Director is assessed as part of the annual appraisal process.

Regular compliance training is required of all Executive Directors and is offered to Non-Executive Directors.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

During 2023, individual one on one meetings between the Chair and each Director have provided information on the effectiveness of the Board, its operation and suggestions for improvements. These were considered by the Nomination Committee and detailed in its report.

Each Director was reminded that should they have any concerns or observation, that the Chair or Company Secretary was available to discuss the matter and if required to bring the matter to the attention of the Board, Committee or Director as appropriate.

As further detailed in the Nomination Committee report the Board considered the benefits of having a periodic externally facilitated evaluation. Although not required by the Code the Board agreed that such a process might help the Board in effectively working as a team and bring the benefits of external observation. An external facilitator has been identified and it is expected that the outcome of any external evaluation process will be reported in the Nomination Committee's report next year.

The Executive Directors also complete formal performance appraisals which are required of all full-time staff.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The Board acknowledges that it is it's responsible to develop a corporate culture that provides a bedrock for the business. The Group's success is largely dependent on recruiting, retaining, and developing the best financial services professionals.

To achieve this the Group seeks to ensure that physical working conditions are of a high standard and that staff have the flexibility to work remotely when appropriate but also spend time together in the office to retain a creative environment and build teamwork.

The provision of staff wellbeing services is considered, and feedback form staff monitored through the annual staff survey. There are regular staff communications, with monthly updates from the CEO to all staff, internal briefings on developments and regular social events for departments as well as the entire Company which includes a weekend away for all staff and partners.

The Group also encourages staff to engage in decisions and an open-door policy is encouraged so that managers and staff engage across all parts of the business. Staff are also encouraged to participate in the success of the business through the all staff Save As You Earn share scheme and the Group offers a range of benefits to support staff, including ill health protection and life cover.

A staff Diversity and Inclusion committee has been established to progress equal opportunities and diversity in staff selection and opportunities for promotion, with appropriate consideration being given to applications for employment from disabled persons. The Board follows the Group's policy on diversity and seeks to appoint the best qualified person to a particular role and to ensure that nobody receives less favourable treatment on any grounds, including gender, sexual orientation, disability, background or race.

The Group aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention.

Further information is provided in the Sustainability Report on pages 32 to 41 and on page 49 when reviewing the work of the Board in considering the various stakeholders' interests.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The posts of Chair and Chief Executive are held by different Directors.

The Chair's primary role, through his leadership, is to ensure that the Board and individual Directors are able to operate efficiently and by setting the agenda, style and tone of Board discussions, to promote constructive debate and effective decision making. He provides a sounding board for the CEO and he also leads on succession planning for the Board and senior executive positions.

The Chief Executive led the executive management team (ExCo) which meets regularly and is primarily responsible for the implementation of the Board's policies and strategies, effective communication with shareholders, ensuring that all Board members develop an understanding of the views of investors and for managing the activities of the Group other than in relation to those matters specifically reserved to the Board or delegated to its Committees.

The Board has a formal agenda of items for consideration at each scheduled meeting but it will also meet at additional times when required.

The Board has established guidelines requiring specific matters to be decided by the full Board of Directors. These include the appointment and removal of Directors, terms of reference for Board Committees and membership thereof; approval of strategy including material acquisitions and disposals, annual financial budgets, investments and capital projects. Matters that are reserved for the Board are generally forwarded to the Board for consideration with a recommendation from the executive management or appropriate Committee.

The Chair and the CEO meet weekly to discuss operational matters and the Chairs of the various Committees are in regular contact with senior managers to keep up to date with matters. The Chair also has a regular cycle of meetings with members of the Executive to keep in touch with all aspects of the business.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

To assist in running the Group a number of Board Committees have been established to provide concise information and for taking proposals to the Board, carrying out the necessary work required for the business to operate effectively and efficiently, and to comply with all the regulatory requirements. The Board has delegated certain specific areas of responsibility to each of the Committees. The Board sees minutes of all Committee meetings and the Chair of the Committee reports to the Board on any significant matters. The Board also receives copies of minutes from subsidiary companies for information.

The current composition and the work of each of the key Board Committees is detailed in their reports. The reports of the Committees are set out as follows:

- Audit and Risk is given on pages 67 to 71;
- Nomination on pages 64 to 66; and
- Remuneration on pages 72 to 86.

The Executive Committee and the Allotment Committee do not produce separate reports. The terms of reference for these committees are provided on the Company's website. The Executive Committee has overall responsibility for delivering the day to day management of the Group and supports the CEO in delivering his vision and the strategy of the Board. The Allotment Committee is used administratively to allot and issue shares or confirm instructions to the EBT arising from the exercise of Board approved share awards or shares arising from previously Board approved crystallisations of fund manager preference share arrangements.

The schedule of matters reserved to the Board, Responsibilities of the Chair and the Chief Executive and the terms of reference for the Executive Committee are included in the Corporate Governance disclosure available on the Company's website.

Approved by the Board on 23 June 2023 and signed by order of the Board.

Neil Taylor
Group Company Secretary

Nomination Committee Report

David Lamb Chair of the Nomination Committee

Dear shareholder

As Chair of the Nomination Committee (the 'Committee'), I am pleased to present its report to shareholders for financial year ended 31 March 2023.

The Committee has several key functions, which are described below and it has supported the Board over the past year in carrying out its governance responsibilities. The Committee's principal duties are as follows:

- to review the structure, size and composition of the Board and its committees, ensuring an appropriate balance of skills, knowledge, independence, diversity and experience.
- to evaluate the Directors' skills, knowledge and experience to ensure an effective Board and individual Director contribution.
- to consider the leadership needs and succession planning of the Board and the executive team when making decisions on new appointments.

The terms of reference of the Committee, which explains its role and the authority delegated to it, are available on the Company's website. The letters of appointment for each Director will be available for inspection at the 2023 Annual General Meeting.

It is a prerequisite that each Director or proposed Director must have the skills, experience and character to contribute both individually and as part of the Board to the effectiveness of the Board and the success of the Group. Subject to this overriding principle, the Board believes that diversity amongst its members, including gender diversity, is of great value. It is the Board's policy to give careful consideration to issues of overall Board balance and diversity in making new appointments. The Committee strives to encourage all the Directors to create an inclusive culture within the Group in which difference is recognised and valued. The Board's objective is to have at least 33% female representation. The Group currently has three female Directors with two of them occupying the Chairs of the key committees, the Audit and Risk and the Remuneration Committees. The Board also has two non-white ethnic minority Directors.

Composition and attendance

The Committee comprises all the Independent Non-Executive Directors. Attendance at Committee meetings is given on page 61.

The Committee received information and support from the Executive Directors as well as the Company Secretary in performing its duties.

Activities during the year

In the financial year ended 31 March 2023, the Committee met once, following a busy period in the previous year when refreshing the Board, and its activities included:

- reviewing the structure, size and composition of the Board and leadership needs of the Group, continuing the work from the previous year.
- considering, succession planning for the executive and other senior staff.
- undertaking, at the request of the Board, the selection and appointment of an external Board evaluation provider. Results of this process will be reported in the 2024 Annual report.

Board, Committee and Individual Director Evaluations

This is the third year that an internal review of each individual Director was carried out by the Chair in one-to-one interviews and a review of the Chair's performance by the Company Secretary engaging with each Director. This provided the Committee with information and views on the effectiveness and workings of the Board and each Board Committee.

The conclusions from this process were:

- The Board and its Committees should seek to pursue greater efficiencies through the continued development of the papers it receives to allow more focus on strategic development and addressing challenges.
- The external board evaluation process should be embraced as a way of developing the Board as a unit, increasing efficiencies and achieving greater long term focus.
- The continued development of closer ties with our clients and fund boards across all levels of the business.
- Continue to develop and mentor the executive team, building on the trust that exists between them and the Board while ensuring a succession plan is in place when called upon.

The conclusions from the 2022 evaluation process were reviewed as part of the 2023 discussions. The refresh of the Board with the appointment of Anand Aithal and Laura Ahto has provided the Board with a stronger mix of skills and experience from across the financial services industry, and the new board members have settled in well. The appointment of the new Directors led to a rearrangement of the Board Committees as reported in last year's report, and these have also led to greater efficiencies and are working well in conjunction with the full Board.

The Board has spent time meeting staff and working with the executive team to foster greater engagement and help the executive team to develop. This has resulted in the Board getting a better understanding of the culture and work undertaken in each principal area of the business. The executive team spent time with the Board during the strategic review offsite which allowed interaction over the strategic objectives for the business as well as building relationships.

The work on more efficient Board meetings with improvements in presentation of papers and encouragement of open and constructive debate has progressed and continues into the current year.

Independence

The Committee considered the independence of each Director and possible conflicts.

In assessing the independence of Non-Executive Directors at the date of this report, the Committee took account of their experience, character and judgment, and their dependence or relationships with the Group. In all cases the Committee concluded that each Director was independent in character and judgment. However, guidance generally used to assess independence considers the length of service, or the holding of a previous executive position within the Group, or a material business relationship with the Group, including shareholdings, to impair the perceived independence of the Non-Executive Director.

In light of this, the Committee has decided that despite being independent in character and judgement, Jamie Cayzer-Colvin up to his retirement on 31 December 2022, should not be considered independent due to his length of service and, to the fact that his employer has a sizeable shareholding in the Group, although he had no responsibility for the shareholding.

The Committee considered that Laura Ahto, Anand Aithal, Alexa Coates, David Lamb, Win Robbins and Andrew Ross are all Independent Non-Executive Directors and are free from any associations or relationships with the Group or its investment funds except for the fees they receive as Directors and any shares they may hold in the Company, funds or client companies.

Nomination Committee Report continued

Conflicts and time commitment

The Committee undertook a review of the other positions held by each Director to ensure that each has sufficient time to dedicate to the business of the Group. The Committee also considered if any conflicts existed which required to be disclosed and explained.

As a result of this review the Committee noted Jamie Cayzer-Colvin was a director of Polar Capital Funds plc, the umbrella company of the Polar Capital UCITS funds range, until his retirement. The Board of Polar Capital Funds plc is comprised of six directors and all, apart from Jamie, are independent of Polar Capital. The Board concluded that both the board of Polar Capital Funds plc and the Company had sufficient other independent directors for them to be able to operate in a way that maintained their independence on any matter where there may be a divergence of interests.

The time commitments of the other Directors were considered reasonable and appropriate to them performing their duties to the Company. Their outside interests were considered valuable to the Board where the Director leads on specialist areas such as finance or to provide commercial insights into the operations and business of the Company.

Directors' attendance at Board and Committee meetings are set out on page 61.

Re-election of Directors

The Committee also carried out an annual appraisal of each Director standing for re-election and their recommendations are set out on pages 50 to 52.

David Lamb

Chair of the Nomination Committee

23 June 2023

Audit and Risk Committee Report

Alexa Coates Chair of the Audit and Risk Committee

Dear Shareholder

I am pleased to present the Committee's Report for the year ended 31 March 2023. During the year the Committee has maintained its emphasis on the Group's principal and emerging risks, the risk and internal control framework and the implementation of regulatory change.

We have continued our focus on the integrity of the Group's financial reporting, as well as challenging our external auditors on the effectiveness of their audit procedures, whilst ensuring their objectivity and independence remain.

The Committee oversaw the transition of the regulatory framework under the UK Investment Firm Prudential Regime (IFPR) including oversight of the implementation of the Internal Capital Adequacy and Risk Assessment (ICARA). In addition, we have spent time understanding the impact of the FCA's Consumer Duty Requirements on the business and ensuring that the Group is fully implementing the recommendations.

Another key area of focus for the Committee was agreeing the implementation, scope and timings with the newly outsourced internal audit function, as well as over the implementation of internal audit recommendations from the audits carried out in the year.

The Committee encourages open dialogue with shareholders and if you have any comments or questions on this report, please feel free to contact me through the Company Secretary (CoSec@polarcapital.co.uk). I look forward to meeting with you to answer any of your questions at the 2023 AGM.

Committee composition

The composition of the Committee is set out on page 51. The Committee is comprised of Independent Non-Executive Directors drawn from the Board. The Chair of the Board also attends the meetings by invitation.

All of the Committee's members have experience relevant to the sector in which the Group operates. Committee members have a range of investment management and operational experience, while as a Chartered Accountant, I bring recent and relevant financial experience to the Committee. An effectiveness review was carried out in June 2023 by the Chair of the Board and it was found that the Committee was operating effectively.

Audit and Risk Committee Report continued

The Committee's responsibilities

The terms of reference for the Audit and Risk Committee are set out on the Company's website and are summarised as follows:

- reviewing the contents of the Interim Report and Annual Report and advising the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- reviewing the appropriateness of new accounting standards, accounting estimates and judgements, used in the preparation of the Group's Financial Statements;
- reviewing the effectiveness of the Group's internal control and risk management systems including those for the prevention and detection of fraud and recommending changes where appropriate;
- reviewing the Group's whistleblowing arrangements and ensuring that these allow proportionate and independent investigation of such matters and appropriate follow up action;
- reviewing the Group's capital adequacy and in particular, reviewing the Group's ICARA and ensuring that the Group has sufficient capital and liquidity to operate for the foreseeable future;
- reviewing the outcomes from compliance monitoring and recommending changes where appropriate;
- oversight over the outsourced internal audit function including reviewing the outcomes and related recommendations and their subsequent implementation by management as well as assessing its effectiveness;
- considering the effectiveness and quality of the external audit process;
- establishing and keeping under review a policy for the provision of non-audit services by the external auditor so that their independence and objectivity is safeguarded; and
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's external auditor.

Review of activities during the year

During the year the Committee met five times and a detailed review of the Committee's activities is as follows:

Consideration of the Interim Report

The Committee considered the Interim Report to ensure that they were fair, balanced and understandable. We also reviewed the accounting policies adopted in the interim financial statements along with significant accounting estimates and judgements.

Significant accounting estimates and judgements and matters in relation to the Financial Statements

During the year the Committee considered key accounting estimates and judgements and matters in relation to the Group's Financial Statements and disclosures as listed below:

Key accounting estimates and judgment

Impairment of goodwill and intangible assets

The Committee reviewed and challenged the assessment of the carrying values of both the goodwill and the investment management contract-related intangible asset acquired as part of the acquisition of Dalton Capital (Holdings) Limited. As part of this assessment, the Committee considered the reasonableness of the underlying estimates and assumptions and the impact of sensitivities to them. Based on these reviews the Committee agreed that management's approach and underlying judgements and estimates are appropriate. See more details in Note 4.1.

Consolidation of seed capital investments

IFRS 10 requires the Group to consolidate entities over which it has control. The key areas of judgment required in determining whether the Group controls an entity include:

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

Where the Group has seeded funds that it manages and owns a significant proportion of those funds, and has concluded that it is acting as principal rather than as agent on behalf of third-party investors, the fund is consolidated. The accounting treatment for seed capital investments is set out in Note 2.2.

The Committee considered the approach adopted by management for each seed investment and agreed that it was appropriate.

Share-based payments

Determining the accounting charge for share-based payment transactions requires the selection of an appropriate valuation model, consideration of appropriate input criteria for the model and an estimate as to the number of awards that are likely to vest. The accounting treatment for share-based payment transactions is set out in Note 3.6 to the financial statements.

The Committee considered the valuation model chosen (the Black-Scholes Model for share options, market-price-adjusted for dividends for restricted share awards including LTIPs without TSR targets; and the stochastic model for those with such targets) and the assumptions used by management and agreed that these were appropriate.

Accounting matters

Alternatives Performance Measures

The Committee reviewed the use of APMs in the Annual Report and ensured that these were appropriate to provide users of the annual report with better understanding of the Group's business.

The Committee discussed the number of benefit of each APM and were satisfied that the APMs listed by management on page 30 were appropriate.

Exceptional costs

The Committee reviewed management's classification of exceptional costs during the year which comprised significant and non-recurring items and its related treatment of provisions.

The Committee considers management's classification of exceptional costs to be appropriate.

Lease accounting

The Committee has reviewed the lease accounting treatment for lease modification and new leases for the current year.

The Committee considers management's accounting treatment to be appropriate.

Prior year restatement

The Committee has considered management's rationale to reclassify deferred tax balances for 31 March 2022 to show net position by jurisdiction and considers the reclassification to be appropriate.

Going Concern

The Committee considered a going concern report from management on the assessment of the Group's liquidity, timing of cashflows, forecasts of regulatory capital requirements and budgets for the year ahead. This also included consideration of the impact of stress scenarios on key liquidity and capital metrics.

Based on this analysis, the Committee was able to recommend the adoption of the going concern basis for the preparation of the Group's Financial Statements.

Consideration of the Annual Report

The Committee performed its role through monitoring the integrity of the Annual Report and the system of accounting to ensure compliance with relevant and appropriate accounting standards. The scope of the audit was agreed in advance with a focus on areas of audit risk and the appropriate level of audit materiality. The external auditor reported on the results of the audit work to the Committee at its June 2023 meeting and highlighted that no material issues had been discovered based on the audit work performed.

The production and the audit of the Group's Annual Report is a comprehensive process requiring input from a number of contributors.

The Committee supports the Board by considering and forming an opinion to assist the Board in reaching conclusions that the Annual Report is fair, balanced and understandable and that the adoption of the going concern basis is appropriate.

In performing this work the Committee has given consideration to the following:

- the control framework over the production of the Group's Financial Statements;
- the outlook for the Company as described in the Strategic Report and considered in the light of other internal reports and financial projections that the statements contained in the Annual Report fairly reflect the results for the year;
- the level of detail and disclosure around the Group's Key Performance Indicators and how these correlate to its use of non-GAAP Alternative Performance Measures to ensure the latter are always clearly defined and reconciled to IFRS measures;
- the detailed levels of review undertaken in the production process, by management and the Committee.

Audit and Risk Committee Report continued

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 March 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and has reported on these findings to the Board.

The terms of the letter of representation to the external auditors were also considered and recommended to the Board for approval.

Risk management and internal controls

The Committee is responsible for assisting the Board in maintaining an effective internal control environment. In order to discharge its responsibilities, it receives reports on the Group's compliance and risk and internal control procedures. This includes outcomes from the Group's compliance monitoring programme.

The Group has established a Risk Map which identifies principal and emerging risks. The Risk Map provides a measure of the principal risks and a Red Amber Green (RAG) status based on the level of risk, frequency and mitigating controls in place. A risk monitoring programme is in place against the principal risks with the outcomes of testing shared with the relevant internal control committees. The Group's top risks are reviewed by the Committee on a quarterly basis. The conclusion of the Committee members from this review was that the Group continues to take a cautious approach to risk and risk mitigation.

The Committee receives a regular report on the monitoring of controls, along with their outcomes, carried out by the compliance function. This covers a regulatory update on upcoming regulatory changes and the impact of changes implemented during the year, a summary of anti-money laundering related issues and any whistleblowing incidents. During the financial year, there was one whistle-blowing incident.

During the year, Minerva carried out a review of our risk management framework resulting in a number of recommendations which management is now implementing.

Although not captured by the regulation in relation to Operational Resilience, the Committee has reviewed the ongoing work that the Group is undertaking to ensure that it is operationally resilient. This has included a review of its outsourcing arrangements and due diligence of third party suppliers, its cyber risk management as well as its business continuity plans.

The Committee also considered the Group's ISAE 3402 report on internal controls for the 12 month period ended 31 December 2022, which was reviewed by PricewaterhouseCoopers LLP ('PwC'), along with the implementation of the previous report's recommendations, which the Committee considers to be appropriate.

The Committee has also considered the processes and controls in place to prevent and detect fraud and considers them to be appropriate.

Capital adequacy

The Committee oversaw the transition to ICARA under the UK IFPR during the year and reviewed the Group's 2022 ICARA in detail. This included a detailed training session which enabled the Committee to challenge the approach and methodology applied by management including the assessment of several stress scenarios and their impact on the financial position as well as an assessment of a wind down scenario for both the Group and its UK regulated entity. The Committee also reviewed a forward-looking analysis of the Group's cash and capital position. Based on the above, the Committee was able to recommend the ICARA and wind-down plan to the Board for approval.

Internal audit

Following the appointment of Minerva Risk Consulting ('Minerva') as the Group's outsourced internal audit function in July 2022, the Committee agreed an internal audit plan. The Committee reviewed the first two internal audit reports covering the risk management framework and central trading, at the February 2023 meeting. Implementation of the recommendations will be tracked and monitored by the Committee.

The Committee received regular updates from Minerva at each committee meeting on the internal audit plan, recommendations and observations from their work.

External auditors

PwC were appointed as our external auditors at the July 2020 AGM following a tender process and were re-appointed by shareholders at both the 2021 and the 2022 AGMs.

The effectiveness of the external auditor is monitored by the Committee during the year with a focus on the planning of the audit work, the quality of reporting and the quality and knowledge of staff. The Committee reviews any changes in the terms of the external auditors appointment and considers, among other matters, their performance, qualification, knowledge, expertise and resources. External auditor independence was also considered. This evaluation has been carried out throughout the year by meetings held with PwC; a review of the audit process and discussions with management and others involved in the audit process.

Regular one-to-one meetings between the lead audit partner, Natasha McMillan, and myself were held throughout the year and PwC also met privately with the Committee.

Based on the satisfactory conclusion of the work described above, the Committee has recommended PwC's reappointment to the Board and a resolution will be proposed at the 2023 AGM for their reappointment.

Non-audit work

A policy for non-audit services has been established to safeguard the independence and objectivity of the Group's external auditor. The policy provides that certain non-audit services are not permitted under any circumstances and that the Committee is required to consider and pre-approve any material non-audit services before the external auditor is engaged, subject to certain limits. The aggregate of fees for non-audit services shall not be in excess of 70% of the average of the last three years audit fees.

The Audit and Risk Committee receives an annual report on the non-audit services provided by the external auditors and also considers any issues arising in respect of independence. As a result, the Committee members are comfortable that the objectivity and independence of the external auditor has been maintained.

Alexa Coates

Chair of the Audit and Risk Committee

23 June 2023

Remuneration Committee Report

Win Robbins Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board and the Remuneration Committee ('the Committee'), I have pleasure in presenting the Committee's Report for the year ended 31 March 2023.

The Company is not listed on the Main Market and therefore is not subject to the Large and Medium Sized Companies and Group (Accounts and Reports) (amendment) Regulations 2013. Although the Company does not have to prepare a Directors' Remuneration Report, the Committee wishes to ensure that shareholders have a clear understanding of the remuneration paid by the Company and how the Committee has discharged its obligations. Therefore, in line with Main Market practice, this report comprises three sections:

- This Annual Statement where I set out the key Remuneration Committee considerations during the year and a summary of the performance outcomes for the 2022/23 financial year;
- The Directors' Remuneration Policy which describes the parameters in which Executive and Non-executive Directors are paid; and
- The Annual Report on Remuneration which sets out in detail, the pay and performance outcomes for the 2022/23 financial year and how we intend to apply the policy during the 2023/24 financial year.

Consistent with prior years, this remuneration report will be submitted for an advisory shareholder vote at the 2023 Annual General Meeting (AGM) to provide shareholders with a mechanism to indicate their views on these arrangements.

The Company values shareholders' views and welcomes their feedback.

Remuneration Committee Activities During the Year

In determining pay and policies for Directors and senior management, the Committee considers the structure and implementation of remuneration policies across the Group.

The Committee met three times in the year ended 31 March 2023 and discussed the following:

- An update from the Committee's independent adviser on pay governance, market practice and investor views.
- A review of the Group Remuneration Policy and implementing changes to ensure ongoing compliance with the requirements set out under IFPR.
- A review of performance outcomes for the year ended 31 March 2023:
  - The Committee established the bonus payouts and LTIP vesting outcomes which were contingent on performance in the financial year ended 31 March 2023 for the Executive Directors, Executive Committee and senior management.
  - The Committee also considered the Executive Directors' recommendations for discretionary bonus awards to staff.
- The Committee also considered the annual bonus targets for the financial year 31 March 2024.

Following the year end, the Committee has reviewed and approved performance outcomes for the year ended 31 March 2023.

Feedback from last year's review of remuneration

As set out in last year's report, the Remuneration Committee undertook a comprehensive review of senior executive and central workforce remuneration. This included a consultation exercise with our major shareholders and we were very grateful for the views received and support for the 2022 Directors' Remuneration Report (which received 99% of votes in favour at the 2022 Annual General Meeting).

As a reminder, the key changes that were implemented for the year 2022/23 financial year were as follows:

- increases to base salaries reflecting no changes to the CEO's base salary since his appointment and the Group Finance Director's promotion to the Board; and
- a rebalancing of incentive weightings including an increase to Executive Directors' annual bonus opportunity and a reduction to LTIP grant levels as we have moved away from an uncapped profit pool approach to one based on individual limits expressed as a percentage of base salary.

Regulatory MIFIDPRU changes

With the implementation of IFPR, the MIFIDPRU Remuneration Code became applicable on 1 April 2022 and requires member firms to make certain amendments to their internal Remuneration Policies. The changes to the Group's Remuneration Policy include the introduction of a Maximum Ratio of Fixed to Variable Remuneration for staff deemed to be Material Risk Takers (MRTs). Another key change introduced under the rules is the implementation of a Performance Adjustment Policy which includes authority to apply malus and clawback.

Remuneration outcome for 31 March 2023

Business context

During the year average AuM decreased by 14% from £22.8bn in 2022 to £19.6bn. Core operating profits decreased by 31% from £69.4m in 2022 to £47.9m. The Executive continued to ensure the safety and wellbeing of staff while maintaining all aspects of business operations. The Board is very grateful for the commitment and dedication of all our colleagues during what has been another extraordinary year.

Firmwide

Given the challenging market conditions and the consequent impact on the Group's financial performance, the overall variable compensation costs for the year were lower compared to the prior year. Considering the impact of inflation on our staff, increases in fixed compensation were targeted to our more junior and operational staff thereby rebalancing pay for such staff from variable to fixed, thereby managing the decline in overall compensation. Fixed compensation for senior executives and staff remained unchanged during the year. Total Group compensation cost has decreased 18% year on year.

Annual bonus

The annual bonus for senior executives was based on a balance scorecard set by the Committee by reference to pre-determined financial and non-financial targets.

A summary of the achievement of bonus measures and targets is as follows:

Financial KPIs

- Core operating profit of £47.9m was just above the market adjusted core profit threshold but below the stretch target. This resulted in an outcome of 9% out of 30%.
- Core Profit Margin: A 31% profit margin was below the target and therefore resulted in a nil payout out of 10%.

Non Financial KPIs

- Net flows: The adjusted net inflows measure was not achieved resulting in a nil payout out of 15%. 3 out of the 6 investment performance targets have been met and therefore a bonus of 8% out of 15% was achieved.
- Strategic objectives: The Executive Directors made strong progress against their strategic KPIs, achieving 25% out of 30%.

The overall result is a bonus of 42% of the maximum possible, and a 23% reduction compared to the previous year for the executive as a whole.

No discretion was applied by the Remuneration Committee in determining the annual bonus outcomes.

The Remuneration Committee believes the bonus outcome for the year appropriately reflects the financial and operational performance of the Company during the year.

Remuneration Committee Report continued

Long Term Incentive Arrangements (LTIP)

On 10 July 2020, Gavin Rochussen and Samir Ayub were granted awards under the LTIP. The awards granted to Gavin and Samir vest in equal tranches on the third, fourth and fifth anniversaries of grant subject to continued employment. Gavin Rochussen's awards are subject to the achievement of three measures – an Earnings per Share (EPS) condition (40%), a relative total shareholder return (TSR) measure (40%) and performance fees profits (20%). Samir Ayub was granted his awards before joining the Board and his awards were subject to a service requirement only. For Gavin Rochussen's award:

- Adjusted Diluted Core EPS for the year ended 31 March 2023 was 39.7p, between minimum (35p) and the maximum target (53p) and therefore this element will vest at 45%.
- Polar Capital's TSR performance of 24.4% growth over the period placed it between the median and upper quartile and therefore this part of the award will vest at 87.4%.
- Cumulative performance fee profits of £25.3m were earned during the three-year period ending 31 March 2023. This was above the £20m performance fee minimum for the period, but below the stretch target of £40m. Therefore, the performance fee element vested at 45%.

Therefore, Gavin Rochussen's awards will vest at 62% of maximum and Samir Ayub's awards will vest at 100% of maximum. A holding period will apply to the first two tranches of both Gavin Rochussen's and Samir Ayub's awards, thereby creating a 5-year gap between grant and potential release or sale of awards.

Approach to Executive Directors' remuneration in 2024

- Base salaries, benefits and pension – there will be no change to Executive Directors' base salaries which shall therefore remain at £385,000 for Gavin Rochussen and £250,000 for Samir Ayub. Benefits for the Executive Directors comprise private medical cover, life insurance and income protection to cover long-term illness. These will remain unchanged. Pension provision remains unchanged at 10% of salary which is in line with the contribution level for the wider workforce.
- Annual bonus – the maximum opportunity for Executive Directors will be 250% of salary. The performance measures for 2023/24 will continue to be based 40% on Financial KPIs, 20% on key Non-financial KPIs (incorporating net inflows and fund performance), and 40% on the achievement of strategic KPIs. For this year, the financial KPIs have been simplified so that a single core operating profit measure will apply to this part of the bonus.

  The Committee believes the choice of measures and their relative weightings provides for a rounded assessment of performance for the benefit for stakeholders over the longer term. Deferment arrangements will continue to apply over a three year vesting period.
- LTIP awards – as part of the changes introduced last year, a 250% of salary cap applies for the Chief Executive and 200% of salary for other Executive Directors. The 2023 awards will be set at 100% of the maximum cap and the performance measures will continue to comprise adjusted diluted total EPS and relative TSR, each with an equal weighting. These awards will vest after three years and a two-year holding period will apply.

The Remuneration Committee has considered the above proposals carefully and is satisfied that the proposed changes are appropriate and take into account investor sentiment on pay and feedback received.

The Committee encourages open dialogue with shareholders and if you have any comments or questions on this report, then please feel free to contact me through the Company Secretary (CoSec@polarcapital.co.uk).

I look forward to your support at the 2023 AGM.

Win Robbins
Chair of Remuneration Committee

23 June 2023

Directors’ remuneration policy

The Remuneration Committee considers Director remuneration as part of the overall aim of the Group’s remuneration strategy which is to provide appropriate incentives that reflect the Group’s high-performance culture and values. In summary, the Committee aims to:

- attract, retain and motivate high-calibre, high performing directors and employees; and
- encourage strong performance and engagement, both in the short and the long-term, to enable the Group to achieve its strategic objectives.

The Directors’ total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short-term and longer-term.

When setting the levels of short-term and long-term variable remuneration and the balance of equity and cash within the package, consideration is given to obtaining the appropriate balance so as not to encourage unnecessary risk-taking, whilst ensuring that performance hurdles are suitably challenging.

The table below summarises the key aspects of the Group’s Director remuneration structure and policy for the financial year 2024:

Executive Directors’ remuneration

Element	Purpose and link to strategy	Operation
Fixed pay		
Base Salary	To attract and retain Executive Directors of a suitable calibre for the duties required by being market competitive.	Normally reviewed annually by the Committee, with increases taking effect from April, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader staff population. The Committee considers the impact of any basic salary increase on the total remuneration package.
Benefits	To provide market competitive benefits.	The Company typically provides the following: • private medical cover; • life insurance; and • income protection scheme to cover long-term illness.
Pension	To provide market competitive benefits.	Defined contribution or cash in lieu of pension equal to 10% of base salary. This is in line with the contribution provided to all staff.

Remuneration Committee Report continued

Element	Purpose and link to strategy	Operation
Variable pay		
Annual Bonus and Deferred Remuneration Plan (DRP)	To drive and reward performance against annual objectives which are consistent with the strategy and aligns to shareholder interests. The DRP provides a deferral element to variable compensation above a certain level to ensure there is a link to the longer-term performance of the Company.	The annual bonus opportunity is capped at 250% of base salary for Executive Directors. The bonus measures will normally comprise a mix of financial and non-financial performance and personal contribution, aligned to the overall success of the Group. A significant portion of the bonus amount (after tax) is used to purchase shares. These deferred shares are held until the first, second and third anniversaries and then released subject to continued employment or good leaver provisions.
Long-term incentives ('LTIP')	To encourage and reward delivery of the Company's long-term strategic objectives and provide alignment with shareholders.	Executive Directors may receive LTIP awards with a value of up to 250% of salary (for the CEO) and 200% of salary (for other Executive Directors). These are maximum award levels and may be subject to any potential downwards adjustment by the Remuneration Committee. The LTIP awards may be structured as conditional shares and/or forfeitable shares or nil/nominal cost options which vest after 3 years subject to performance and continued employment (subject to good leaver provisions). Vested awards are subject to a two-year holding period. Vesting of LTIP awards is determined by reference to performance assessed over a period of at least three years. Performance measures may include financial, share price based or other strategic objectives. Prior to each grant, the Committee will determine the measures that will apply and that they are aligned with the Company's strategic objectives and long-term shareholder value. Up to 25% of the award may vest for threshold performance. These awards are subject to Malus and Clawback provisions which enable the Remuneration Committee to recover or withhold LTIP awards if the Committee forms the view that there has been a material misstatement of financial results, an error in assessment of any performance condition or in the event of serious misconduct prior to the date of vesting that could have resulted in summary dismissal.

Non-Executive Directors remuneration

Element	Purpose and link to strategy	Operation
Variable pay		
Fee paid in cash	To attract and retain a high-calibre Chair and Non-Executive Directors by offering a market competitive fee level.	The Chair is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee assessed on their contribution and level of responsibilities. The level of these fees is reviewed periodically by the Committee with reference to market levels and agreed by Chief Executive in respect of the Chair and by the Chair and Chief Executive for the Non-Executive Directors. The Committee in reviewing these fees considers the extra work undertaken by the Chairs of the Board Committees and may pay an additional fee to reflect these responsibilities if felt appropriate.

Service contracts and payments for loss of office

The Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. Notice periods given by the employing Company are limited to 12 months or less.

An Executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing Company terminates the employment of an Executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Remuneration Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. Payments in lieu of notice are not pensionable. In the event of a change of control of the Company there is no enhancement to contractual terms.

The Non-Executive Directors have letters of appointment, setting out the terms and conditions of their appointment. In accordance with the Company's Articles of Association a Non-Executive Director's appointment shall continue subject to satisfactory performance and annual re-election by shareholders, for such number of further terms as the Board determines is appropriate taking into account the recommendations and guidance set out in the QCA Corporate Governance Code (or such other Corporate Governance Code that may be adopted and applied by the Company). Re-appointment is not to be considered automatic and each Director's contribution will be carefully assessed annually. The letters of appointment provide for termination of the Director's appointment under certain circumstances and in all cases without any compensation other than their notice period (3 months).

None of the Non-Executive Directors have any ongoing direct financial or contractual interests in the Company other than their fees and shareholdings as disclosed in this report.

Indemnity/Insurance

The Company has granted a Deed of Indemnity to each Director in respect of liabilities that may attach to them in their capacity as Directors of the Company. This indemnity covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This Deed of Indemnity is a qualifying third-party provision (as defined by section 234 of the Companies Act 2006) and was in force for the entire year under review or the Directors who were in office at the year end, and were in force at the date of approval of this report, and will continue to be in force for all Directors. A copy is available for inspection on the Company's website and will be available at the AGM.

The Group maintains Directors' and Officers' liability insurance, which is reviewed annually to ensure that cover is held at an appropriate level.

Remuneration Committee Report continued

Annual report on remuneration

The table below sets out the remuneration received by the Directors for the financial year ended 31 March 2023 and for comparison amounts received in the financial year ended 31 March 2022.

Single Figure of Total Remuneration (audited)

	Salary & fees		Annual bonus[1]		Long term incentive and share options[5]		Taxable benefits		Payment in lieu of pension		Total remuneration	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
Executive Directors												
Gavin Rochussen	385	350	404	525	655	2,095	3	3	39	35	1,486	3,008
Samir Ayub[2]	250	75	263	104	359	60	3	1	21	6	896	246
Non-Executive Directors at year end												
David Lamb	162	150	–	–	–	–	–	–	–	–	162	150
Alexa Coates	76	70	–	–	–	–	–	–	–	–	76	70
Win Robbins	76	70	–	–	–	–	–	–	–	–	76	70
Andrew Ross	65	60	–	–	–	–	–	–	–	–	65	60
Laura Ahto (from 17 November 2021)	65	15	–	–	–	–	–	–	–	–	65	15
Anand Aithal (from 17 January 2022)	65	13	–	–	–	–	–	–	–	–	65	13
Past Directors												
Brian Ashford-Russell (until 8 September 2021)	–	24	–	–	–	–	–	–	–	–	–	24
John Mansell[3] (until 7 September 2022)	73	233	77	338	–	4,254	1	3	7	18	158	4,846
Jamie Cayzer-Colvin[4] (until 31 December 2022)	46	60	–	–	–	–	–	–	–	–	46	60
Total	1,263	1,120	744	967	1,014	6,409	7	7	67	59	3,095	8,562

1. The short-term incentive is awarded as an annual cash bonus with deferment in accordance with the remuneration policy. The amount disclosed in the table include the cash and deferred elements.
2. Samir Ayub's total remuneration for the year ended 31 March 2022 include amount received from his appointment as an Executive Director effective 17 November 2021.
3. John Mansell's total remuneration for the year ended 31 March 2023 include amount received until stepping down as an Executive Director effective 7 September 2022.
4. Under the terms of their appointment the Director's fees may be paid to their principal employers. The fee for Jamie Cayzer-Colvin was paid to Caledonia Investments plc. Jamie Cayzer-Colvin resigned as Non-Executive Director on 31 December 2022.
5. The 2023 LTIP value in the table corresponds to the upcoming vesting of the LTIP award granted in July 2020 (2022 LTIP relates to LTIP award granted in July 2019). As the award will vest after this report is signed off, the vesting value has been estimated using the three-month average share price to 31 March 2023 of 500p (2022:604p). These awards will be released in three equal tranches, on the third, fourth and fifth anniversaries of the respective grant dates.

   The 2023 figure in the above table for Samir Ayub also includes the value from the exercise of his share options as described on page 82.

Variable pay for the year ended 31 March 2023

Annual Bonus Awards for the year ended 31 March 2023

The Committee considered the Executive Directors' performance against the under measure targets and objectives set at the start of the year and bonuses of 42% of maximum or 105% of salary will be payable to the Executive Directors.

40% of the bonus was based on profit performance against budget (split 30% against core operating profit and 10% against core profit margin), 30% was based on performance against two financial KPIs and the remaining 30% on the achievement of key strategic objectives.

Financial KPIs – Profit performance (40% weighting):

- 30%: Core operating profit for the year was £47.9m.
  - 25% of this part of the bonus would be achievable for profit of £47.4m rising to full pay-out for profit of £58.0m or higher. The targets were set by reference to the Group's budgeted core profit and the targets were adjusted for market movements.
  - Core operating profit of £47.9m resulted in a bonus of 9% out of the possible 30% for this element becoming payable.
- 10%: Core operating profit margin.
  - Core operating profit margin (31%) was below the 36% target agreed by the Board.
  - This resulted in 0% (out of 10%) of the Financial KPI element becoming payable.

Non-financial KPIs performance (30% weighting):

- 15%: Net inflows.
  - 25% of this part of the bonus would be achievable for net inflows of £0.5bn rising to a 100% payout for net inflows of £1.2bn or higher.
  - There were net outflows during the year and therefore this resulted in no bonus (out of 15%) for this element becoming payable.
- 15%: Funds performance – based on six measures for fund performance on open ended UCITs.
  - over rolling one, three and five years, 79%, 65% and 87% of UCITS AuM and 73%, 85% and 80% of UCITS funds were in the top two quartiles over 1, 3 and 5 years respectively.
  - For the current performance period three out of six targets were met.
  - This resulted in 8% (out of 15%) of this element becoming payable.

Remuneration Committee Report continued

Strategic objectives (30% weighting):

- The following objectives applied to the Executive Directors.

Criteria	Assessment of outcomes
(1) Key talent development	Comprehensive start made with the wider Executive team completing a team-based development program through an external party.
(2) Distribution: Increase AuM managed by Sustainable Thematic Equity team and expand US client base	Sustainable Thematic Equities strategy AuM at end of the period exceeded £230m and inflows to date into US product for the Emerging Market and Asia strategy exceeded £100m in the year.
(3) Operational resilience	Continued to develop operational resilience framework. Further progress also made under ISAE 3402 reporting from prior year with additional oversight controls added to third party monitoring and IT/program access controls.
(4) Focus on ESG	Polar Capital Aspire Scheme rolled out successfully, diversity data collection repeated for a second year, continued progress being made on data and analysis capability within the central ESG team and developing the ability to evaluate our funds' holdings using the IIGCC Paris Aligned Investment Initiative Net Zero Framework.
(5) Other matters: Resolve Phaeacian arrangement and broaden shareholder base	Decision taken early in the financial year to seek to dissolve the Phaeacian partnership following mutual fund Board decision to close funds down. A cumulative 11% new institutional shareholders have been added to share register since 2021. Visibility amongst retail investors has also increased through retail investor presentations at both year end and half year end.

The Remuneration Committee determined that the majority of the strategic and personal objectives had been met and that 25% (out of 30%) should be awarded.

Therefore the bonus awarded for the two Executive Directors is 42% of maximum (equivalent to 105% of base salary) (2022: 150% of base salary):

- Gavin Rochussen's bonus is £404,250 in respect of the financial year ended 31 March 2023 (2022: £525,000).
- Samir Ayub's bonus is £262,500 in respect of the financial year ended 31 March 2023 (2022: £104,063 for the period he was an Executive Director).

In accordance with the deferment arrangements 60% of the annual bonuses awarded to Executive Directors has been deferred, after payment of tax, into the Company's shares which, subject to leaver forfeiture provisions, will be released to the respective Directors as to one third each year for the next three years. As the bonuses are cash awards, tax is deducted at the time of payment and therefore the deferment is of the net amount. Executive Directors are entitled to receive dividends on their shares held under deferment. The deferments were made in May 2023.

2020 LTIP awards vesting outcome

Awards were granted to Gavin Rochussen and selected senior executives on 10 July 2020 under the Long Term Incentive Plan. For Gavin Rochussen, these were based on three year adjusted diluted core EPS performance (40%), a relative TSR condition (40%), and cumulative performance fees (20%) for the period ended 31 March 2023.

As a result of the above performance targets being partially achieved, the total percentage of the 2020 LTIP award that will vest is 62%.

Performance targets	Weightings	Actual performance	Weighted LTIP outcome
Adjusted diluted core EPS: 35p (25% vesting) to 53p (100% vesting)	40%	39.7p	45%
TSR: median ranking (25% vesting) to upper quartile (100% vesting)	40%	Between median and upper quartile	87.4%
Cumulative performance fees: £20m (25% vesting) to £40m (100% vesting)	20%	£25.3m	45%
Total			62%

The awards vest in three equal tranches, on the third, fourth and fifth anniversaries of grant date (10 July 2020).

Vesting outcome

2020 LTIP awards	Grant date	No. of shares awarded	Vesting percentage	No. of shares vesting	Vesting date	End of last holding period
Gavin Rochussen	10 July 2020	211,475	62%	131,115	July 2023	July 2027
Samir Ayub[1]	10 July 2020	24,566	100%	24,566	July 2023	July 2027

1. Samir Ayub's 2020 LTIP grant comprised an award over 24,566 shares and these were made prior to Samir Ayub joining the Board. These awards were subject to a service condition only and will vest on 10 July 2023.

Remuneration Committee Report continued

Directors' interests in the shares options and shares of the Company

Interest through Share Options

Samir Ayub exercised two share options on 10 March 2023 which were satisfied in accordance with the rules of the Polar Capital Equity Incentive Plan, by the use of the provisions relating to the Company Share Option Plan ('CSOP') and the Equity Settled Share Appreciation Rights ('ESARS'). The use of the ESARS provisions allows the Company to issue to the option holder only the number of shares that would equate to the number of shares over which the option becomes exercisable less the number of shares that would have needed to be sold to fund the purchase of that number of shares on the exercise date, 9,523 shares were exercised under the CSOP. 44,695 shares were issued in satisfaction of the exercise of the balance of the two options and all were sold on the day of exercise at £4.91 per share.

Details of the options held by the Directors and any movements during the year are as follows:

	Grant date	Number of options at 1 April 2022	Number of options granted in the year	Number of options exercised in the year	Number of options lapsed in the year	Number of options at 31 March 2023	Earliest exercise date	Latest exercise date	Market value of shares at grant date (£)	Exercise price (£)
Samir Ayub	01/07/2013	100,000	–	100,000	–	–	01/07/2017	01/07/2023	3.86	3.86
	25/07/2016	75,000	–	75,000	–	–	25/07/2020	25/07/2026	3.15	3.15
	17/07/2017	60,000	–	–	–	60,000	17/07/2021	17/07/2027	4.27	4.27
	16/07/2018	40,000	–	–	–	40,000	16/07/2022	16/07/2028	6.84	6.84
	24/08/2020*	7,425	–	–	–	7,425	01/10/2025	01/04/2026	5.20	4.04
		282,425	–	175,000	–	107,425				

* Includes SAYE share option award.

For the year ended 31 March 2023 the taxable income on options exercised was £0.2m.

The Executive Directors also have interests in the shares of the Company by their participation in the LTIP arrangements and the deferment applied to short-term bonuses. Details of these interests are set out in the relevant sections.

Interest through Bonus Deferment

Part of the annual bonus payments are deferred net of tax in the shares of the Company and are released one third on the first, second and third anniversary of the deferment.

	Year of deferral	Number of shares at 1 April 2022	Market value of shares at deferral date (£)	Net value of deferment (£)	Share price at deferral date (£)	Number of shares at deferral date	Number of shares released during the year	Number of shares held at 31 March 2023	Earliest release date	Latest release date
Gavin Rochussen[1]	2019	10,599	183,642	–	–	–	10,599	–	01-May-20	01-May-22
	2020	16,805	113,524	–	–	–	8,402	8,403	01-May-21	01-May-23
	2021	28,167	211,465	–	–	–	9,389	18,778	01-May-22	01-May-24
	2022	–	–	163,800	5.6	29,260	–	29,260	01-May-23	01-May-25
		55,571				29,260	28,390	56,441		
Samir Ayub[2]	2019	1,224	14,134	–	–	–	1,224	–	01-May-20	01-May-22
	2020	2,689	16,957	–	–	–	1,344	1,345	01-May-21	01-May-23
	2021	4,235	31,795	–	–	–	1,412	2,823	01-May-22	01-May-24
	2022	–		86,580	5.6	15,466	–	15,466	01-May-23	01-May-25
		8,148				15,466	3,980	19,634		

1. £128,552 of Gavin Rochussen's 2023 annual bonus was deferred in respect of the financial year 31 March 2023 and as a result his deferred interest in the ordinary shares of the Company has increased by 26,965.
2. £83,475 of Samir Ayub's annual bonus was deferred in respect of the financial year 31 March 2023 and as a result his deferred interest in the ordinary shares of the Company has increased by 17,509.

Interest through LTIP

LTIP Awards	Year of grant	Grant Date	Number of share awards held at 1 April 2022	Face Value of Award (£)*	Market Value of shares at grant date (£)	Granted in the year	Number of shares vested in the year 1,2	Number of shares released in the year	Number of share awards held at 31 March 2023	Earliest Vesting Date	Latest Vesting Date
Gavin Rochussen	2018	16/07/2018	155,946	1,600,000	6.84	–	–	77,972	77,974	16/07/2021	16/07/2023
	2019	11/07/2019	408,034	2,387,000	5.85	–	346,829	115,609	231,220	11/07/2022	11/07/2024
	2020	10/07/2020	211,475	1,032,000	4.88	–	–	–	211,475	10/07/2023	10/07/2025
	2021	16/07/2021	191,677	1,707,840	8.91	–	–	–	191,677	16/07/2024	16/07/2026
	2022	16/07/2022	–	890,500	4.57	195,071	–	–	195,071	16/07/2025	16/07/2027
			967,132			195,071	346,829	193,581	907,417		
Samir Ayub	2019	11/07/2019	10,000	58,500	5.85	–	10,000	3,333	6,667	11/07/2022	11/07/2024
	2020	10/07/2020	24,566	119,884	4.88	–	–	–	24,566	10/07/2023	10/07/2025
	2021	16/07/2021	47,919	426,960	8.91	–	–	–	47,919	16/07/2024	16/07/2026
	2022	16/07/2022	–	462,500	4.57	101,314	–	–	101,314	16/07/2025	16/07/2027
			82,485			101,314	10,000	3,333	180,466		

* The face value of the award figure is calculated by multiplying the number of shares awarded by the market price at grant (the average share price figure over a period of five days prior to the date of grant).

1. Performance vesting

- Gavin Rochussen

  2018 LTIP

  Gavin Rochussen's 2018 LTIP fully vested at 100% on 16 July 2021 and 233,918 shares vested in full. 77,972 shares, being the initial third of the award, were released on the same day. 16 July 2022 was the fourth anniversary, the second vesting date of Mr Rochussen's 2018 LTIP award, and 77,972 shares, being one-third of the award, were released to Gavin Rochussen, from which 44,076 shares were sold to cover his tax liability. The remaining 33,896 shares will remain in a nominated account subject to a holding period until the fifth anniversary of the LTIP Grant.

  The remaining one-third of the award (77,974 shares) remain as forfeitable share awards and are scheduled to be released to Gavin Rochussen on the fifth anniversary of the LTIP grant when the holding period will also expire.

  2019 LTIP

  11 July 2022 was the third anniversary and vesting date of Gavin Rochussen's 2019 LTIP award of 408,034 shares. The adjusted diluted total EPS on 31 March 2022 was 56.0p, which meant the performance conditions had been partially met and therefore 85% of the award, being 346,829 shares, partially vested.

  115,609 shares, being one third of the vesting award, were released to Gavin Rochussen, from which 65,351 shares were sold to cover his tax liability. The remaining 50,258 shares will remain in a nominated account subject to a holding period until the fifth anniversary of the LTIP Grant.

  The remaining two-thirds of the award (231,220 shares) were converted to forfeitable share awards and are scheduled to be released in equal tranches to Gavin Rochussen on the fourth and fifth anniversaries of the LTIP grant.

- Samir Ayub

  2019 Restricted Award

  11 July 2022 was the third anniversary and vesting date of Samir Ayub's 2019 Restricted Award of 10,000 shares. This award was granted prior to Samir Ayub joining the Board. There were no performance conditions attached to this award and it was subject solely to a continued employment. The Restricted Award fully vested at 100% and 10,000 shares vested in full.

  3,333 shares, being one third of the vesting award, were released to Samir Ayub, from which 1,884 shares were sold to cover his tax liability. The remaining 1,449 shares will remain in a nominated account subject to a holding period until the fifth anniversary of the restricted award grant. The remaining two-thirds of the award (6,667 shares) were converted to forfeitable share awards and are scheduled to be released in equal tranches to Mr Ayub on the fourth and fifth anniversaries of the Restricted Award grant.

2. 2023 vesting

- The awards granted to Gavin Rochussen on 10 July 2020 will vest at 62% on 10 July 2023. Award granted to Samir Ayub on 10 July 2020 were subject to a service requirement only. An estimate of the value of these awards has been included in the single figure of total remuneration table on page 78.

Remuneration Committee Report continued

Shares held

The interests of Directors in the share capital of the Company at the end of the financial year were as follows:

Director Shareholdings	31 March 2023	31 March 2022[1]
Executive Directors		
Gavin Rochussen		
Beneficial	1,594,152	1,481,608
Deferred Interest[1]	56,441	55,571
LTIP[2]	309,194	155,946
Samir Ayub		
Beneficial	11,219	5,790
Deferred Interest[1]	19,634	8,148
LTIP[2]	6,667	–
Non-Executive Directors		
David Lamb	70,000	70,000
Laura Ahto	500	–
Anand Aithal	4,500	–
Alexa Coates	10,000	2,000
Win Robbins	20,000	20,000
Andrew Ross	85,000	85,000

1. To enable clearer presentation and cross reference to the interest through bonus deferment table on page 82, the deferred interests for Gavin Rochussen and Samir Ayub for 31 March 2022 have been restated to exclude deferred interest changes post year end.

   Deferred interest changes post year end are now being reflected in the 'Changes post year end' section below.
2. Performance vested LTIP awards, where the shares are forfeitable subject to continued employment only. Refer to LTIP table on page 78.

Changes post year end:

Changes in ordinary share interests post 31 March 2023 to 22 June 2023 are as follows:

- Gavin M Rochussen

  As part of his deferred remuneration in respect of the year ended 31 March 2023, his deferred interest in the ordinary shares of the Company increased by 26,965 shares.

  Following the release of ordinary shares in respect of his deferred remuneration for the years ended 31 March 2020, 2021 and 2022, his deferred interest has reduced and beneficial interest in the ordinary shares in the Company increased by 27,545 shares.

- Samir Ayub

  As part of his deferred remuneration in respect of the year ended 31 March 2023, his deferred interest in the ordinary shares of the Company increased by 17,509 shares.

  Following the release of ordinary shares in respect of his deferred remuneration for the years ended 31 March 2020, 2021 and 2022, his deferred interest has reduced and beneficial interest in the ordinary shares in the Company increased by 7,912 shares.

Payments to past directors

No payments were made to any past Directors during the year to 31 March 2023.

Share prices over the financial year

The shares have traded at prices between 395.0p (5 April 2022) and 631.0p (13 October 2022) per share. The share price on 31 March 2023, the last trading day of the financial year, was 425.5p per share.

Committee Composition

The Committee comprises Win Robbins, as Chair, David Lamb and Andrew Ross.

By invitation of the Committee, meetings are also attended by the CEO, the Finance Director and the Company Secretary (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice and information can also be sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

The Committee also consulted with the CEO and the Finance Director on Group wide staff remuneration and incentive arrangements and participated in various salary data reviews and obtained market data from various sources.

External advisors

The Committee appointed, FIT Remuneration Consultants LLP (‘FIT’), an independent remuneration consultancy, in 2020, after a tender process to provide advice to the Committee. During the year the Remuneration Committee received independent direct advice from FIT on various remuneration matters. In conjunction with the guidance from the Committee, FIT assisted the Company with the 2023 remuneration outcomes, the bonus and LTIP arrangements, drafting of share award documentation, analysis on market practice in the sector, assistance with the design of the new policy and the preparation of this report.

The Executives also received guidance from Dechert LLP on the remuneration requirements under IFPR. The external advisors did not have any other relationship with the Company.

Remuneration Committee Report continued

AGM vote

The votes cast at the AGM held on 7 September 2022 on the resolution on Directors' Remuneration Report were as follows:

	Number	% of cast votes
Votes in favour	55,542,721	99
Discretionary votes	–	–
Votes against	588,463	1
Total votes cast	56,131,184	100
Votes withheld	70,894	–

The total issued share capital at the date of the AGM was 100,790,725 ordinary shares.

Implementation of policy in financial year 2024

Base salary

- The CEO's and FD's base salary will remain unchanged at £385,000 p.a. and £250,000 p.a. respectively in financial year 2024.

Benefits and pension

- There will be no change to benefits and pension arrangements. Pension provision is in line with the workforce contribution rate.

Annual bonus

- The maximum bonus opportunity will be 250% of salary for Executive Directors.
- For financial year 2024, the measures will be 40% on core operating profit, 20% on non-financial KPIs (net inflows and fund performance) and 40% on strategic objectives.

LTIP

- Gavin Rochussen will receive an award with a face value of £962,500 (being 250% of base salary) and Samir Ayub will receive an award with a face value of £500,000 (being 200% of base salary). The Committee considers the year-on-year change in share price when determining the number of awards to grant.
- 50% of each award will be based on relative TSR (measured against the FTSE 250 excluding investment trusts) and the other 50% on adjusted diluted total EPS. The adjusted diluted total EPS target range is 45.0p (25% vesting) to 51.75p (100% vesting).

Non-Executive Director fees

- Chair and Non-Executive Directors' fees will remain unchanged as follows:
- Chair: £162,000 p.a.
- Non-Executive: £65,000 p.a.
- Additional payment for the Chair of the Audit & Risk and Remuneration Committees: £11,000 p.a.

Statement of Directors' Responsibilities in Respect of the Group's and Company's Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's external auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's external auditors are aware of that information.

Samir Ayub
Finance Director

23 June 2023

Independent Auditors' Report

to the members of Polar Capital Holdings plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Polar Capital Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2023 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2023 (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2023; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 3.4, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Polar Capital Holdings plc ('Polar Capital') is an active fund manager, which listed on the Alternative Investment Market in 2007. Polar Capital's main operations are in the United Kingdom and it offers a range of products such as UCITS, SICAVs, Investment Trusts, Hedge Funds and Segregated Mandates to both professional and institutional investors in different geographical markets.

In planning for our audit of Polar Capital, we met with the Audit and Risk Committee and members of management to discuss and understand significant changes to the business during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our prior year assessment of our audit approach, when forming our views regarding the business, as part of developing our audit plan and when scoping and performing our audit procedures.

Overview

Audit scope

- We conducted a full scope audit over the financial information of Polar Capital Holdings plc, Polar Capital LLP, and Polar Capital Partners Limited. These are significant components as each component's pre-consolidated financial information represents more than 15% of the profit before tax for the year of the Group.
- As the adjustments made for the consolidation, including those for goodwill and intangible assets and those for the seeded funds, are material for a number of financial statement line items ('FSLIs'), we scoped these consolidation adjustments in as a component and performed audit testing.
- We also performed specific audit procedures on certain balances and the financial statement disclosures.
- Our audit work accounted for more than 99% of Group revenue and more than 95% of profit for the year before tax. Our audit scope provided sufficient and appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

- Revenue recognition (Group)
- Impairment of goodwill and intangible assets (Group)
- Impairment of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: £2,260,000 (2022: £3,104,000) based on 5% of profit for the year before tax.
- Overall Company materiality: £717,000 (2022: £709,000) based on 1% of total assets.
- Performance materiality: £1,695,000 (2022: £2,328,000) (Group) and £537,000 (2022: £530,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of investments in subsidiaries is a new key audit matter for the Company this year. Given the significance of the investments in subsidiaries balance in the Company financial statements, we have determined the impairment of investments in subsidiaries to be a key audit matter. Otherwise, the key audit matters below are consistent with last year.

Independent Auditors' Report continued

to the members of Polar Capital Holdings plc

Key audit matter	How our audit addressed the key audit matter

Revenue recognition (Group)
Refer to Note 3.1 Revenue

Key audit matter

Revenue is the most significant balance in the Consolidated Statement of Profit or Loss. Revenue comprises a number of streams including investment management and research fees of £176.2 million and investment performance fees of £6.7 million, which result from the business activities of the Group.

Investment management and research fees

The recognition of management and research fees is dependent on the terms of the underlying investment management agreements ('IMAs') between the Group and its clients and/or the funds it manages.

Investment management fees are derived from:

- Open-ended funds, which consist of:
  - UCITS funds
  - Hedge funds
  - SICAV funds
  - Mutual funds
- Investment Trusts
- Segregated mandates

Investment management fees are calculated as a percentage of Assets Under Management ('AUM') and the percentage applied varies across different funds and products. The calculations are non-complex, however there are a number of inherent risks including the input of correct fee rates and the existence and valuation of AUM, which could result in errors.

Research fees earned are based on the underlying research expenses incurred by Polar Capital, which are reimbursed by the funds.

Investment Performance Fees

Investment performance fees are often infrequent and involve manual and complex calculations and this increases the risk of error.

Given the significance of investment management and research fees and investment performance fees to the Consolidated Statement of Profit or Loss, we have determined revenue to be a key audit matter.

How our audit addressed the key audit matter

For all material revenue streams, we understood and evaluated the design and implementation of key controls, including relevant information technology systems and controls, in place. This included both in-house controls and outsourced activities at the outsourced service providers.

To obtain audit evidence over the key controls supporting the calculation and recognition of revenue, we:

- Performed testing of key in-house controls to obtain evidence of operational effectiveness of those key controls, such as controls over client cash and stockholding position reconciliations and valuation of the AUM used in revenue calculations; and
- Assessed the control environment in place at outsourced service providers to the extent that it was relevant to our audit. We obtained and read the control reports undertaken in accordance with generally accepted assurance standards, paying particular attention to the nature of any exceptions in the testing identified by the independent service auditor of the outsourced providers. We then identified those key controls on which we could place reliance to provide audit evidence and tested relevant complementary user entity controls in place at Polar Capital. Where the control reports had not been prepared for the year ended 31 March 2023, we assessed the gap period and obtained bridging letters where necessary.

We obtained substantive audit evidence as set out below:

Investment management and research fees

- Using data auditing tools, recalculated 100% of management fees for the UCITS funds, hedge funds and Investment Trusts, as well as 100% of SICAV revenues from 1 June 2022 to year end following the transition of fund administrator to Northern Trust, using AUM information obtained from the outsourced service providers and fee rates obtained from IMAs, and then reconciled to amounts included in the Group financial statements;
- For 100% revenues generated from mutual funds, recalculated revenues using AUM information obtained from the outsourced service providers and the fee rates obtained from the IMA, and then reconciled to amounts included in the Group financial statements.
- On a sample basis, recalculated segregated mandates revenues using AUM information obtained from the outsourced service providers or obtained directly from the client and fee rates obtained from the IMAs, and then reconciled to amounts included in the Group financial statements;
- To test completeness, checked that investment management fees were recognised for all funds;
- To test cut-off, tested investment management fees for all months in the period and confirmed that no fees were recorded for any period outside the financial year; and
- Agreed 100% of net management fees to bank statements for subsequent receipt for the UCITS, hedge funds, investment trusts, mutual funds and SICAV funds.
- For the segregated mandates sampled, agreed revenues received to bank statements, with outstanding fees recognised as Trade and other receivables.
- For research income, on a sample basis, traced receipts received from underlying funds, and obtained documentation to support the underlying research expense incurred.

Investment performance fees

- Recalculated the performance fee revenue for a sample of funds, using the calculation methodology stated in the IMAs and agreed the calculation inputs to independently obtained AUM data from the outsourced service provider and to applicable index data;
- Checked that performance fees relate to the financial year and confirmed that no revenue was recorded for any period outside the financial year.
- Agreed 100% of performance fees per the Group financial statements to bank statements.

No material issues were identified.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets (Group) *Refer to the Audit and Risk Committee Report and Note 4.1 Goodwill and intangible assets*	
Goodwill and intangible assets of £15.9 million are recognised on the Group's balance sheet in respect of the acquisition of Dalton Capital (Holdings) Limited ('Dalton') during 2021. The goodwill is attributable to a single cash generating unit (CGU). Management is required by IAS 36 'Impairment of assets' to perform an annual impairment review of goodwill. Management performed their annual impairment review of goodwill, which demonstrated that there was sufficient headroom and no impairment was required for goodwill recognised on the acquisition of Dalton. Management's impairment review used a discounted cash flow model to calculate the net value of the CGU's future earnings. The model involved a number of estimates and assumptions made by management including those related to growth rates and the discount rate. Management considered if there were any impairment indicators in respect of the carrying value of intangible assets; no such indicators were identified.	We obtained management's goodwill impairment review and performed the following procedures: • Tested management's goodwill impairment calculation for compliance with IAS 36 including validating the inputs to the calculation and assessing and challenging the reasonableness of the assumptions; • Challenged management's projected cash flows used in the discounted cash flow model to determine whether they are reasonable and supportable given the current macroeconomic situation and expected future performance of the CGU. This included benchmarking the growth rates applied against third party and independently established rates, where possible; • We used our valuation experts to challenge the reasonableness of key assumptions used in the model, namely the risk-free rate, fee erosion rate and the discount rate used by management in the discounted cash flow model; • Performed sensitivity analysis over key assumptions and assessed the impact and likelihood of these changes on the level of headroom in the model; • Tested the mathematical accuracy of the model; and • Assessed the disclosures made in the Group financial statements. We obtained management's assessment of impairment triggers for the intangible assets and performed the following procedures: • Reviewed management's assessment and corroborated key considerations in the indicator assessment; • Considered the level of headroom available in the goodwill impairment assessment, covering the value of the intangible assets; and • Assessed the disclosures made in the Group financial statements. No material issues were identified.
Impairment of Investments in Subsidiaries (Company) *Refer to Note 5.2 Investments*	
Investments of £23.1 million are recognised on the Company's balance sheet in respect of the wholly-owned subsidiary, Polar Capital Partners Limited. Polar Capital US Holdings Limited was written down to zero in the prior year. Management is required by IAS 36 'Impairment of assets' to perform an annual impairment review and consider if there are any impairment indicators in respect of the carrying value of the Investments. Management performed their annual impairment review which showed no indicators of impairment. Management's impairment review included assessing the Net Asset Value of the individual subsidiaries as well as any other indicators either internal or external that would have an impact on the future expected cash flows from the investments made.	We performed the following procedures in relation to management's impairment assessment over the carrying value of investments in subsidiaries as at 31 March 2023: • Obtained and assessed the completeness of impairment indicators noted by management, based on our understanding of the business and current market environment; • Challenged management on the assumptions and evidence provided for their impairment indicator assessment; • Compared the Net Asset Value of the individual subsidiaries against the carrying value in the financial statements; • Assessed mathematical accuracy of the calculations provided by management within their impairment indicator assessment; and • Assessed the adequacy of the disclosures of the financial statements. No material issues were identified.

Independent Auditors' Report continued

to the members of Polar Capital Holdings plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as one operating segment, being investment management. The Group is composed of the Company, incorporated in the United Kingdom, and subsidiary entities in the United Kingdom and abroad, and certain consolidated seeded funds. The Group is operated centrally from the United Kingdom.

We conducted a full scope audit over the financial information of Polar Capital Holdings plc, Polar Capital LLP, and Polar Capital Partners Limited. These are significant components as each component's pre-consolidated financial information represents more than 15% of the profit before tax for the year of the Group.

As the adjustments made for the consolidation, including those for the seeded funds, are material for a number of financial statement line items (FSLIs), we scoped in consolidation adjustments as a component and performed audit testing.

Our work accounted for more than 99% of Group revenue and more than 95% of profit for the year before tax. Our audit scope provided sufficient and appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

The impact of climate risk on our audit

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group continues to develop its assessment of the potential impacts and opportunities of ESG and climate change as explained in the Strategic Report. Management concluded that there was no material impact on the financial statements. As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and management's conclusion that there is no material impact on the Group's financial statements. We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or on our key audit matters for the year ended 31 March 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£2,260,000 (2022: £3,104,000).	£717,000 (2022: £709,000).
How we determined it	5% of profit for the year before tax	1% of total assets
Rationale for benchmark applied	We have applied this benchmark because it is a benchmark against which the Group's performance is commonly measured, a recognised statutory measure and most stakeholders also utilise this measure for performance assessment.	In arriving at this benchmark, we have had regard to the carrying value of the Company's assets, acknowledging that the primary measurement attribute of the Company is the carrying value of its investment in subsidiaries.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.7 million to £2.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,695,000 (2022: £2,328,000) for the Group financial statements and £537,000 (2022: £530,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £113,000 (Group audit) (2022: £155,000) and £35,800 (Company audit) (2022: £35,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing management's latest forecasts that support the Board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements.
- Checking the mathematical accuracy of management's forecasts.
- Performing lookback testing over budgeted versus actual results for the previous year to assess the historical accuracy of management's forecasting.
- Evaluating management's base case forecast and downside scenarios, challenging the underlying data and the adequacy and appropriateness of the underlying assumptions used to make the assessment, and evaluating the directors' plans for future actions in relation to their going concern assessment.
- Assessing the appropriateness of the going concern disclosures by comparing them to management's assessment for consistency and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent Auditors' Report continued

to the members of Polar Capital Holdings plc

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Group's and Company's Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue and management bias in accounting estimates, in particular in relation to the impairment of goodwill and intangible assets. Audit procedures performed by the engagement team included:

- Inquiries with management, including the Chief Legal and Compliance Officer, to consider known or suspected instances of non-compliance with laws and regulations, and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit and Risk Committee;
- Reviewing regulatory correspondence with the Financial Conduct Authority;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the impairment of goodwill and intangible assets (see related key audit matter); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations against revenue accounts and entries posted containing unusual account descriptions, where any such journal entries were identified.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Natasha McMillan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

23 June 2023

Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Revenue	3.1	182,877	224,107
Other income	3.3	2,579	1,561
Gross income		185,456	225,668
Commissions and fees payable	3.1	(21,383)	(22,642)
Net income		164,073	203,026
Operating costs	3.4	(118,694)	(140,936)
Finance costs	4.3	(175)	–
Profit before tax		45,204	62,090
Taxation	3.7	(9,592)	(13,166)
Profit for the year attributable to ordinary shareholders		35,612	48,924
Earnings per share			
Basic	3.8	36.8p	50.8p
Diluted	3.8	36.1p	48.7p
Adjusted basic (Non-GAAP measure)	3.8	45.2p	58.4p
Adjusted diluted (Non-GAAP measure)	3.8	44.3p	56.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Profit for the year attributable to ordinary shareholders		35,612	48,924
Other comprehensive income – items that will be reclassified to profit or loss statement in subsequent periods			
Exchange differences on translation of foreign operations	3.3	430	1,140
Other comprehensive income for the year		430	1,140
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders		36,042	50,064

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

The notes on pages 100 to 133 form part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2023

	Note	31 March 2023 £'000	Restated[1] 31 March 2022 £'000
Non-current assets			
Goodwill and intangible assets	4.1	15,937	17,100
Property and equipment	4.2	10,534	4,113
Deferred tax assets	4.4	106	40
		26,577	21,253
Current assets			
Assets at fair value through profit or loss	4.5	83,048	77,783
Trade and other receivables	4.8	19,523	25,430
Other financial assets	4.5	5,237	2,695
Cash and cash equivalents	4.9	106,976	121,128
Current tax assets		319	1,563
		215,103	228,599
Total assets		241,680	249,852
Non-current liabilities			
Provisions and other liabilities	4.10	8,900	2,871
Liabilities at fair value through profit or loss	4.5	462	637
Deferred tax liabilities	4.4	518	–
		9,880	3,508
Current liabilities			
Liabilities at fair value through profit or loss	4.5	16,369	10,023
Trade and other payables	4.11	68,651	80,054
Provisions	4.10	3,203	–
Other financial liabilities	4.5	10	20
Current tax liabilities		712	–
		88,945	90,097
Total liabilities		98,825	93,605
Net assets		142,855	156,247
Capital and reserves			
Issued share capital	4.12	2,520	2,506
Share premium	4.12	19,364	19,364
Investment in own shares	4.12	(31,623)	(24,915)
Capital and other reserves	4.12	12,299	12,417
Retained earnings		140,295	146,875
Total equity – attributable to ordinary shareholders		142,855	156,247

1. Comparative deferred tax balances have been reclassified to show a net position by tax jurisdiction. See Note 2.1 for further information.

The notes on pages 100 to 133 form part of these financial statements.

The Group financial statements were approved and authorised for issue by the Board on 23 June 2023:

Samir Ayub
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Issued share capital £'000	Share premium £'000	Investment in own shares £'000	Capital reserves £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2021		2,468	19,364	(26,579)	695	10,335	145,157	151,440
Profit for the year		–	–	–	–	–	48,924	48,924
Other comprehensive income		–	–	–	–	1,140	–	1,140
Total comprehensive income		–	–	–	–	1,140	48,924	50,064
Dividends paid to shareholders	4.13	–	–	–	–	–	(43,400)	(43,400)
Dividends paid to third-party interests		–	–	–	–	–	(3)	(3)
Issue of shares	4.12	38	–	–	–	–	143	181
Own shares acquired		–	–	(12,773)	–	–	–	(12,773)
Release of own shares		–	–	14,437	–	–	(11,297)	3,140
Share-based payment	3.6	–	–	–	–	–	7,351	7,351
Current tax in respect of employee share options		–	–	–	–	2,682	–	2,682
Deferred tax in respect of employee share options	4.4	–	–	–	–	(2,435)	–	(2,435)
As at 1 April 2022		2,506	19,364	(24,915)	695	11,722	146,875	156,247
Profit for the year		–	–	–	–	–	35,612	35,612
Other comprehensive income		–	–	–	–	430	–	430
Total comprehensive income		–	–	–	–	430	35,612	36,042
Dividends paid to shareholders	4.13	–	–	–	–	–	(44,481)	(44,481)
Issue of shares	4.12	14	–	–	–	–	(14)	–
Own shares acquired		–	–	(10,922)	–	–	–	(10,922)
Release of own shares		–	–	4,214	–	–	(2,083)	2,131
Share-based payment	3.6	–	–	–	–	–	4,386	4,386
Current tax in respect of employee share options		–	–	–	–	31	–	31
Deferred tax in respect of employee share options	4.4	–	–	–	–	(579)	–	(579)
As at 31 March 2023		2,520	19,364	(31,623)	695	11,604	140,295	142,855

The notes on pages 100 to 133 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Cash flows generated from operating activities			
Cash generated from operations	4.9	51,975	85,323
Tax paid		(7,738)	(10,861)
Interest received		888	307
Interest on lease		–	(95)
Net cash inflow generated from operating activities		45,125	74,674
Cash flows generated from investing activities			
Investment income		421	227
Sale of assets/liabilities at fair value through profit or loss		55,277	41,240
Purchase of assets at fair value through profit or loss		(62,765)	(70,335)
Purchase of property and equipment	4.2	(486)	(552)
Payments in respect of business combination		–	(8,120)
Payments in respect of asset acquisition		(226)	(1,257)
Net cashflow from deconsolidation of seed investment		(11,710)	–
Net cash outflow from investing activities		(19,489)	(38,797)
Cash flows generated from financing activities			
Dividends paid to shareholders	4.13	(44,481)	(43,400)
Lease payments		(1,425)	(1,306)
Interest on lease		(175)	–
Issue of shares		–	1
Purchase of own shares		(10,660)	(12,383)
Third-party subscriptions into consolidated funds		20,673	9,857
Third-party redemptions from consolidated funds		(3,869)	(4,552)
Net cash outflow from financing activities		(39,937)	(51,783)
Net decrease in cash and cash equivalents		(14,301)	(15,906)
Cash and cash equivalents at start of the year		121,128	136,718
Effect of exchange rate changes on cash and cash equivalents		149	316
Cash and cash equivalents at end of the year	4.9	106,976	121,128

The notes on pages 100 to 133 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The Notes to the Consolidated Financial Statements of Polar Capital Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 March 2023 have been set out in key sections and cross referenced to the primary financial statements. Accounting policies are contained and highlighted within each relevant note where possible.

SECTION 1: CORPORATE INFORMATION

1.1 Corporate information

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

1.2 Group information

Details of operating subsidiaries, seed capital investments and indirectly held entities consolidated into the Group are disclosed in Note 4.6.

1.3 Going concern

The Directors have made an assessment of going concern taking into account both the Group's results as well as the impact on the Group's outlook. As part of this assessment the Directors have used a range of information available to the date of issue of these financial statements and considered the Group budget, longer term financial projections, cash flow forecasts and an analysis of the Group's liquid assets and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the Group's ICARA have also been revisited to ensure they remain appropriate.

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

SECTION 2: BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

This section provides additional information about the overall basis of preparation that the Directors consider is useful and relevant in understanding these consolidated financial statements:

- Summary of significant accounting policies affecting the results and financial position of the Group, including changes in accounting policies and disclosures during the year.
- Standards that have been issued but not yet adopted by the Group.

2.1 Basis of preparation

The consolidated Group financial statements have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The accounting policies used in the preparation of these financial statements have been consistently applied, except when otherwise stated.

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

Restatement of prior period information

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

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

2.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. Subsidiaries are those entities over which the Group has control. The Group controls an investee if, and only if, the Group has:

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

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

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

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

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

Where the Group concludes it is acting as a principal the entity is consolidated. This assessment is based on the Group's total exposure. This incorporates direct holdings, income earned from management and performance fees and the assessed strength of third-party kick-out rights. The funds consolidated at 31 March 2023 are disclosed in Note 4.6.

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

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

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

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

2.3 Investment in associates

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

Seed capital investments over which the Group has significant influence, but not control, are carried on the balance sheet as assets at FVTPL as permitted by IAS 28: Investment in Associates, with changes in fair value recognised in the consolidated statement of profit or loss. The fair value of investments in associates is determined by reference to the quoted price at the close of business on the balance sheet date. The Group has no other investments in associates and, therefore, no associates are currently accounted for using the equity method. Seed capital investments determined as associates at 31 March 2023 are disclosed in Note 4.7.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Where circumstances and parameters change, the original estimates and assumptions are modified in the period in which the change occurs.

The areas where judgements, assumptions and estimates are significant to the Group's consolidated financial statements are set out in the following notes:

Significant judgements:

- Consolidation of seed capital investments (Note 4.5).

Significant assumptions and estimates:

- Share-based payments (Note 3.6); and
- Impairment of goodwill and intangible assets (Note 4.1).

2.5 Foreign currency

(i) Functional and presentational currency

The Group's consolidated financial statements are presented in Sterling which is also the functional currency for the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items, such as plant and equipment, that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items, such as investments in equity instruments, measured at fair value in a foreign currency are translated using exchange rates at the date fair value is determined. Exchange differences are recognised in the consolidated statement of profit or loss within operating costs.

(iii) Consolidation

On consolidation, the assets and liabilities of the Group's overseas subsidiaries whose functional currency is not Sterling are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at average exchange rates for the accounting period. Exchange differences arising, if any, are recognised in other comprehensive income and are reclassified to the consolidated statement of profit or loss on disposal of the relevant overseas subsidiary.

2.6 Fair value of financial instruments

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

2.7 Standards and amendments not yet effective

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

2.8 Changes in accounting policies and disclosures

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

SECTION 3: DETAILED INFORMATION ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ITEMS

This section provides additional information about individual line items in the consolidated statement of profit or loss and consolidated statement of comprehensive income, including the relevant accounting policies.

3.1 Revenue

Revenue from contracts with customers

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

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

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

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

Contract balances, being trade receivables, have been detailed in Note 4.8.

Commissions and fees payable

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

3.2 Operating segments

The financial information provided to the chief operating decision maker, the Board of Directors (the 'Board') is on an aggregated basis. Strategic and financial management decisions are determined centrally and, on this basis, the Group is a single segment investment management business.

The Group is a specialist investment management group offering professional and institutional investors a range of geographical and sector investment opportunities. The Group's assets under management are separated into products and services but as the strategic and financial management decisions are determined centrally, by the Board, the Group only has one class of business, being the provision of investment management and advisory services. The Group's revenue generating operations are in London and Zurich with small offices in USA, China, France, Spain, Germany and Singapore that do not generate any revenue.

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

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

3.3 Components of Other income and Other comprehensive income

Other income

Other income consists primarily of interest income, gains/(losses) on financial assets and liabilities, gains/(losses) on forward currency contracts and investment income.

Interest income

Interest receivable is recognised on an accruals basis using the effective interest method.

Gains/(losses) on financial assets and liabilities

These relate to gain and losses arising from seed investments and investment securities held by the Group and derivative instruments used to hedge foreign currency and market risk on these investments. See Note 4.5 for the respective accounting policies.

Investment income

Dividend income from investments is recognised on the date that the right to receive payment has been established.

(a) Components of other income

	31 March 2023 £'000	31 March 2022 £'000
Interest income on cash and cash equivalents	745	60
Net gain on other financial liabilities – short positions	3,407	4,416
Net loss on forward currency contracts	(2,649)	(1,396)
Net gain/(loss) on financial assets and liabilities at FVTPL	285	(7,678)
Investment income	564	247
Net gain on derecognition of deferred consideration liabilities	–	3,749
Other loss – attributed to third party holdings	227	2,163
	2,579	1,561

(b) Components of other comprehensive income

	31 March 2023 £'000	31 March 2022 £'000
Exchange differences on translation of foreign operations:		
Gains arising during the year	467	1,140
Reclassification adjustments for losses included in the consolidated statement of profit or loss	(37)	–
	430	1,140

3.4 Operating costs

Operating costs represent the Group's administrative expenses and are recognised as the services are received by the Group. Staff costs are the largest component of the Group's operating costs and include salaries and wages, together with the cost of other benefits provided to staff such as pensions and bonuses. Staff costs are presented net of gains and losses on financial instruments held to hedge deferred employee cash awards.

(a) Operating costs include the following expenses:

	31 March 2023 £'000	31 March 2022 £'000
Staff costs including partnership profit allocations (Note 3.5)	88,308	107,989
Depreciation (Note 4.2)	2,166	1,404
Amortisation and impairment of intangible assets (Note 4.1)	1,163	7,860
Auditors' remuneration (Note 3.4b)	432	383

Included within operating costs is an amount of £5.0m in relation to costs treated as exceptional items (Note 3.8) including termination costs of £0.5m (Note 3.5(a)).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

(b) Auditors' remuneration:

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

3.5 Staff costs and average number of staff

Pensions

The Group operates a defined contribution pension scheme covering the majority of its staff. The costs of the pension scheme are charged to the consolidated statement of profit or loss in the period in which they are incurred.

Deferred remuneration

Where variable compensation is deferred, the cost of the award is spread over the vesting period and included within staff costs. Where deferment is into fund units, the liability is revalued at each balance sheet date to the expected settlement amount, being the current market value of the underlying fund unit. Any increase or decrease in value is recognised in the consolidated statement of profit or loss within staff costs. The liability is included in the consolidated balance sheet as part of other creditors within trade and other payables. Deferment into Company shares is accounted for as a share-based payment (see Note 3.6).

Where deferrals are made into Company shares or fund units the Group hedges its exposure to price fluctuations by purchasing the Company shares or fund units at the date of award. Company shares held are shown as a deduction from equity. Fund units are included within financial assets at FVTPL on the balance sheet. Any change in the fair value of the units is recognised in the consolidated statement of profit or loss within staff costs in order to match the gains and losses within the same line item.

(a) Group staff costs were as follows:

	31 March 2023 £'000	31 March 2022 £'000
Salaries and wages[1]	38,696	41,525
Social security costs	5,321	5,806
Pension costs	1,474	1,256
Partnership profit allocations	38,837	52,574
Share-based payments (Note 3.6)	4,386	7,352
Net gain on financial assets at FVTPL – Investments in Group funds held under deferred remuneration arrangements	(406)	(524)
	88,308	107,989

1. Salaries and wages for the year ended 31 March 2023 included termination costs of £0.5m which were treated as exceptional items during the year (see Note 3.8) (2022: £1.6m).

Pension costs outstanding at year-end amounted to nil (2022: nil).

The Group operates a Deferred Remuneration Plan (DRP) which all Group employees eligible for a bonus over a certain level, as determined by the Remuneration Committee, are required to participate in. The DRP provides for compulsory deferral of a proportion of bonus over a specified vesting period. Deferrals can be made either into shares in the Company or units in the Group's funds. Included within staff costs in the consolidated statement of profit or loss is a charge of £10.4m (2022: £9.1m) relating to bonuses deferred into fund units.

(b) Average number of employees

	31 March 2023	31 March 2022
Monthly average number of staff including Executive Directors:		
Fund Management	67	73
Distribution	26	25
Operations	98	96
	191	194

All employees are directly or indirectly engaged in the Group's business. Details regarding the total remuneration paid to Directors who served during the year, and the highest paid Director, as required by the Companies Act 2006 are disclosed in the Remuneration Committee Report (see page 78). During the year three directors (2022: three directors) received defined pension contributions or payments in lieu of contributions. There are no defined benefit arrangements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

3.6 Share-based payments

The Group enters into share-based payment transactions in respect of services receivable from certain employees by granting options or awards over shares in the Company subject to certain vesting conditions, performance criteria and exercise prices. These are accounted for as equity-settled share-based payments.

The cost of the awards is determined by the fair value of the share options or shares at the date of grant and is recognised as an expense over the appropriate performance and vesting period, based on the Group's estimate of the number of shares that will eventually vest. These estimates are reviewed regularly and the charge to the consolidated statement of profit or loss is adjusted accordingly. The corresponding credit is recognised in retained earnings within total equity.

Where an award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised is charged to the consolidated statement of profit or loss. No expense is recognised for awards that do not ultimately vest.

Significant area of estimation

The principal estimates used relate to the satisfaction of performance conditions attached to certain share-based payment awards and as a consequence, the number of shares that are likely to vest. The Group reviews such estimates regularly, with the charge to the consolidated statement of profit or loss being adjusted at least at the end of the relevant share award scheme. Our sensitivity analysis shows that a +/-25% movement to the performance condition assumption would impact the Group's profit before taxation by (£1.2m)/£1.2m (2022: (£0.5m)/£0.6m) respectively.

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

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

The fair value of equity-settled share options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2023 and 31 March 2022.

	31 March 2023	31 March 2022
Dividend yield (%)	8.6	4.5
Expected share price volatility (%)	40.8	45.5
Risk free interest rate (%)	2.2	0.2
Weighted average share price (£)	5.3	8.8
Expected life of option – Preference Shares (years)	6	6
Expected life of option – LTIP awards (years)	6	6
Expected life of option – Equity Incentive Plans	Vesting period	Vesting period

The share price volatility was calculated by reference to the Company's historic share price.

No other features of options granted were incorporated into the measurement of fair value.

(a) Manager and team preference shares ('Preference Shares')

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

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

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

In the year to 31 March 2023, no conversions of preference shares into Polar Capital Holdings plc equity were made (2022: two teams called for a conversion).

At 31 March 2023 five sets of preference shares (2022: five sets) have the right to call for conversion.

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued.

Estimated number of ordinary shares to be issued against preference shares with a right to call for conversion:

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

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

	31 March 2023 Number of shares	31 March 2022 Number of shares
Outstanding at 1 April	1,352,128	1,766,541
Conversion/crystallisation	–	1,350,514
Adjustment on re-calculation	–	(295,954)
Issued in the year (Note 4.12)	(541,818)	(1,468,973)
Outstanding at 31 March	810,310	1,352,128

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

3.6 Share-based payments continued

b) LTIP awards

Various staff members including the Executive Directors, are entitled to participate in the LTIP plan. Up until the year ended 31 March 2022, the plan allowed for an executive variable pay pool based on 12% of pre-tax profits and executive variable compensation to be delivered, after accounting for annual bonus awards. From the year ended 31 March 2023, the plan allows for awards to be made based on a percentage of an individual's total salary. These awards are in the form of conditional share awards over shares in the Company and vest over a three to four year period subject to performance and employment conditions. The fair value of these awards is equal to the market value of the shares at grant date adjusted for dividend yield.

A charge of £1.7m (2022: £3.8m) was recognised during the current financial year.

(c) Group Equity Incentive Plan (EIP)

As part of an ongoing program to retain and incentivise employees, the Group issues share options under the following schemes:

(i) Save as you Earn scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC tax-advantaged Save as You Earn scheme. These shares have a vesting period of five to seven years, and the exercise price for each option is the market value of the shares on the date the option was granted, subject to a discount of up to 20%. The scheme is linked to a SAYE savings contract.

(ii) Company share option scheme

Share options in Polar Capital Holdings plc can be granted to employees under a HMRC tax-advantaged arrangement up to a value at the date of grant of £60,000. These shares have a vesting period of either three or four years from the date of grant, and the exercise price for each option is the market value of the shares on the date it was granted.

(iii) Unapproved share option scheme

In cases where the terms of the schemes above cannot be met, unapproved share options are granted, under the terms of the Group's Equity Incentive Plan or 2016 Executive Incentive Plan. These options vest over either four or five years, and are granted at a price agreed by the Directors of the Group.

The contractual term of all Company share options, except for those issued under the SAYE scheme, is 10 years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, EIP share options during the year.

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at beginning of the year	3,490,883	£5.0	7,239,526	£4.2
Granted during the year	205,452	£3.8	54,221	£7.0
Exercised during the year[1]	(252,704)	£3.6	(3,742,594)	£3.4
Lapsed during the year	(121,836)	£5.9	(60,270)	£5.2
Outstanding at end of the year	3,321,795	£5.0	3,490,883	£5.0
Exercisable at end of the year	2,322,477	£4.7	2,072,477	£4.1

1. Under the rules of the Group Equity Incentive Plan, unapproved share options may be issued as equity settled share appreciation rights, thereby enabling the Group to issue a net number of shares to employees on the exercise of options.

The weighted average fair value of options granted during the year was £5.3 (2022: £8.8).

For options exercised during the year the weighted average share price at the date of exercise was £4.8 (2022: £7.8).

The weighted average remaining contractual life of the share options outstanding as at 31 March 2023 was 4.7 years (2022: 5.8 years).

The range of exercise prices for options outstanding at the end of the year were:

	2023		2022	
Earliest exercise date of options	**Number of options**	**Exercise price**	**Number of options**	**Exercise price**
Year ending 31 March 2022	–	–	2,072,477	£0.9 – £4.9
Year ending 31 March 2023	2,322,477	£3.2 – £6.8	532,910	£2.4 – £4.8
Year ending 31 March 2024	673,165	£4.9 – £6.6	29,262	£3.4 – £6.8
Year ending 31 March 2025	21,691	£4.8	686,784	£4.9
Year ending 31 March 2026	97,636	£4.0	115,827	£4.8 – £6.6
Year ending 31 March 2027	9,186	£7.0	53,623	£4.0
Year ending 31 March 2028	197,640	£3.8	–	–
Outstanding at end of the year	3,321,795		3,490,883	

(d) Deferred Remuneration Plan (DRP)

As indicated in Note 3.5(a) all Group staff eligible for a bonus above a certain level are required to participate in the DRP. Where deferrals are made into shares of the Company these are accounted for as an equity settled share-based payment award in the consolidated Financial Statements. There are no performance conditions attached to the awards. One third of an award will vest and become due for release on each of the first, second and third anniversaries of the grant date.

A charge of £1.7m (2022: £1.7m) was recognised during the current financial year in relation to deferred awards. The weighted average fair value of shares granted was £5.6 (2022: £7.6).

3.7 Taxation

The tax expense represents the sum of the tax payable for the reporting period (current tax) and a charge relating to tax payable for future periods due to income or expenses being recognised in different periods for tax and accounting purposes (deferred tax).

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax relating to items charged or credited directly to equity is also dealt within equity.

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in the statement of other comprehensive income or directly in equity. See Note 4.4.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

3.7 Taxation continued

The major components of corporation tax for the years ended 31 March 2023 and 2022 are:

(a) Tax recognised in the consolidated statement of profit or loss

	31 March 2023 £'000	31 March 2022 £'000
UK corporation tax		
UK Corporation tax on profits of the year	9,955	13,836
Adjustments in respect of prior periods	208	(103)
Total current tax	10,163	13,733
Foreign Tax		
Current year	(444)	240
	(444)	240
Deferred tax		
Originating and reversal of temporary differences	(142)	(1,029)
Rate change adjustment	15	222
	(127)	(807)
Total tax recognised in consolidated statement of profit or loss	9,592	13,166

(b) Tax recognised in the consolidated statement of other comprehensive income

Current and deferred tax recognised in the consolidated statement of other comprehensive income and the consolidated statement of changes in equity is shown on the face of those statements.

(c) Reconciliation of tax charge

The tax assessed on the profit on ordinary activities during the year differs from the standard rate of corporation tax of 19% (2022: 19%). The differences are reconciled below:

	31 March 2023 £'000	31 March 2022 £'000
Profit on ordinary activities before taxation	45,204	62,090
Tax on profit on ordinary activities at standard rate of 19% (2022: 19%)	8,589	11,797
Adjustments in respect of prior periods	208	(103)
Rate change adjustment	15	222
Disallowed (income)/expense	(290)	654
Other – share based payments	1,070	596
Total tax at the effective rate of 21% (2022: 21%)	9,592	13,166

3.8 Earnings per share

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

SECTION 4: DETAILED INFORMATION ON CONSOLIDATED BALANCE SHEET ITEMS

This section provides additional information about individual line items in the consolidated balance sheet, including the relevant accounting policies.

4.1 Goodwill and intangible assets

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

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

	Goodwill £'000	Investment management contracts £'000	Total £'000
Cost			
As at 1 April 2022	6,732	18,647	25,379
As at 31 March 2023	6,732	18,647	25,379
Accumulated amortisation and impairment			
As at 1 April 2022	–	8,279	8,279
Amortisation for the year	–	1,163	1,163
Impairment for the year	–	–	–
As at 31 March 2023	–	9,442	9,442
Net book value as at 31 March 2023	6,732	9,205	15,937
Cost			
As at 1 April 2021	6,770	18,647	25,417
Re-measurement of goodwill[1]	(38)	–	(38)
As at 31 March 2022	6,732	18,647	25,379
Accumulated amortisation and impairment			
As at 1 April 2021	–	419	419
Amortisation for the year	–	1,865	1,865
Impairment for the year	–	5,995	5,995
As at 31 March 2022	–	8,279	8,279
Net book value as at 31 March 2022	6,732	10,368	17,100

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

Amortisation and impairment of intangible assets are treated as exceptional items (see Note 3.8).

(a) Goodwill

Goodwill relates to the acquisition of Dalton Capital (Holdings) Limited, the parent company of Dalton Strategic Partnership LLP, a UK based boutique asset manager acquired on 26 February 2021. The goodwill is attributable to a single CGU.

(b) Intangible assets

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

	31 March 2023		31 March 2022	
	Carrying value £'000	Remaining amortisation period	Carrying value £'000	Remaining amortisation period
Investment management contracts acquired from Dalton Capital (Holdings) Limited	9,205	7.9 years	10,368	8.9 years
	9,205		10,368	

Management has reviewed the carrying value and the useful economic life of the intangible asset at the reporting date, in relation to the acquisition of the investment management contracts from Dalton Capital (Holdings) Limited, and has concluded that there are no indicators of impairment. As part of this assessment, management has also considered the future cash flows generated by the asset and the significant inputs used are disclosed below.

Significant area of estimation:

An annual impairment test for goodwill is carried out at the balance sheet date comparing the carrying value and the recoverable amount of the CGU. The recoverable value was determined based on the value in use calculation using a discounted cash flow model incorporating the Group's projected fund flows over a period of five-years. This was initially based on the one-year budget approved by the Board and has been updated to reflect current market conditions post March 2023. The key estimates used in this assessment are as follows:

- The market growth rate used to extrapolate the cash flows of the CGU beyond the five year period was 3% (2022: 3%), obtained by using historic growth information specific to the industry of the CGU;
- A pre-tax discount rate of 15% (2022: 12%) based on the Group's weighted average cost of capital.

As a result of this analysis, significant headroom was noted, and therefore no impairment was recognised.

A sensitivity analysis was carried out and a rise in the pre-tax discount rate to 23%, or applying a nil growth rate, would not give rise to an impairment charge.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.2 Property and equipment

Property and equipment is made up of leasehold improvements, computer equipment and office furniture and right-of-use lease assets (see Note 4.3).

Property and equipment (excluding right-of-use lease assets) are stated at cost, including directly attributable acquisition costs, less depreciation and accumulated impairment provisions. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life.

Depreciation is charged from the date that the asset is brought into use on a straight-line basis as follows:

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

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

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

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

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

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

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

4.3 Leases

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

Right-of-Use (ROU) assets

The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities and presented with property and equipment (see Note 4.2). The cost of ROU assets includes the initial amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities

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

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

Short-term and low value leases

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.3 Leases continued

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

Lease liabilities	31 March 2023 £'000	31 March 2022 £'000
Current (See Note 4.11)	1,729	1,246
Non-current (See Note 4.10)	7,526	1,896
	9,255	3,142

The lease liabilities relate to the two leases in respect of the Group's premises at 16 Palace Street in London, both expiring in January 2028, and the Group's premises in Zurich, expiring in November 2026. The movement in lease balances during the year was £6.1m, of which £1.6m were lease payments, £0.2m was the interest expense, £3.5m related to initial recognition of new leases and £4.0m related to lease modification of the existing lease (see Note 4.2) (2022: The movement in lease balances was £1.2m, of which £1.3m were lease payments, £0.1m was the interest expense).

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

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

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

4.4 Deferred tax assets and liabilities

Deferred tax is recognised based on differences between the carrying value of assets and liabilities for accounting purposes and their tax values (See Note 3.7). Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are only recognised to the extent that the Group considers them to be recoverable; which is determined by reference to estimates that future taxable profits will be available against which deductible temporary differences can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

An increase in the UK tax corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax asset at 31 March 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2022: blended 19/25%).

An analysis of the Group's deferred tax assets and liabilities is as follows:

Deferred tax asset	31 March 2023 £'000	31 March 2022 £'000
Share-based payments	2,348	2,835
Change in basis adjustment	202	279
Arising on leases	362	84
Other financial assets and liabilities	809	277
	3,721	3,475

Deferred tax liability	31 March 2023 £'000	31 March 2022 £'000
Capital allowances	(210)	(135)
Assets at FVTPL	(313)	(123)
Other financial assets and liabilities	(1,309)	(655)
Intangible assets	(2,301)	(2,522)
	(4,133)	(3,435)
Net deferred tax (liability)/asset	(412)	40

Deferred tax movements recognised in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income were as follows:

	31 March 2023 £'000	31 March 2022 £'000
Deferred tax income/(expense) during the year recognised in profit or loss		
Share-based payments	92	650
Capital allowances	(75)	(37)
Change in basis adjustment	(77)	(28)
Assets and liabilities at FVTPL	(190)	1,570
Other financial assets and liabilities	(122)	(1,025)
Leases	278	8
Amortisation of intangible assets	221	(331)
	127	807

	31 March 2023 £'000	31 March 2022 £'000
Deferred tax income during the year recognised in equity		
Share-based payments	(579)	(2,435)
Deferred tax expense during the year recognised through business combination		
Intangible assets	221	(331)

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.4 Deferred tax assets and liabilities continued

After offsetting deferred tax assets and liabilities within separate tax jurisdictions where appropriate, the net deferred tax balances comprise:

Deferred tax balances	31 March 2023 £'000	31 March 2022 £'000
Deferred tax assets	106	40
Deferred tax liabilities	(518)	–
	(412)	40

During the year, the Group changed the presentation of deferred tax assets and liabilities on the consolidated balance sheet to offset deferred tax assets and liabilities where appropriate within separate tax jurisdictions. Refer to note 2.1.

4.5 Financial assets and liabilities held at fair value

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability has been discharged, cancelled or has expired.

Financial assets

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

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

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

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

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

Investment securities

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

	31 March 2023 £'000	31 March 2022 £'000
Direct seed investments	32,160	27,045
Investment securities (See Note 4.5 (a)(ii))	28,126	27,856
Fund units held against deferred remuneration	22,762	22,882
Assets at fair value through profit or loss	83,048	77,783

The Group's seed investments represent capital seeding in new funds, that it manages, in order to provide initial scale and facilitate marketing to third-party investors. At 31 March 2023 the Group held £44.1m (2022: £48.3m) of seed investments comprising direct seed investments of £32.1m (2022: £27.0m) and consolidated seed investments of £12.0m (2022: £21.3m).

(i) Direct seed capital investments

These represent seed investments where the Group is determined to not exercise control over the funds including seed capital investments in funds that are classed as associates (see Note 2.3) where the Group has significant influence but does not control the fund. At 31 March 2023 there were no funds classed as an associate (see Note 4.7) (2022: one fund).

During the year the Group has fully redeemed two of its seed capital investments classed as assets at FVTPL for cash consideration of £3.6m and partially redeemed two seed capital investments for a total cash consideration of £5.9m (2022: two funds for a total cash consideration of £8.2m). The fair values of such financial assets are derived from quoted market prices in active markets.

(ii) Consolidated funds and investment securities

As at 31 March 2023 the Group has consolidated two funds (2022: four funds) over which it is deemed to have control (see Note 4.6). Consolidated funds represent seed capital investments where the Group's interest represents a controlling stake in the fund in accordance with IFRS 10. Consolidated fund assets and liabilities are presented line by line after intercompany eliminations.

The table below sets out an analysis of the carrying amounts of interests held by the Group in consolidated investment funds:

	31 March 2023 £'000	31 March 2022 £'000
Investment securities – long positions	28,126	27,856
Securities – short positions	–	(407)
Cash and cash equivalents	2,302	3,226
Other	(2,170)	(20)
Third-party interests in consolidated funds	(16,285)	(9,398)
Consolidated seed capital investments	11,973	21,257

Investment securities include listed equities held by consolidated funds. Other includes trade receivables, trade payables and accruals.

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4.5 Financial assets and liabilities held at fair value continued

Significant area of judgement

Additional judgment is required when determining whether the Group controls funds that it has invested seed money in. The Group has power over the funds that it manages through its investment management and other agreements with them. Additionally, the Group must determine whether it is acting primarily as a principal or as an agent (that is, on behalf of the other investors) in exercising its power over the funds. In assessing whether it is agent or principal, the Group considers a number of factors, including the scope of its decision-making over the funds' relevant activities, rights held by investors and others, remuneration that it earns from the funds, and the Group's exposure to variable returns from all sources (including fees and units held) for each fund.

The Group has assessed that exposure to variability of returns, driven by the percentage holding of a seeded fund is the primary means for determining whether control exists.

(b) Financial liabilities at fair value through profit or loss

An analysis of the Group's financial liabilities at fair value through profit or loss is set out below.

	31 March 2023 £'000	31 March 2022 £'000
Current:		
Securities – short positions (Note 4.5 (a)(ii))	–	407
Third-party interests in consolidated funds (Note 4.5 (a)(ii))	16,285	9,398
Deferred consideration	–	125
Other financial liability	84	93
	16,369	10,023
Non-current:		
Other financial liability	462	637
Liabilities at fair value through profit or loss	16,831	10,660

(c) Other financial assets and liabilities (Derivatives)

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge the risks associated with market price and foreign currency fluctuations. Such instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. From 1 April 2019 the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements including the analysis of sources of hedge ineffectiveness.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an 'economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

Forward currency contracts used for currency hedging purposes are treated as cash flow hedges and the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is taken to the statement of profit or loss. Amounts recognised as other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged expected future cash flows affect profit or loss.

	31 March 2023 £'000	31 March 2022 £'000
Other financial assets		
Derivatives not designated as hedging instruments		
Securities – short positions	5,237	2,695
	5,237	2,695
Other financial liabilities		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	10	20
	10	20

Derivatives not designated as hedging instruments reflect the changes in fair values of foreign currency exchange forward contracts and short positions of securities that are not designated in hedge relationships, but are, nevertheless intended to reduce the level of foreign currency and price risk, respectively, on the Group's seed investments as described in Note 4.14.

The Group does not have any derivatives designated as hedging instruments, classed as cash flow hedge, at 31 March 2023 (2022: none).

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4.6 Subsidiary undertakings

The consolidated financial statements of the Group include the operating subsidiaries listed below. At 31 March 2023 and 2022 all operating subsidiaries, other than Polar Capital Partners Limited and Polar Capital US Holdings Limited, were indirectly held. All operating subsidiaries are wholly owned, except for: Polar Capital LLP in which Polar Capital Partners Limited has contributed 54% (2022: 23%) of the capital. The Company is deemed to be the controlling party of Polar Capital LLP (see Note 2.2).

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

The consolidated financial statements of the Group also include the following seed capital investments and indirectly held entities which were judged to require consolidation into the Group as at 31 March 2023:

Name	Country of incorporation	Registered office	Principal activities	Percentage of ordinary shares held
Polar Capital China Stars Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	47%
Polar Capital Smart Mobility Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	35%
Phaeacian Partners Holdings LP	USA	1209 Orange Street, Wilmington, Delaware, USA	Investment management	55%
Phaeacian Partners LLC	USA	1209 Orange Street, Wilmington, Delaware, USA	Investment management	55%

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

4.7 Interests in structured entities

The Group has interests in structured entities as a result of contractual arrangements in its capacity as the fund manager to investment funds. These structured entities typically consist of investment vehicles such as open-ended Undertakings for Collective Investment in Transferable Securities (UCITS) funds, closed-ended investment trusts and alternative funds which entitle investors to a percentage of the vehicle's net asset value. The Group's interest in consolidated and unconsolidated structured entities are described below.

The Group does not sponsor any of the structured entities and there are no guarantees or commitments.

(a) Interests arising from managing client assets

The Group has an interest in funds that it manages as a result of the management of assets on behalf of its clients and this interest is reflected in the Group's AuM. The main risk the Group faces from its interest in AuM managed on behalf of clients is the loss of fee income as a result of the withdrawal of funds by clients.

A reconciliation of AuM reported by the Group within unconsolidated structured entities is shown below:

	31 March 2023 £'bn	31 March 2022 £'bn
AuM within consolidated funds	0.03	0.03
AuM within unconsolidated funds	19.19	22.09
Total AuM	19.22	22.12

(b) Interests arising from investment in unconsolidated structured entities

Where the Group has an equity holding in a fund it manages, the maximum exposure to loss constitutes the future and uncollected management fees plus the fair value of the Group's investment in that fund. The table below shows the carrying values of the Group's interests in unconsolidated structured entities, recognised in the Group consolidated balance sheet, which are equal to the Group's maximum exposure to loss from those interests.

	31 March 2023 £'000	31 March 2022 £'000
Investments in unconsolidated structured entities	54,922	49,927
Management fees receivable at year end	13,117	18,929

Investments in unconsolidated structured entities comprise of direct seed investments and fund units held against deferred remuneration and are included within financial assets at fair value through profit or loss. Management fees receivable are included within trade and other receivables in the consolidated balance sheet.

(c) Associates

Information about seed investments judged to be associates as at 31 March 2023 and 2022 is given below:

	Country of incorporation	Principal activities	Financial assets at FVTPL £'000m		Percentage of total AuM held	
			31 March 2023	31 March 2022	31 March 2023	31 March 2022
Polar Capital Fund Plc – Smart Energy Fund*	Ireland	UCITS sub-fund	–	10,037	–	25%

* Polar Capital Smart Energy Fund ceased to be an associate during the year due to dilution of the Group's share of AuM.

The registered office of the Polar Capital Smart Energy Fund is 4 Georges Court, 54–62 Townsend Street, Dublin, Ireland.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.8 Trade and other receivables

Trade and other receivables includes prepayments and other amounts which the Group is due from third parties in the normal course of business. Trade receivables and other receivables are initially recorded at fair value and subsequently at amortised cost using the effective interest method, less loss allowances. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables and other receivables at an amount equal to lifetime ECLs. Historically the Group has not experienced any material defaults and the Group does not expect to incur any credit losses and has not recognised any ECLs (2022: nil). Prepayments arise where the Group pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense is recognised in the consolidated statement of profit or loss.

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	13,117	18,929
Other receivables	4,073	3,962
Prepayments	2,333	2,539
	19,523	25,430

Trade receivables are non-interest bearing and repayable on demand.

The Group does not have any contract assets resulting from its revenue contracts with customers (2022: nil).

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

	31 March 2023 £'000	31 March 2022 £'000
Cash at bank	103,301	104,578
Cash invested in money market funds	–	9,001
Cash held by EBT and consolidated funds	3,675	7,549
	106,976	121,128

Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at 31 March 2023 the Group had placed £4.6m (2022: £5.2m) of its cash at bank with counterparties to fulfil the collateral requirements for derivative contracts related to short positions (see Note 4.5c).

Cash flows generated from operations

A reconciliation of profit before tax to cash generated from operations is as follows:

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

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

4.10 Provisions and other liabilities

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

(a) Non-current

	31 March 2023 £'000	31 March 2022 £'000
Dilapidations provisions	1,374	975
Lease liabilities (Note 4.3)	7,526	1,896
	8,900	2,871

As part of its operating lease agreements for the premises at 16 Palace Street and in Zurich, the Group has an obligation to pay for dilapidation costs at the end of the lease term. The movement in the provision balance is as a result of additional leased premises at 16 Palace Street and Zurich during the year (2022: There were no movements in the provision balance).

(b) Current

	31 March 2023 £'000	31 March 2022 £'000
Other provisions	3,203	–

Other provisions include all associated legal costs of the Group's legal action against FPA which was settled in May 2023 and the related counterclaim including additional costs related to the liquidation of the Phaeacian entities. These were treated as exceptional items (see note 3.8).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.11 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Other creditors include the deferred remuneration liability, refer to Note 3.5 for the accounting policy. Refer to Note 4.3 for the lease accounting policy.

	31 March 2023 £'000	31 March 2022 £'000
Other creditors	42,519	54,383
Lease liabilities (Note 4.3)	1,729	1,246
Accruals	24,403	24,425
	68,651	80,054

4.12 Issued share capital and reserves

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Own shares held

The Group operates, and funds by way of loan, an employee benefit trust for the purpose of satisfying certain share awards to employees. Own shares held are equity shares of the Company acquired and held by this trust. Such shares are recognised at cost and are presented in the Group balance sheet as a deduction from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own shares.

(a) Issued share capital Group and Company

Allotted, called up and fully paid:	31 March 2023 £'000	31 March 2022 £'000
100,790,725 ordinary shares of 2.5p each (2022: 100,248,907 ordinary shares of 2.5p each)	2,520	2,506

The increase in share capital arises from the issue of 541,818 (2022: 1,468,973) shares in connection with previously crystallised manager preference shares as described in Note 3.6 and nil (2022: 34,266) shares issued on exercise of employee share options.

(b) Nature and purpose of reserves

(i) Share premium

Share premium records the difference between the nominal value of shares issued and the full value of the consideration received.

(ii) Own shares held

At 31 March 2023 there were 5,371,539 shares of 2.5p each (2022: 4,037,346 shares of 2.5p each) held by the Employee Benefit Trust (EBT), for the purpose of satisfying share option obligations to employees and 484,749 (2022: 426,208) shares of 2.5p each held by Group entities as part of the Group Deferred Remuneration Plan. During the year, 433,115 (2022: 2,557,446) shares were released from the EBT to satisfy the exercise of employee share options and LTIP awards.

(iii) Capital reserves

The capital reserve represents a share capital repurchase reserve.

(iv) Other reserves

Other reserves relate to movements in:

- current and deferred tax that arise on share-based payments;
- exchange differences arising on translation of foreign operations.

4.13 Dividends paid and proposed

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid.

Dividends on ordinary shares declared and paid during the year:

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

Dividends on ordinary shares proposed for approval by the board of directors (not recognised as a liability at 31 March 2023):

	31 March 2023 £'000	31 March 2022 £'000
Second interim dividend for 2023: 32.0p per share (2022: 32.0p per share)	30,888	30,954

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

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

4.14 Financial instruments risk management objectives and policies

The main areas of risk arising from the Group's financial instruments are credit risk, liquidity risk, market risk (which comprises price, interest rate and foreign currency risks) and capital risk. Each of these risks is discussed in detail below. The Group monitors financial risks on a consolidated basis and intra-Group balances are settled when it is deemed appropriate for both parties to the transaction. The Company is not exposed to material financial risk and separate disclosures for the Company have not been included. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate for a listed company. The management of risk within the Group is governed by the Board and overseen by the Audit and Risk Committee.

(i) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to settle its debt to the Group. The Group is exposed to credit risk primarily from its treasury activities including deposits held with banks and financial institutions but also from its trade receivables.

Amounts placed on deposit are invested according to a treasury policy that is designed to reduce concentration and counterparty risk. The carrying value of the Group's cash and cash equivalents amounting to £107.0m (2022: £121.1m) represents its maximum exposure to credit risk at the year end.

Fees due from funds managed by the Group are invoiced monthly or quarterly and are settled within 30 days of the invoice date. There have not been settlement issues with any funds and the risk is therefore regarded as low. The carrying value of trade receivables amounting to £13.1m (2022: £18.9m) represents the Group's maximum credit risk exposure.

There were no significant concentration of credit risk at 31 March 2023 (2022: none).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.14 Financial instruments risk management objectives and policies continued

(ii) Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due. The Group maintains significant liquid resources in the form of cash or cash deposits in order to meet working capital and regulatory needs. The Group's treasury policy is designed to align the duration period of the cash investments to the working capital requirements of the Group. At year end no deposit was placed for a period of more than 35 days.

The Group's financial liabilities comprise lease liabilities, trade and other payables, derivative instruments and third-party interests in funds that have been consolidated as subsidiaries. The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2023 and 31 March 2022 based on contractual undiscounted payments.

As at 31 March 2023	Within 1 year or repayable on demand £'000	1–5 years £'000	Total £'000
Financial liabilities			
Lease liabilities	1,949	7,912	9,861
Trade and other payables	66,922	–	66,922
Financial liabilities at FVTPL	16,378	799	17,177
Other liabilities	10	–	10
Total	85,259	8,711	93,970

As at 31 March 2022	Within 1 year or repayable on demand £'000	1–5 years £'000	Total £'000
Financial liabilities			
Lease liabilities	1,306	1,933	3,239
Trade and other payables	78,808	–	78,808
Financial liabilities at FVTPL	10,032	1,096	11,128
Other liabilities	20	–	20
Total	90,166	3,029	93,195

(iii) Price risk

Price risk is the risk that changes in market prices will affect the Group's income or value of its investments.

The Group holds financial assets at fair value through profit or loss consisting of seed investments in funds that it manages and investment securities consisting of the underlying investments of the funds which have been consolidated, which are sensitive to movements in market equity prices. The total exposure as at 31 March 2023 was £60.3m (2022: £54.9m).

The Group's policy is to hedge the market price risk of its seed investments as explained in Note 4.5c.

Should the market move by +/- 10%, and all the funds (and hence the Group's investments) move by this same amount, it would result in a change to the carrying value of the assets of +/- £6.0m (2022: £5.5m).

This movement would be recognised in the consolidated statement of profit or loss.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows related to financial instruments will fluctuate because of changes to market interest rates.

The Group's cash and short-term deposits earn nominal amounts of interest at a floating rate and any change in market interest rates would result in negligible change to profit before tax. The Group has no borrowings.

(v) Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will cause the Group to suffer losses.

The Group also holds assets at FVTPL consisting of investments in its own funds. Where such investments are made in funds denominated in a currency other than the Group's functional currency, Sterling, the Group is exposed to changes in foreign currency exchange rates.

As at the year-end there were five (2022: six) seed investments where the Group has hedged against the risk of exposure to changes in the foreign currency exchange rates caused by the underlying US Dollar (2022: US Dollar) assets within these funds. The Group had five (2022: six) forward currency contracts, with a notional amount of US$34.1m (2022: US$40.4m) to sell for £27.6m (2022: £30.7m). These contracts are not designated as hedging instruments and are not subject to hedge accounting.

The Group's hedging policy for the year ended 31 March 2023 serves to mitigate its exposure to foreign currency risk on its revenue and balance sheet investments. Any changes in foreign exchange rates will have an equal and opposite effect on the hedged items and open forward currency contracts.

(vi) Capital management

All companies within the Group except for entities being restructured, are managed as going concerns and have sufficient capital to meet their day-to-day needs and to fulfil any externally imposed capital requirements. The capital of the Group and the Company consists of equity attributable to equity holders of the parent company, comprising issued share capital, share premium, reserves and retained earnings as disclosed in Note 4.12.

The Group is supervised by the Financial Conduct Authority and submits appropriate returns on the capital adequacy of both the Group and the regulated entity, Polar Capital LLP. Throughout the year the Group and Polar Capital LLP held surplus capital over the regulated requirement. The Group's MIFIDPRU public disclosure document can be found on the Group's website at www.polarcapital.co.uk.

(vii) Fair value hierarchy

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

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

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

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

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

- forward foreign exchange contracts classified as Level 2. These were fair valued using valuation techniques that incorporate foreign exchange spot and forward rates.
- other financial liability classified as Level 3. These were fair valued using a discounted cash flow models that incorporate unobservable inputs.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2023

4.14 Financial instruments risk management objectives and policies continued

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

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

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

	31 March 2023 £'000	31 March 2022 £'000
At 1 April	855	14,054
Repayment	(226)	(9,416)
Net gain recognised in the statement of profit or loss	(83)	(3,783)
At 31 March	546	855

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

4.15 Contingent liabilities

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

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

4.16 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.

The investments in financial assets at FVTPL disclosed in Note 4.5(a) are in affiliated funds that are managed by a subsidiary of the Group and details of management and performance fees received are disclosed in Note 3.1.

Details of investment in associates are disclosed in Note 4.7(c).

Remuneration of key management personnel

The remuneration, net of deferment, of key management, which includes the Executive and Non-Executive Directors, is summarised below.

	31 March 2023 £'000	31 March 2022 £'000
Short-term employee benefits	3,136	3,370
Defined contribution pensions	140	132
Share-based payment benefits	1,755	2,494
	5,031	5,996

At the end of the year the Group had balances owing to or in regards to key personnel of £nil (2022: £nil). Options to acquire ordinary shares held by the directors during the year ended 31 March 2023 are disclosed in the Remuneration Committee's Report.

Company Balance Sheet

As at 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Investments	5.2	23,140	23,737
Current assets			
Trade and other receivables	5.3	43,748	45,135
Cash and cash equivalents		4,846	1,452
		48,594	46,587
Current liabilities		7	1
Net assets		71,727	70,323
Capital and reserves			
Issued share capital		2,520	2,506
Share premium		19,364	19,364
Retained earnings			
At 1 April		48,453	45,482
Profit for the year		44,624	42,817
Other movements		(43,234)	(39,846)
		49,843	48,453
Total Equity		71,727	70,323

The notes on page 136 form part of these financial statements.

The Company financial statements were approved and authorised for issue by the Board on 23 June 2023 and signed on its behalf by:

Samir Ayub
Finance Director

Registered number: 4235369

Company Statement of Changes in Equity

For the year ended 31 March 2023

	Issued share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2021	2,468	19,364	45,482	67,314
Profit for the year	–	–	42,817	42,817
Dividends paid to shareholders	–	–	(43,400)	(43,400)
Share-based payment	–	–	5,643	5,643
Issue of share capital (Note 4.12)	38	–	(2,089)	(2,051)
As at 1 April 2022	2,506	19,364	48,453	70,323
Profit for the year	–	–	44,624	44,624
Dividends paid to shareholders	–	–	(44,481)	(44,481)
Share-based payment	–	–	2,656	2,656
Issue of share capital (Note 4.12)	14	–	(1,409)	(1,395)
As at 31 March 2023	2,520	19,364	49,843	71,727

The notes on page 136 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Cash flows generated from operating activities			
Cash generated from operations	5.4	46,017	33,302
Net cash inflow generated from operating activities		46,017	33,302
Cash flows generated from investing activities			
Return of contribution		1,844	3,811
Net cash inflow from investing activities		1,844	3,811
Cash flows generated from financing activities			
Equity dividends paid		(44,481)	(43,400)
Issue of share capital		14	38
Net cash outflow from financing activities		(44,467)	(43,362)
Net increase/(decrease) in cash and cash equivalents		3,394	(6,249)
Cash and cash equivalents at start of the year		1,452	7,701
Cash and cash equivalents at end of the year		4,846	1,452

The notes on page 136 form part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2023

SECTION 5: NOTES TO THE COMPANY FINANCIAL STATEMENTS

5.1 Basis of preparation

The separate financial statements of Polar Capital Holdings plc ('the Company') have been prepared on a going concern basis (see Note 1.3) in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and the Companies Act 2006. No profit or loss account is presented for the Company as permitted under section 408 of the Companies Act 2006.

The Company financial statements have been prepared under the historical cost convention and are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise stated. The accounting policies for the Company are the same as those for the Group except where specifically stated in the following Notes and have been consistently applied. No significant accounting judgements and estimates were used in the preparation of the financial statements.

5.2 Investments

Investments relates to investments in subsidiaries and are held at the lower of cost and recoverable amount. The carrying value is reviewed for impairment when there is an indication that the carrying value may not be recoverable. The investments include the Company's wholly owned subsidiaries Polar Capital Partners Limited and Polar Capital US Holdings Limited details of which are provided in Note 4.6.

	31 March 2023 £'000	31 March 2022 £'000
As at 1 April	23,737	24,576
Impairment	–	(582)
Share-based payments	2,656	5,643
Return of contribution	(3,253)	(5,900)
As at 31 March	23,140	23,737

Share based payments for awards granted to employees of subsidiary entities where the Company is the grantor of the awards or settles them with its own equity are accounted for as capital contributions by the Company to Polar Capital Partners Limited, with a corresponding credit to equity in the Company financial statements. Amounts returned by subsidiary entities to the Company on settlement of awards are classified as a return of contribution. The investment in Polar Capital US Holdings Limited was fully impaired as at 31 March 2022.

5.3 Trade and other receivables

Other receivables for the Company are due from Polar Capital Partners Limited and are non-interest bearing and repayable on demand (Note 5.5).

5.4 Cash flows generated from operations

A reconciliation of profit before taxation to cash generated from operations is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Profit before taxation	44,624	42,817
Impairment	–	582
Decrease/(increase) in receivables	1,387	(10,095)
Increase/(decrease) in payables	6	(2)
Cash flows generated from operations	46,017	33,302

5.5 Related party transactions

The Company has an intercompany balance with Polar Capital Partners Limited. The balance receivable from Polar Capital Partners Limited of £43.7m (2022: £45.1m) relates to cash movements by the subsidiary on behalf of the Company.

5.6 Other disclosures

The Company does not have any employees as they are employed by other Group entities. See Note 3.4(b) for the statutory audit fee for the Company and Note 4.16 for key management personnel remuneration disclosure.

Glossary

AGM	Annual General Meeting
AMF	Authorité des Marchés Financiers of France
APM	Alternative Performance Measures
AuM	Assets under management
Board	The Board of Directors of the Company
Company	Polar Capital Holdings plc
DBP	Deferred Bonus Plan
EBT	An Employee Benefit Trust is a type of discretionary trust established to hold cash or other assets for the benefit of employees, such as shares to satisfy share awards
EPS	Earnings per share
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority of the United Kingdom
FVTPL	Fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
GDPR	General Data Protection Regulation
Group	The Company and all its subsidiaries
ICAAP	Internal Capital Adequacy Assessment Process
IFPR	The UK Investment Firm Prudential Regime
LTIP	Long-term Incentive Plan
MiFID II	The second iteration of the Markets in Financial Instruments Directive which is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded
Net management fee	Gross management fee income less commissions and fees payable
PE multiples	Price to Earnings multiples
SFDR	The EU's Sustainable Finance Disclosure Regulation
SICAV	Open-ended collective investment scheme may be in the form of a contractual fund or an investment company with variable capital
SMCR	Senior Managers and Certification Regime; FCA regulation aimed at protecting consumers and strengthening market integrity by making senior individuals more accountable for their conduct and competence
tCO_2e	Tonnes of carbon tonnes (t) of carbon dioxide (CO_2) equivalent (e)
TSR	Total Shareholder Return
UCITS	Undertaking for Collective Investment in Transferable Securities; a regulatory framework of the European Commission that creates a harmonised regime throughout the EU for the management and sale of regulated investment funds

Shareholder Information and Advisors

Company No.
Registered in England and Wales
4235369

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

Group Company Secretary
Neil Taylor

Website
www.polarcapital.co.uk

Annual General Meeting
28 September 2023

Please see separate AGM Notice for details.

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

Dividends
Where possible, it is recommended that dividend payments are made directly into a bank account to provide improved security and faster access to funds. You may give instruction via the registrar's website or in writing.

First interim dividend
For the financial year ended
31 March 2023

Amount
14.0p per ordinary share

Ex-dividend date
22 December 2022

Record date
23 December 2022

Payment date
13 January 2023

Second interim dividend
For the financial year ended
31 March 2023

Amount
32.0p per ordinary share

Ex-dividend date
6 July 2023

Record date
7 July 2023

Payment date
28 July 2023

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