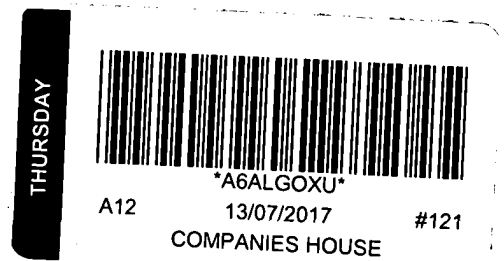




Polar Capital Holdings plc
Annual Report and Accounts for the year ended 31 March 2017

Company No.
4235369



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Highlights

Our AUM increased 27% over the year in Sterling terms and 12% in Dollar terms. The increase in AUM was due entirely to market and currency movement as it was another year of net outflows from our funds. The level of net outflows of £230m was however markedly lower than last year and over the second half of the year we returned to net inflows.

Financial

Assets Under Management (AUM)

2017	£9.3bn / \$11.6bn
2016	£7.3bn / \$10.4bn

Core Operating Profit†

2017	£21.8m
2016	£23.6m

Profit before Share Based Payments

2017	£24.5m
2016*	£26.9m

Pre-tax Profit

2017	£20.4m
2016*	£23.6m

Basic EPS

2017	17.8p
2016*	20.5p

Adjusted Diluted EPS†

2017	20.4p
2016*	22.0p

Dividends

2017	25.0p
2016	25.0p

Shareholders' Funds

2017	£70.7m
2016*	£75.7m

* Comparative amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.
 † The non-GAAP alternative performance measures shown here are reconciled to IFRS measures in the Financial Review on pages 10 to 13.

Corporate

We added to our fund range in January 2017 with the UK Value Opportunities Fund which raised over £100m on its launch and with assets over £256m at the end of May.

Since our year end our Healthcare Investment Trust was successfully restructured resulting in a fund with £289m of AUM.

At a Glance

Polar Capital is a specialist investment management Group offering professional and institutional investors a range of geographical and sector funds.

Each investment strategy has a fundamental research driven approach.

Who we are

Since its foundation in 2001, the Group has grown and currently supports 12 investment teams managing 25 funds and 4 managed accounts across a range of long-only and alternative products, with combined AUM of £9.3 billion.

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

Our Philosophy

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

Our Office Locations



Assets Under Management (AUM)

AUM split by strategy

	31 March 2017		
	£bn	\$bn	%
Total Long-only	8.44	10.60	91.1%
Total alternative	0.83	1.04	8.9%
	9.27	11.64	

	31 March 2016		
	£bn	\$bn	%
Total Long-only	6.53	9.38	89.9%
Total alternative	0.73	1.05	10.1%
	7.26	10.43	

AUM split by Business Unit (In Chronological order)

	31 March 2017		
	£bn	\$bn	%
Technology	2.19	2.75	23.6%
Japan	0.97	1.22	10.4%
European Long/Short	0.27	0.33	3.0%
Healthcare	1.43	1.79	15.4%
Financials	1.32	1.66	14.2%
Emerging Markets	0.39	0.49	4.2%
Convertibles	0.43	0.55	4.7%
North America	1.74	2.19	18.9%
Global Alpha	0.11	0.13	1.1%
UK Absolute Equity	0.13	0.16	1.4%
European Income	0.12	0.16	1.3%
UK Value Opps	0.17	0.21	1.8%
Total Assets	9.27	11.64	

	31 March 2016		
	£bn	\$bn	%
Technology	1.38	1.98	19.0%
Japan	1.51	2.18	20.9%
European Long/Short	0.38	0.55	5.3%
Healthcare	0.92	1.32	12.6%
Financials	0.73	1.05	10.1%
Emerging Markets	0.36	0.51	4.9%
Convertibles	0.31	0.45	4.3%
North America	1.53	2.20	21.0%
Global Alpha	0.07	0.10	1.0%
UK Absolute Equity	0.04	0.05	0.5%
European Income	0.03	0.04	0.4%
Total Assets	7.26	10.43	

Strategy and Business Model

The Group's goal is to become a leading specialist 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.

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

Goals

To be a leading global investment management boutique

To be a strong and dependable partner to our clients offering them a range of interesting and differentiated investment products

To deliver first quartile performance over the investment cycle

To maintain a robust operational infrastructure and to maintain high levels of client service and support

To maintain high levels of corporate governance and transparency

To maintain a strong balance sheet

Strategy for Further Growth

To attract further inflows into existing products

To launch new products with current teams

To attract more top quality managers

To consider opportunistic corporate activity

To continue to invest further in client servicing and support

To provide and maintain an entrepreneurial, vibrant, collegiate and transparent environment for our fund managers and our employees

Chairman's Statement

Tom Bartlam
Chairman

Our Assets Under Management (AUM) increased 27% over the year in Sterling terms from £7.3bn to £9.3bn and 12% in Dollar terms from \$10.4bn to \$11.6bn. The increase in AUM was due entirely to market and currency movement as it was another year of net outflows from our funds. The level of net outflows of £230m was however markedly lower than last year and over the second half of the year we returned to net inflows.

Stock markets around the world were surprisingly buoyant over the period although this was not reflected in flows into active equity funds as it was another challenging year for the industry with passive products continuing to take market share. Across Europe active equity funds suffered net outflows of €60bn and in the UK it was the worst year for retail fund flows for over 20 years!

In this context our reducing levels of net outflows provide grounds for encouragement.

Funds and Performance

Despite the very challenging industry conditions eight of our twelve strategies recorded positive net inflows over the financial year. The four strategies that suffered outflows were Japan, GEMS and North America on the long-only side and European Long/Short on the absolute return side.

Although the main Japan UCITS fund experienced further substantial outflows, it is pleasing to see a sharp improvement in the fund's performance over the last twelve months as the team's style has returned to favour. We again suffered redemptions from our GEMS funds following a sustained period of lacklustre performance although the longer-term performance of the GEMS Income fund remains impressive. The outflows on our North America fund were due to short-term client tactical allocation decisions away from the US market rather than relating to fund performance, which continues to be strong and well ahead of benchmark over most periods and since launch.

On the alternatives side we have continued to see redemptions on our European Long/Short products in reaction to several years of below target returns. The team's fundamental bottom up value style has been challenged over recent years and the distortions in the European market as a result of the ECB's extensive QE program have certainly proved unhelpful. However, there are signs that market conditions are 'normalising' and the team's flagship Forager fund has rebounded sharply through the end of May, giving us encouragement that the worst may well be behind the team and their funds.

Of the eight strategies that experienced net inflows we saw particularly good interest in Technology, Healthcare, Financials and European Income (ex UK) on the long-only side and on the alternative side Global Convertibles and UK Absolute had meaningful inflows.

In the March quarter of the year inflows were helped further by the successful launch of our long-only UK Value Opportunities UCITS fund managed by Georgina Hamilton which raised over £100m at launch. George Godber was able to join us in April and be reunited with Georgina as co-manager on the fund and momentum has continued to be strong with assets at the end of May over £256m.

The poor performance of active managers in general against their benchmarks in 2016 and that of many of our own managers too, is reflected in the low level of performance fees we received last year which came in well below our expectations. This was though the 16th successive year of earning performance fees.

Results

Pre-tax profits fell to £20.4m from £23.6m in the prior year. Core pre-tax profits fell from £23.6m to £21.8m and net performance fees decreased from £3.0m to £1.2m.

Adjusted diluted earnings per ordinary share fell from 22.0p to 20.4p.

Our balance sheet remains strong with net assets of £70.7m (2016: £75.7m) including net cash of £58.5m (2016: £48.8m).

Chairman's Statement continued

Market Background

'Markets climb a wall of worry' goes the old adage and surely that has never been truer than last year. First we had the run up to the Brexit vote in June which created a degree of uncertainty in the UK and then the vote itself which proved a surprise to many and certainly to most stock market investors. Worries over the implications for the UK economy were quickly followed by worries over the US presidential election which produced another result to confound the pollsters, political commentators and most investors.

The European political situation has been another area of constant worry as has been North Korea, the Middle East and the South China Sea where tensions between China and many of its neighbours over rights and claims continue to simmer. Investors even had to contend with a rise in US interest rates – the first increase since the financial crisis of 2008. Despite all these worries returns on major stock markets around the world proved remarkably strong and particularly so for the sterling based investor.

The global economy proved itself oblivious to all the political turmoil growing steadily through calendar 2016 and through the opening months of 2017. Even Europe is showing signs of a broad based improvement in economic activity. Earnings at many companies have thus proved remarkably resilient in the face of all the political drama and with many corporates awash with cash, corporate takeover activity has continued at a high level. The overall earnings outlook has been further boosted by improvement in the outlook for financials, commodities and energy – all important sectors that have experienced their challenges over recent years.

In the UK, the FTSE 100 Index returned 23.3% over the year with many of the large companies in the Index benefitting from a weak pound boosting their overseas earnings. The broader based FTSE All Share Index still managed a healthy return of 22% even though many of the smaller companies within the Index were initially most impacted by the Brexit vote and the implications for the UK economy.

The strong consensus of economists and politicians and indeed many investors post the Brexit result was for an immediate and sharp slowdown in the domestic economy. The reality so far has rather confounded the consensus. Nevertheless the Brexit negotiations are an immense challenge and will create much uncertainty in the coming months and years.

Outside of the UK, returns around the world were also strong with the S&P500 Index in the US up 17% and the NASDAQ up 23% – for the Sterling investor these translated into even greater returns of 34% and 41% respectively. The EURO STOXX 50 posted a 21% return in Euros but in sterling this was nearly 31% and whilst the Japanese Topix returned a rather pedestrian 15% by comparison, translated into sterling this became a heady 33%.

Awards

A good number of our funds and fund managers received awards again this year with the Insurance fund, part of our Financials team, receiving a total of six awards. There were multiple awards also for our Technology and Healthcare teams as well awards for the Japan and North America teams.

At a company level we received awards from Investment Week at their Specialist Awards 2016 and from International Adviser for product and service.

Dividend

As previously stated the Board believes that the level of dividend should reflect the Company's trading results, its cash resources and also its future prospects.

With the outlook improving as we enter the new financial year and supported by our very strong balance sheet, the Board has decided to once again pay an uncovered dividend and to maintain the second interim dividend at 19.5p.

Leadership Changes

On behalf of the other Board members and the entire staff at Polar, I would like to thank Tim Woolley, co-founder of the business, who will be standing down as Chief Executive in July, for his leadership in so successfully guiding us through many challenges over the past seven and a half years. Since Tim has been CEO, the Group has added eight new investment teams, head count has increased from 52 to 114, and AUM has increased from \$1.9bn to \$12.6bn. This has been a tremendous achievement not only when considered against the back drop of seismic changes in geopolitics and regulation, market crises, and shifting trends in the asset management industry that have occurred during his tenure, but also when one considers that growth and success have come whilst retaining the entrepreneurial, collegiate and transparent environment that Polar offers its fund managers and staff. Fortunately our association will continue as Tim will be staying on as a non-executive member of the Board.

I am looking forward to welcoming Gavin Rochussen on board as our new Chief Executive in July. Gavin has an exceptional record as a CEO in the asset management industry and has a proven record in developing an institutional business and building a significant presence in North America.

We look forward to a bright future under his proven and dynamic leadership.

Annual General Meeting

Once again our AGM will be held at our offices at 16 Palace Street, London, SW1E 5JD. The meeting will be on the 26 July 2017 commencing at 2:30pm. Although we do not give a trading update at the meeting, I encourage shareholders to attend so that they can meet the Directors after the meeting.

Outlook

Whilst political uncertainty and market-volatility appear to be our constant travelling companions these days, we enter the new fiscal year with a good degree of momentum in terms of fund performance, fund flows and asset growth.

Despite ongoing regulatory headwinds within the industry, we believe we are well positioned to return to earnings growth in the new financial year subject to there being no major correction in markets.

Tom Bartlam

Chairman

26 June 2017

Chief Executive's Report

For the year ended 31 March 2017

Tim Woolley

Chief Executive Officer and Founder

Our Chairman referred in his Statement to the fact that last year was a disappointing year for active managers and that indeed many of our funds failed to beat their benchmarks. Whilst disappointing one should never read too much into a single year – our history has shown that backing a good active manager over the long-term delivers better returns net of all costs than betting on a passive benchmark product.

Many clients would agree that the US market is regarded as the most efficient and most difficult in which to beat the benchmark, yet if you had invested \$10,000 in our North America UCITS fund over 1, 3, 5 years or since launch, your returns would be comfortably ahead of the benchmark return net of all costs in every one of those periods, as indicated below.

	Cumulative returns (%)			
	1 YR	3 YR	5 YR	Since inception
Polar Capital North America	20.61	34.20	85.48	110.70
MSCI North American Index	16.69	29.00	76.25	97.11

The North America fund is not an isolated example of the value we can bring to a client's portfolio as the table of performance against benchmark for our UCITS funds since inception shows:

	Return net of all costs %	Benchmark return %	Difference
Global Technology	247.50	174.03	+73.47
Japan	131.08	60.33	+70.75
Japan Alpha	119.63	126.03	-6.04
Healthcare Opportunities	173.53	77.51	+96.02
Biotechnology	97.00	45.28	+51.72
Healthcare Blue Chip	12.80	12.47	+0.33
Emerging Markets Income	13.70	-0.35	+14.05
Emerging Markets Growth	1.70	6.05	-4.35
Global Insurance	479.02	121.88	+357.04
Financial Opportunities	30.50	26.12	+4.38
Income Opportunities	109.36	20.69	+88.67
Asian Opportunities	241.31	65.78	+175.53
North America	110.70	97.11	+13.59
Global Alpha	44.80	49.57	-4.77
European Income	23.00	21.67	+1.33
European Income (ex UK)	31.55	29.19	+2.36
UK Value Opportunities	10.10	3.50	+6.6

(Figures as at 28 April 2017 – source fact sheets)

On the absolute return side we have also achieved some impressive returns particularly on our two absolute UCITS products GCB and UK Absolute over recent years. The GCB fund was launched in September 2013 and has delivered a return of 19.50% against an index return of 11.49% and carries an attractive ongoing yield for clients, 4.2% as at the end of April 2017.

The UK Absolute fund is turning into a star performer up 58% since the launch in September 2014 and one of the very few UK funds to be up over Brexit. The performance has not gone unnoticed and the fund size is now over £150m which should increase further once the crucial three year anniversary is reached, assuming performance is maintained.

We are justifiably proud of the above record and it demonstrates our commitment to being investment rather than marketing led in the teams we attract and the funds we launch. The simple lesson would seem to be that clients should back all our funds at launch and sit back and enjoy the long-term ride!

I am excited at the prospect of handing over leadership of the Company to Gavin Rochussen over the coming weeks. His record of success at J O Hambro was exceptional and we are delighted that he has chosen Polar for the next chapter in his career.

Gavin's success at J O Hambro was built around the same philosophy and values that we have at Polar and this together with his record of execution gives me great encouragement for the future of the Company. The focus will continue to be investment led with high alpha differentiated active product serving the needs of our clients, with capacity limits on funds appropriate to the underlying liquidity of the strategy.

There are undoubtedly challenges ahead for us as a Company and the industry in general but I believe significant opportunities too especially if one looks

beyond the UK to the global wealth management industry. Gavin's arrival is timely in that respect given his expertise in overseas business development and this will no doubt play a key role in our future growth in the coming years.

I would like to thank our many loyal clients and shareholders for their support during my tenure as CEO and to thank all our talented and dedicated employees who have delivered so much during the last seven and half of years.

Whilst my involvement in the day-to-day operations of Polar is coming to an end I am very much looking forward to my continued association with the Company as non-executive Board member and major shareholder.

Tim Woolley

Chief Executive Officer

26 June 2017

Financial Review

John Mansell

Chief Operating Officer and Finance Director

Introduction

Commentary on the results for the year follows in the sections below. Adjustments have been made to the 2016 comparatives following reclassification of the seed capital investments and are explained under the heading 'Prior year restatement' later in this report and in Note 2.8. The net effect to the current year results has been that £0.5m of unrealised foreign exchange translation gains have been posted to other comprehensive income rather than profit and loss.

Results for the Year – Revenues

The quantum of management fees earned by the Group is a function of the AUM managed by the firm and the fee rate charged. This year there was an exceptional third material factor, the devaluation of Sterling. While the firm's revenues are all recorded in Sterling the majority of the firm's AUM are not sterling denominated, with dollar assets being the dominant constituent.

At 31 March 2017 the value of the firm's AUM was, in both Dollar and Sterling terms, higher than 12 months earlier. But the average AUM over the past 12 months was in Dollar terms lower compared to the previous year, in fact 10% lower. The fact that management fee revenues only fell 3.4% compared to last year was a product of Sterling's weakness post the BREXIT referendum.

The firm has a policy to hedge 50% of its non-Sterling revenues which has resulted in an overall dampening of the benefit of Sterling's weakness and accounts for the £2.4m loss on forward currency hedging contracts.

The largest swing factor in the Group's revenues was the year on year reduction in the performance fees generated, from £7.2m to £2.7m. The fall was a product of the generally disappointing performance delivered by our funds in calendar year 2016, a phenomenon that affected many active managers in the year.

	31 March 2017	Restated* 31 March 2016
Revenues	£'m	£'m
Net management fees (net of commissions and fees payable)	67.9	70.3
Performance fees	2.7	7.2
Loss on forward currency contracts	(2.4)	(0.9)
Total net revenues	68.2	76.6
Other income	1.5	0.3
Net income	£69.7m	£76.9m

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

Results for the Year – Costs

Total operating costs fell to £45.2m from £49.9m last year.

The small increase in salaries, bonuses and other staff costs was a product of a small increase in head count in the firm as average staff numbers increased from 110 to 114.

The decrease in core distributions was a function of the fall in management fee revenues and the management fee profitability of the firm as well as the impact of implementing the Group's Deferred Remuneration Plan (DRP) which came into effect during the year. For the year ending 31 March 2017 bonuses amounting to £1.7m have been deferred over a period of 3 years. Further details are provided in the Remuneration Report on pages 27 to 33 and Note 3.5.

The National Insurance cost on share options is a product of and varies accordingly to the Company's share price. The reduction in the provision is a product of the fall in the Company's share price over the year.

The increase in other operating costs is a product of mainly two factors. The first is an increase, in Sterling terms, in Bloomberg cost which is US dollar based as the value of Sterling fell over the year. The second component is an increase in irrecoverable VAT costs as a result of the change in product mix impacting the Group's recovery rate.

The fall in performance fee interests to £1.5m from £4.2m last year is directly correlated to the reduction in performance fee revenues.

Costs	31 March	31 March	Profits	31 March	Restated*
	2017	2016		2017	31 March
	£'m	£'m		£'m	2016
				£'m	£'m
Salaries, bonuses and other staff costs	16.9	16.6	Core operating profit	21.8	23.6
Manager distributions	14.8	17.2	Performance fee profit	1.2	3.0
Compensation costs	31.7	33.8	Other income	1.5	0.3
NIC on share options	(0.6)	0.6	Profit before share-based payments and tax	24.5	26.9
Other operating costs	12.6	11.3	Share-based payments	(4.1)	(3.3)
Core operating costs	43.7	45.7	Profit before tax	£20.4m	£23.6m
Performance fee interests	1.5	4.2			
Total operating costs	£45.2m	£49.9m			

Results for the Year – Profits

The headline profit before tax for the year has decreased to £20.4m from last year's £23.6m (Restated – See Note 2.8).

The Group believes that the best measure of the Group's profitability is the profit before share-based payments and tax. The reason for excluding the share-based payments charge is that the cost is dominated by the existence of the Group's preference shares which as an instrument deliver, when they vest, an uplift to EPS and are not a detractor. On this basis the Group has delivered a fall in profits to £24.5m compared to last year's £26.9m. The analysis of the different components of profits shows that:

- Core operating profits**
 the decrease in profits reflects the reduction in management fee revenues driven by the decrease in average value of assets managed over the year.
- Performance fee profits**
 weaker performance across the product range compared to last year has resulted in the reduction in performance fee profits.
- Other income**
 the increase in contribution is a product of the good performance of the seed investments held on the balance sheet.

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

Share-based Payments

The face of the consolidated income statement includes a line titled 'share-based payments' which accounts for a charge of £4.1m (2016: £3.3m). The figures are broken down as follows:

	31 March	31 March
	2017	2016
	£'m	£'m
Cost attributed to preference shares	3.2	2.4
Cost attributed to conventional options	0.9	0.9
Total cost of share-based payments	£4.1m	£3.3m

The increase in this charge is dominated by the increase in the charge associated with the group's preference shares (see below).

Financial Review continued

Earnings Per Share

The effect that the charge for share-based payments has on the EPS figures of the Group is as follows:

	31 March 2017 Pence	Restated* 31 March 2016 Pence
Diluted earnings per share	17.0	19.5
Impact of share-based payments – preference shares only	3.4	2.5
Adjusted diluted EPS	20.4	22.0

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

Preference Shares

A separate class of preference share can be issued by Polar Capital Partners Limited for purchase by each new team of fund managers on their arrival at the firm. 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 2017 (as was also the case in the year to March 2016) there were no new conversions of preference shares into Polar Capital Holdings equity.

As at 31 March 2017 three sets of preference shares have the ability to call for a conversion. The call has to be made on or before 30 November 2017 if any conversion is to take place with effect from 31 March 2017. It is the relative success and profitability of the funds represented by these three sets of preference share that accounts for the increased cost attributed to preference shares that has been identified above (2017: £3.2m versus 2016: £2.4m).

Balance Sheet and Cash

At the year end the cash balances of the Group were £58.5m (2016: £48.9m). The increase was mainly a product of the reduction, over the year, in the Group's portfolio of seed investments.

At the balance sheet date the Group held £22.1m of investments in its funds (2016: £40.1m).

Capital Management

The Group believes in retaining a strong balance sheet. The capital that is retained in the business is used to either seed new investment products or if not so required is invested into the Group's absolute return funds as investment capital. As at March 2017 there were £9.5m of investments and £12.6m of the Group's balance sheet was invested to seed fledgling funds.

The Group's dividend policy is to distribute the majority of its earnings.

Prior Year Restatement

The most significant accounting change has been the reclassification of our seed capital investment in the European Income Fund. On initial seeding in 2015 the Group planned to actively reduce its investment in this fund and it was expected that control would be relinquished within 12 months. Therefore the investment was initially classified as an asset held-for-sale. In 2016 it was determined that the investment met the relevant criteria for continued classification as held-for-sale because the period to complete the loss of control had been delayed by events beyond the Group's control and the Group remained committed to the original plan.

During 2017 the seed investment in the European Income fund was still controlled by the Group and therefore ceased to meet the criteria for it to be continued to be accounted for as held-for-sale.

In accordance with the requirements of IFRS 5 the holding has been reclassified retrospectively and accounted for as a subsidiary consolidated on a line-by-line basis.

Although the impact of the restatement, on a net basis, is immaterial to the face of the balance sheet (see Note 2.8), the change from reporting the holding under the single line item of assets held-for-sale to line-by-line consolidation has necessitated some restatement of prior year numbers whereby the gross assets of the fund are now included in current assets as investment securities and the interest held by third parties are included in current liabilities as liabilities at fair value through profit or loss.

The primary impact on the consolidated profit and loss account of restating the investment in the European Income fund, as a subsidiary, has been that foreign currency gains and losses on retranslating the Group's investment in this Euro denominated fund are now recorded in equity, until such time as the investment is disposed. This has resulted in £0.5m of unrealised foreign currency translation gains in 2017 (2016: £0.6m) having to be excluded from the consolidated profit and loss account and posted to other comprehensive income (see Note 2.8).

Business Risk

There are a range of risks and uncertainties faced by the Group which are more fully described in the Strategic Report. Amongst the major risks to the business strategy is the loss of Assets Under Management due to markets falling, poor investment performance or the loss of key investment personnel. These events will not only have an immediate impact on the management fees earned by the Group but also deprive the Group of possible performance fees.

The Board having considered the impact on the business of the UK's withdrawal from the European Union believe that Brexit should have little impact on the operations of the Group. The biggest unknown will be the impact on the US Dollar/Sterling exchange rates as the negotiations progress.

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 Assessment Process ('ICAAP'). On the basis of such 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.

John Mansell

Finance Director

26 June 2017

Principal Risks and Uncertainties

The Group, as any business operating in the financial services sector, faces a number of challenges to its successful operation and development. 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.

Risks arise from external sources as well as those which are inherent commercial risks in the market place and business, as well as operational risks contained in the systems and processes employed within the business.

The principal risks inherent in the Group's business are economic and market, portfolio, key staff retention, regulatory and operational. These risks have been explained in further detail below.

Risk Category	Description
Economic and market risk	Economic risks arise from the concept, design and implementation of the Group's business model. The Group operates in a highly competitive industry and if it is unable to compete effectively with its competitors its business could be adversely affected. Polar Capital's key areas for competition include historical investment performance, its ability to attract and retain the best investment professionals and quality of service.
Portfolio risk	Poor fund performance or adverse market conditions could lead to outflows of AUM and consequent damage to the financial position of the Group.
	The Group is also subject to the effects of exchange rate fluctuations as Sterling is the Group's reporting currency but the Group's business is often transacted in jurisdictions which generate revenue, expenses and liabilities in other currencies. A summary of the Group's foreign currency exposures as at 31 March 2017 can be seen in Note 4.3(c) to the accounts.
Key staff risk	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.
Regulatory risk	Failure to comply with regulations, 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.

Operational risk	Operational risk arises from potentially inadequate or failed processes, from people and also from external events. Operational risk has financial and non-financial impacts and the Group's objective is to manage and mitigate risk exposure by ensuring operational risk policies are developed and applied consistently and effectively throughout the Group. <i>If any of the Group's financial, accounting or other data processing systems do not operate properly or are disabled or, if there are other failures in the Group's internal processes, people or systems, the Group could suffer financial loss, business disruption, liability to clients, regulatory problems or damage to its reputation.</i> The Group also relies, through its outsourcing arrangements, on a number of third-party providers of administration and other back office functions which expose the Group to the risk of failure of a key third party supplier.
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Mitigation

The Board reviews the business strategy periodically and considers financial, fund performance and operational information regularly. 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. The Group's in-house compliance and risk teams provide a system of internal controls which seek to ensure that events which could damage or call into question the reputation of the Group, its products or staff are prevented.

The Group has a formal Risk Committee that convenes monthly and is chaired by the Group's Chief Risk Officer ('CRO') and comprises the Chief Executive, the Chief Operating Officer, the Global Head of Distribution and Mr Ashford-Russell. The Committee reviews all the portfolios managed by the Group and has presented to it analysis produced by the CRO relating to portfolio structure, exposure, concentration, returns, liquidity and risk. Portfolio managers present to this Committee on a regular basis or when requested.

Regular contact is maintained with all clients and fund investors and the strategy of the Group is to diversify its earnings streams to be less susceptible to such events.

The Group looks to hedge an appropriate element of its exposure to foreign currency exchange rate fluctuations.

Through the Group 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.

The Group's investment activities are regulated primarily by the Financial Conduct Authority in the UK and the Group is also subject to regulation in the various other jurisdictions in which it operates. In the context of the current regulatory environment, the Board believes its regulated business has sufficient resources for compliance monitoring and to take corrective action when warranted.

The Group seeks to operate within applicable Financial Conduct Authority Principles, Rules and Regulations and those issued by the London Stock Exchange to govern the trading of the Company's shares on AIM.

The Board through the work of the Audit Committee receives and reviews regular reports on the compliance controls in place to prevent or detect any non-compliance of the Group with rules and regulations.

The Audit Committee Report on pages 24 to 26 provides further details on the work undertaken.

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 is satisfied that the recovery capability remains appropriate. Furthermore, the Group also looks to ensure that its suppliers of administration and IT services and other back office functions have disaster recovery plans and business continuity plans.

The Board regularly reviews statements on internal controls and procedures and has on an annual basis subjected the Group to an annual internal control audit carried out in accordance with ISAE 3402 – Assurance Reports on Controls at a Service Organisation.

Board of Directors

For the year ended 31 March 2017

Non-executive Chairman and Executive Directors

As at 31 March 2017

Tom Bartlam ●●●

Non-executive Chairman

Appointed to the Board in July 2007 and became Chairman in September 2007.

Tom was a managing director of Intermediate Capital Group plc which he co-founded from 1989 until his retirement in 2005. He is non-executive Chairman of Jupiter UK Growth Trust plc.

Tim Woolley

Chief Executive Officer and Founder

Appointed to the Board in 2002 and Chief Executive from November 2009 to 17 July 2017.

Tim has accepted the Board's invitation to remain as a Non-executive Director.

Tim joined Henderson Global Investor's technology team in 1996 and left with Brian Ashford-Russell to establish Polar Capital in 2001.

John Mansell

Chief Operating Officer and Finance Director

Appointed to the Board in 2002.

Prior to joining Polar Capital he spent 11 years at Lazard Asset Management. John is a fellow of the Institute of Chartered Accountants of England and Wales.

AC – member of Audit Committee

RC – member of Remuneration Committee

NC – member of Nomination Committee

Non-executive Directors

Hugh Aldous AC NC
**Non-executive Director and
Chairman of the Audit
Committee**

Appointed to the Board in 2007.

Hugh was a partner in Grant Thornton UK LLP, formerly a partner in RSM Robson Rhodes from 1976, where he was latterly head of its financial services team. He was a member of the Competition Commission (formerly the Monopolies and Mergers Commission). Hugh is Chairman of SPL Guernsey ICC Ltd, Downing Strategic Micro-Cap Investment Trust plc. and is a non-executive director of Innospec Inc and Elderstreet VCT plc.

Brian Ashford-Russell
**Non-executive Director and
Founder**

Appointed to the Board in 2002.

Brian was head of the technology team at Henderson Global Investors from 1987 until September 2000 and is a co-founder of Polar Capital. He was the appointed fund manager of Polar Capital Technology Trust plc, from launch in 1996 until May 2006. He is a Director of Polar Capital Technology Trust plc.

George Bumeder RC NC
Non-executive Director

Appointed to the Board in 2011.

George is senior vice president of XL Group Investments LLC, a subsidiary of the XL Group Ltd.

Jamie Cayzer-Colvin AC RC NC
Non-executive Director

Appointed to the Board in 2002.

Jamie is a director of Caledonia Investments plc and Chairman of Henderson Smaller Companies Investment Trust plc.

Win Robbins AC RC NC*
Non-executive Director

Appointed to the Board on 22 June 2017

Win is a non-executive Director of City Merchants High Yield Trust Ltd. a Jersey-domiciled, London-listed investment trust, a non-executive member of the Investment Committee of St. James Place Partnership PLC as well as a Trustee Director and Chair of the Investment Committee of NOW:Pensions and an Independent Trustee on the Institute of Cancer Research Pension Fund.

Michael Thomas AC RC NC
Non-executive Director

Appointed to the Board in 2008.

Michael was a director of Martin Currie Limited and investment manager of the Japanese team until his retirement in 2007.

* Win Robbins was appointed to the Audit, Remuneration and Nomination committees on 22 June 2017.

Directors' Report and Corporate Governance Report

The Directors present their report including a report on the corporate governance arrangements and the audited consolidated financial statements of Polar Capital Holdings plc ('the Company') for the year ended 31 March 2017. Matters relating to the future developments of the business and identification of branches are given in the Strategic Report.

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

Directors

Biographies of the Directors who served during the year are set out on pages 16 and 17. With the exception of Win Robbins all the Directors 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 Directors' Remuneration Report on pages 27 to 33.

The Articles of Association require all Directors who held office at the time of the two preceding AGMs and did not retire by rotation at either of them to retire from office by rotation and all new Directors appointed by the Board are required to seek election by shareholders at the next general meeting of the Company following their appointment. In accordance with the Articles of Association Win Robbins stands for election at the AGM as it is her first AGM since her appointment on 22 June 2017 and Michael Thomas retires as a Director and being eligible offers himself for re-election at the AGM.

Dividends

The Directors have declared two interim dividends in respect of the financial year ended 31 March 2017 amounting to 25.0p per share (2016: 25.0p per share). The first interim dividend of 5.5p per share was paid on 13 January 2017 to shareholders on the register on 30 December 2016. The second interim dividend of 19.5p per share will be paid on 21 July 2017 to shareholders on the register on 7 July 2017. The shares will trade ex dividend from 6 July 2017.

Directors' Interests and Conflicts

None of the non-executive Directors except for Brian Ashford-Russell have any interest in any contract with the Group or Company. Brian Ashford-Russell is a non-executive director of Polar Capital Technology Trust plc which has contracted with Polar Capital LLP for the provision of investment management services. Details are provided in Note 4.12.

The Board has approved a policy on the disclosure, approval and management of Directors' conflicts of interest. Under this policy 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 deemed appropriate. The register of conflicts is formally reviewed annually.

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 which might give rise to a conflict or potential conflict with the Company's interests. No Director has declared receipt of any benefits in his capacity as a Director of the Company.

Remuneration Code

Disclosure of the Group's Remuneration Code is made alongside its Pillar 3 disclosure which is available on the Group's website: www.polarcapital.co.uk.

Capital Structure

The capital structure of the Company is detailed in Note 4.9.

Of the 91,422,309 ordinary shares (2016: 91,216,011) in issue at the year-end, 1,878,987 ordinary shares (2016: 1,076,020) are held by the Trustee of the Polar Capital Employee Benefit Trust for the benefit of the Company and employees. The Trustee has elected to waive all dividends in respect of 1,878,987, ordinary shares held by the Trustee and it does not vote any of the ordinary shares held by it.

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. There are no restrictions on the transfer of ordinary shares.

During the year the Company issued 206,298 (2016: 1,929,738) ordinary shares of which nil (2016: 417,088) ordinary shares were in connection with the crystallisation of manager preference shares and 206,298 (2016: 1,512,650) ordinary shares were to cover the exercise of share options.

The Company is subject to the UK City Code on Takeovers and Mergers.

Substantial Shareholdings

As at 26 June 2017, 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 is calculated based on the number of shares shown in the notice divided by 91,462,174, the number of shares in issue as at 26 June 2017:

	Number of ordinary shares shown in notice	% of voting rights held
Hargreave Hale	9,138,329	9.99%
Fianchetto Limited (R Gurner)	8,078,573	8.83%
Caledonia Investments PLC	8,016,640	8.76%
XL Bermuda Ltd	7,000,000	7.65%
B J D Ashford-Russell	5,940,000	6.49%
T J Woolley	5,150,000	5.63%
Artemis Investment Management	4,045,000	4.42%

In all cases except as disclosed below the interest was held directly. The interests of Brian Ashford-Russell are held partly indirectly. There have been no changes notified to the Company since 31 March 2017 and the date of this report.

In addition the Board is aware of the following interests in the ordinary shares of the Company of over 3%:

Blackrock Investment Management	4.86%
Unicorn Asset Management	3.06%

Annual General Meeting ('AGM')

The AGM will be held at 16 Palace Street, London SW1E 5JD at 2.30pm on Wednesday 26 July 2017. Full details of the resolutions and explanations of each resolution are given in the separate notice of meeting sent to shareholders.

Corporate Governance

The Board of Directors recognises the importance of good corporate governance and intends that best practice is adopted and applied in so far as it is appropriate for a company and group of its size and stage of development. As an AIM traded Company the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) does not apply, however the Board intends to comply with the requirements of the Corporate Governance guidelines published by the Quoted Companies Alliance (the 'QCA Guidelines') for AIM companies and with certain of the principal requirements of the UK Corporate Governance Code. This report describes how the Company has applied the principles of good corporate governance throughout the year and steps which are being taken to develop the corporate policies.

Directors' Report and Corporate Governance Report continued

The Board

Composition

With the exception of Win Robbins, who joined the Board on 22 June 2017, the Directors who served during the year are listed on pages 16 and 17 together with their individual biographies.

At the date of this report the Board comprises of two executive Directors, Tim Woolley and John Mansell and seven Non-executive Directors. As previously announced Gavin Rochussen is joining the Company on 17 July 2017 as Chief Executive and will be appointed a Director. Tim Woolley will relinquish his executive duties on that date and continue as a non-executive Director.

In assessing the independence of non-executive Directors at the date of this report, the Board took account of their experience, character and judgment, and their dependence on, or relationships with the Group. In all cases the Board felt the Directors were independent in character and judgment, however the guidance issued on independence by both the QCA and the UK Corporate Governance Code, generally used to assess independence, consider 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 Board has decided that Brian Ashford-Russell should not be considered independent as he previously held an executive position with the Group and that Jamie Cayzer-Colvin and George Bumededer should not be considered to be independent due to the fact that the companies that employ them have sizeable shareholdings and investments in the Group. Tom Bartlam, Hugh Aldous, Win Robbins and Michael Thomas are considered 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 Group.

Tim Woolley will not be considered as an independent director when he assumes a non-executive role.

Role and responsibilities

The Board as a whole is responsible for the Group's objectives and policies and the proper governance of the Company. The Board has a formal agenda of items for consideration at each scheduled meeting but it may also meet at additional times when required.

The Board provides overall strategic direction to the executive management 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; setting the Company's values and standards; and ensuring that the Company's obligations to its shareholders and others are understood and met. The posts of Chairman and Chief Executive are held by different Directors.

The Chairman's primary role is to ensure that the Board and individual Directors are able to operate efficiently by setting the agenda, style and tone of Board discussions to promote constructive debate and effective decision making.

The Chairman carries out a review of the Board and each Director's performance and reports to the Board his findings. The role of the Chairman is appraised by Brian Ashford-Russell and reported to the Board.

Tim Woolley in his capacity as Chief Executive has led the executive management team which met 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 Company other than in relation to those matters specifically reserved to the Board or delegated to its committees.

The role of the non-executive Directors is to challenge constructively, and contribute to, the development of strategy; to scrutinise the performance of 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.

All Directors receive appropriate and timely information to ensure that they are properly briefed in advance of Board 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 Chairman 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.

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

The Board has established guidelines requiring specific matters to be decided by the full Board of Directors, including material acquisitions and disposals, 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.

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.

Only Directors not involved in the conflict or potential conflict participate in the authorisation process. Directors, in deciding whether to authorise a situation, take into account their duty to promote the Company's success. The Board as part of its year-end has considered the register of conflicts, any conditions imposed on such conflicts or potential conflicts and the operation of the notification and authorisation process. They concluded that the process has operated effectively during the period and no changes were required.

Directors' appointment, induction and training

In accordance with the Articles of Association, all new Directors appointed by the Board are required to seek election by shareholders at the next general meeting of the Company following their appointment and subsequently all Directors are required to retire by rotation.

On appointment, new Directors are offered induction and training considered appropriate by the Board and subsequently as necessary.

Details of the Directors retiring at the Annual General Meeting are given in the separate Notice of Meeting.

Internal control

The Board has overall responsibility for the Group's system of internal control including financial operational compliance and risk management controls.

The Group's fund management activity is regulated by the Financial Conduct Authority of the United Kingdom (FCA), the Jersey Financial Services Commission (JFSC) and the Securities Exchange Commission of the USA (SEC) and the Board has adopted procedures and controls designed to ensure its obligations under UK and EU legislation, the FCA Rules and the Financial Services and Markets Act 2000 as well as the SEC Rules and the Investment Advisors Act are met.

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.

The Audit Committee, as part of its role, has reviewed and monitored the effectiveness of the internal controls for the year ended 31 March 2017 and concluded that there was a satisfactory process in place to identify and manage such risks.

Board meetings

The Board meets regularly and as required. There have been seven Board meetings held in the year. All the Directors attended all Board meetings with one exception when Jamie Cayzer-Colvin, who was abroad, and was unable to connect by telephone but conferred with the Chairman shortly afterwards.

Board Committees

The Board has created and delegated certain specific areas of responsibility to a number of standing committees. The Board sees minutes of all committee meetings and the chairman of the committee reports to the Board on any significant matters. The Board also receives copies of all minutes from subsidiary companies for information.

Allotment Committee

This committee which is comprised of any two Directors was created to allot and issue shares arising from the exercise of Board approved share awards or shares arising from previously Board approved crystallisations of fund manager preference share arrangements.

Directors' Report and Corporate Governance Report continued

Board Committees continued

Audit Committee

The Audit Committee formally meets at least three times a year. The Committee is chaired by Hugh Aldous and the other members are Tom Bartlam, Jamie Cayzer-Colvin and Michael Thomas. Only Committee members are entitled to attend meetings, however the Chief Executive, the Finance Director and Chief Operating Officer, other Directors, the Head of Compliance and the Chief Risk Officer and may be invited to attend for all or part of the meetings. The external auditor of the Company will attend the meetings on a regular basis and will have unrestricted access to the Committee and its Chairman.

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, risk management, financial control and internal controls by reviewing and monitoring risk and internal controls throughout the business.

The Audit Committee also considers and reports on the financial statements, going concern and is responsible for the appointment, replacement and work of the auditor. The Audit Committee Report on pages 24 to 26 describes how the Committee has discharged its duties.

Nomination Committee

The Nomination Committee is chaired by Tom Bartlam and the other members are Hugh Aldous, Jamie Cayzer-Colvin, Michael Thomas and George Bumeder. The Committee is responsible for all aspects of the appointment of Directors, succession planning and appointments to the Board, consideration and recommending the reappointment of retiring Directors of the Company together with evaluation of Directors' performance and effectiveness.

The Nomination Committee met twice to consider management succession and oversee the selection of Gavin Rochussen and Win Robbins as Directors.

Remuneration Committee

The Remuneration Committee is chaired by Michael Thomas and other members of the Committee are Jamie Cayzer-Colvin, Tom Bartlam and George Bumeder. The Committee has general oversight of all remuneration arrangements for executive Directors and senior managers and it considers all material elements of remuneration policy, remuneration and incentives with reference to independent remuneration research and professional advice. Recommendations are made to the Board on the framework for executive remuneration including the design and implementation of equity based incentive schemes.

The Remuneration Committee met twice to consider the remuneration for Gavin Rochussen, as well as bonus, salary, share option awards and deferment arrangements for staff and the remuneration arrangements for the Executive Directors.

Information on the Directors' Remuneration is provided on pages 27 to 33.

Relations with Shareholders

The Company welcomes dialogue with institutional shareholders in order to achieve a mutual understanding of objectives. The Chief Executive and the Finance Director seek meetings with larger institutional shareholders and private client stockbrokers after the announcement of year end and half year results. The AGM also provides a forum for investors to meet the Directors, both formally and informally. The Chairmen of the Board's Committees will usually be available to answer questions at the AGM of the Company.

The Group's website (www.polarcapital.co.uk) contains regularly updated information regarding the Group's funds, and is where all announcements and shareholder reports are published.

Corporate Social Responsibility

The Board recognises that it should take account of the needs of society and the environment and maintain high ethical standards. It takes collective responsibility for Corporate Social Responsibility ('CSR') policy and has focused on: staff welfare; respecting the environment; and treating customers fairly. The extent to which individual principles have been formalised is appropriate to the size of the organisation and these are documented in both the staff handbook and the compliance manual. *Appropriate steps have been taken in relation to the anti bribery act and modern slavery act and a statement is available on the Company's website.* The Company also has a whistleblowing policy and has appointed Mr Aldous as a whistleblower's champion.

Staff welfare and gender diversity

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 working conditions are of a high standard and has in place good and effective management and staff communications, with the ability for staff to engage in decisions. The Group also encourages participation in the success of the business through share options and has a range of benefits to support staff, including ill health protection and life cover. The Group is committed to equal opportunities and diversity in staff selection and opportunities for promotion, with appropriate consideration being given to applications for employment from disabled persons.

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

The environment

The Group has implemented processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within its place of business.

Approved by the Board on 26 June 2017

By order of the Board

Neil Taylor

Company Secretary

Audit Committee Report

The constitution and composition of the Audit Committee is given below. There have been no changes over the financial year to 31 March 2017.

The Committee is chaired by Mr Aldous and comprises, Mr Cayzer-Colvin and Mr Thomas. Mr Bartlam is also a member of the Committee in his role as Chairman of the Board not only due to his experience but also to enable him to be kept fully informed of any issues as they arise. The Board is satisfied that the Committee has sufficient recent and relevant financial experience in the sector in which the company operates to discharge its function effectively. The experience of the members of the Committee can be assessed from the Director's biographies set out on pages 16 and 17.

During the year the Committee met three times, with all members attending each meeting, and considered the following issues:

- the appropriateness and any changes to the accounting policies of the Group including any judgements required by such policies and the reasonableness of such;
- the scope of the annual audit and agreement with the external auditor of the key areas of focus;
- the reports from the external auditor concerning their audit of the annual financial statements of the Group;
- the report from the external auditor concerning their review of the description and suitability of the Group's internal controls in accordance with ISAE 3402;
- the financial disclosures contained in the annual and interim reports to shareholders;
- reports from management and the auditor on the effectiveness of the Group's system of internal financial control including the Risk Map and ICAAP requirements;
- the independence and objectivity of the external auditor and the level and nature of non-audit services provided by them;
- the performance of the external auditor and the level of fees charged for their services;
- the policy for non-audit services which may be provided by the auditor; and
- a presentation from the executive management on the ability of the Group to continue operations for the foreseeable future and allow the Board to form an opinion on Going Concern.

Efficacy of Audit Process

The Committee monitored and evaluated the effectiveness of the auditor and any changes in the terms of their appointment based on an assessment of their performance, qualification, knowledge, expertise and resources. Audit independence was also considered along with other factors such as audit planning and accounting standards interpretations. This evaluation has been carried out throughout the year by meetings held with the auditor, review of the audit process and comments from management and others involved in the audit process.

The auditor is provided with an opportunity to address the Committee without the executive management present to raise any concerns or discuss any matters relating to the audit work and the cooperation of the management in providing any information and the quality of that information including the timeliness in responding to audit requests.

Consideration of the Annual Report and Financial Statements

The Committee performed its role through monitoring the integrity of the financial statements of the Group 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 auditor reported on the results of the audit work to the Committee and highlighted any issue which the audit work had discovered or the Committee had previously identified as significant or material in context of the financial statements.

Consideration of the Semi-annual Report and Financial Statements

The Committee considered and reviewed the semi-annual report and financial statements which were not audited or reviewed by the external auditor to ensure consistency with the accounting policies used in the annual financial statements.

Non-audit Work

During the year the Committee established a policy for non-audit services supplied by the Group's auditor. The policy 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 will be required to consider and pre-approve any non-audit services before the external auditor is engaged.

The Committee has discussed the specific non-audit activities provided by the auditor to ensure that none of these services would put the auditor in the position of auditing their own work. The Committee has also carried out a review of the non-audit services to satisfy itself that these are provided within the policy and have been delivered in an efficient and cost effective way. The Audit Committee believes the objectivity and independence of the auditor is maintained, notwithstanding that non-audit work may be undertaken.

Overview of Risk

The Committee has responsibility to assist the Board in maintaining an effective internal control environment and to that end examines and receives reports on the Group's regulatory capital adequacy requirements, compliance, and control procedures and systems for managing risks arising from the operation of the business, its financial position or the regulatory environment which governs it.

Risk is managed throughout the business and the Group has established a Risk Map which seeks to identify, quantify, measure and mitigate as far as possible those risks through a Risk Monitoring Programme ('RMP').

The Chief Compliance Officer ('CCO') manages the overall RMP and risk maps of all business areas. The RMP sets the framework under which risks are managed and controlled in adherence with the risk strategy outlined by the Board. To capture all risks to the Group, four business areas (Fund Management, Sales & Marketing, Overseas Offices and Infrastructure) are assessed against eight macro control objectives. The CCO reports the outcome of the RMP to the Group's Audit Committee as part of the ICAAP.

The Chief Risk Officer monitors risk and chairs the Internal Investment Risk Committee which sits on a monthly basis to review individual fund and group level risks and ensures that fund managers do not exceed the risk and investment parameters.

The Chief Operating Officer ('COO') has responsibility for operational risk. Risks are identified, assessed and monitored. The COO chairs the Operational Risk Committee which sits on a monthly basis.

Appointment of Auditor and Tenure

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the auditor.

Ernst & Young LLP have provided audit services to the Group from 2002 and these have continued through the period from its initial public offering in February 2007 to date. The Committee has considered the need for the rotation of the audit firm and is satisfied with the performance of the auditor and does not consider it necessary to put the external audit out to tender.

There are no contractual obligations restricting the choice of external auditor.

The Committee having considered the above factors consider it appropriate to recommend to the Board and shareholders that Ernst & Young LLP be reappointed as auditor at the AGM.

Ernst & Young LLP have agreed to offer themselves for reappointment as auditor of the Group in accordance with section 487(2) of the Companies Act 2006 and a resolution requesting approval of their reappointment and to authorise the Directors to determine their remuneration will be presented at the AGM.

Audit Committee Report continued

Significant Issues in Relation to the Financial Statements

The Committee held discussions with Group management and the auditor with regards to:

- the significant judgments and estimation uncertainties described in Note 2.4.

Following these discussions and its review of the treatments applied and associated financial statement disclosures, the Committee was satisfied that these matters had been appropriately addressed.

Conclusions in Respect of the Annual Report and Financial Statements

The production and the audit of the Group's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report is fair, balanced and understandable, the Board has requested that the Committee advise on whether it considers these criteria satisfied. In so doing the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report, including the verification processes in place to deal with the factual content;
- the extensive levels of review are undertaken in the production process, by the management and the Committee; and
- a clean ISAE 3402 report confirming the effectiveness of internal control.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 March 2017, 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.

Hugh Aldous

Chairman of Audit Committee

26 June 2017

Remuneration Committee Report

The constitution and composition of the Remuneration Committee is given on page 22.

The Company is not subject to the large and Medium Sized Companies and Group (Accounts and Reports) (amendment) Regulations 2013 as it is not a company which is listed on a regulated market. Although the Company does not have to prepare a Policy Report or Implementation 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. The Board has also decided to submit this report for shareholders approval at the AGM as a mechanism for shareholders to indicate their views on these arrangements. The Company will engage with shareholders if there is significant dissent shown over the remuneration paid.

I am pleased to take this opportunity to summarise the Company's remuneration strategy and the way it has been implemented during year under review.

Remuneration Committee Activities During the Year

The Remuneration Committee met twice over the past year and discussed the following:

- consideration of the package for the new CEO, Gavin Rochussen;
- a review of executive remuneration and, consistent with good practice, has implemented a more performance-based reward system in which the new CEO will participate;
- the remuneration of the Executive Directors of the Group, including bonuses for the year;
- recommendations from the executive management for remuneration packages for existing and new fund managers
- recommended salary levels for 2017 and bonus payments for 2016/17 across the Group; and
- the requirements for deferral and the method to be used.

Remuneration Payable for the Year Under Review

When setting Executive Director remuneration the Committee considers a range of factors including strategic goals, the Group's overall success as well as personal performance. Despite the challenging market conditions, the year saw good progress against strategic objectives including the hiring of the UK Value Opportunities team and the successful launch of their first fund, a continuing pipeline of recruitment activity and a strong overall financial position for the Group. These factors are reflected in the Executive Director remuneration for the year ended 31 March 2017 as set out in the Remuneration Implementation Report.

Implementation of the Group Deferred Remuneration Plan

During the year the Group implemented its 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 three year vesting period. The introduction of the DRP will ensure variable compensation is better linked to long-term performance and bring the Group closer to impending regulatory requirements around deferral arrangements.

Appointment of new Chief Executive and Review of Executive Remuneration

As announced in January 2017, Gavin Rochussen will be joining Polar as Chief Executive in July 2017. Gavin brings a wealth of experience to the team and will be fundamental to achieving the ambitious growth plans of the business. His starting annual base salary has been set at £350,000. On appointment, Gavin will be awarded a deferred interest in three million pounds value of ordinary shares in Polar Capital Holdings plc.

The Remuneration Committee also carried out a review of executive remuneration and, consistent with good practice, has implemented a more performance-based reward system in which the new CEO will participate. The incentive plan will ensure there is greater alignment between executive pay and Company performance. Under the plan and consistent with typical practice in the asset management industry, the variable remuneration for the CEO and other Executive Directors will be based on a share of an executive variable pay pool, with the pool determined as a specified proportion of the Group's pre-tax and pre-executive variable pay profits.

Remuneration Committee Report continued

This executive variable pay pool will be used to deliver both annual bonuses and performance-based long-term incentives.

- Up to 200% of salary will be put towards an annual bonus. The actual amount payable will be based on performance against criteria and targets that are designed and agreed by the Remuneration Committee at the start of each year, with a portion of the bonus being delivered in shares which vest over 3 years and are subject to forfeiture provisions.
- The remaining balance (less 200% of salary put towards the annual bonus) will be delivered in the form of performance shares (face value of award and structured as nil cost options) which will vest depending on performance over a three-year performance period. Vested awards will vest in equal tranches over 3, 4 and 5 years.

It is expected that Gavin Rochussen's first share award under this arrangement will be granted in July 2018 and will be subject to an Adjusted EPS growth measure, with demanding EPS hurdles requiring a minimum growth in EPS of 15%p.a. and full vesting set at 25%p.a. or higher. The Committee believes that this represents a very demanding target and therefore provides strong alignment with the interests of shareholders, reflecting the Company's desire to grow the business over the medium-term.

This review has coincided with the expiry of the existing Equity Incentive Plan (EIP). A new Executive Incentive Plan was approved by the Board in December 2016 which renewed the share option plan as well as providing for a Long-Term Incentive Plan (LTIP). The LTIP will facilitate the implementation of the above structure and includes recovery and withholding provisions.

Approach to Remuneration in 2017/18

- The general salary increase across the group will be 4% to take effect from 1 April 2017. Salaries for the Executive Directors remain unchanged.
- An award of share options to selected staff will be made at market price.
- The all-employee Save As You Earn scheme will continue with an invitation to all employees in 2017, the scheme having been renewed at last year's AGM.

The Committee believes that the remuneration approach will both support and motivate our senior team whilst aligning them both to the Company's strategic objectives and to achieving long-term growth for our shareholders.

Michael Thomas

Chairman of Remuneration Committee

26 June 2017

Directors' Remuneration Policy Summary

The overall aim of our remuneration strategy is to provide appropriate incentives that reflect the Group's high performance culture and values. In summary, we aim to:

- attract, retain and motivate high calibre, high performing 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 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 Company's remuneration policy:

Element	Purpose and link to strategy	Operation
Base salary	To attract and retain executives of a suitable calibre for the duties required by being market competitive.	Reviewed annually by the Committee, 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: <ul style="list-style-type: none"> • Private medical cover • Life Insurance • 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.
Variable Pay		
Annual bonus	To drive and reward performance against annual objectives which are consistent with the strategy and aligns to shareholder interests.	An executive variable pay pool is formed based on 12% of the pre-tax and executive variable compensation profits. The Committee determines an individual's allocation of the variable compensation pool. Of this allocation, up to 200% of salary may be earned as annual bonus. The actual bonus paid is dependent on the overall success of the Company (financial and non-financial) and personal contribution. No less than 60% of the bonus amount is delivered in the form of a deferred bonus award. Awards under the deferred bonus award take the form of shares or nil cost options over Polar Capital Holdings plc shares.
Long-term incentives ('LTIP')	To encourage and reward delivery of the Company's long-term strategic objectives and provide alignment with shareholders.	The remaining balance of an individual's share of the variable pay pool (less the potential to earn 200% of salary in annual bonus) will be granted in the form of LTIP awards. The LTIP awards are structured as nil cost options and will vest subject to performance and continued employment. Vesting of LTIP awards is determined by reference to performance assessed over a period of at least three years, typically based on EPS growth targets. Prior to each grant, the Committee may determine that alternative measures apply as long as they are aligned with the company's strategic objectives and long-term shareholder value.

Remuneration Committee Report continued

Element	Purpose and link to strategy	Operation
Deferred Remuneration Plan (DRP)	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.	<p>All Group employees, including Executive Directors, eligible for a bonus over a certain level, as determined by the Remuneration Committee, are required to participate in the DRP. The plan provides for compulsory deferral of a proportion of bonus over a 3 year deferral period. Deferrals can be made either into shares in the Company, units in the Group's funds or left as cash.</p> <p>The Remuneration Committee has discretion to increase the extent to which variable compensation is deferred, if required to satisfy future regulatory requirements.</p>
Non-Executive Director fees		
Fee paid in cash	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	<p>The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee assessed on their contribution, links to substantial investors and level of responsibilities.</p> <p>The level of these fees is reviewed periodically by the Committee and Chief Executive for the Chairman and by the Chairman and Executive Directors for the Non-Executive Directors, with reference to market levels and a recommendation is then made to the Board.</p> <p>The Committee in reviewing these fees considers the extra work undertaken by the Chairmen of the Board Committees and may pay an additional fee to reflect these responsibilities if felt appropriate.</p>

Service Contracts & Payments for Loss of Office

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

Service contracts normally continue until the 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.

A 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 and their expected time commitment. It is the Company's policy that Non-Executive Directors should be appointed for an initial period of three years (from the next general meeting following their initial appointment in the case of new Non-Executive Directors) and that they may be re-appointed for further terms of three years each. Re-appointment at the end of such periods should not be considered automatic and each Director's contribution will be carefully assessed. The letters of appointment provide for termination of the Director's appointment under certain circumstances and in all cases without any compensation.

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.

Remuneration Implementation Report

The table below sets out the remuneration received by the Directors for the financial year ended 31 March 2017 and for comparison amounts received in the financial year ended 31 March 2016.

	Salary & fees		Bonus		Taxable benefits		Pension/ payment in lieu of pension		Total remuneration	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Executive Directors										
T J Woolley	350	350	175	200	1	1	35	28	561	579
J B Mansell	250	250	150	175	3	3	25	25	428	453
Non-Executive Directors										
T H Bartlam	80	80	-	-	-	-	-	-	80	80
H G C Aldous	40	40	-	-	-	-	-	-	40	40
B J D Ashford-Russell	55	55	-	-	3	3	-	-	58	58
J M B Cayzer-Colvin*	20	20	-	-	-	-	-	-	20	20
G Bumeder*	20	20	-	-	-	-	-	-	20	20
M Thomas	40	40	-	-	-	-	-	-	40	40
Total	855	855	325	375	7	7	60	53	1,247	1,290

* Under the terms of their appointment the Director's fees may be paid to their principal employers if so elected or to their designee. The fee for Jamie Cayzer-Colvin was paid to Caledonia Investments plc and the fee for George Bumeder was paid to XL Group Ltd.

Remuneration Committee Report continued

Share Options Vested in the Financial Year Ended 31 March 2017

No further share options issued to Executive Directors vested in the financial year ended 31 March 2017.

Payments to Past Directors

During the year to 31 March 2017, no payments were made to any past Directors.

Annual Bonus for the Year Ended 31 March 2017

Annual bonuses to the Executive Directors for the year ended 31 March 2017 reflect the lower earnings during that period but also successes in other parts of the business.

Mr Woolley received a bonus of £175,000 in respect of the financial year ended 31 March 2017.

Mr Mansell received a bonus of £150,000 in respect of the financial year ended 31 March 2017.

LTIP Awards Granted During the Year

Neither Mr Woolley nor Mr Mansell have been granted a share option in the year ended 31 March 2017.

Directors' Interests in the Shares and Options of the Company

Options to acquire ordinary shares held by the Directors and changes there to during the year ended 31 March 2017 and up to 26 June 2017 are described below.

	EIP awards Grant date	At 1 April 2016	Granted in the year	Exercised in the year	Lapsed in the year	At 31 March 2017	Earliest exercise date	Latest exercise date	Market value of shares at grant price (£)	Exercise price (£)
T J Woolley	20/12/2010	1,000,000	–	–	–	1,000,000	31/03/2014	20/12/2020	145.0p	145.0p
	27/06/2011	600,000	–	–	–	600,000	27/06/2015	27/06/2021	191.7p	191.7p
	04/07/2013	500,000	–	–	–	500,000	04/07/2017	04/07/2023	388.0p	388.0p
Total		2,100,000				2,100,000				
J B Mansell	22/01/2010	500,000	–	–	–	500,000	31/03/2014	31/03/2020	91.5p	91.5p
	26/07/2011	350,000	–	–	–	350,000	26/07/2015	26/07/2021	197.5p	197.5p
	04/07/2013	350,000	–	–	–	350,000	04/07/2017	04/07/2023	388.0p	388.0p
Total		1,200,000	–	–	–	1,200,000				

Conditions of Option awards

The options granted to Tim Woolley and John Mansell are subject to the requirement that in order to exercise the option the option holder must be employed by, or be an officer of, the Company on the relevant vesting date subject to certain defined 'good leaver' situations. The options have been issued in accordance with the rules of the Polar Capital Equity Incentive Plan, by the use of the provisions relating to 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.

No other Directors held share options during the year ended 31 March 2017 (2016: nil).

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

	31 March 2017	31 March 2016
T H Bartlam	50,000	50,000
H G C Aldous	60,000	40,000
B J D Ashford-Russell		
beneficial	5,690,000	6,350,000
non beneficial	250,000	250,000
J M B Cayzer-Colvin	4,250	4,250
J B Mansell		
beneficial	1,712,000	1,712,000
non beneficial	160,000	160,000
G Bumeder	–	–
M Thomas	4,000	4,000
T J Woolley	5,500,000	5,500,000

There have been no changes in the interests of the Directors who were in office at 31 March 2017 in the shares of the Company between 31 March 2017 and 26 June 2017. Win Robbins did not own any shares at the date of her appointment on 22 June 2017.

Share Prices Over the Financial Year

The shares have traded at prices between 270p (17 June 2016) and 390p (20 January 2017) per share. The share price on 31 March 2017 was 349.25p per share.

External Advisors

The Committee has access to the advice of independent remuneration consultants when required. During the year the Committee received advice from New Bridge Street ('NBS'). NBS is wholly owned by Aon plc. NBS is a signatory to the Remuneration Consultants' Code of Conduct and has no other connection with the Company. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

Statement of Directors' Responsibilities in Relation to the Group's Financial Statements

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union and for preparing the parent company financial statements in accordance with Financial Reporting Standard 102 (FRS 102).

The Directors are required to prepare financial statements for each financial year which present a true and fair view of the financial position of the Group and parent company and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS and FRS 102 respectively is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance; and
- state that the Group and parent company have complied with IFRS and FRS 102, respectively, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditor

Each of the Directors at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Group's auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he is obliged to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of the information.

Going Concern

The Board with guidance from the Audit Committee has made an assessment of the Group's position as at 31 March 2017 and the factors impacting the forthcoming year are set out in the Strategic Report and in the Directors' Report which incorporates the corporate governance statements.

The financial position of the Group, its cash flows, and its liquidity position are described in the Financial Review on pages 10 to 13. Note 4.3 to the financial statements include the Group's policies and process for managing its capital; its financial risk management objectives; details of financial instruments; and hedging activities. Exposure to credit risk and liquidity risk are also disclosed.

The Group has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future despite the continued uncertain economic outlook. Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

For and on behalf of the Board

Tom Bartlam

Chairman

26 June 2017

Independent Auditor's Report to the Members of Polar Capital Holdings plc

For the year ended 31 March 2017

We have audited the financial statements of Polar Capital Holdings plc for the year ended 31 March 2017 which comprise the Consolidated Statement of Profit and Loss, Consolidated Statement of Other Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement, and the related notes 1 to 5. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and *International Standards on Auditing (UK and Ireland)*. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent Company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom General Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Polar Capital Holdings plc continued

For the year ended 31 March 2017

Matters on Which we are Required to Report by Exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Amarjit Singh (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

26 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Note	31 March 2017 £'000	Restated* 31 March 2016 £'000
Revenue	3.1	73,766	84,182
Other income	3.3	1,505	309
Gross income		75,271	84,491
Commissions and fees payable		(5,578)	(7,630)
Net income		69,693	76,861
Operating costs before share-based payments		(45,161)	(49,944)
Profit before share-based payments and tax		24,532	26,917
Share-based payments	3.6	(4,095)	(3,290)
Profit for the year before tax	3.4	20,437	23,627
Taxation	3.7	(4,394)	(5,423)
Profit for the year attributable to ordinary shareholders		16,043	18,204
Earnings per share			
Basic	3.8	17.8p	20.5p
Diluted	3.8	17.0p	19.5p
Adjusted basic (Non-GAAP measure)	3.8	21.4p	23.2p
Adjusted diluted (Non-GAAP measure)	3.8	20.4p	22.0p

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2017

	Note	31 March 2017 £'000	Restated* 31 March 2016 £'000
Profit for the year attributable to ordinary shareholders		16,043	18,204
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Reclassification of losses on available for sale financial assets		–	–
Deferred tax effect	4.2	–	2
		–	2
Net movement on cash flow hedges	3.3	(47)	360
Deferred tax effect	4.2	18	(169)
		(29)	191
Exchange differences on translation of foreign operations		795	609
Other comprehensive income for the year		766	802
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders		16,809	19,006

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

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

The Notes on pages 41 to 64 form part of these financial statements.

Consolidated Balance Sheet

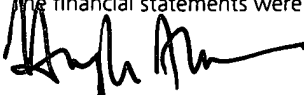
As at 31 March 2017

	Note	31 March 2017 £'000	Restated* 31 March 2016 £'000	Restated* 1 April 2015 £'000
Non-current assets				
Property and equipment	4.1	2,402	2,862	2,007
Deferred tax assets	4.2	3,478	3,654	5,136
		5,880	6,516	7,143
Current assets				
Investment securities	4.3	14,429	10,065	8,211
Assets at fair value through profit or loss	4.3	9,623	33,293	38,075
Assets held for sale	4.3	–	–	6,643
Trade and other receivables	4.5	10,107	8,025	9,367
Cash and cash equivalents	4.6	58,539	48,862	41,614
		92,698	100,245	103,910
Total assets		98,578	106,761	111,053
Non-current liabilities				
Provisions and other liabilities	4.7	2,169	2,132	18
Deferred tax liabilities	4.2	539	124	102
		2,708	2,256	120
Current liabilities				
Liabilities at fair value through profit or loss	4.3	2,170	3,249	1,379
Trade and other payables	4.8	19,741	21,259	26,276
Other financial liabilities	4.3	1,350	2,966	5,357
Current tax liabilities		1,869	1,330	2,580
		25,130	28,804	35,592
Total liabilities		27,838	31,060	35,712
Net assets		70,740	75,701	75,341
Capital and reserves				
Issued share capital	4.9	2,286	2,280	2,232
Share premium	4.9	18,631	18,509	16,715
Investment in own shares	4.9	(3,747)	(746)	(831)
Capital and other reserves	4.9	7,840	6,919	6,630
Retained earnings	4.9	45,730	48,739	50,595
Total equity – attributable to ordinary shareholders		70,740	75,701	75,341

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

The Notes on pages 41 to 64 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2017.


Hugh Adous
 Chairman of the Audit Committee


John Mansell
 Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	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 2015		2,232	16,715	(962)	133	6,532	50,581	75,231
Prior period restatement	2.8	-	-	131	-	(582)	561	110
Prior period restatement	5.2	-	-	-	562	-	(562)	-
As at 1 April 2015 (restated*)		2,232	16,715	(831)	695	5,950	50,580	75,341
Profit for the year		-	-	-	-	-	18,204	18,204
Other comprehensive income		-	-	-	-	802	-	802
Total comprehensive income		-	-	-	-	802	18,204	19,006
Dividends paid to shareholders	4.10	-	-	-	-	-	(22,073)	(22,073)
Dividends paid to third-party interests		-	-	-	-	-	(3)	(3)
Issue of shares	4.9	38	1,794	84	-	-	(1,825)	91
Issue of share capital against preference shares		10	-	-	-	-	(10)	-
Share-based payment	3.6	-	-	-	-	-	3,290	3,290
Current tax in respect of employee share options		-	-	-	-	1,182	-	1,182
Deferred tax in respect of employee share options		-	-	-	-	(1,137)	-	(1,137)
As at 1 April 2016 (restated*)		2,280	18,509	(747)	695	6,797	48,163	75,697
Profit for the year		-	-	-	-	-	16,043	16,043
Other comprehensive income		-	-	-	-	766	-	766
Total comprehensive income		-	-	-	-	766	16,043	16,809
Dividends paid to shareholders	4.10	-	-	-	-	-	(22,549)	(22,549)
Dividends paid to third-party interests		-	-	-	-	-	(22)	(22)
Issue of shares	4.9	6	122	-	-	-	-	128
Shares acquired by EBT		-	-	(3,000)	-	-	-	(3,000)
Share-based payment	3.6	-	-	-	-	-	4,095	4,095
Current tax in respect of employee share options		-	-	-	-	47	-	47
Deferred tax in respect of employee share options		-	-	-	-	(465)	-	(465)
As at 31 March 2017		2,286	18,631	(3,747)	695	7,145	45,730	70,740

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

The Notes on pages 41 to 64 form part of these financial statements.

Overview

Strategic Report

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Consolidated Cash Flow Statement

For the year ended 31 March 2017

	Notes	31 March 2017 £'000	Restated* 31 March 2016 £'000
Cash flows generated from operating activities			
Cash generated from operations	4.6	13,437	24,790
Tax paid		(3,662)	(5,298)
Net cash inflow generated from operating activities		9,775	19,492
Investing activities			
Interest received		28	45
Sale of investment securities		9,160	3,641
Purchase of investment securities		(11,479)	(5,846)
Sale of assets at fair value through profit or loss		29,575	10,653
Purchase of assets at fair value through profit or loss		(28)	(178)
Purchase of property and equipment	4.1	(41)	(373)
Net cash inflow generated from investing activities		27,215	7,942
Financing activities			
Dividends paid to shareholders	4.10	(22,549)	(22,073)
Issue of share capital		124	–
Purchase of own shares		(3,000)	–
Receipts in relation to own shares		–	84
Third-party subscriptions into consolidated funds		908	10,887
Third-party redemptions from consolidated funds		(2,502)	(8,824)
Dividends paid to third-party interests		(22)	(3)
Net cash outflow from financing activities		(27,041)	(19,929)
Net increase in cash and cash equivalents		9,949	7,505
Cash and cash equivalents at start of the year		48,862	41,614
Effect of exchange rate changes on cash and cash equivalents		(272)	(257)
Cash and cash equivalents at end of the year	4.6	58,539	48,862

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 2.8.

The Notes on pages 41 to 64 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

The notes to the consolidated financial statements of Polar Capital Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 March 2017 have been set out in sections to improve their structuring and cross referencing to the primary financial statements. Accounting policies are contained and highlighted within each relevant note.

Section 1: Corporate and Group Information

This section provides general information about Polar Capital Holdings plc and its subsidiaries.

1.1. Corporate information

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

1.2. Group information

The consolidated financial statements of the Group include the operating subsidiaries listed below. All operating subsidiaries, other than Polar Capital Partners Limited, were indirectly held. All operating subsidiaries are wholly owned, except for Polar Capital LLP in which Polar Capital Partners Limited has contributed 99.5% of the capital.

Name	Country of incorporation	Registered office	Principal activities
Polar Capital Partners Limited	UK	16 Palace Street, London	Services company
Polar Capital Secretarial Services Limited	UK	16 Palace Street, London	Dormant
Polar Capital Partners (Jersey) Limited	Jersey	12 Castle Street, St Helier, Jersey	Investment management
Polar Capital (America) Corporation	USA	2711 Centreville Road, Wilmington, USA	Investment advisory
Polar Capital Limited Liability Partnership	UK	16 Palace Street, London	Investment management

The consolidated financial statements of the Group also include the following seed capital investments which were judged to be subsidiaries of the Group as at 31 March 2017:

Name	Country of incorporation	Registered office	Principal activities	Percentage of ordinary shares held
Polar Capital European Income Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin	UCITS sub-fund	79%
Polar Capital International Alpha Fund	Ireland	4 Georges Court, 54–62 Townsend Street, Dublin	UCITS sub-fund	100%

Section 2: Basis of Preparation and Other Significant 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 other 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 International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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 2017. 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.

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 Group concludes that it acts as an agent when the power it has over the fund 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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.

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 in 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 profit or loss. The fair value of investments in associates is determined by reference to the quoted price or net asset value of the underlying investments 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.

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 assumptions and estimates are significant to the Group's consolidated financial statements are set out in the following notes:

- Share-based payments (Note 3.6);
- Deferred tax (Note 4.2); and
- Consolidation of seed capital investments (Note 2.2).

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. All 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. New standards and amendments not yet effective

The following new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2018 or later periods, but the Group has decided not to early adopt them:

Standards issued but not yet effective	Summary	Effective for period beginning on or after
IFRS 9 Financial Instruments: Classification and Measurement	IFRS 9 introduces revised measurement and classification criteria for financial assets and liabilities.	1 January 2018
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers and provides a more structured approach to measuring and recognising revenue.	1 January 2018
IFRS 16 Leases	IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019

The Group does not expect that the adoption of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The Group is currently assessing the impact of IFRS 16 on its financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

2.8. Restatement of comparatives

(a) During the year the Group ceased to classify its seed capital investment in the European Income fund as held for sale as the criteria for such recognition were no longer met. The Group has determined that it controls the fund under IFRS 10 and it is deemed to be a subsidiary of the Group. As a result, the comparatives have been amended retrospectively as though the fund had never qualified as held for sale, as required by IFRS 5, and the Group had consolidated the fund on a line by line basis from the date of initial investment.

(b) During the year the group has determined that it controls the Group Employee Benefit Trust (EBT) and it is deemed to be a subsidiary. As a result, the consolidated financial statements have been restated at 1 April 2015 to reflect cash held by the EBT of £114,000, expenses of £19,000 and a corresponding credit to reserves of £132,000.

The restatements have been made to each of the affected financial statement line items for prior periods, as follows:

Impact on equity (increase/ (decrease) in equity):

	31 March 2016	1 April 2015
	£'000	£'000
Investment securities	10,065	8,211
Assets held for sale	(6,835)	(6,967)
Trade and other receivables	41	33
Cash	100	229
Financial liabilities at fair value through profit or loss	(3,249)	(1,379)
Accruals	(22)	(17)
Net impact on equity	100	110

Impact on consolidated statement of profit or loss (increase/ (decrease) in profit):

	31 March 2016
	£'000
Revenue	(70)
Other income	(481)
Operating costs before share-based payments	(65)
Net impact on profit or loss	(616)
Attributable to:	
Equity holders of the parent	(616)
Third-party interests	–

Impact on consolidated statement of other comprehensive income (increase/ (decrease) in other comprehensive income):

	31 March 2016	1 April 2015
	£'000	£'000
Exchange differences on translation of foreign operations	605	581

Impact on earnings per share (EPS) (increase/(decrease) in EPS):

	31 March 2016
	pence
Basic EPS	(0.7)p
Adjusted basic EPS (Non-GAAP measure)	(1.7)p
Diluted EPS	(0.6)p
Adjusted diluted EPS (Non-GAAP measure)	(1.6)p

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 statement of profit or loss and statement of comprehensive income, including the relevant accounting policies.

3.1. Revenue

Revenue recognition

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management services.

Management fees are based on a percentage of assets under management as set out in the relevant investment management agreements. The fees are recognised in the period in which the service is provided and it is probable that the fee will be received.

Performance fees are based on a percentage of investment performance achieved relative to predefined benchmarks as set out in the relevant investment management agreements. The fees are recognised at the end of the period over which the performance is measured, when a reliable estimate of the fee can be made and it is almost certain that the fee will be received.

Interest receivable and similar income

Interest receivable is recognised on an accruals basis using the effective interest method.

Commissions and fees payable

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

	31 March 2017	Restated 31 March 2016
	£'000	£'000
Investment management fees	73,471	77,916
Investment performance fees	2,718	7,206
Loss on forward currency contracts	(2,423)	(940)
	73,766	84,182

Net gains and losses on forward currency contracts used to hedge management fees derived from non-Sterling based AUM (see Note 4.3 (b) and (c)) are included within revenue. This presentation better reflects the substance of these transactions and provides more relevant information about the Group's revenue.

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, with small offices in Tokyo, Jersey, Connecticut and Geneva that do not generate any revenue.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

Geographical analysis of revenue (based on the residency of source)

	31 March 2017 £'000	Restated 31 March 2016 £'000
UK	13,238	11,213
Ireland	54,922	64,410
Cayman	5,316	7,628
Europe	2,713	1,871
Loss on forward currency contracts	(2,423)	(940)
	73,766	84,182

3.3. Components of Other income and Other Comprehensive Income

(a) Components of other income

	31 March 2017 £'000	Restated 31 March 2016 £'000
Interest income on cash and cash equivalents	28	45
Net (loss)/ gain on other financial liabilities – short positions and futures	(3,191)	2,694
Net loss on forward currency contracts	(2,439)	(863)
Net gain/(loss) on financial assets at FVTPL – seed investments	5,878	(953)
Net gain/(loss) on investment securities	1,471	(899)
Other (losses)/gains – attributed to third-party holdings	(242)	285
	1,505	309

(b) Components of other comprehensive income

	31 March 2017 £'000	31 March 2016 £'000
Cash flow hedges – Forward currency contracts:		
Losses arising during the year	(2,471)	(580)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	2,424	940
	(47)	360

No ineffective gains or losses arose on cash flow hedges during the year.

3.4. Profit before taxation

(a) Profit before taxation is stated after charging the following significant costs:

Operating leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Amounts payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the lease term.

	31 March 2017 £'000	31 March 2016 £'000
Staff costs including partnership profit allocations (Note 3.5)	35,994	39,951
Depreciation	501	499
Auditor's remuneration (Note 3.4b)	163	167
Operating lease rentals – land and buildings	1,263	1,288

(b) Auditor's remuneration:

	31 March 2017 £'000	31 March 2016 £'000
Audit of Group financial statements	50	50
Other fees:		
– local statutory audits of subsidiaries	39	44
– GIPS review	23	22
– internal controls review	51	51
	163	167

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 statement of profit or loss in the period in which they are incurred.

(a) Group staff costs were as follows:

	31 March 2017 £'000	31 March 2016 £'000
Salaries	11,999	11,382
Social security costs	834	1,322
Pension costs	538	505
Partnership profit allocations	18,528	23,452
Share-based payments (Note 3.6)	4,095	3,290
	35,994	39,951

Pension costs outstanding at the year-end amounted to nil (2016: nil).

(b) Deferred remuneration

Where variable compensation is deferred, the cost of the award is spread over the vesting period and included within staff costs. 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 income statement within staff costs. The liability is included in the balance sheet as part of accrued expenses within trade and other payables.

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 grant. Company shares held are shown as a deduction from equity and accounted for as a share based payment. 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 income statement within staff costs.

During the year the Group implemented its 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, units in the Group's funds or as cash.

(c) Average number of employees

	31 March 2017 £'000	31 March 2016 £'000
Average number of partners and full time employees, including executive directors:		
Fund Management	55	53
Administration	59	57
	114	110

All employees are directly or indirectly engaged in the Group's business.

Details regarding the total remuneration of paid to Directors who served during the year as required by the Companies Act 2006 is disclosed in the Remuneration Committee Report.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

3.6. Share-based payments

The Group enters into share-based payment transactions in respect of services receivable from certain employees by granting options over shares subject to certain vesting options 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 at the date of grant, using an option pricing model, the key inputs to which are disclosed in the note below, and is recognised as an expense over the 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.

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

	31 March 2017	31 March 2016
Preference shares	3,206	2,371
Equity Incentive Plans	889	919
	4,095	3,290

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 2017 and 31 March 2016.

	31 March 2017	31 March 2016
Dividend yield (%)	7.82	5.79
Expected share price volatility (%)	34.1	30.8
Risk free interest rate (%)	0.22 – 0.35	1.49
Weighted average share price (£)	3.16	4.32
Expected life of option – Preference Shares	6	6
Expected life of options – 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.

At 31 March 2017 three sets of preference share have the right to call for conversion.

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued.

Estimated number of ordinary shares to be issued on conversion:

	31 March 2017 Number of shares	31 March 2016 Number of shares
At 1 April 2016	5,704,112	3,976,768
Conversion/crystallisation	–	–
Movement in the year	1,342,656	1,727,344
As at 31 March 2017	7,046,768	5,704,112

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

	31 March 2017 Number of shares	31 March 2016 Number of shares
Outstanding at 1 April 2016	–	417,088
Issued in the year ('crystallised')	–	(417,088)
Outstanding as at 31 March 2017	–	–

In the year to 31 March 2017 there were no new conversions of preference shares into Polar Capital Holdings equity (2016: nil), whereas in the year to 31 March 2014 one conversion was initiated. The product of the 2014 event was that a total of 1.39m shares were to be issued of which 0.98m shares had been issued as at 31 March 2015 with the remaining tranche of 0.41m shares issued during the year ended 31 March 2016.

(b) Group equity incentive plans

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 are granted to employees under a HMRC tax-advantaged arrangement up to a value at the date of grant of £30,000. 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 in either four to 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, share options during the year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

3.6. Share-based payments continued

	2017		2016	
	Number	WAEP	Number	WAEP
Outstanding at beginning of the year	11,777,517	137p	14,034,270	242p
Granted during the year	1,235,156	300p	97,320	356p
Exercised during the year ¹	(290,438)	131p	(2,312,903)	131p
Lapsed during the year	(94,441)	360p	(41,170)	323p
Outstanding at end of the year	12,627,794	271p	11,777,517	265p
Exercisable at end of the year	6,449,517	149p	5,011,979	137p

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. During the year 206,298 shares (Note 4.9) were issued to satisfy the total number of options exercised (2016: 1,512,650 shares).

The weighted average fair value of options granted during the year was £0.42 (2016: £0.85).

For options exercised during the year the weighted average share price at the date of exercise was £3.16 (2016: £4.06).

The weighted average remaining contractual life of the share options outstanding as at 31 March 2017 was 5.5 years (2016: 6 years).

The range of exercise prices for options outstanding at the end of the year was:

Earliest exercise date	Number of options	Exercise price
Vested as at 31 March 2017	6,459,276	92p – 198p
Year ending 31 March 2018	4,559,853	147p – 191p
Year ending 31 March 2019	344,548	311p – 446p
Year ending 31 March 2020	6,211	396p
Year ending 31 March 2021	997,750	315p
Year ending 31 March 2022	260,156	244p

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 with in 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 balance sheet 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.

With effect from 1 April 2015, the UK corporation tax rate changed from 21% to 20%.

The major components of Corporation tax for the years ended 31 March 2017 and 2016 are:

(a) Tax recognised in the consolidated statement of profit or loss

	31 March 2017 £'000	31 March 2016 £'000
UK Corporation tax		
UK Corporation tax on profits of the year	4,356	5,373
Adjustments in respect of prior periods	(143)	(166)
Total current tax	4,213	5,207
Foreign Tax		
Current year	82	20
Prior year adjustment	(44)	–
	38	20
Deferred tax		
Originating and reversal of temporary differences	(127)	192
Rate change adjustment	(29)	96
Prior year adjustment	299	(92)
	143	196
Total tax recognised in consolidated statement of profit or loss	4,394	5,423

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

3.7. Taxation continued

(b) Tax recognised in the consolidated statement of other comprehensive income/equity

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 20% (2016: 20%). The differences are reconciled below:

	31 March 2017 £'000	31 March 2016 £'000
Profit on ordinary activities before taxation	20,437	23,627
Tax on profit on ordinary activities at standard rate of 20% (2016: 20%)	4,087	4,725
Adjustments in respect of prior periods	112	(146)
Rate change adjustment	(46)	97
Disallowed expenses/(income)	(537)	106
Other – share based payments	778	641
Total tax at an effective rate of 22% (2016: 23%)	4,394	5,423

3.8. Earnings per share

The calculation of basic earnings per ordinary share is based on the profit for the year of £16,043,000 (2016: £18,204,000) and on 90,136,239 (2016: 88,685,262) ordinary shares, being the weighted average number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit of the year of £16,043,000 (2016: £18,204,000) and 94,426,045 (2016: 93,493,781) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 4,289,806 (2016: 4,808,519) which are dilutive.

The calculation of adjusted basic earnings per ordinary share is based on profit for the year of £16,043,000 but adjusted for the cost of share-based payments on preference shares of £3,205,900 (2016: profit of £18,204,000 adjusted for the cost of share-based payments on preference shares of £2,370,800) and on 90,136,239 (2016: 88,685,262) ordinary shares, being the weighted average number of ordinary shares.

The calculation of adjusted diluted earnings per ordinary share is based on profit for the year of £16,043,000 but adjusted for the cost of share-based payments on preference shares of £3,205,900 (2015: profit of £18,204,000 adjusted for the cost of share-based payments on preference shares of £2,370,800) and 94,426,045 (2016: 93,493,781) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options.

As at 31 March 2017, the fully diluted number of ordinary shares which would be in issue, if all outstanding options were exercised, is 93,833,128 (2016: 94,948,510) shares.

Section 4: Detailed Information on Consolidated Balance Sheet Items

This section provides additional information about individual line items in the balance sheet, including the relevant accounting policies.

4.1. Property and equipment

Property, plant and equipment are stated at cost, 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. The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the statement of profit or loss.

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%

2017	Leasehold Improvements £'000	Computer Equipment £'000	Office Furniture £'000	Total £'000
Cost				
As at 1 April 2016	2,705	411	388	3,504
Additions	–	38	3	41
Disposals	–	–	–	–
As at 31 March 2017	2,705	449	391	3,545
Depreciation				
As at 1 April 2016	274	236	132	642
Charge for the year	278	96	127	501
Disposals	–	–	–	–
As at 31 March 2017	552	332	259	1,143
Net book value at 31 March 2017	2,153	117	132	2,402

2016	Leasehold Improvements £'000	Computer Equipment £'000	Office Furniture £'000	Total £'000
Cost				
As at 1 April 2015	2,340	691	445	3,476
Additions	1,082	141	125	1,348
Disposals	(717)	(421)	(182)	(1,320)
As at 31 March 2016	2,705	411	388	3,504
Depreciation				
As at 1 April 2015	717	556	196	1,469
Charge for the year	274	102	123	499
Disposals	(717)	(422)	(187)	(1,326)
As at 31 March 2016	274	236	132	642
Net book value at 31 March 2016	2,431	175	256	2,862

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

4.2. 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. 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.

The Finance (No. 2) Act 2015 in the UK reduced the main rate of Corporation taxation to 19% with effect from 1 April 2017 and as part of the Finance Act 2016, a further reduction to 17% with effect from 1 April 2020 was substantially enacted on 6 September 2016. The effect of these reductions is reflected in the Group's deferred tax balances as the rate was substantively enacted before 31 March 2017. An analysis of the Group's deferred tax assets and liabilities is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Deferred tax asset		
Share-based payments	2,245	2,727
Unutilised capital losses	977	–
Assets held for sale	–	9
Assets at FVTPL	–	93
Other financial assets and liabilities	256	825
	3,478	3,654
Deferred tax liability		
Capital allowances	(78)	(124)
Assets at FVTPL	(461)	–
	(539)	(124)

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 2017 £'000	31 March 2016 £'000
Deferred tax income/ (expense) during the period recognised in profit or loss:		
Share-based payments	16	87
Capital allowances	(46)	22
Assets held for sale	–	2
Assets at FVTPL	563	8
Other financial assets and liabilities	447	77
Unutilised capital losses	(837)	–
	143	196
Deferred tax income/ (expense) during the period recognised in other comprehensive income		
Deferred tax on available for sale financial assets	–	2
Deferred tax on other financial assets and liabilities	18	(169)
	18	(167)
Deferred tax income/ (expense) during the period recognised in equity		
Deferred tax on share-based payments	(465)	(1,137)

4.3. 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, trade and other receivables, cash and 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.

Investment securities

Investment securities represent securities, other than derivatives, held by consolidated funds. These securities are designated as FVTPL and are measured at fair value with gains and losses recognised through the consolidated statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group's investments in the funds that it manages, but does not control, are classified as financial assets at FVTPL. 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.

Assets held-for-sale

The Group classifies assets as held for sale if their carrying amount will be recovered principally through a sale, which is highly probable and the asset is available for immediate sale, rather than through continuing use. Such assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

Assets and liabilities classified as held for sale are presented separately in the Consolidated Balance Sheet.

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 income statement within other income in the period in which they arise. Financial liabilities at FVTPL relate to third-party interests in consolidated funds which are designated as at FVTPL.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

4.3. Financial assets and liabilities held at fair value

(a) Seed capital investments

The Group ordinarily provides seed capital in order to provide initial scale and facilitate marketing of new funds to third-party investors.

(i) Assets held-for-sale

Where the Group invests seed capital into funds that it controls and the Group is actively seeking to reduce its investment and it is considered highly probable that it will relinquish control within a year, the interests in the funds are treated as held-for-sale and are recognised as financial assets and financial liabilities held-for-sale.

Investments cease to be classified as held-for-sale when they are no longer controlled by the Group. A loss of control may happen either through sale of the investment and/or dilution of the Group's holding. When investments cease to be classified as held-for-sale they are classified as financial assets designated as FVTPL. No such funds were transferred to the FVTPL category during the year (2016: one fund was transferred to the FVTPL category after the Group reduced its interests following investment inflows from third parties).

(ii) Financial assets at fair value through profit or loss

	31 March 2017	31 March 2016
	£'000	£'000
Financial assets at fair value through profit or loss	9,623	33,293

The Group's financial assets at FVTPL include seed capital investments in funds that it manages but does not control. This includes 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 2017 there were no funds classed as associates (2016: 2 funds). During the year the Group redeemed its seed capital investments from 3 funds classed as assets at FVTPL (2016: no seed capital investments were redeemed) for a total cash consideration of £30 million. The fair values of such financial assets are derived from quoted market prices in active markets.

(iii) Consolidated funds

As at 31 March 2017 the Group has consolidated 2 funds (2016: 1 fund) over which it is deemed to have control (See Note 2.2). Consolidated funds represent seed capital investments where the Group has held its position for a period greater than one year and/or its 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 2017	31 March 2016
	£'000	£'000
Investment securities	14,429	10,065
Cash and cash equivalents	244	–
Other	(1)	19
Financial liabilities at FVTPL – Third-party interests in consolidated funds	(2,170)	(3,249)
Consolidated seed capital investments	12,502	6,835

Investment securities are designated as FVTPL and include listed equities held by consolidated funds. Other includes trade receivables, trade payables and accruals.

(b) Derivatives

Derivative financial instruments and hedge accounting

The Group uses forward currency contracts to hedge the risks associated with foreign currency fluctuations. Such derivative financial 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.

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 items affect profit or loss.

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. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

	31 March 2017 £'000	31 March 2016 £'000
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	56	86
Securities – short positions and futures	348	1,982
Derivatives designated as cash flow hedges		
Foreign exchange forward contracts	946	898
Other financial liabilities	1,350	2,966

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 4.3c.

Derivatives designated as hedging instruments reflect the changes in fair values of foreign exchange forward contracts designated as cash flow hedges to hedge highly probable forecast revenue in US dollars (USD) and Japanese Yen (JPY) as described in Note 4.3c.

(c) 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 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 Committee.

(i) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to settle its debt to the Group.

Fees due from funds managed by the Group are invoiced monthly or quarterly and are settled within 30 days of the invoice date. No trade receivables at year end are impaired and to date there have been no settlement issues with any funds. The risk is therefore regarded as low.

Amounts placed on deposit are invested according to a treasury policy that is designed to reduce concentration and counterparty risk. Investments in assets at FVTPL are monitored regularly. The carrying value of the Group's financial assets represents its maximum exposure to credit risk at the year end.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

4.3. Financial assets and liabilities held at fair value 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 deposits to the working capital requirements of the Group with no deposits being placed for a period of more than three months.

The Group's financial liabilities comprise trade and other payables, derivative instruments and third-party interests in funds that have been consolidated as subsidiaries. The maturity dates for all financial liabilities fall within either one year or are repayable on demand.

(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 as well as investment securities held by consolidated funds, which are sensitive to movements in market equity prices.

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 +/- £2m (2016: £4m).

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.

Although the majority of management fees are received in Sterling, a certain amount of those fees are generated from assets based in other countries, in particular US dollar-based assets and a smaller amount of Yen based assets.

In order to hedge the risk associated with the management fees receivable in the next reporting period, the Group enters into a number of forward foreign currency contracts over a period of 12 months. At year end, the Group had five (2016: four) open contracts to sell US dollars totalling USD \$20,900,000 (2016: USD \$23,250,000), for a total of £15,526,331 (2016: £15,337,156). There was one open Sterling/ Yen contract to sell a total of ¥57,000,000 (2016: ¥78,000,000), for a total of £356,607 (2016: £427,046).

The Group also holds assets at FVTPL consisting of investments in its own funds. Where such investments are made in assets denominated in a currency other than the Group's functional currency, Sterling, the Group is exposed to changes in foreign currency exchange rates.

At the year end there are two (2016: four) investments in a non-hedged product and the Group has therefore hedged against the risk of exposure to changes in the foreign currency exchange rates caused by the underlying US Dollar/Euro assets within these investments. The Group has one further (2016: three) forward currency contract for the sale of USD \$4,900,000 (2016: USD \$18,000,000) to purchase £3,886,113 (2016: £12,604,089) and one forward currency contract for the sale of €6,700,000 (2016: €6,000,000) to purchase £5,713,311 (2016: £4,592,400).

The Group's hedging policy serves to substantially 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 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 4.9.

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.

(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.

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

	2017				2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets								
Investment securities	14,429	–	–	14,429	10,065	–	–	10,065
Assets at FVTPL	9,623	–	–	9,623	33,293	–	–	33,293
	24,052	–	–	24,052	43,358	–	–	43,358
Financial liabilities								
Liabilities at FVTPL	2,170	–	–	2,170	3,249	–	–	3,249
Other financial liabilities	348	1,001	–	1,349	1,982	984	–	2,966
	2,518	1,001	–	3,519	5,231	984	–	6,215

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

4.4. Interests in Structured Entities

The Group acts as fund manager to investment funds that are considered to be structured entities. These structured entities typically consist of unitised 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.

(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 2017 £'bn	31 March 2016 £'bn
AUM within consolidated funds	0.01	0.01
AUM within unconsolidated funds	9.26	7.29
Total AUM	9.27	7.30

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

4.4. Interests in Structured Entities continued

(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 balance sheet, which are equal to the Group's maximum exposure to loss from those interests.

	31 March 2017	31 March 2016
	£'000	£'000
Seed capital investments	9,623	33,293
Management fees receivable at year-end	7,905	6,410

4.5. Trade and Other Receivables

Trade receivables are initially recognised at fair value, and are subsequently carried at the lower of original fair value and their recoverable amount. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the statement of profit or loss.

	31 March 2017	31 March 2016
	£'000	£'000
Trade debtors	8,048	6,410
Other receivables	589	205
Prepayments	1,470	1,410
	10,107	8,025

Trade receivables are non-interest bearing and payable on demand.

4.6. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, 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 2017	Restated 31 March 2016
	£'000	£'000
Cash at bank	58,199	48,761
Cash held by EBT and consolidated funds	340	101
	58,539	48,862

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at year end was £58,539,142 (2016: £48,862,371).

As at 31 March 2017 the Group had placed £2,700,000 (2016: £2,700,000) of its cash at bank with counterparties to fulfil the collateral requirements for derivatives contracts related to short positions (see Note 4.3b).

Cash generated from operations

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

	31 March 2017 £'000	Restated 31 March 2016 £'000
Profit on ordinary activities before taxation	20,437	23,627
Interest receivable and similar income	(28)	(45)
Depreciation of non-current property plant and equipment	501	499
(Increase)/decrease in fair value of investment securities	(1,006)	1,222
(Increase)/decrease in fair value of assets at FVTPL	(5,878)	2,230
(Increase) in other financial liabilities	(1,659)	(2,030)
Net gain on assets held for sale	–	(1,278)
(Increase)/decrease in receivables	(2,082)	1,342
(Decrease) in trade and other payables	(1,518)	(5,017)
Increase in provisions	37	1,139
Share-based payment	4,095	3,290
Increase/(decrease) in liabilities at FVTPL	508	(178)
Other non-cash items	30	(11)
Cash generated from operations	13,437	24,790

4.7. Non-current 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.

	31 March 2017 £'000	31 March 2016 £'000
Other non-current liabilities	1,194	1,157
Dilapidations provisions	975	975
	2,169	2,132

(a) Other non-current liabilities

The Group has benefited from a rent free period as part of the lease agreement for the premises at 16 Palace Street. The liability represents the accumulated amount which has been charged to the consolidated statement of profit or loss as at 31 March 2017 and which will be released on a straight line basis over the remaining term of the lease which expires in October 2024.

(b) Dilapidations provision

As part of its operating lease agreement for the premises at 16 Palace Street, the Group has an obligation to pay for dilapidation costs at the end of the lease term.

Non-current provisions:	31 March 2017 £'000	31 March 2016 £'000
As at 1 April 2016	975	–
Arising in the year	–	975
Utilised	–	–
As at 31 March 2017	975	975

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For the year ended 31 March 2017

4.8. Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

	31 March 2017	31 March 2016
	£'000	£'000
Other creditors	13,793	13,928
Accruals	5,948	7,331
	19,741	21,259

4.9. 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

	31 March 2017	31 March 2016
	£'000	£'000
Allotted, called up and fully paid:		
91,422,309 ordinary shares of 2.5p each		
(2016: 91,216,011 ordinary shares of 2.5p each)	2,286	2,280

The increase in share capital arises from 206,298 (2016: 1,512,650) shares issued on exercise of employee share options. There were no shares issued during the year (2016: 417,089) in connection with the crystallisation of manager preference shares as described in Note 3.6.

(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 2017 there were 1,878,987 shares of 2.5p each (2016: 1,076,020 shares of 2.5p each) held by the Employee Benefit Trust, for the purpose of satisfying share option obligations to employees.

(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;
- movements in the fair value of other financial assets arising on Forward Foreign Exchange Contracts classified as cash flow hedges; and
- exchange differences arising on translation of foreign operations.

4.10. Dividends paid and proposed

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are paid.

Dividends on ordinary shares declared and paid during the year:

	31 March 2017 £'000	31 March 2016 £'000
First interim dividend for 2017: 5.5p per share (2016: 5.5p per share)	4,966	4,885
Second interim dividend for 2016: 19.5p per share (2015: 19.5p per share)	17,583	17,188
Total dividend paid and charged to equity	22,549	22,073

Dividends on ordinary shares proposed for approval by the Board of Directors (not recognised as a liability at 31 March 2017):

	31 March 2017 £'000	31 March 2016 £'000
Second interim dividend for 2017: 19.5p per share (2016: 19.5p per share)	17,625	17,583

The Board has declared a second interim dividend of 19.5p (2016: 19.5p) to be paid in July 2017.

Together with the first interim dividend of 5.5p paid in January 2017 the total dividend for the year amounts to 25.0p (2016: 25.0p).

4.11. Operating lease commitments

As at 31 March 2017, the Group had operating lease commitments in respect of its rented premises as follows:

	31 March 2017 £'000	31 March 2016 £'000
Amounts payable within one year	1,461	1,264
Amounts payable between two and five years	5,184	5,184
Amounts payable in more than five years	3,540	4,835

The material lease relates to the rental of the Group's premises at 16 Palace Street in London, and expires in October 2024.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2017

4.12. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not included in this Note.

B J D Ashford-Russell is a member of Polar Capital LLP (the 'Partnership') and a director of the Polar Capital Technology Trust plc (the Trust). The Partnership is the appointed investment manager of the Trust. The total fees received by the Group as investment manager of the Trust were £9,640,154 (2016: £7,905,839). The amounts receivable at the year end in this respect was £1,831,680 (2016: £1,319,041).

The investments in financial assets at fair value through profit or loss disclosed in Note 4.3 are in affiliated funds that are managed by a subsidiary of the Group.

Remuneration of key management personnel

The remuneration of key management, which includes the Executive and Non-executive Directors, is summarised below.

	31 March 2017	31 March 2016
	£'000	£'000
Short-term employee benefits	1,187	1,237
Defined contribution pensions	60	53
Share-based payment benefits	108	132
	1,355	1,422

At the end of the year the Group had balances owing to or in regard to key personnel of £5,000 (2016: £5,000). This amount relates to an amount owed to another company for the services of a non-executive director.

Options to acquire ordinary shares held by the Directors during the year ended 31 March 2017 are disclosed in the Remuneration Committee's Report.

Company Balance Sheet

For the year ended 31 March 2017

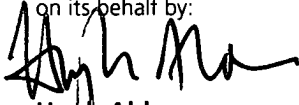
	Notes	31 March 2017 £'000	Restated* 31 March 2016 £'000	Restated* 31 March 2015 £'000
Non-current assets				
Investments	5.3	14,920	10,825	7,556
Current assets				
Trade and other receivables	5.4	27,042	27,076	27,059
Cash and cash equivalents		11,291	12	12
		38,333	27,088	27,071
Current liabilities				
		-	-	-
Net assets		53,253	37,913	34,627
Capital and reserves				
Issued share capital		2,286	2,280	2,232
Share premium		18,631	18,509	16,715
Retained earnings		32,336	17,124	15,680
Shareholders' funds		53,253	37,913	34,627

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 5.2.

The Notes on page 68 form part of these financial statements.

The Company's profit for the year after tax was £33,666,000 (2016: £22,338,000).

The Company financial statements were approved and authorised for issue by the Board on 26 June 2017 and signed on its behalf by:


Hugh Aldous
 Chairman of the Audit Committee


John Mansell
 Finance Director

Registered number: 4235369

Company Statement of Changes in Equity

For the year ended 31 March 2017

Note	Issued share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2015	2,232	16,715	(562)	9,154	27,539
Adjustment on correction of share-based payment (Note 5.2)	–	–	562	6,526	7,088
As at 1 April 2015 (restated*)	2,232	16,715	–	15,680	34,627
Profit for the year	–	–	–	22,338	22,338
Dividends paid to shareholders	–	–	–	(22,073)	(22,073)
Adjustment on correction of share-based payment (Note 5.2)	–	–	–	3,269	3,269
Distributions received from subsidiary	–	–	–	(255)	(255)
Issue of shares	48	1,794	–	(1,835)	7
As at 1 April 2016 (restated*)	2,280	18,509	–	17,124	37,913
Profit for the year	–	–	–	33,666	33,666
Dividends paid to shareholders	–	–	–	(22,549)	(22,549)
Share based payment	–	–	–	4,095	4,095
Issue of shares	6	122	–	–	128
As at 31 March 2017	2,286	18,631	–	32,336	53,253

* Certain amounts shown here do not correspond to the 2016 annual financial statements and reflect adjustments made as described in Note 5.2.

The Notes on page 68 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 March 2017

	Notes	31 March 2017 £'000	31 March 2016 £'000
Cash flows generated from operating activities			
Cash generated from operations	5.5	33,700	22,066
Net cash inflow generated from operating activities		33,700	22,066
Financing activities			
Equity dividends paid		(22,549)	(22,073)
Issue of share capital		128	7
Net cash outflow from financing activities		(22,421)	(22,066)
Net increase in cash and cash equivalents		11,279	-
Cash and cash equivalents at start of the year		12	12
Cash and cash equivalents at end of the year		11,291	12

The Notes on page 68 form part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2017

Section 5: Notes to the Company Financial Statements

5.1. Basis of preparation

The Company financial statements have been prepared on a going concern basis in accordance with FRS 102. 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 when otherwise stated.

The accounting policies for the Company are the same as those for the Group except where specifically stated in the following notes.

5.2. Prior period restatement

The Company accounts have been restated to record 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. FRS 102.26 1A requires the Company to recognise the arrangement as an equity-settled share-based payment when it has an obligation to settle a share-based payment transaction where another entity in the same group receives goods or services.

The Company accounts have also been restated for intra-group recharges for share awards and accounted for as a return of capital contribution. Amounts paid in excess of the original contribution recorded by the Company is treated as a distribution. As part of this restatement for intra-group recharges, other reserves of £562,000 have been transferred to retained earnings.

The prior year's financial statements have been restated to reflect the cumulative increase in retained earnings as of 1 April 2015 of £7,088,000 with a further credit to retained earnings for the year to 31 March 2016 of £3,269,000 and a corresponding debit to investment in subsidiaries.

5.3. Investments

Investments in subsidiaries 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 investment is the Company's wholly owned subsidiary Polar Capital Partners Limited.

	31 March 2017	31 March 2016
	£'000	£'000
At 1 April 2016 (Restated – See Note 5.2)	10,825	7,556
Share-based payments/contributions	4,095	3,269
At 31 March 2017	14,920	10,825

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.

5.4. Trade and other receivables

Other receivables for the Company are due from Polar Capital Partners Limited and Polar Capital LLP and are non interest bearing and repayable on demand.

5.5. Cash generated from operations

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

	31 March 2017	31 March 2016
	£'000	£'000
Profit on ordinary activities before tax	33,666	22,338
Distributions from subsidiary	–	(255)
Decrease/(increase) in receivables	34	(17)
Cash generated from operations	33,700	22,066

5.6. Related party transactions

The Company has intercompany balances with Polar Capital Partners Limited and with Polar Capital LLP. The balance receivable from Polar Capital Partners Limited of £27,042,651 (2016: £26,989,258) and the balance of £nil receivable from Polar Capital LLP (2016: £81,362) relate to cash movements by the subsidiaries on behalf of the Company.

Shareholder Information and Advisers

Company No.

4235369

Registered office

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

Company Secretary

Neil Taylor

Website

www.polarcapital.co.uk

Annual General Meeting

26 July 2017

Please see separate
AGM Notice for details.

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 (www.shareview.co.uk) or in writing.

First interim dividend

For the financial year ended
31 March 2017

Amount

5.5p per ordinary share

Ex-dividend date

29 December 2016

Record date

30 December 2016

Payment date

13 January 2017

Second interim dividend

For the financial year ended
31 March 2017

Amount

19.5p per ordinary share

Ex-dividend date

6 July 2017

Record date

7 July 2017

Payment date

21 July 2017

Registrars

Equiniti Limited

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Spencer Road
Lancing
West Sussex, BN99 6DA

Shareholder helpline

0800 876 6660
(+44 121 415 7047)

Website

www.shareview.co.uk

Auditors

Ernst & Young LLP

25 Churchill Place
Canary Wharf
London, E14 5EY

Bankers

HSBC Bank plc

Nominated Adviser and Corporate Broker

Canaccord Genuity

88 Wood Street
London, EC2V 7QR

Joint Corporate Broker

Peel Hunt LLP

Moor House
120 London Wall
London
EC2Y 5ET

Solicitors

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London, EC2M 2EG

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

B1G

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