

POLAR CAPITAL HOLDINGS plc
Group Audited Results for the year ended 31 March 2024

“It is pleasing that Polar Capital’s Assets under Management grew by 14% over the year, from £19.2bn to £21.9bn and given the positive outlook of the business, the total dividend per share was maintained at 46.0p.”

Gavin Rochussen, CEO

Highlights

- Assets under Management (AuM) at 31 March 2024 up 14% to £21.9bn (2023: £19.2bn)
- Average AuM for the year remains flat at £19.6bn (2023: £19.6bn)
- AuM has risen further to £22.8 bn at 14 June 2024 with net inflows of £197m in the period 1 April to 14 June 2024
- Core operating profit[†] down 6% to £44.8m (2023: £47.9m)
- Profit before tax up 21% to £54.7m (2023: £45.2m)
- Basic earnings per share up 15% to 42.3p (2023: 36.8p) and adjusted diluted total earnings per share[†] down 1% to 44.0p (2023: 44.3p)
- Second interim dividend of 32.0p per share (2023: 32.0p) bringing the total dividend for the year to 46.0p per share (2023: 46.0p). The dividend payment date is 26 July 2024, with an ex-dividend date of 4 July 2024 and a record date of 5 July 2024.

† The non-GAAP alternative performance measures shown here are described and reconciled to IFRS measures in the Alternative Performance Measures (APM) section.

This RNS does not constitute an offer or recommendation to invest in any of the funds referenced within.

Gavin Rochussen, Chief Executive Officer, commented:

“During the financial year, Polar Capital benefited from its differentiated funds range of thematic and sector focused strategies, particularly those with exposure to technology and its related sectors. This gave rise to a 14% increase in AuM from £19.2bn to £21.9bn over the year.

“Having reported net inflows in the first calendar quarter, net inflow momentum continued into the second calendar quarter. This combined with positive absolute fund performance has meant that AuM has risen further to £22.8bn as at 14 June 2024. This compares favourably with the average AuM for the financial year to 31 March 2024 of £19.6bn.

“The positive net inflows of £56m as previously reported in the March 2024 quarter have continued in the current quarter with net inflows of £197m in the period 1 April to 14 June 2024.

“Net inflows during the current quarter, 1 April to 14 June 2024, were dominated by the Emerging Markets and Asia Stars strategies which had net inflows of £292m, while the Healthcare strategies received net inflows of £54m and the Polar Capital Global Insurance Fund benefited from net inflows of £37m. The Polar Capital UK Value Opportunities

Fund reversed a previous trend of net outflows with net inflows of £28m in the current quarter. In the calendar year to 14 June 2024, the Technology strategies have had net inflows of £178m.

“Fund performance has continued to improve and, as at the end of May 2024, 94% of our UCITS funds’ AuM were in the top two quartiles against the Lipper peer group over one year, 91% in the top two quartiles over three years with 86% and 100% in the top two quartiles over five years and since inception respectively. UCITS funds’ AuM makes up 71% of total AuM.

“Given the strong balance sheet and positive flow momentum, the total dividend per share for the year has been maintained at 46.0p.

“Progress has continued under the ‘Growth with diversification’ strategy, diversifying and increasing our distribution footprint into new regions.

“The Nordic region has become an important market and to support local client servicing, we established an office in Stockholm, Sweden during the year.

“We have also continued to develop our US footprint with experienced business development capability covering the major regions within the US to support sustained interest in our Emerging Markets Stars strategy and future fund launches.

“Later this year, we anticipate launching an International Small Company strategy led by a manager with a compelling long-term track record. The strategy will be marketed primarily to our growing US client base.

“The outlook is more constructive for risk assets such as equities with a continuing reduction in global inflation, interest rates peaking and central banks poised to ease monetary policy. Polar Capital has active, specialist and differentiated thematic, sector and regionally focused fund strategies with compelling long term performance track records and significant remaining capacity. While there remains geopolitical risk and a significant portion of the developed world population facing elections this year, our performance-led culture, strong balance sheet and improving sentiment for equities positions us well to continue performing for our clients and shareholders.”

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Assets under Management (AuM)**AuM split by type**

	31 March 2024	
	£bn	%
Open ended funds	16.0	73%
Investment trusts	5.1	23%
Segregated mandates	0.8	4%
Total	21.9	

AuM split by strategy**Ordered according to launch date**

	31 March 2024	
	£bn	%
Technology	9.9	45%
European Long/Short	0.1	0.5%
Healthcare	3.9	18%
Global Insurance	2.3	10%
Financials	0.6	3%
Convertibles	0.4	2%
North America	0.7	3%
Japan Value	0.2	1%
European Income	0.2	1%
UK Value	0.9	4%
Emerging Markets and Asia	1.8	8%
European Opportunities	0.6	3%
European Absolute Return*	-	-
Sustainable Thematic Equities	0.3	1.5%
Total	21.9	100%

* The Melchior European Absolute Return Fund was closed in May 2023.

	31 March 2023	
	£bn	%
Open ended funds	14.3	75%
Investment trusts	3.9	20%
Segregated mandates	1.0	5%
Total	19.2	

	31 March 2023	
	£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%
European Opportunities	1.0	5%
European Absolute Return*	0.1	0.5%
Sustainable Thematic Equities	0.2	1%
Total	19.2	100%

Chair's Statement

Introduction

While the financial year saw the continuation of significant geopolitical and global economic narratives from the previous year, it proved eventful in its own right. The emergence of conflict in Gaza and spreading national tensions in the Middle East added to the sustained war in Ukraine while, at a market level, guesswork over the trajectory of inflation and interest rate rises gave way to yet more conjecture as to the pace and magnitude of rate cuts, as we moved into 2024. Gavin Rochussen discusses the subsequent impact for shareholders and underlying investors in his Chief Executive Officer ('CEO') report.

Early in the year under review, the world saw the coronation of Charles III as King of the United Kingdom and the Commonwealth. While reshuffles and by-election results reflected diminishing confidence in the current government, UK investors were given green shoots of market support in the Chancellor's Autumn Statement measures, partly designed to encourage UK domestic share ownership. Alleviating wider negativity on the UK economy somewhat, economic revisions in the latter half of calendar year 2023 placed the UK back among its European peers, ridding the country of its label as 'the sick man of Europe'.

More broadly, the main focal point for investors was the path for inflation and the subsequent turning point for interest rates. While the former continued to subside, stubborn readings towards the end of the year saw the Bank of England hold its base rate at 5.25% after 14 consecutive raises beginning in December 2021.

Against this backdrop it is pleasing to report 79% of our UCITS funds' AuM, representing 72% of total AuM, were in the top two quartiles against their Lipper peer group over the year to the end of March 2024, with 92% in the top two quartiles over three years, and 87% and 100% in the top two quartiles over five years and since inception respectively.

As we look ahead, we are supported by a strong balance sheet and our confidence in both a talented executive team as well as, in our view, some of the best investment managers. While our industry will always brim with competing external challenges and opportunities, such as the rise of innovation in artificial intelligence (AI) and the economies it has yet to create, we are used to navigating our way through uncertain times and the Board and I are confident the outlook for the business remains positive.

Results

Assets under management (AuM) grew by 14% over the year from £19.2bn to £21.9bn. This £2.7bn increase was the result of market movements and fund performance, together contributing £4.3bn, offset by net redemptions of £1.6bn. Lower average AuM for a large part of the year and higher operating costs led to lower core operating profit[†] of £44.8m (2023: £47.9m). This was compensated for by higher performance fee profit[†] of £9.6m (2023: £1.7m) resulting in profit before tax of £54.7m (2023: £45.2m), basic EPS of 42.3p (2023: 36.8p) and adjusted diluted total EPS[†] of 44.0p (2023: 44.3p).

Dividend

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 (2023: 32.0p) to be paid in July 2024. This, together with the first interim dividend per share of 14.0p paid in January 2024, means that the total dividend per share for the year is maintained at 46.0p (2023: 46.0p).

Board

There have been no changes to the Board in the year under review. The Directors are encouraged to provide feedback on the workings of the Board, the operation and leadership of the Company and the fulfilment of their own roles. The Board continue to meet regularly with Gavin and his executive team on all matters of strategy and the running of the business. The Board and I want to put on record our thanks and appreciation to Neil Taylor who retired from his position as Company Secretary at the end of this last financial year, Neil has been Company Secretary since the inception of the business and has been a key factor in the success of Polar Capital.

We all wish Neil well in his greatly deserved retirement.

We were also pleased to welcome Tracey Lago as our new Company Secretary on 1 April 2024. Tracey has been with Polar Capital since 2017 and is a familiar face to the Board. We wish her well in her new role.

Strategy

We have seen improvements in investment performance, as mentioned above, as well as a pickup in net inflows towards year end, following the broadening of our distribution footprint and increased interest in our investment offerings. It was also encouraging to see signs of slowing outflows from some of our more established strategies, reflecting improving investor sentiment in the second half of the year. Net flows during March 2024 were pleasing, with six Polar Capital strategies seeing inflows totalling £228m. During the final quarter, our open-ended Technology funds saw net inflows of £327m compared to £136m of net outflows in the previous quarter, with £212m of net inflows over March 2024. This continued recent positive momentum saw total net inflows of £56m during the final quarter of the financial year, following a number of quarters of outflows.

Culture

It is testament to the collaborative, supportive and inclusive culture at Polar Capital that the Company has been able to tackle such a challenging and ever-moving market environment throughout the year. I am particularly proud of the commitment our staff continue to make beyond the workplace, specifically through the mentoring support provided on a voluntary basis, to students at Westminster City School, a local academy. The broader work support offered by Polar Capital to the students of the school is a clear demonstration of the Polar Capital culture in action, making a difference to the immediate society in which the Company operates.

A team of nine staff and one Board member also mentored students from the Kingsley Academy who won the 10th annual Grocer Academy Award 2024, a Dragons' Den-style competition aimed at sixth-form students across London. Their winning idea, which aims to reduce food waste, was for a smartphone app that can record fridge contents and facilitate shopping for missing ingredients online or in person. Congratulations to all who took part.

Annual General Meeting

We are planning to hold the Company's forthcoming Annual General Meeting (AGM) on Wednesday 25 September 2024 at the Company's registered office. Shareholders are encouraged to submit any questions to our Company Secretary before the meeting (by using Investorrelations@polarcapital.co.uk, 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 Chief Financial Officer (CFO) presenting the results will be available on the Company's website ahead of the meeting. The notice of the meeting is also available on the Company's website.

Thank you

It has been another challenging year for the industry, our Company, fund managers and staff; we as a Board extend our thanks to Gavin, the executive team, our fund managers and all staff and others that support the business both internally and externally. We appreciate the commitment and dedication shown by all.

David Lamb

Chair

26 June 2024

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

Chief Executive's Report

Markets have a tendency to treat external forces in isolation, willing the end of one narrative so another can begin. It has perhaps never been clearer than in recent history, however, that the big picture is never linear, as investors constantly grapple with multiple influences at varying stages of their potency. The year in review aptly demonstrates this constant market truism.

The post-Covid rationalisation of inflation and interest rates continued to dominate the macroeconomic agenda, alongside prolonged and developing geopolitical tensions, China's debt and deflation struggles, and the anticipation of a US presidential election, to name just a few factors moving markets over the year.

As such, the financial year to 31 March 2024 saw a blend of sudden and rapidly evolving headlines, namely the ongoing war in Ukraine, the onset of conflict in Gaza and broadening political agitation in the Middle East, and more medium-term concerns led by stubborn inflation in the US and the subsequent trajectory for global interest rates. In the first half of the year in particular, markets saw the continuation of unprecedented monetary tightening as central banks around the world sought to rein in the excess monetary support provided during the pandemic. In the US, the Federal Reserve carried on its steepest tightening cycle in 40 years as rates were raised to heights last seen during the global financial crisis (GFC). In Europe, the European Central Bank (ECB) lifted rates by 100 bps over the year, ultimately maintaining the 4.5% level reached in September 2023. Japan finally ended its negative interest rate policy eight years after cutting its short-term policy rate to -0.1% in February 2016, having long battled deflation and subdued economic growth. Corporate governance reforms in the country are seemingly bearing fruit, attracting investment and helping propel the Nikkei 225 Index to new highs, finally surpassing its 1989 peak.

It was a positive period for equities more broadly, as markets reversed weak performance over the previous year, which delivered the worst annual return since 2008. Buoyed by the so-called Magnificent Seven¹ US technology stocks and the continuing demand for AI enablers, the MSCI All-Country World Index rose by 24% to the end of March 2024². The technology-heavy NASDAQ Composite Index returned 35%, outstripping the 22% achieved by the Dow Jones Industrial Average (DJIA), with the Morningstar US Growth Index delivering 30% against 21% for the Morningstar US Value Index (all total return, in dollar terms)³. The latter proved a notable volte face compared with the previous year, in which growth markedly underperformed value, highlighting both the weight of large US technology names in global indices and the strength of the AI theme.

While investors began the year in a generally bearish mood, expecting imminent recession, the following six months in fact displayed faster-than-expected economic growth, driving a shift in outperformance from more defensive stocks, which excelled in 2022, to more cyclical areas of the market. Moving into Q3 2023, investors' concerns shifted towards a potential reacceleration in inflation and worries over the extent to which central banks would have to raise interest rates as a result. A move higher in rates followed, leading to a difficult time for equities, with small and mid-cap stocks hit particularly hard. However, October 2023 saw the end of the correction, with economic data suggesting inflation and growth were indeed cooling. Financial conditions eased and stocks bottomed out, starting what became a significant rally to the end of Q1 2024. The S&P 500 climbed to new all-time highs in March 2024, delivering its best calendar Q1 since 2019⁴. The mood was shared by the DJIA (up 6%) and the NASDAQ (up 9%) during the quarter, as the market remained sanguine despite stronger-than-expected economic data raising the prospect of fewer rate cuts in 2024 than previously anticipated.

While the AI theme continued to garner corporate and consumer attention over the year, the pace of innovation and adoption in the sector began to split fortunes among the leading technology names. Indeed, performance among the Magnificent Seven during calendar Q1 2024 sowed the seeds of potential longer-term divergence, with the bifurcating factor likely the use and implementation of an AI strategy or lack thereof, ushering in talk of a 'Fab Four' label as a replacement. NVIDIA and Meta Platforms (Facebook) benefitted from strong AI tailwinds; Microsoft Copilot is showing early signs of success and Amazon has been deemed a potential longer-term beneficiary of generative AI. However, Google, Alphabet's flagship subsidiary, the first company to publish a paper on the transformer model and the importance of 'self-attenuation' (self-control within AI models) – faces the threat of losing ground in its core Search business due to the rise of large language models (LLMs). Apple faces several regulatory headwinds and, along with Tesla, is seeing increasing competition from China hit demand. There is also a comparative uncertainty as to both firms' AI strategies weighing on the companies' share price as they trailed their Magnificent Seven peers into period end. Given the beginnings of such a divergence, it is not unreasonable to suggest AI could potentially prove to be the

fork in the road, separating those for whom AI adoption propels growth from those who suffer from a lagging response or eventual cannibalisation.

Polar Capital was supported by our large exposure to the technology and related sectors, with AuM growing by 14% over the year, from £19.2bn to £21.9bn. This £2.7bn increase was the result of market movements and fund performance, together contributing £4.3bn, offset by net redemptions of £1.6bn. Net flows during March 2024 were pleasing, with six Polar Capital strategies seeing inflows totalling £228m. This continued recent positive momentum, which saw total net inflows of £56m during the final quarter of the financial year, following a number of quarters of net outflows.

Turning to **investment performance**, as at the end of March 2024, 79% of our UCITS funds' AuM, representing 72% of total AuM, were in the top two quartiles against the Lipper peer group over one year, 92% in the top two quartiles over three years with 87% and 100% in the top two quartiles over five years and since inception respectively. Of our UCITS funds' AuM, 91% is in the first quartile against the Lipper peer group since inception with 85% of AuM delivering benchmark outperformance since inception. Encouragingly, the final quarter to the end of March saw 97% of AuM in the top two quartiles compared with the Lipper peer group.

The growth in AuM and signs of positive momentum regarding flows towards the end of the financial year compare favourably with sector peers experiencing persistent outflows. During the final quarter, our open-ended Technology funds saw net inflows of £327m compared to £136m of net outflows in the previous quarter, with £212m of net inflows over March 2024.

Financial performance for the year continued to be challenging. Average AuM over the first half of the year was 3% lower than the comparable six-month period, however, following improved performance and market movement in the second half of the year, remained flat overall compared to 2023 at £19.6bn. The lower average AUM for the majority of the year resulted in a 1% decrease in management fees from 2023 though performance fee profit[†] was higher at £9.6m than the prior year £1.7m, offsetting this decrease. Operating costs increased, primarily as a result of additional rental charges and inflationary related increases. As a result, profit before tax and basic EPS increased by 21% and 15% respectively. Adjusted diluted total EPS[†] declined by 1% from 44.3p to 44.0p. Total dividend per share for the year has been maintained at 46.0p (2023: 46.0p).

Polar Capital's regulatory environment remains abundant with changes in the UK, US, Switzerland and the EU. The implementation process for Consumer Duty was completed during the year and it remains an area of focus for the Group as we continue to make improvements in line with evolving good practice. The FCA Sustainability Disclosure Requirements and Anti-Greenwashing rules, and Task Force on Climate-Related Financial Disclosures have challenged firms to ensure their products' environmental claims are accurate, transparent and mitigate greenwashing risk by providing clear information to investors about the environmental impact of their investments.

Progress has continued under the 'Growth with diversification' strategy, diversifying our distribution footprint into new regions. The Nordic region has become a significant market and to support our existing operations and add to our local presence, we filled a new role of Regional Sales Executive for the Nordics internally and opened an office in Stockholm, Sweden, in September 2023. In the following March, we were awarded Fund Company of the Year at the Söderberg & Partners Award Ceremony in March 2024. We have continued to develop our US footprint with experienced business development capability covering the major regions within the US. This has resulted in sustained interest in our Emerging Markets Stars fund strategies.

Later this year, we anticipate launching an International Small Company strategy led by a manager with a compelling long-term track record. The strategy will be marketed primarily to our growing US client base.

Sustainability is important to our business at both a corporate and investment level and we remain committed to integrating sustainable practices across the Group. Our Diversity and Inclusion Committee has continued to be a forum for positive action, establishing important initiatives within the business and externally. Our staff have continued to participate in industry initiatives such as the Diversity Project and Investment 20/20, and we are pleased with progress in our ongoing partnership and bursary programme with a local academy adjacent to our London offices.

ESG and sustainability-related regulation continues to drive change in our industry and the UK's Sustainability Disclosure Requirements (SDR) will push the UK ahead with disclosure and reporting standards. Similarly, over the

year we have further developed and implemented the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) across our business strategy, governance structure and risk management process. We will publish our first full TCFD report in June 2024. The transition to a net-zero economy is an important consideration for our business and we remain focused on developing our climate strategy, analysis capabilities and stewardship practices.

The outlook is more constructive for risk assets such as equities with a continuing reduction in global inflation, interest rates peaking and central banks poised to ease monetary policy. Polar Capital has active, specialist and differentiated thematic, sector and regionally focused fund strategies with compelling long term performance track records and significant remaining capacity.

While there remains geopolitical risk and a significant portion of the developed world population facing elections this year, our performance-led culture, strong balance sheet and improving sentiment for equities positions us well to continue performing for our clients and shareholders.

Gavin Rochussen

Chief Executive Officer

26 June 2024

1 Alphabet, Amazon, Apple, Meta Platforms (Facebook), Microsoft, NVIDIA and Tesla

2 MSCI ACWI Index

3 Bloomberg, April 2024

4 April 2024 Stock Market Outlook – Forbes Advisor

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

Business Review

AuM and Fund Flows

The past two years have been a challenging period for the asset management industry.

Following a difficult calendar year in 2022, the rebound hoped for in 2023 failed to materialise. A staunchly risk-off stance proved the dominant narrative, with investor sentiment deteriorating month-on-month. As a result, the European funds industry suffered a second consecutive year of net outflows.

Polar Capital was not immune from these headwinds and, in line with the wider industry, also experienced a second consecutive year of negative fund flows. However, a combination of net outflows and a fund closure were offset by market and fund performance, resulting in our AuM at the end of the financial year increasing by 14% to £21.9bn from £19.2bn at the end of March 2023. The average AuM for the year was £19.6bn in line with £19.6bn the previous year.

Overall, despite gross inflows of over £4.4bn, we saw total net outflows for the year of £1.6bn. While we experienced selling pressure across several of our strategies, including areas that were out of favour with investors, such as UK and European equities, we saw interest and net new inflows into several of our funds, including Polar Capital Emerging Market Stars Fund (£280m), Polar Capital Asian Stars Fund (£94m), Polar Capital Artificial Intelligence Fund (£192m), Polar Capital Smart Energy Fund (£84m), Polar Capital European ex-UK Income Fund (£81m) and Polar Capital Healthcare Bluechip Fund (£32m).

Encouragingly, we saw a marked improvement in the final quarter of the financial year, as outflows slowed in January and February 2024 and turned to positive net flows in March 2024 where six of our strategies benefitted from net inflows, with an overall total of £228m during the final month, resulting in an overall net positive quarter of £56m, the first quarter in eight.

Communicating with our clients

The way in which our clients are engaging with us continues to evolve. For many of them that engagement, at least initially, is increasingly digital and there is a requirement for accessibility, transparency and detailed, technical content and communications.

To meet the fast-changing needs and expectations of our existing and prospective clients, we continue to invest in our digital marketing and client service capabilities, aiming to further configure and tailor our offering to specific client segments and geographies.

Client-oriented thinking and appealing specialist investment strategies are key attributes sought by professional fund buyers, both of which provide points of differentiation for Polar Capital and an opportunity to take market share.

Growth with diversification

Under our 'Growth with diversification' strategy, we continue to focus on building scale from clients based outside our home market of the UK.

Our approach to international expansion remains both targeted and measured. We see the greatest potential for future growth in the US, in south-east Asia and in seven core markets in Continental Europe where we continue to focus.

In the US, we have made two senior sales appointments this year. We continue to broaden and deepen our presence there and these appointments reflect its importance and our commitment to providing our existing and prospective US clients with exceptional service and support.

Good progress continues to be made in Continental Europe, which now accounts for around one-third of our AuM. This has recently been recognised by Polar Capital winning 'European Asset Management Firm Of The Year' in the €20bn-€100bn category of the Funds Europe 2023 Awards.

We have also made significant progress in Scandinavia, where AuM has reached close to £700m. We recently established a distribution office in Stockholm to support our clients in the region, where support for our investment

strategies and funds continues to grow. Pleasingly, and testament to our approach, Swedish Wealth Manager Söderberg & Partners recently announced Polar Capital as winner of their 'Mutual Fund Company of the Year' award.

Outlook

While the outlook for 2024 is uncertain, and global financial markets remain exposed to several headwinds, investor sentiment can change quickly. The potential of interest rates peaking and central banks beginning to consider the possibility of rate cuts, bodes well for equities in general and investors will, we believe, continue to seek additional exposure to the asset class.

Now that the easy money era of 2009-21 is over, beta is less likely to be the primary driver of returns going forward; alpha generation will become even more critical and a stronger tilt to active strategies may help investors navigate performance dispersion. This should play to Polar Capital's strengths, and we have the capacity to meet investor demand for our active, specialist and differentiated investment strategies.

Fund performance and oversight

Calendar year 2023 confounded most investment strategists' expectations, delivering better economic growth, rising equity markets and, until the very end of the year, falling bond markets. The prevailing bearishness at the beginning of the year proved to be a fertile foundation for strong equity market returns.

The second major characteristic in calendar 2023 was the underperformance of small and mid-cap (SMID-cap) stocks versus broader indices. SMID-cap stocks have been a reliable outperformer, particularly in Europe, for much of the period since 2000, with the exception of short periods during recessions and market dislocations, but in the period since Covid, SMID-cap stocks have reversed a number of years of outperformance.

Part of this phenomenon is explained by the strong share price returns from the largest US technology stocks. New drug discoveries in the pharmaceuticals sector have also contributed. The largest companies have not only proven to be innovative, but are also perceived as being resilient in a period of higher financing costs. New listings have been few and far between, and exciting, high growth companies have chosen to remain private for longer.

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 Polar AuM is in growth styles. Many Polar Capital strategies generate outperformance on days when smaller and mid-sized 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. They often do that themselves.

As the US Federal Reserve began to signal a possible end to the cycle of interest rate rises, SMID-cap stocks returned to favour in the closing weeks of 2023. This provided a tailwind for relative performance across almost all Polar Capital strategies, as did the broadening of share price performance across the US market in the first few months of calendar year 2024. These factors in combination contributed to a good period for investment performance in the second half of Polar Capital's financial year ending in March 2024.

The year to the end of March 2024 saw particularly strong gains relative to benchmark for Polar Capital's Healthcare and Biotechnology strategies. The Polar Capital Biotechnology Fund ended the year over 15% ahead of its benchmark, and rose by 24% in absolute terms, while the sizeable Polar Capital Healthcare Opportunities Fund was more than 9% ahead of its reference index.

The other standout performer was Polar Capital's Artificial Intelligence Fund, which outperformed its global equity benchmark by more than 13%, rising by 36% in the year. This strategy is focussed on identifying beneficiaries of AI applications across global equity markets, not just in the technology sector. With AI offering growth and productivity-enhancing innovations in a wide range of industries, the scope of opportunity is very large.

Polar Capital's well known Global Technology Fund, and its closed-ended sister strategy, the Polar Capital Technology Trust plc, also performed well in absolute and relative terms, appreciating by more than 40% in the year to the end of March 2024 as the cycle of innovation and investment in technology, and in AI in particular, led to significant share price gains.

Among Polar Capital's newer strategies, the Polar Capital Smart Energy and Smart Mobility funds, which offer clients a way to benefit from decarbonisation, electrification, and evolution in vehicles and transport, delivered returns in excess of their reference benchmarks.

The Polar Capital North America Fund recovered strongly during the year to the end of March 2024, outperforming by nearly 5%. The Fund more than made up for the negative impact on relative performance of not owning some of the large technology names which led the market.

With investment returns for much of the year under review dominated by a small number of larger companies in the technology and healthcare sectors, and hence by growth as a style, some of Polar Capital's value-oriented strategies performed less well.

Polar Capital's European ex-UK Income (a large cap, income seeking approach) and Japan Value funds (a small-cap value style) underperformed their benchmarks.

Polar Capital Global Insurance Fund was also a modest underperformer, as the shares of many P&C (Property & Casualty) companies were marked down in Q4 2023 as interest rate expectations began to fall. In the short term, this affects their investment income. Since inception, this strategy has delivered a compound annual return of 10%, driven by the impact on net asset value of the best insurance companies' underwriting results.

The Polar Capital Global Financials Trust plc was also a modest underperformer, in part due to the size effects noted above, and that its income-generating bond holdings performed less well than the Trust's equity reference benchmark.

As at 31 March 2024, 79% of our UCITS funds' AuM, representing 72% of total AuM, were in the top two quartiles against the Lipper peer group over one year, 92% in the top two quartiles over three years with 87% and 100% in the top two quartiles over five years and since inception respectively.

Of our 22 funds listed within the Dublin UCITS umbrella 60% were in the top two quartiles over one year, and 77%, 71% and 91% in the top two quartiles over three years, five years and since inception respectively.

Financial Review

AuM

AuM movement in twelve months to 31 March 2024 (£bn)	Open ended funds	Investment Trusts	Segregated mandates	Total
AuM at 1 April 2023	14.3	3.9	1.0	19.2
Net redemptions	(1.2)	(0.15)	(0.2)	(1.6)
Fund closures	-	-	(0.05)	(0.05)
Market movement and performance	2.9	1.3	0.1	4.3
Total AuM at 31 March 2024	16.0	5.1	0.8	21.9

During the financial year the £2.7bn increase in AuM resulted from market movement and fund performance of £4.3bn, offset by net redemptions of £1.6bn.

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

Average AuM over the first half of the year was 3% lower than the comparable six month period and the market movement and performance led increase over the second half of the year meant the year on year comparison remained flat at £19.6bn.

Revenue

	31 March 2024	31 March 2023
Management fees	£'m	£'m
Management and research fees	176.4	176.2
Commissions and fees payable	(22.7)	(21.4)
Net management fees [†]	153.7	154.8

The lower average AuM over the majority of the year and lower yield translated into the Group's net management fees[†] decreasing by 1% from £154.8m in 2023 to £153.7m this year.

Net management fee yield	31 March 2024	31 March 2023
Average AuM (£bn)	19.6	19.6
Net management fees [†] (£m)	153.7	154.8
Net management fee yield [†] (bps)	78	79

Net management fee yield[†] over the year measured 78bps (2023: 79bps). The decrease was in line with our stated expectations of an annual decrease of at least 1-2bps as net outflows from the higher margin Technology and Healthcare strategies are replaced by inflows into more recently launched strategies at lower margin.

	31 March 2024	31 March 2023
Performance fees	£'m	£'m
Performance fees	18.7	6.7

The strong performance posted by certain underlying funds resulted in performance fees earned for the financial year to 31 March 2024 increasing to £18.7m (2023: £6.7m).

Operating and finance costs	31 March 2024	31 March 2023
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	£'m	£'m
Salaries, bonuses and other staff costs ¹	35.0	36.1
Core distributions ^{2†}	42.8	44.0
Share-based payments ³	3.2	2.7
Performance fee interests [†]	9.1	5.0
Total staff compensation	90.1	87.8
Other operating costs	28.7	24.7
Exceptional items	1.2	6.2
Total operating costs	120.0	118.7
Finance costs	0.2	0.2
Operating and finance costs	120.2	118.9

1. Including share awards under deferment plan of £0.7m (2023: £0.8m).

2. Including share awards under deferment plan of £1.2m (2023: £0.9m).

3. Share-based payments on preference shares of £0.7m (2023: £0.3m), LTIPs of £1.9m (2023: £1.8m) and equity incentive plan of £0.6m (2023: £0.6m). Refer to note 5 below.

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

Total operating and finance costs increased 1% to £120.2m (2023: £118.9m).

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 over most of the year and the resulting lower management fee revenues and core profits.

Performance fee interests, which are variable compensation amounts payable to staff from performance fee revenue, increased due to the higher amount of such fees generated this year.

Other operating, non-staff compensation related, costs increased to £28.7m (2023: £24.7m) through a combination of higher rental, marketing and travel costs as well as inflationary increases.

Exceptional items	31 March 2024 £'m	31 March 2023 £'m
Recorded in operating costs		
Termination and reorganisation costs ⁴	-	5.0
Amortisation of intangibles	1.2	1.2
Total exceptional items recorded in the consolidated statement of profit or loss	1.2	6.2

4. The 2023 amounts include the cost of the out of court settlement of the Group's legal action against First Pacific Advisors (FPA), the vendor of the funds in the Phaeacian transaction, and FPA's counterclaim.

Exceptional items for both 2024 and 2023 comprised of either significant items of income or expenditure related to acquisitions, or their unwinding, and were 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.

Profit before tax	31 March 2024 £'m	31 March 2023 £'m
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Core operating profit [†]	44.8	47.9
Performance fee profit [†]	9.6	1.7
Other income [^]	2.2	2.1
Share-based payments on preference shares	(0.7)	(0.3)
Exceptional items	(1.2)	(6.2)
Profit before tax	54.7	45.2
Core operating profit margin ^{† 5}	29%	31%

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

^ A reconciliation to reported results is given in the APM section.

5. This measure is calculated as core operating profit divided by net management fee.

The headline profit before tax for the year has increased by 21% to £54.7m (2023: £45.2m) mainly driven by higher performance fee.

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

• Core operating profit

Decreased by 6% to £44.8m (2023: £47.9m) reflecting lower average AuM over a large part of the year and higher operating costs. Over time, we expect to grow core profit as a proportion of the Group's total earnings, and thereby reduce the volatility of total earnings due to performance fees.

• Performance fee profit

Performance fee profit increased because of the stronger investment performance on certain specific strategies during the current year.

• Other income

The increase in other income is due mainly to interest income on the Group's cash balances.

Earnings per share

Basic EPS increased by 15% to 42.3p during the year (2023: 36.8p) and diluted EPS increased by 16% to 41.8p (2023: 36.1p) with adjusted diluted total EPS remaining broadly flat year on year at 44.0p (2023: 44.3p). 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 2024	31 March 2023
Diluted earnings per share	41.8	36.1
Impact of share-based payments on preference shares	0.7	0.3
Impact of deferment, where staff compensation costs are deferred into future periods	0.3	1.7
Impact of exceptional items	1.2	6.2
Adjusted diluted total EPS [†]	44.0	44.3
Of which: Performance fee profit and other income	9.0	4.6
Adjusted diluted core EPS[†]	35.0	39.7

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

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 2024 there were no conversions of preference shares into Polar Capital Holdings plc equity (2023: no conversions).

As at 31 March 2024 five sets of preference shares (2023: five sets) have the ability to call for a conversion.

The call must be made on or before 30 November 2024 if any conversion is to take place with effect from 31 March 2024.

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 Group's cash and cash equivalents were £98.9m (2023: £107.0m). Additionally, the Group held £6.7m (2023: nil) as long-term deposits maturing over a period of 6-12 months resulting in a total amount of cash and deposits held of £105.6m (2023: £107.0m). In line with the Group treasury policy, cash and cash equivalents are held across several UK banking counterparties on maturity terms ranging from 30 to 90 days. At the balance sheet date the Group also held £35.8m of investments in its funds (2023: £44.1m).

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, pay dividends and fund the EBT to buy Company shares to reduce the dilutive effects of Group share 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 we seek to balance returns to shareholders with the need to re-invest in the business for future growth.

As at 31 March 2024 £35.8m (2023: £44.1m) of the Group's balance sheet was invested to seed fledgling funds and during the year the Group advanced loans to the EBT of £7.5m (2023: £6.0m) 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.

As at 31 March 2024 the Group had surplus capital of £52.1m (2023: £57.7m) above its regulatory capital requirement of £26m (2023: £26m) and July dividend commitment of £30.9m (2023: £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 accounts.

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) process.

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

Chief Financial Officer

26 June 2024

Alternative Performance Measures (APMs)

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

APM	Definition	Reconciliation	Reason for use
Core operating profit	Profit before performance fee profits, other income and tax.	APM reconciliation	To present a measure of the Group's profitability excluding performance fee profits and other components which may be volatile, non-recurring or non-cash in nature.
Performance fee profit	Gross performance fee revenue less performance fee interests due to staff.	APM reconciliation	To present a clear view of the net amount of performance fee earned by the Group after accounting for staff remuneration payable that is directly attributable to performance fee revenues generated.
Core distributions	Variable compensation payable to investment teams from management fee revenue.	APM reconciliation	To present additional information thereby assisting users of the Annual Report in understanding key components of variable costs paid out of management fee revenue.
Performance fee interests	Variable compensation payable to investment teams from performance fee revenue.	APM reconciliation	To present additional information thereby assisting users of the Annual Report in understanding key components of variable costs paid out of performance fee revenue.
Adjusted diluted total EPS	Profit after tax but excluding (a) cost of share-based payments on preference shares, (b) the net cost of deferred staff remuneration and (c) exceptional items which may either be non-recurring or non-cash in nature, and in the case of adjusted diluted earnings per share, divided by the weighted average number of ordinary shares.	Finance review	The Group believes that (a) as the preference share awards have been designed to be earnings enhancing to 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 year on year 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	Finance review	To present additional information that allows users of the Annual Report to measure the

	net cost of deferred core distributions divided by the weighted average number of ordinary shares.		Group's earnings excluding those from performance fees and other components which may be volatile, non-recurring or non-cash in nature.
Core operating profit margin	Core operating profit divided by net management fees revenue.	Finance review	To present additional information that allows users of the Annual Report to measure the core profitability of the Group before performance fee profits, and other components, which can be volatile and non-recurring.
Net management fee	Gross management fees less commissions and fees payable.	Finance review	To present a clear view of the net amount of management fees earned by the Group after accounting for commissions and fees payable.
Net management fee yield	Net management fees divided by average AuM.	Finance review	To present a clear view of the net amount of management fees earned by the Group after accounting for commissions and fees payable.

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

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

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

	2024 Reported Results £'m	Reclassification on consolidation of seed investments £'m	Reclassification of costs £'m	2024 Non- GAAP results £'m	2023 Non- GAAP results £'m	APMs
Investment management and research fees	176.4	–	–	176.4	176.2	
Commissions and fees payable	(22.7)	–	–	(22.7)	(21.4)	
	153.7	–	–	153.7	154.8	Net management fees
Operating costs	(120.0)	0.3	53.8	(65.9)	(62.7)	
Finance costs	(0.2)	–	–	(0.2)	(0.2)	
	–	–	(42.8)	(42.8)	(44.0)	Core distributions
	33.5	0.3	11.0	44.8	47.9	Core operating profit
Performance fees	18.7	–	–	18.7	6.7	
	–	–	(9.1)	(9.1)	(5.0)	Performance fee interests
	18.7	–	(9.1)	9.6	1.7	Performance fee profit
Other income	2.5	(0.3)	–	2.2	2.1	
Exceptional items	–	–	(1.2)	(1.2)	(6.2)	
Share-based payments on preference shares	–	–	(0.7)	(0.7)	(0.3)	
Profit for the year before tax	54.7	–	–	54.7	45.2	

Consolidated Statement of Profit or Loss

For the year ended 31 March 2024

	31 March 2024 £'000	31 March 2023 £'000
Revenue	195,065	182,877
Other income	2,521	2,579
Gross income	197,586	185,456
Commissions and fees payable	(22,658)	(21,383)
Net income	174,928	164,073
Operating costs	(120,027)	(118,694)
Finance costs	(211)	(175)
Profit before tax	54,690	45,204
Taxation	(13,897)	(9,592)
Profit for the year attributable to ordinary shareholders	40,793	35,612
Earnings per share		
Basic	42.3p	36.8p
Diluted	41.8p	36.1p
Adjusted basic (Non-GAAP measure)	44.6p	45.2p
Adjusted diluted (Non-GAAP measure)	44.0p	44.3p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	31 March 2024	31 March 2023
	£'000	£'000
Profit for the year attributable to ordinary shareholders	40,793	35,612
Other comprehensive (expense)/income – items that will be reclassified to profit or loss statement in subsequent periods		
Exchange differences on translation of foreign operations	(505)	430
Other comprehensive (expense)/income for the year	(505)	430
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders	40,288	36,042

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

Consolidated Balance Sheet
As at 31 March 2024

	31 March 2024 £'000	31 March 2023 £'000
Non-current assets		
Goodwill and intangible assets	14,774	15,937
Property and equipment	8,307	10,534
Deferred tax assets	1,938	106
	25,019	26,577
Current assets		
Assets at fair value through profit or loss	62,433	83,048
Trade and other receivables	21,070	19,523
Other financial assets	3,393	5,237
Assets at amortised cost	6,698	-
Cash and cash equivalents	98,880	106,976
Current tax assets	127	319
	192,601	215,103
Total assets	217,620	241,680
Non-current liabilities		
Provisions and other liabilities	7,537	8,900
Liabilities at fair value through profit or loss	249	462
Deferred tax liabilities	-	518
	7,786	9,880
Current liabilities		
Liabilities at fair value through profit or loss	5,425	16,369
Trade and other payables	64,128	68,651
Provisions	247	3,203
Other financial liabilities	9	10
Current tax liabilities	4,127	712
	73,936	88,945
Total liabilities	81,722	98,825
Net assets	135,898	142,855

Capital and reserves		
Issued share capital	2,530	2,520
Share premium	19,364	19,364
Investment in own shares	(34,652)	(31,623)
Capital and other reserves	12,019	12,299
Retained earnings	136,637	140,295
Total equity – attributable to ordinary shareholders	135,898	142,855

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	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 2022	2,506	19,364	(24,915)	695	11,722	146,875	156,247
Profit for the year	-	-	-	-	-	35,612	35,612
Other comprehensive income	-	-	-	-	430	-	430
Total comprehensive income	-	-	-	-	430	35,612	36,042
Dividends paid to shareholders	-	-	-	-	-	(44,481)	(44,481)
Issue of shares	14	-	-	-	-	(14)	-
Own shares acquired	-	-	(10,922)	-	-	-	(10,922)
Release of own shares	-	-	4,214	-	-	(2,083)	2,131
Share-based payment	-	-	-	-	-	4,386	4,386
Current tax in respect of employee share options	-	-	-	-	31	-	31
Deferred tax in respect of employee share options	-	-	-	-	(579)	-	(579)
As at 1 April 2023	2,520	19,364	(31,623)	695	11,604	140,295	142,855
Profit for the year	-	-	-	-	-	40,793	40,793
Other comprehensive expense	-	-	-	-	(505)	-	(505)
Total comprehensive income	-	-	-	-	(505)	40,793	40,288
Dividends paid to shareholders	-	-	-	-	-	(44,329)	(44,329)
Issue of shares	10	-	-	-	-	(10)	-
Own shares acquired	-	-	(9,858)	-	-	-	(9,858)
Release of own shares	-	-	6,829	-	-	(5,195)	1,634
Share-based payment	-	-	-	-	-	5,083	5,083
Current tax in respect of employee share options	-	-	-	-	18	-	18
Deferred tax in respect of employee share options	-	-	-	-	207	-	207
As at 31 March 2024	2,530	19,364	(34,652)	695	11,324	136,637	135,898

Consolidated Cash Flow Statement

For the year ended 31 March 2024

	31 March 2024 £'000	31 March 2023 £'000
Cash flows generated from operating activities		
Cash generated from operations	51,978	51,975
Tax paid	(12,419)	(7,738)
Interest received	2,348	888
Net cash inflow generated from operating activities	41,907	45,125
Cash flows generated from investing activities		
Investment income	430	421
Sale of assets/liabilities at fair value through profit or loss	56,105	55,277
Purchase of assets at fair value through profit or loss	(36,415)	(62,765)
Purchase of assets at amortised cost	(6,698)	-
Purchase of property and equipment	(243)	(486)
Payments in respect of asset acquisition	(70)	(226)
Net cashflow from deconsolidation of seed investment	-	(11,710)
Net cash inflow/(outflow) from investing activities	13,109	(19,489)
Cash flows generated from financing activities		
Dividends paid to shareholders	(44,329)	(44,481)
Lease payments	(1,734)	(1,425)
Interest on lease	(211)	(175)
Purchase of own shares	(8,222)	(10,660)
Third-party subscriptions into consolidated funds	4,987	20,673
Third-party redemptions from consolidated funds	(13,415)	(3,869)
Net cash outflow from financing activities	(62,924)	(39,937)
Net decrease in cash and cash equivalents	(7,908)	(14,301)
Cash and cash equivalents at start of the year	106,976	121,128
Effect of exchange rate changes on cash and cash equivalents	(188)	149
Cash and cash equivalents at end of the year	98,880	106,976

Selected notes to the Consolidated Financial Statements for the year ended 31 March 2024

1. General information, Basis of Preparation and Accounting policies

Corporate information

Polar Capital Holdings plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales whose shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

Group information

Details of operating subsidiaries, seed capital investments and indirectly held entities consolidated into the Group are disclosed in Note 8 below.

Basis of preparation

The consolidated Group financial statements have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The accounting policies used in the preparation of these financial statements have been consistently applied, except when otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, modified by the measurement at fair value of certain financial assets and liabilities and derivative financial instruments. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except when otherwise stated.

Going concern

The Directors have made an assessment of going concern taking into account both the Group's results as well as the impact of the Group's outlook. As part of this assessment the Directors have used a range of information available to the date of issue of these financial statements and considered the Group budget, longer term financial projections, cash flow forecasts and an analysis of the Group's liquid assets and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the Group's ICARA have also been revisited to ensure they remain appropriate.

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

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries for the year ended 31 March 2024. 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 2024 are disclosed in Note 8.

The Group concludes that it acts as an agent when the power it has over an entity is deemed to be exercised for the benefit of third-party investors.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Where external investors hold redeemable shares in funds controlled by the Group, the portion of profit or loss and net assets held by these third-party interests is included within other income in the consolidated statement of profit or loss and as financial liabilities at FVTPL in the consolidated balance sheet respectively.

Net cashflows on initial consolidation or deconsolidation are presented as investing activities within the consolidated cashflow statement. Cashflows from third-party interests into consolidated funds are presented as financing activities.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Generally, it is presumed that the Group has significant influence where it has voting rights of 20% or more, but not control of an investee.

Seed capital investments over which the Group has significant influence, but not control, are carried on the balance sheet as assets at FVTPL as permitted by IAS 28: Investment in Associates, with changes in fair value recognised in the consolidated statement of profit or loss. The fair value of investments in associates is determined by reference to the quoted price at the close of business on the balance sheet date. The Group has no other investments in associates and, therefore, no associates are currently accounted for using the equity method.

Goodwill and intangible assets

Goodwill arising on the acquisition of a business is the excess of the consideration paid over the net identifiable assets acquired and liabilities assumed. Goodwill is measured at cost less any accumulated impairment losses. Impairment testing is based on the expected future benefits of the relevant cash-generating unit (CGU) as a whole.

Intangible assets such as investment management contracts acquired separately are measured on initial recognition at cost which is their fair value as at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, with the related expenditure or charge recognised in the consolidated statement of profit or loss. Intangible assets are amortised on a straight-line basis over their useful economic lives. Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss on derecognition is included in the consolidated statement of profit or loss.

Financial assets

The Group's financial assets include seed capital investments, investment securities, trade and other receivables, cash and cash equivalents, term deposits with a maturity greater than three months 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.

Financial assets at amortised cost

Financial assets at amortised cost include term deposits with a maturity greater than three months. These assets are held for collection of contractual cash flows representing solely payments of principal and interest and are subsequently carried at amortised cost over the term of the deposit with interest income recognised in the consolidated statement of profit or loss in accordance with the effective interest method.

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 and third-party interests in funds that have been consolidated as subsidiaries.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are carried at fair value, with gains and losses recognised in the consolidated statement of profit or loss within other income in the period in which they arise. Financial liabilities at FVTPL include third-party interests in consolidated funds which are classified as at FVTPL.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and

a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Contingent liabilities

Contingent liabilities are potential obligations that may arise due to uncertain future events that are not wholly within the control of the Group. Such liabilities are disclosed when the chance of such events occurring is no longer remote.

Revenue from contracts with customers

Revenue from contracts with customers represents fees receivable, excluding value added tax, for discretionary investment management services and research fees during the year.

Management fees are based on a percentage of assets under management either per day or calendar month and payable monthly or quarterly as set out in the relevant investment management agreements (IMA). Management fees relate specifically to the Group's provision of investment management services for each relevant time period and therefore such services are satisfied over time because either the customer simultaneously receives and consumes the benefits provided by the fund manager as the service is provided or, the fund manager's performance enhances the assets that the fund controls. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Research fee income relates to research provided in respect of funds managed in accordance with the relevant IMA and is recognised as the service is provided and it is probable that the fee will be collected.

Performance fees are variable consideration based on a percentage of investment performance achieved relative to predefined benchmarks as set out in the relevant IMA. Performance fees by their nature are highly susceptible to volatility until they are crystallised and are no longer subject to claw back. This is usually at the end of the performance period of a fund when the performance fee calculation can be confirmed with certainty. Therefore, performance fees are recognised at the point when they are crystallised.

Commissions and fees payable

Commissions and fees payable to third parties are in respect of rebates on investment management fees, distribution and research fees, and are recognised over the period for which the service is provided.

Standards and amendments not yet effective

There are no new or amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements that would be expected to have a material impact on the Group when they become effective.

Changes in accounting policies and disclosures

No standards or amendments have been issued during the year that have had or are expected to have an impact on the Group's consolidated financial statements.

2. Revenue

	31 March 2024 £'000	31 March 2023 £'000
Investment management and research fees	176,400	176,219
Investment performance fees	18,665	6,658
	195,065	182,877

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

	31 March 2024 £'000	31 March 2023 £'000
United Kingdom	32,599	29,293
Ireland	152,419	140,319
Rest of Europe	7,093	10,180
Cayman Islands	1,215	1,308
United States of America	341	609
Rest of the world	1,398	1,168
	195,065	182,877

3. Operating costs

a) Operating costs include the following expenses:

	31 March 2024 £'000	31 March 2023 £'000
Staff costs including partnership profit allocations	90,110	88,308
Depreciation	2,470	2,166
Amortisation and impairment of intangible assets	1,163	1,163
Auditors' remuneration	615	432

Included within operating costs for the year ended 31 March 2023 is an amount of £5.0m in relation to costs treated as exceptional items including termination costs of £0.5m. No exceptional items relating to termination and reorganisational costs arose in the current year.

b) Auditors' remuneration:

	31 March 2024 £'000	31 March 2023 £'000
Audit of Group and Company financial statements	177	106
Statutory audits of subsidiaries	258	199
Audit-related assurance services	38	7
Other assurance services – internal controls report	142	120
	615	432

4. Dividends paid and proposed

Dividends on ordinary shares declared and paid during the year:

	31 March 2024 £'000	31 March 2023 £'000
First interim dividend for 2024: 14.0p per share (2023: 14.0p per share)	13,464	13,570
Second interim dividend for 2023: 32.0p per share (2022: 32.0p per share)	30,865	30,911
Total dividend paid and charged to equity	44,329	44,481

The Board has declared a second interim dividend per share of 32.0p (2023: 32.0p) to be paid in July 2024.

Together with the first interim dividend per share of 14.0p paid in January 2024 the total dividend per share for the year amounts to 46.0p (2023: 46.0p).

5. Share-based payments

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

	31 March 2024 £'000	31 March 2023 £'000
Preference shares	715	316
LTIP awards	1,867	1,737
Equity incentive plan	616	603
Deferred remuneration plan	1,885	1,730
	5,083	4,386

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.

The expected life of the Preference Shares is 6 years (2023: 6 years). In the year to 31 March 2024, no conversions of preference shares into Polar Capital Holdings plc equity were made (2023: no conversion).

At 31 March 2024 five sets of preference shares (2023: 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 2024 Number of shares	31 March 2023 Number of shares
At 1 April	2,367,680	2,740,604
Conversion/crystallisation	-	-
Movement in the year	(132,692)	(372,924)
At 31 March	2,234,988	2,367,680

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

	31 March 2024 Number of shares	31 March 2023 Number of shares
Outstanding at 1 April	810,310	1,352,128
Conversion/crystallisation	-	-
Adjustment on re-calculation	(52,101)	-
Issued in the year	(405,154)	(541,818)
Outstanding at 31 March	353,055	810,310

6. Earnings per Share

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

	31 March 2024 £'000	31 March 2023 £'000
Earnings		
Profit after tax for purpose of basic and diluted EPS	40,793	35,612
Adjustments (post tax):		
Add exceptional items – amortisation of intangible assets	1,163	1,163
Add exceptional items – termination and reorganisation costs	-	4,959
Add back cost of share-based payments on preference shares	715	316
Add net amount of deferred staff remuneration	344	1,663
Profit after tax for purpose of adjusted basic and adjusted diluted total EPS	43,015	43,713

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 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 2024 Number of	31 March 2023 Number of
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	shares '000	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	96,376	96,778
Effect of dilutive potential shares – LTIPs, share options and preference shares crystallised but not yet issued	1,317	1,870
Weighted average number of ordinary shares, for purpose of diluted and adjusted diluted total EPS	97,693	98,648

	31 March 2024 Pence	31 March 2023 Pence
Earnings per share		
Basic	42.3	36.8
Diluted	41.8	36.1
Adjusted basic	44.6	45.2
Adjusted diluted	44.0	44.3

7. Goodwill and intangible assets

	Goodwill £'000	Investment management contracts £'000	Total £'000
Cost			
As at 1 April 2023	6,732	18,647	25,379
As at 31 March 2024	6,732	18,647	25,379
Accumulated amortisation and impairment			
As at 1 April 2023	–	9,442	9,442
Amortisation for the year	–	1,163	1,163
As at 31 March 2024	–	10,605	10,605
Net book value as at 31 March 2024	6,732	8,042	14,774

Cost			
As at 1 April 2022	6,732	18,647	25,379
As at 31 March 2023	6,732	18,647	25,379
Accumulated amortisation and impairment			
As at 1 April 2022	–	8,279	8,279
Amortisation for the year	–	1,163	1,163
As at 31 March 2023	–	9,442	9,442
Net book value as at 31 March 2023	6,732	9,205	15,937

Amortisation and impairment of intangible assets are treated as exceptional items.

(a) Goodwill

Goodwill relates to the acquisition of Dalton Capital (Holdings) Limited, the parent company of Dalton Strategic Partnership LLP, a UK based boutique asset manager acquired on 26 February 2021. The goodwill is attributable to a single CGU.

(b) Intangible assets

The table below shows the carrying amount assigned to each component of the intangible asset and the remaining amortisation period.

	31 March 2024		31 March 2023	
	Carrying value £'000	Remaining amortisation period	Carrying value £'000	Remaining amortisation period
Investment management contracts acquired from Dalton Capital (Holdings) Limited	8,042	6.9 years	9,205	7.9 years
	8,042		9,205	

8. Subsidiary undertakings

The consolidated financial statements of the Group include the operating subsidiaries listed below. At 31 March 2024 and 2023 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 63% (2023: 54%) of the capital. The Company is deemed to be the controlling party of Polar Capital LLP.

Name	Country of incorporation	Registered office	Principal activities
Polar Capital Partners Limited	UK	16 Palace Street, London, UK	Services company
Polar Capital US Holdings Limited	UK	16 Palace Street, London, UK	Investment holding company
Polar Capital LLP	UK	16 Palace Street, London, UK	Investment management
Polar Capital Secretarial Services Limited	UK	16 Palace Street, London, UK	Corporate secretary
Polar Capital Partners (Jersey) Limited	Jersey	12 Castle Street, St Helier, Jersey	Dormant
Polar Capital (America) Corporation	USA	2711 Centreville Road, Wilmington, Delaware, USA	Investment advisory
Polar Capital (Europe) SAS	France	18 Rue de Londres, Paris, France	Investment management
Polar Capital (Shanghai) Consulting Co Limited	China	Bund Finance Centre S2, No.600 Zhongshan East 2 Road, Shanghai	Services company
Polar Capital Holdings LLC	USA	1209 Orange Street, Wilmington, Delaware, USA	Investment holding company
Dalton Capital (Holdings) Limited*	UK	16 Palace Street, London, UK	Dormant
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
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*Dalton Capital (Holdings) Limited and Dalton Strategic Partnership LLP were dissolved on 30 April 2024 and 7 May 2024, respectively.

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 2024:

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	80%
Polar Capital Smart Mobility Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	49%
Polar Capital Emerging ex-China Stars Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin, Ireland	UCITS sub-fund	91%
Polar Capital Emerging ex-China Stars Fund	USA	50 S.LaSallee Street, Chicago, USA	Mutual fund	100%
Phaeacian Partners Holdings LP	USA	1209 Orange Street, Wilmington, Delaware, USA	Dormant	55%
Phaeacian Partners LLC	USA	1209 Orange Street, Wilmington, Delaware, USA	Dormant	55%

9. Financial Instruments

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

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

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

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

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

At the end of both the current year as well as the comparative period, all financial instruments at fair value through profit or loss held by the Group were Level 1 except for:

- forward foreign exchange contracts classified as Level 2. These were fair valued using valuation techniques that incorporate foreign exchange spot and forward rates.
- other financial liability classified as Level 3. These were fair valued using a discounted cash flow models that incorporate unobservable inputs.

The fair value hierarchy of financial assets and liabilities which are carried at fair value at the year-end is as follows:

	31 March 2024				31 March 2023			
	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	62,433	–	–	62,433	83,048	–	–	83,048
Other financial assets	3,393	–	–	3,393	5,237	–	–	5,237
	65,826	–	–	65,826	88,285	–	–	88,285
Financial liabilities								
Liabilities at FVTPL	5,380	–	294	5,674	16,285	–	546	16,831
Other financial liabilities	–	9	–	9	–	10	–	10
	5,380	9	294	5,683	16,285	10	546	16,841

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

	31 March 2024 £'000	31 March 2023 £'000
At 1 April	546	855
Repayment	(70)	(226)
Net gain recognised in the statement of profit or loss	(182)	(83)
At 31 March	294	546

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.

10. Cash flows generated from operations

A reconciliation of profit before tax to cash generated from operations is as follows:

	31 March 2024 £'000	31 March 2023 £'000
Profit before tax	54,690	45,204
Interest receivable and similar income	(2,348)	(745)
Investment income	(430)	(564)
Interest on lease	211	175
Depreciation of non-current property and equipment	2,470	2,166
Amortisation and impairment of intangible assets	1,163	1,163
Decrease/(increase) in assets at FVTPL	2,934	(4,152)
Increase/(decrease) in other financial assets and liabilities	213	(504)
(Increase)/decrease in receivables	(1,546)	5,906
Decrease in trade and other payables including other provisions	(7,094)	(8,678)
Share-based payment	5,083	4,386
(Decrease)/increase in liabilities at FVTPL ¹	(2,158)	262
Release of fund units held against deferred remuneration	(1,210)	7,356
Cash flows generated from operations	51,978	51,975

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

11. Contingent liabilities

There are no contingent liabilities to disclose at 31 March 2024 (2023: nil).

12. 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.

13. Status of results announcement

The Board of Directors approved this results announcement on 26 June 2024. Whilst the financial information included in this announcement has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of UK-adopted international accounting standards and does not constitute statutory accounts of the Group for the years ended 31 March 2024 or 31 March 2023.

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