Registered Number
4235369

Polar Capital Holdings plc
Annual Report and Accounts for the year ended 31 March 2016

Contents

Highlights

This was another challenging year for global stock markets with many markets experiencing significant corrections over the period creating headwinds for long only funds.

Financial

Assets Under Management (AUM)	Core Operating Profit excluding performance fees	Profit before Share Based Payments	Pre-tax Profit
US$10.4bn /£7.3bn	**£23.7m**	**£27.5m**	**£24.2m**
(2015: US$12.3bn/ £8.3bn)	(2015: £27.7m)	(2015: £33.7m)	(2015: £31.1m)

Basic EPS	Adjusted Diluted EPS	Dividends	Shareholders' Funds
21.2p	**23.6p**	**25.0p**	**£75.6m**
(2015: 27.5p)	(2015: 28.1p)	(2015: 25.0p)	(2015: 75.2m)

Corporate

We added to our fund range with the successful launch, in July 2015, of our European (ex UK) Income Fund that was a product of investor led demand.

We look forward to the highly regarded UK value team of George Godber and Georgina Hamilton joining us to build a multi-product UK value franchise over the next five years and beyond.

With the addition of new teams and the ongoing strength in a good number of our strategies, we believe the Group remains well placed to generate AUM and earnings growth over the longer term.

Chairman's Statement

Our Assets Under Management (AUM) fell to $10.4bn from $12.3bn at the start of the year. This was a challenging year for global stock markets with many markets experiencing significant corrections over the period creating headwinds for long only funds. In addition, we experienced further redemptions from our Japanese funds as the team's style has struggled to deliver the returns clients had expected in the era of Abenomics. We also saw outflows from our Emerging Markets funds as clients reduced their asset allocation exposures to those markets and from our European long/short funds after a disappointing period of performance.

Funds and Performance

Although over the last 12 months the AUM across the Group decreased it should be noted that 7 of our 11 strategies saw net inflows over the year which gives us confidence we can enjoy another period of strong growth once our Japanese business stabilises.

Short-term returns across our funds have been somewhat mixed but the long-term performance figures remain excellent with 14 out of 18 of our UCITS funds outperforming their benchmarks net of all costs since launch.

There have been some exceptional performers over the period notably our UK Absolute fund and Insurance fund, both of which delivered top decile returns over the period.

Results

Nevertheless pre-tax profits before share based payments fell to £27.5m from £33.7m in the prior year. Core pre-tax profit fell from £27.7m to £23.7m. Net performance fees decreased from £5.2m to £3.0m although this was our fifteenth successive year of generating such fees.

Our balance sheet remains strong with net assets of £75.6m (2015: £75.2m) including net cash of £48.8m (2015: £41.4m).

Market Background

Whereas in recent years markets have generally proved supportive, our last financial year to 31 March 2016 was rather different with a number of the major stock markets around the world posting double-digit falls in local currency terms. Only in the US did we not see significant falls over the year with the S&P500 Index down 0.4%. Elsewhere the declines were more material with the UK FTSE All Share down 7.3%, the Nikkei 225 down 12.7%, the MSCI Emerging Markets Index down 14.1% and the MSCI Europe Index down 16.0%.

Market movements were dominated by two major factors over the year. The first was the strength of the US economy and its implications for when and how quickly the Federal Reserve would increase interest rates. The second was the weakness of the Chinese economy and the machinations of the Chinese stock market.

The US economy was looking increasingly robust as 2015 progressed, raising the prospect of the first Federal Reserve rate hike since 2006. The US consumer was buoyed by improving job prospects, real wage increases, rising house prices and the meaningful boost to their spending power resulting from the collapse in the oil price.

The Federal Reserve had been expected to raise rates in September but the dramatic gyrations of the Chinese stock market in August and fears over a hard landing for the Chinese economy led to a heavy sell off in stock markets around the world in late summer. As a result of this global uncertainty the Federal Reserve, to the surprise of a number of commentators, decided to keep rates on hold in September and through the autumn.

Markets recovered their poise as the Chinese stock market stabilised and the news on the Chinese economy was not as bad as feared in the summer. By December the Federal Reserve felt the global outlook had recovered sufficiently for it to increase rates a quarter point given that the US domestic economy was still looking strong.

The New Year brought with it another round of jitters on the Chinese economy and large falls in the Chinese stock market, once again leading to a sharp 'sell off' in stock markets around the world.

With data on the US economy becoming more mixed during the opening quarter of the calendar year, expectations of further US rate rises had ratcheted back considerably by the end of our financial year allowing most major markets to recover some of their earlier losses.

Developments

We added to our product range in the summer of 2015 with the launch of our European (ex UK) Income fund, a natural development for our Pan European Income manager Nick Davis and his team. The European Central Bank (ECB) continues to pursue its policy of Quantative Easing (QE) which distorts the bond market both in government and corporate bonds, denying bond buyers the level of interest they would anticipate in a more normalised economic and interest rate cycle. As the search for yield and income is likely to continue we expect UK investors will expand their search towards Continental European equities where some attractive yields can still be found.

Although no new teams arrived during the financial year, we were pleased to announce at our AUM update statement in early April that the highly regarded UK value team of George Godber and Georgina Hamilton will be joining us. The team has developed a strong following amongst our UK clients with their disciplined value investment process which has delivered excellent absolute, relative and risk adjusted returns over recent years. We look forward to them building us a multi-product UK value franchise over the next five years and beyond.

Awards

The following funds all picked up awards during the year: Asia Financials, Global Insurance, Income Opportunities, North America, Healthcare Opportunities, Global Technology and the Technology Trust.

At the inaugural Investment Week's Specialist Investment Awards in November we picked up all three of the specialist sector fund awards, winning Financials with our Global Insurance fund, Heathcare with our Healthcare Opportunities fund and Technology with our Global Technology fund.

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.

The Board has declared a second interim dividend of 19.5p (2015: 19.5p) to be paid in July. Together with the interim dividend of 5.5p paid in January 2016 the total dividend for the year amounts to 25p. This is unchanged from the previous year despite the fall in AUM and earnings per share and reflects the strength of the Company's balance sheet and our continued confidence in the long-term outlook for the Company.

Outlook

There are no doubt substantial challenges facing the global economy and no shortage of political risk as well to contend with this year. The Brexit vote looks finely balanced at the time of writing and this will be followed by what is likely to be one of the most vitriolic US presidential campaigns ever, ahead of the vote on 8 November 2016.

The European Union (EU) continues to face significant economic and political challenges. Economic growth across the block remains muted although Germany, Spain and Ireland are bright spots. Six years on from the most recent Greek crisis little seems to have been resolved there and arguably the situation is worse today with the additional challenge of the refugee crisis. The refugee issue is posing a serious political and economic challenge not only for Greece but also for many individual governments within the EU and for the EU itself at a federal level.

Major issues remain within the European banking sector. In response to the sustained weakness of the Euro area economy and persistent deflationary pressures, the ECB has pushed rates further into negative territory and expanded its QE program again. The Bank of Japan followed the ECB's lead and introduced negative interest rates although this failed to halt a resurgence of the Yen over recent months.

Economic data from the US has been more mixed of late whilst the outlook for the rest of the global economy remains murky with China continuing to slow, Japan back in recession, Europe remaining sluggish and the UK flagging ahead of the Brexit vote.

Perhaps on a more positive note, US interest rates are not likely to increase as quickly as expected at the start of the year and elsewhere it is difficult to envisage anything other than a continuation of 'loose' monetary policy either from the ECB, the Bank of Japan or the authorities in China whilst the Bank of England is unlikely to increase rates anytime soon regardless of the Brexit outcome.

I expect markets to make little headway until there is greater clarity and resolution on some of the major economic and political uncertainties exercising investors and there could be a considerable amount of volatility in the interim. The prospects for the Group are likely to remain restrained in the near term as a result. With the addition of new teams and the ongoing strength in a good number of our strategies, we believe the Group remains well placed to generate AUM and earnings growth over the longer term.

Annual General Meeting

The Annual General Meeting will again this year be held at 16 Palace Street, London SW1E 5JD at 3:00pm on 29 July 2016 and I would encourage shareholders to attend and meet the Directors.

Full details of the meeting are given in the separate Notice of Annual General Meeting.

Tom Bartlam
Chairman

23 June 2016

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 steadily and currently supports 11 investment teams managing 24 funds and 5 managed accounts across a range of long-only and alternative products, with combined AUM of US$10.4 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 operational, compliance, risk and relationship management.
- Diversified yet complementary set of funds with a focus on fundamental research driven strategies.
- Culture which is flexible, entrepreneurial and transparent.
- Environment for employees in which talent can flourish and be well rewarded.
- To have high equity ownership amongst staff.

Our Office Locations

Assets Under Management (AUM)

Our Investment Teams

As a consequence of the pipeline of further recruitment activity we now have in place we are revising, for the first time in 15 years, our targeted number of teams from 10 to 12 to a new range of 12 to 15. We have spent a number of years building up our operational support structure within Polar Capital and this now means we have the necessary resource to offer additional teams the highest level of support, whilst maintaining the culture of our Group.

Chief Executive's Report

Strategy

In April we announced an evolution of our strategy expanding our targeted number of teams from a range of 10 to 12 to 12 to 15. This was the first change in strategy we have made since the Group was founded 15 years ago.

Despite the lack of progress we have made in terms of AUM and profits growth, over the last two years the Group has continued to invest in new teams and in the business with further investment in client service, operations and support staff and systems. This reflects our strategy of continuing to offer a diversified product range for our clients, supported by a robust and scalable infrastructure. With our investment led culture, active fund management talent continues to see us as an attractive destination in an increasingly challenging industry.

Few talented investment managers would wish to set up on their own in the current environment given the escalating cost and complexity of the regulatory environment. In addition, the capital investment required into operations, client service personnel and support systems to meet the necessary demands of many of today's clients is substantial. There is also the simple fact of human nature – many investment managers prefer a collegiate environment of like-minded talent.

We see no change to these secular shifts in the industry with regulatory and client servicing costs continuing to rise. These shifts will likely drive further consolidation in the industry which would most probably accelerate if market conditions remained poor for an extended period.

When we established Polar Capital in 2001 we set out with the aim of creating an environment which would attract and retain talented active managers. The talent we have assembled and the longevity of many of those teams is testimony to the model we provide and the investment led culture we have tried to create.

Recently we announced that we had secured the services of a 12th team, a highly rated UK value team. With the addition of this team we reached the upper limit of our original target range for teams set all those years ago. Ironically, we reached the limit at a time when we are being approached by more managers and teams than at any point in our history.

What seemed an ambitious target for team numbers when we started has now been achieved and this has caused us to reflect on whether we should stick with the original target or set a new target? We decided on the latter as we believe we have the facilities, people and systems to support further teams and the culture to do so as well.

Funds and Teams

It was disappointing to experience the level of outflows we saw on our Japan, Emerging Markets and European long/short funds over the year. The Technology team also saw net outflows but on a very small scale.

We do though take encouragement from the fact that, despite the generally difficult market conditions, 7 of our 11 teams saw net inflows over the period. They were: Healthcare, Financials, North America, Global, European Income, Global Convertibles and UK Absolute.

Whilst the value style of our Japan and Euopean long/short teams may remain out of favour for a while longer, we believe the Emerging Markets Income UCITS fund and the Technology UCITS fund are well placed to grow assets again if market sentiment turns more positive. We therefore see plenty of opportunity for growth within the existing product set.

The addition of the UK value team of George Godber and Georgina Hamilton will provide significant further growth potential in calendar 2017 and beyond and there are likely to be some additional products from our present teams within that timescale too.

Challenges and Opportunities

Ironically, the issues we have had on Japan have resulted in the business being better diversified today than at any point in our history, although it is not the route we would ideally have chosen to achieve such a level of diversification! The Japan funds as a percentage of our AUM peaked at around 43% but had fallen to 20.9% by the year end, fractionally below the North America funds at 21.0% of AUM.

It seems to be a major challenge within the industry to achieve growth without becoming overly reliant on a single strategy or team. Much larger competitors than us have had to grapple with the issue whilst smaller competitors inevitably have high concentration risks around a single strategy or team, often in excess of 50%.

Despite the undoubted challenges within the industry we also see tremendous opportunities as well. Some of the larger competitors struggle to provide a consistent and enjoyable environment for talented active managers to thrive and lack transparent models in terms of their remuneration. Some of the smaller boutiques are struggling to gain critical mass and cope with the growing burden, complexity and cost of regulation and the increasing demands of clients.

Whilst still being open to 'opportunistic opportunities' we intend to evolve to incorporate a greater level of strategic planning in our development over the coming years. We will look to strengthen the senior management team and continue investing in support personnel and systems and the opening up of new markets geographically and by type of client we serve.

Our push into the institutional marketplace remains nascent and although we have been successful historically in raising assets from US clients for hedge fund products, we have never made a concerted effort on the long only side of our business.

In terms of new team additions, we will keep an open mind although strategically we would like to expand our global product capabilities particularly in the institutional market place. We would also like to add additional resource on Asia and expand our product offering beyond our current Asia Financials fund, which despite its excellent long term performance record has limited appeal within our client base given its specialist nature.

Regulation

We all have an interest in operating in a serious and well-respected regulatory environment. Such an environment ensures a fair and level playing field between competitors and engenders trust and security for clients both domestically and overseas. The Financial Conduct Authority (FCA) is doing an excellent job on many fronts in what is undoubtedly a very challenging environment.

However, it is also vital that regulation does not become too parochial and thereby put the large elements of the UK fund management industry that operate globally at a competitive disadvantage to our North American and Asian competitors. We have already experienced this in relation to the FCA's policy on corporate access, which has put us at a disadvantage to our US competitors in terms of meeting company management in the US. This disadvantage has not yet become material but it could become so if regulation were to continue to evolve in a manner that does not take account of the globally competitive market in which many, both small and large, UK fund management companies operate.

Finally

I wish to thank our shareholders for their understanding, patience and support through this rather extended period of consolidation. I can assure you we are working hard across the organisation and at a Board level to get back in a position where we can deliver the growth in profits and dividends we had all previously anticipated.

T.J.Woolley
23 June 2016

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 philosophy is to focus on 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

Financial Review

Results of the year

Profits for the year are lower than in 2015. Revenues have fallen and although costs have also reduced they have not fallen sufficiently to protect the Group's profits. The analysis below explains the reasons for each variance, starting with revenues.

Revenues	31 March 2016 £'m	31 March 2015 £'m
Net management fees (*net of commissions* and fees payable)	69.4	75.0
Performance fees	7.2	12.2
Other income	0.8	0.8
Total revenues	£77.4m	£88.0m

The fall in AUM from the last year end to this year end is the cause of a lower year on year average of AUM. This accounts for the decrease in net management fees received over the year. The decrease in performance fees received is a reflection of the weaker performance of some of the Group's products over the year. Other income, the return on the Group's balance sheet investments, is unchanged from last year.

Costs	31 March 2016 £'m	31 March 2015 £'m
Salaries, bonuses and other staff costs	16.6	16.7
Manager distributions	17.2	19.5
Compensation costs	33.8	36.2
NIC on share options	0.6	1.9
Other operating costs	11.3	9.1
Core operating costs	45.7	47.2
Performance fee interests	4.2	7.1
Total operating costs	£49.9m	£54.3m

Total operating costs fell to £49.9m from £54.3m last year.

The small decrease in salaries, bonuses and other staff costs was, despite a small increase in head count in the firm, a product of reduced discretionary bonus pool being paid out due to the year's lower profits.

The decrease in core distributions was a function of the fall in management fee revenues and the management fee profitability of the firm.

The National Insurance cost relating to the Group's conventional share option plan has returned to a more normal figure. Last year's cost had been flagged as *abnormal due to the increased quantity of options that* became able to vest that year.

Over half of the increase in operating costs to £11.3m from £9.1m is a combination of an increase in rent and rates and Bloomberg terminal costs. The increase in rent and rates was flagged last year when we stated that the move into our new premises would result, from April 2015, in a £1.0m per annum increase in rent and rates.

The fall in performance fee interests to £4.2m from £7.1m in 2015 is directly correlated to the reduction in *performance fee revenues.*

Profits	31 March 2016 £'m	31 March 2015 £'m
Core operating profit	23.7	27.7
Performance fee profit	3.0	5.2
Interest and similar income	0.8	0.8
Profit before share-based payments and tax	27.5	33.7
Share-based payments	(3.3)	(2.6)
Profit before tax	£24.2m	£31.1m

The headline profit before tax for the year has decreased to £24.2m from last year's £31.1m.

Financial Review continued

The Group believes that the best measure of the Group's profitability is the profit before share based payments (as detailed more fully below) and tax. On this basis the Group shows a fall in profits to £27.5m compared to last year's £33.7m. The decrease can be attributed as follows:

- **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 2015 has resulted in the reduction in performance fee profits.
- **Interest and similar income**
  this contribution of profits has remained stable.

Share-based payments

The face of the consolidated income statement includes a line titled 'share-based payments' which accounts for a charge of £3.3m (2015: £2.6m). The figures are broken-down as follows:

	31 March 2016 £'m	31 March 2015 £'m
Cost attributed to preference shares	2.4	1.6
Cost attributed to conventional options	0.9	1.0
Total cost of share-based payments	£3.3m	£2.6m

The increase in this charge is dominated by the increase in the charge associated with the Group's preference shares arrangement which is explained below.

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 2016 Pence	31 March 2015 Pence
Diluted earnings per share	20.1	25.4
Impact of share-based payments	3.5	2.7
Adjusted diluted earnings per share	23.6p	28.1p

Preference shares

Part of the Group's business model since 2001 is a share based method of providing fund managers an economic interest in their funds. In keeping with the entrepreneurial philosophy of the Group a separate class of preference share is 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 team with an economic interest in the funds that they run and ultimately enable the teams 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 is issued 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 2016 (as was also the case in the year to March 2015) there were no new conversions of preference shares into Polar Capital Holdings equity.

As at 31 March 2016 three sets of preference shares have the ability to call for a conversion. The call has to be made on or before 30 November 2016 if any conversion is to take place with effect from 31 March 2016. It is the relative success and profitability of the funds represented by these three sets of preference shares that accounts for the increase cost attributed to preference shares that has been identified above (2016: £2.4m versus 2015: £1.6m).

Balance sheet and cash

At the year end the cash balances of the Group were £48.8m (2015: £41.4m). 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 £40.1m of seed investments in its funds (2015: £51.7m).

Capital management

The Group believes in retaining a strong balance sheet. The capital that is retained in the business is used either to seed new investment products or if not so required is invested into the Group's absolute return funds as investment capital. As at March 2016 there were no pure investments, but £40.1m of the Group's balance sheet was invested to seed fledgling funds.

Business risk

There are a number of risks and uncertainties faced by the Group which are more fully described later 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.

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

23 June 2016

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 conducted in jurisdictions which generate revenue, expenses and liabilities in other currencies. A summary of the Group's foreign currency exposures as at 31 March 2016 can be seen in Note 11 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. 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. 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.

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 22 to 24 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

Non-executive Chairman and Executive Directors

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 Pantheon International plc and Jupiter UK Growth Trust plc. He was a non-executive director of The Diverse Income Trust plc until April 2016.

Tim Woolley

Chief Executive Officer and Founder

Appointed to the Board in 2002 and became chief executive in November 2009.

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, having joined Polar Capital in 2001.

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.

Non-executive Directors

Hugh Aldous †^

Non-executive Director and Chairman of the Audit Committee

Appointed to the Board in 2007.

Hugh was a partner in Grant Thornton UK LLP and was formerly a partner in RSM Robson Rhodes from 1976, where he was latterly head of its financial services team and has been a member of the Competition Commission (formerly the Monopolies and Mergers Commission). Hugh is Chairman of SPL Guernsey ICC Ltd 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.

George Bumeder *^

Non-executive Director

Appointed to the Board on 8 September 2011.

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

Jamie Cayzer-Colvin †*^

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.

Michael Thomas †*^

Non-executive Director and Chairman of Remuneration Committee

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.

† member of Audit Committee
* member of Remuneration Committee
^ member of Nomination Committee

Directors' Report and Corporate Governance Report

The Directors present their report including a report on the on corporate governance arrangements and the audited consolidated financial statements of Polar Capital Holdings plc ('the Company') for the year ended 31 March 2016. 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 14 and 15. All the Directors held office throughout the year under review and up to the signing of this Report.

The remuneration, and principal terms of employment and the interests of the Directors in the Company's shares and options are detailed is set out in the Directors' Remuneration Report on pages 25 to 29.

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 reappointment by shareholders at the next general meeting of the Company following their appointment.

In accordance with the Articles of Association Mr Bartlam, Mr Aldous, Mr Ashford-Russell, Mr Cayzer-Colvin, Mr Mansell and Mr Woolley retire as Directors and being eligible offer themselves for re-election at the Annual General Meeting.

Directors' interests and conflicts

None of the non-executive Directors except for Mr Ashford-Russell have any interest in any contract with the Group or Company.

Mr 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 22.

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

Dividends

The Directors have declared two interim dividends in respect of the financial year ended 31 March 2016 amounting to 25.0p per share (2015: 25.0p per share).

The first interim dividend of 5.5p per share was paid on 15 January 2016 to shareholders on the register on 29 December 2015.

The second interim dividend of 19.5p per share will be paid on 15 July 2016 to shareholders on the register on 8 July 2016. The shares will trade ex dividend from 7 July 2016.

Capital structure

The capital structure of the Company is detailed in Note 17.

Of the 91,216,011 ordinary shares (2015: 89,286,273) in issue at the year-end, 1,076,020 ordinary shares (2015: 1,171,020) 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 any ordinary shares held by the Trustee and it does not vote 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 1,929,738 (2015: 1,932,070) ordinary shares of which 417,088 (2015: 417,089) ordinary shares were in connection with the crystallisation of the J manager preference shares and 1,512,650 (2015: 1,514,981) 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 23 June 2016, the Company had received the notices for the purposes of Part 5 of the FCA's Disclosure and Transparency Rules from the undernoted shareholders. The percentage voting rights is calculated based on the number of shares shown in the notice divided by 91,216,011, the number of shares in issue as at 23 June 2016:

Number of ordinary shares shown in notice		**% of voting rights held**
Fianchetto Limited (R Gurner)	8,653,573	9.49%
Caledonia Investments PLC	8,016,640	8.79%
XL RE Limited	7,000,000	7.67%
B J D Ashford-Russell	6,600,000	7.24%
Blackrock Inc	6,367,074	6.98%
T J Woolley	5,500,000	6.03%
Hargreave Hale	4,458,950	4.89%
Artemis Investment Management	4,045,000	4.43%

In all cases except as disclosed below the interest was held directly.

The interests of Mr Ashford-Russell and BlackRock Inc are held wholly or partly indirectly.

There have been no changes notified to the Company since 31 March 2016 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%:

Liontrust Asset Management	3.80%
Standard Life Investments	3.27%

Annual General Meeting ('AGM')

The AGM will be held at 16 Palace Street, London SW1E 5JD at 3:00pm on Friday 29 July 2016. 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

The Directors who served during the year are listed on pages 14 and 15 together with their individual biographies.

In assessing the independence of non-executive Directors, 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 Mr Ashford-Russell should not be considered independent as he previously held an executive position with the Group and that Mr Cayzer-Colvin and Mr Bumeder 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.

Mr Bartlam, Mr Aldous and Mr 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.

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 meets regularly throughout the year and it met formally five times during the year. There have also been a number of committee meetings to address other issues as they arose during the year. It has a formal agenda of items for consideration at each meeting but also convenes 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 Chief Executive, Mr Woolley, leads the executive management team which meets regularly and is primarily responsible for the implementation of the Board's policies and strategies, effective communication with shareholders, ensuring that all Board members develop an understanding of the views of investors and for managing the activities of the 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 Commision (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 2016 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 five Board meetings held in the year and there is a schedule of matters reserved for decision by the Board. All the Directors attended all Board meetings with one exception when Mr Cayzer-Colvin, who was abroad, 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 full terms of reference of all the committees are published on the Company's website. 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 3 times a year. The Committee is chaired by Mr Aldous and the other members are Mr Bartlam, Mr Cayzer-Colvin and Mr Thomas. Only Committee members are entitled to attend meetings, however the Chief Executive, the Finance Director and Chief Operating Officer, the Head of Compliance and the Chief Risk Officer and other Directors may be invited to attend for all or part of the meetings. The external Auditors 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.

The Committee also has responsibilities for 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 auditors.

The Audit Committee Report on pages 22 to 24 describes how the Committee has discharged its duties.

Nomination Committee

The Nomination Committee is chaired by Mr Bartlam and the other members are Mr Aldous, Mr Cayzer-Colvin, Mr Thomas and Mr 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.

Remuneration Committee

The Remuneration Committee is chaired by Mr Thomas and other members of the Committee are Mr Cayzer-Colvin, Mr Bartlam and Mr Bumeder.

The Remuneration Committee meets as required and at least once each year. Other senior management and external advisers may be invited to attend meetings as the Remuneration Committee considers appropriate.

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.

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.

Treating Customers Fairly

Treating Customers Fairly is part of the Group's business ethos and ensures its regulated business complies with the FCA Principle, 'A firm must pay due regard to the interests of its customers and treat them fairly'. The fair treatment of customers is central to our corporate culture.

Approved by the Board on 23 June 2016

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 2016.

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 it function effectively. The experience of the members of the Committee can be assessed from the Director's biographies set out on pages 14 and 15.

During the year the Committee met 3 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 auditors 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 auditors 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 auditors to ensure consistency with the accounting policies used in the annual financial statements.

Non-audit work

The Committee has discussed the specific non-audit activities provided by the auditors 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 auditors 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 auditors 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 auditors at the AGM.

Ernst & Young LLP have agreed to offer themselves for reappointment as auditors 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.

Significant Issues in Relation to the Financial Statements

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

- *The significant judgments and estimation uncertainities described in* Note 1.21;

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.

Audit Committee Report continued

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 2016, 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

23 June 2016

Remuneration Committee Report

The constitution and composition of the Remuneration Committee is given on page 20.

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 it obligations. 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:

- the remuneration of the Executive Directors of the Group, including bonuses for the year;
- recommendations from the executive for remuneration packages for existing and new fund managers;
- recommended salary levels for 2016 and bonus payments for 2015/16 across the Group;
- review of the Equity Incentive Plan (EIP) prior to its expiry in January 2017. The Committee is seeking to replace the EIP with a new plan. The new Plan will permit the grant of performance shares, share options and will include recovery and withholding provisions.

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 and AUM being lower than anticipated, the year saw good progress against strategic objectives, an increased pipeline of recruitment activity and the Group's overall financial position remains strong. These factors are reflected in the Executive Director remuneration for the year ended 31 March 2016 as set out in the Remuneration Implementation Report.

Approach to remuneration in 2016/17

- The general salary increase across the group will be 4% to take effect from 1 April 2016. 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 has reached the end of its 10 year life and will be renewed.

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

23 June 2016

Remuneration Committee Report continued

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
- 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:

Executive Directors

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 population. The Committee considers the impact of any basic salary increase on the total remuneration package.
Benefits	To provide market competitive benefits to ensure the wellbeing of employees.	The Company typically provides the following: • 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.
Annual bonus	To drive and reward performance against annual objectives which are consistent with the strategy and aligns to shareholder interests.	A discretionary annual bonus based the overall success of the Company (financial and non-financial) and personal contribution.
Long-term incentives ('LTIP')	To encourage and reward delivery of the Company's long-term strategic objectives and provide alignment with shareholders.	Awards made in share options and exercisable after 4 years. Awards are granted subject to continued employment. The existing EIP scheme will be reviewed during 2016 as it will expire in January 2017.

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.	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. 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 in and a recommendation is then made to the Board. The Committee in reviewing these fees consider the extra work undertaken by the Chairman of the Board Committees and may pay an additional fee to reflect these responsibilities if felt appropriate.

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 in relation to performance in financial year ended 31 March 2016 (or for performance periods ending in the financial year ended 31 March 2016 in respect of long-term incentives) and for comparison amounts received in the financial year ended 31 March 2015.

	Salary & fees		Bonus		Taxable benefits		Pension/ payment in lieu of pension		Total remuneration	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Executive Directors										
T J Woolley	350	350	200	250	1	1	28	28	579	629
J B Mansell	250	250	175	225	3	3	25	25	453	503
Non-Executive Directors										
T H Bartlam	80	75	–	–	–	–	–	–	80	75
H G C Aldous	40	38	–	–	–	–	–	–	40	38
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	35	–	–	–	–	–	–	40	35

* 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 Mr Cayzer-Colvin was paid to Caledonia Investments plc and the fee for Mr Bumeder was paid to XL Group plc.

Remuneration Committee Report continued

Share options vested in the financial year ended 31 March 2016

Share options which vested in the financial year ended 31 March 2016 were as follows:

- T J Woolley – 600,000 shares under option and able to be exercised from 27 June 2015 at an option price of 191.7p per share.
- J B Mansell – 350,000 shares under option and able to be exercised from on 26 July 2015 at an option price of 197.5p per share.

Payments to past Directors

During the year to 31 March 2016, no payments were made to any past Directors.

Annual bonus for the year ended 31 March 2016

Annual bonuses to the Executive Directors for the year ended 31 March 2016 reflect the lower earnings during that period but also successes in other parts of the business.

Mr Woolley received a bonus of £200,000 in respect of the financial year ended 31 March 2016.

Mr Mansell received a bonus of £175,000 in respect of the financial year ended 31 March 2016.

LTIP awards granted during the year

Neither Mr Woolley nor Mr Mansell have been granted a share option in the year ended 31 March 2016.

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 2016 and up to 23 June 2016 are described below.

		Grant date	At 1 April 2015	Granted in the year	Exercised in the year	Lapsed in the year	At 31 March 2016	Earliest exercise date	Latest exercise date	(£) Market value of shares at grant price (lapse)	(£) Exercise price
T J Woolley	EIP awards	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	EIP awards	22/01/2010	500,000	–	–	–	500,000	31/03/2014	31/03/2024	91.5p	91.5p
		26/07/2011	350,000	–	–	–	350,000	26/07/2015	26/07/2025	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 Mr Woolley and Mr Mansell are subject to the requirement that in order to exercise the option the option holder must be employed by 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 2016 (2015:nil).

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

	31 March 2016	31 March 2015
T H Bartlam	50,000	50,000
H G C Aldous	40,000	40,000
B J D Ashford-Russell		
beneficial	6,350,000	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 2016 in the shares of the Company between 31 March 2016 and 23 June 2016.

Share prices over the financial year

The shares have traded at prices between 350.25p (15 October 2015) and 479.50p (24 June 2015) per share. The share price on 31 March 2016 was 361.0p 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 fairly 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 Auditors

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 auditors are 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 auditors are 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 2016 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 9 to 11. Note 11.3 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.

Tom Bartlam

Chairman

For and on behalf of the Board

23 June 2016

Independent Auditors' Report to the Members of Polar Capital Holdings plc

For the year ended 31 March 2016

We have audited the financial statements of Polar Capital Holdings Plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related Notes 1 to 22. 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 as set out on page 30, 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 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:

- 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 2016 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; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

For the year ended 31 March 2016

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

23 June 2016

Consolidated Statement of Profit or Loss
For the year ended 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Revenue	2	84,252	96,225
Other income	3	790	801
Gross income		85,042	97,026
Commissions and fees payable		(7,630)	(8,977)
Net income		77,412	88,049
Operating costs before share-based payments		(49,879)	(54,366)
Operating profit before share-based payments, amortisation/impairment and tax		27,533	33,683
Share-based payments	21	(3,290)	(2,557)
Profit for the year before tax	4	24,243	31,126
Taxation	7	(5,423)	(7,251)
Profit for the year attributable to ordinary shareholders		18,820	23,875
Basic earnings per ordinary share	9	21.22p	27.46p
Diluted earnings per ordinary share	9	20.13p	25.40p
Adjusted basic earnings per ordinary share (Non GAAP measure)	9	24.93p	30.41p
Adjusted diluted earnings per ordinary share (Non GAAP measure)	9	23.65p	28.12p

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

Consolidated Statement of Other Comprehensive Income
For the year ended 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Profit for the year attributable to ordinary shareholders		18,820	23,875
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Reclassification of losses on available for sale financial assets	3.2	–	285
Deferred tax effect		2	(57)
		2	228
Net movement on cash flow hedges	3.2	360	(2,311)
Deferred tax effect		(169)	552
		191	(1,759)
Exchange differences on translation of foreign operations		4	5
Total comprehensive income for the year, net of tax, attributable to ordinary shareholders		19,017	22,349

The Notes on pages 40 to 64 form part of these financial statements.

Consolidated Balance Sheet
As at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	10	2,862	2,007
Deferred tax assets	7.4	3,654	5,136
Total non-current assets		6,516	7,143
Current assets			
Assets at fair value through profit or loss	11	33,293	38,071
Assets held for sale	11	6,835	13,614
Trade and other receivables	13	7,984	9,334
Cash and cash equivalents	14	48,762	41,385
Total current assets		96,874	102,404
Total assets		103,390	109,547
Non-current liabilities			
Provisions and other liabilities	15	2,132	–
Deferred tax liabilities	7.4	124	102
Total non-current liabilities		2,256	102
Current liabilities			
Trade and other payables	16	21,235	26,276
Other financial liabilities	11	2,966	5,357
Current tax liabilities	7	1,332	2,581
Total current liabilities		25,533	34,214
Total liabilities		27,789	34,316
Net assets		75,601	75,231
Capital and reserves			
Issued share capital	17.1	2,280	2,232
Share premium		18,509	16,715
Investment in own shares	17.2	(878)	(962)
Capital and other reserves		6,897	6,665
Retained earnings		48,793	50,581
Total equity – attributable to ordinary shareholders		75,601	75,231

The Notes on pages 40 to 64 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2016.

Hugh Aldous
Chairman of the Audit Committee

John Mansell
Finance Director

Consolidated Statement of Changes in Equity
For the year ended 31 March 2016

	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 2014		2,184	16,288	(1,017)	143	9,507	47,065	74,170
Profit for the year		–	–	–	–	–	23,875	23,875
Other comprehensive income		–	–	–	–	(1,526)	–	(1,526)
Total comprehensive income		–	–	–	–	(1,526)	23,875	22,349
Dividends	18	–	–	–	–	–	(22,891)	(22,891)
Issue of shares	17	38	427	55	–	–	(25)	495
Issue of share capital against preference shares		10	–	–	(10)	–	–	–
Share-based payment	21	–	–	–	–	–	2,557	2,557
Current tax in respect of employee share options		–	–	–	–	1,565	–	1,565
Deferred tax in respect of employee share options		–	–	–	–	(3,014)	–	(3,014)
As at 1 April 2015		2,232	16,715	(962)	133	6,532	50,581	75,231
Profit for the year		–	–	–	–	–	18,820	18,820
Other comprehensive income		–	–	–	–	197	–	197
Total comprehensive income		–	–	–	–	197	18,820	19,017
Dividends	18	–	–	–	–	–	(22,073)	(22,073)
Issue of shares	17	38	1,794	84	–	–	(1,825)	91
Issue of share capital against preference shares		10	–	–	(10)	–	–	–
Share-based payment	21	–	–	–	–	–	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 31 March 2016		2,280	18,509	(878)	123	6,774	48,793	75,601

Further information relating to Reserves is disclosed in Note 17 to the financial statements.

The Notes on pages 40 to 64 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Cash flows generated from operating activities			
Cash generated from operations	20	34,992	37,641
Tax paid		(5,298)	(6,454)
Net cash inflow generated from operating activities		29,694	31,187
Investing activities			
Interest received		45	18
Purchase of assets held for sale	11	–	(12,470)
Purchase of property, plant and equipment		(373)	(1,995)
Net cash outflow used in investing activities		(328)	(14,447)
Financing activities			
Equity dividends paid	18	(22,073)	(22,891)
Issue of share capital		–	440
Receipts in relation to investment in own shares		84	55
Net cash outflow from financing activities		(21,989)	(22,396)
Net increase in cash and cash equivalents		7,377	(5,656)
Cash and cash equivalents at start of the year		41,385	47,041
Cash and cash equivalents at end of the year		48,762	41,385

The Notes on pages 40 to 64 form part of these financial statements.

Company Balance Sheet
At 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Fixed assets			
Investments	12	1,017	1,017
Current assets			
Debtors	13	26,517	26,510
Cash and short-term deposits		12	12
		26,529	26,522
Creditors – amounts falling due within one year			
Other creditors		–	–
Net current assets		26,529	26,522
Net assets		27,546	27,539
Capital and reserves			
Called up share capital		2,280	2,232
Share premium account		18,509	16,715
Retained earnings		7,317	9,154
Reserves		(560)	(562)
Shareholders' funds		27,546	27,539

The Notes on pages 40 to 64 form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2016

	Note	Issued share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2014		2,184	16,288	(552)	9,490	27,410
Profit for the year		–	–	–	22,580	22,580
Total comprehensive income		–	–	–	22,580	22,580
Dividends	18	–	–	–	(22,891)	(22,891)
Issue of shares	17	48	427	(10)	(25)	440
As at 1 April 2015		2,232	16,715	(562)	9,154	27,539
Profit for the year		–	–	–	22,073	22,073
Total comprehensive income		–	–	–	22,073	22,073
Dividends		–	–	–	(22,073)	(22,073)
Issue of shares		48	1,794	2	(1,837)	7
As at 31 March 2016		2,280	18,509	(560)	7,317	27,546

Further information relating to Reserves is disclosed in Note 17 to the financial statements.

The Notes on pages 40 to 64 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Cash flows generated from operating activities			
Cash generated from operations	20	22,066	22,371
Net cash inflow generated from operating activities		22,066	22,371
Financing activities			
Equity dividends paid	18	(22,073)	(22,891)
Issue of share capital		7	440
Net cash outflow from financing activities		(22,066)	(22,396)
Net increase in cash and cash equivalents		–	(80)
Cash and cash equivalents at start of the year		12	92
Cash and cash equivalents at end of the year		12	12

The Notes on pages 40 to 64 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2016

1. Principal Accounting Policies
General
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.

The principal accounting policies applied in the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the Group) for the year ended 31 March 2016 are set out below.

1.1 Basis of preparation
The consolidated 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 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 financial instruments at fair value through profit or loss 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.

The Company financial statements have been prepared in accordance with FRS 102. The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2015 with no changes to its previously reported financial position or financial performance. No profit or loss account is presented for the Company as permitted under section 408 of the Companies Act 2006.

1.2 Basis of consolidation
The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at 31 March 2016. 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;
- The ability to use its power over the investee to affect returns.

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.

1.3 Foreign 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.

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 assets and liabilities 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.

All exchange differences are taken to the statement of profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations 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 taken to other comprehensive income.

1.4 Income Recognition

Revenue

Revenue represents fees receivable (excluding value added tax) during the period for discretionary investment management services. Management fees and performance fees are recognised when receivable. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured.

Interest receivable and similar income

Interest receivable is recognised on an accruals basis using effective interest method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

1.5 Commissions and fees payable

Commissions and 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.

1.6 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.

1.7 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.

1.8 Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The cost of equity-settled transactions is recognised, together with an increase in equity reserves, on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the directors' best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, that will, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Where the terms of equity-settled awards are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the Consolidated Statement of Profit or Loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Consolidated Statement of Profit or Loss.

Notes to the Financial Statements continued
For the year ended 31 March 2016

1. Principal Accounting Policies continued

General continued

1.9 Taxation

Current tax

The tax expense represents the sum of the tax currently payable and deferred 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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that 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 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 directly to equity, in which case the deferred tax is also dealt with in equity. 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.

1.10 Dividend recognition

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

1.11 Current versus non-current classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reposting period.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.12 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 the employee share options, the fair value is determined using appropriate valuation techniques that take into account the terms and conditions upon which the options were granted and utilise observable market data as inputs.

1.13 Property, Plant 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%

1.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount, being the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a post-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

1.15 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.

(a) Financial assets

The Group's financial assets include financial assets at fair value through profit or loss, trade and other receivables, cash and equivalents and derivative financial instruments.

Financial assets are classified as assets at fair value through profit or loss (as held for trading or designated as assets at fair value through profit or loss), loans and receivables or available for sale. 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.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through the profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. 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 are classified as financial assets at fair value through profit or loss – held for trading. Such assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in the statement of profit or loss. Financial assets at fair value through profit or loss are derecognised when such assets are sold and the Group has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements continued

For the year ended 31 March 2016

1. Principal Accounting Policies continued

General continued

1.15 Financial instruments continued

***(a) Financial assets** continued*

ii) 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.

iii) 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.

(b) Financial liabilities

The Group's financial liabilities include trade and other payables and derivative financial instruments. All financial liabilities are recognised initially at fair value and are classified as appropriate. A financial liability ceases to be recognised when the relevant obligation has been discharged, cancelled or has expired.

i) Trade and other payables

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

ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial liabilities classified at fair value through profit or loss are carried on the Balance Sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

(c) 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 remeasured 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 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.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.16 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 as current items in the Consolidated Balance Sheet.

1.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

1.18 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.

1.19 Own shares held

The Group operates an employee benefit trust for the purpose of satisfying certain retention 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.

1.20 Segment reporting

The financial information provided to the Chief Executive 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.

Notes to the Financial Statements continued
For the year ended 31 March 2016

1. Principal Accounting Policies continued
General continued

1.21 Judgements and key sources of estimation uncertainty
The key judgments and sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities and expenses in future periods are as follows:

Share-based payments
The estimation of share-based payment cost requires the selection of an appropriate valuation model, consideration of appropriate input criteria for the model and an estimate as to the number of awards that will vest.

Deferred tax
Deferred tax is recognised based on differences between the carrying value of assets and liabilities and the tax value of assets and liabilities. Deferred tax assets are only recognised to the extent that the Group estimates that future taxable profits will be available to offset them.

Consolidation of subsidiaries
The Group considers all relevant facts and circumstances in assessing whether it is acting as an agent or a principal for its holdings in its seed capital investments. The Group considers the overall relationship between itself and an investee including the scope of its decision making authority over the investee, the removal rights held by other parties, the remuneration to which it is entitled and its overall exposure to variability of returns from its holdings. Where the Group concludes it is acting as principal the entity is consolidated.

Assets held for sale
The Group believes that assets held for sale continue to meet the relevant classification criteria as at 31 March 2016 because the period to complete the sale has been delayed by events beyond the Group's control and the Group remains committed to the sale plan.

1.22 Changes in accounting policies and disclosures
The following amendments have been applied by the Group in the current year with no material impact on the Group's financial statements:

Annual Improvements Cycle – 2010–2012	These improvements address changes to: – IFRS 2 Share based payments – IFRS 3 Business Combinations – IFRS 8 Operating Segments – IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – IAS 24 Related Party Disclosures
Annual Improvements Cycle – 2011–2013	These improvements address changes to: – IFRS 3 Business Combinations – IFRS 13 Fair Value Measurement – IAS 40 Investment Property

The adoption of the remaining new and revised standards and interpretations has not had an impact on the Group's financial statements.

1.23 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 2016 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
Amendments to IFRS11 Joint Arrangements: Accounting for Acquisition of Interests	Amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting.	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.	1 January 2016
Annual improvements to IFRSs 2012–2014 Cycle	These improvements address changes to: – IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – IFRS 7 Financial Instruments: Disclosures – IAS 19 Employee Benefits – IAS 34 Interim Financial Reporting	1 January 2016

The Group does not expect that the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

Notes to the Financial Statements continued
For the year ended 31 March 2016

2. Operating Segments

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 Chief Executive, 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.

2.1 Geographical analysis of income (based on the residency of source)

	31 March 2016 £'000	31 March 2015 £'000
UK	11,213	10,054
Ireland	64,480	70,952
Cayman	7,628	13,592
Europe	1,871	1,467
(Loss)/ profit on forward currency contracts	(940)	160
	84,252	96,225

2.2 Analysis of income by type of fees

	31 March 2016 £'000	31 March 2015 £'000
Investment management fees	77,986	83,811
Investment performance fees	7,206	12,254
(Loss)/ profit on forward currency contracts	(940)	160
	84,252	96,225

3. Components of Other Income and Other Comprehensive Income

3.1 Components of other income

	31 March 2016 £'000	31 March 2015 £'000
Interest income on cash and cash equivalents	45	18
Net gain/ (loss) on financial instruments at fair value through profit or loss – short positions	2,696	(2,911)
Net (loss) on forward currency contracts	(863)	(2,163)
Net (loss)/ gain on financial assets at fair value through profit or loss – seed investments	(2,230)	4,713
Net gain on assets held for sale	1,142	1,144
	790	801

3.2 Components of other comprehensive income

	31 March 2016 £'000	31 March 2015 £'000
Available for sale financial assets:		
Reclassification adjustments for losses included in the statement of profit or loss	–	285
	–	285
Cash flow hedges – Forward currency contracts:		
Losses arising during the year	(580)	(1,657)
Reclassification adjustments for losses/ (gains) included in the statement of profit or loss	940	(654)
	360	(2,311)

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

On initial designation of the Group's seed investments in a prior period these were, at the time, classified as available for sale with subsequent fair value movements recognised in equity. As these seed investments were always acquired for the purpose of selling or repurchasing in the near term these have in the prior year been reclassified as financial assets at fair value through profit or loss and fair value movements recognised in the statement of profit or loss.

This reclassification did not give rise to adjustments that were material, either individually or cumulatively, in the Group's financial statements for comparative periods.

4. Profit Before Taxation

4.1 This is stated after charging:

	31 March 2016 £'000	31 March 2015 £'000
Staff costs including partnership profit allocations (Note 5)	39,951	44,978
Depreciation	499	82
Auditors' remuneration (Note 4.2)	167	154
Operating lease rentals – land and buildings	1,288	761
Operating lease rentals – other	1,713	1,659

4.2 Auditors' remuneration:

	31 March 2016 £'000	31 March 2015 £'000
Audit of Group financial statements	50	48
Other fees		
– local statutory audits of subsidiaries	44	37
– GIPS Review	22	22
– internal controls review	51	47
	167	154

5. Staff Costs Including Directors' Emoluments

	31 March 2016 £'000	31 March 2015 £'000
Salaries	11,382	12,156
Social security costs	1,322	1,100
Pension costs	505	453
Partnership profit allocations	23,452	28,712
Share-based payments (Note 20)	3,290	2,557
	39,951	44,978

Pension costs outstanding at the year-end amounted to nil (2015: nil).

	31 March 2016	31 March 2015
Average number of partners and full time employees, including executive directors:		
Fund Management	53	49
Administration	57	55
	110	104

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

Notes to the Financial Statements continued
For the year ended 31 March 2016

6. Directors' Emoluments

	31 March 2016 £'000	31 March 2015 £'000
Total emoluments including partnership profit allocations	1,262	1,354
Company contributions to money purchase pension schemes	28	28
The amounts in respect of the highest paid Director are as follows:		
Emoluments	550	600
Company contributions paid to money purchase scheme	28	28

During the years ended 31 March 2016 and 31 March 2015 there was one Director who accrued benefits under the Group defined contribution pension scheme.

The total remuneration paid to Executive Directors who served during the year is disclosed in the Remuneration Committee Report.

Director's emoluments include both salaries and partnership profit allocations earned through Polar Capital LLP. Also included are sums paid to third parties in respect of Directors' services amounting to £40,000 (2015: £40,000).

7. Taxation

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 2016 and 2015 are:

7.1 Tax recognised in the Consolidated statement of profit or loss

	31 March 2016 £'000	31 March 2015 £'000
UK Corporation tax		
UK Corporation tax on profits of the year	5,373	7,565
Adjustments in respect of prior periods	(166)	(30)
Total current tax	5,207	7,535
Foreign Tax		
Current year	20	19
Prior year adjustment	–	(2)
	20	17
Deferred tax		
Originating and reversal of temporary differences	192	(320)
Rate change adjustment	96	0
Prior year adjustment	(92)	19
	196	(301)
Total tax recognised in consolidated statement of profit or loss	5,423	7,251

7.2 Tax recognised in the Consolidated statement of other comprehensive income

	31 March 2016 £'000	31 March 2015 £'000
UK Corporation tax		
UK Corporation tax on profits of the year	(1,182)	(1,565)
Adjustments in respect of prior periods	–	–
Total current tax	(1,182)	(1,565)
Deferred tax		
Originating and reversal of temporary differences	1,082	2,519
Rate change adjustment	141	–
Prior year adjustment	81	–
	1,304	2,519
Total tax recognised in consolidated statement of other comprehensive income	122	954

7.3 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% (2015: 21%). The differences are reconciled below:

	31 March 2016 £'000	31 March 2015 £'000
Profit on ordinary activities before taxation	24,243	31,126
Tax on profit on ordinary activities at standard rate of 20% (2015: 21%)	4,849	6,536
Adjustments in respect of prior periods	(270)	(13)
Rate change adjustment	97	18
Disallowed expenses	106	221
Other – share based payments	641	489
Total tax at an effective rate of 22% (2015: 23%)	5,423	7,251

Notes to the Financial Statements continued

For the year ended 31 March 2016

7. Taxation continued

7.4 Deferred taxation

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 to 18% with effect from 1 April 2020. The effect of these reductions is reflected in the Group's deferred tax balances as the rate was substantively enacted before 31 March 2016.

An analysis of the Group's deferred tax assets and liabilities is as follows:

	31 March 2016 £'000	31 March 2015 £'000
Deferred tax asset		
Deferred tax on share-based payments	2,727	3,951
Capital allowances	–	2
Deferred tax on assets held for sale	9	11
Deferred tax on assets at fair value through profit or loss	93	101
Deferred tax on other financial assets and liabilities	825	1,071
	3,654	5,136
Deferred tax liability		
Capital allowances	(124)	(102)
	(124)	(102)

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 2016 £'000	31 March 2015 £'000
Deferred tax income/ (expense) during the period recognised in profit or loss		
Deferred tax on share-based payments	87	37
Capital allowances	22	104
Deferred tax on assets held for sale	2	(11)
Deferred tax on assets at fair value through profit or loss	8	(101)
Deferred tax on other financial assets and liabilities	77	(330)
	196	(301)
Deferred tax income/ (expense) during the period recognised in other comprehensive income		
Deferred tax on share-based payments	1,137	3,014
Deferred tax on other financial assets and liabilities	167	(495)
	1,304	2,519

8. Subsidiary Undertakings

Details of the Company's subsidiary undertakings as at 31 March 2016 are as follows:

Principal subsidiary undertakings	Country of incorporation	Nature of business and registration
Polar Capital Partners Limited	UK	Services company
Polar Capital Property Limited	*UK*	*Dormant*
Polar Capital Secretarial Services Limited	UK	Dormant
Polar Capital Partners (Jersey) Limited	Jersey	Investment management
Polar Capital (America) Corporation	USA	Investment advisory
Polar Capital Limited Liability Partnership	UK	Investment management
Polar Capital European Income Fund	*Ireland*	UCITS sub-fund

All of the above entities are wholly owned, except for Polar Capital LLP in which Polar Capital Partners Limited has contributed 99.5% of the capital and Polar Capital European Income Fund in which Polar Capital Partners Limited has invested 68% of the funds. All subsidiaries are owned indirectly, other than Polar Capital Partners Limited.

9. Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit for the year of £18,819,702 (2015: £23,873,443) and on 88,685,262 (2015: 86,924,177) ordinary shares, being the weighted number of ordinary shares.

The calculation of diluted earnings per ordinary share is based on the profit of the year of £18,819,702 (2015: £23,873,443) and 93,493,781 (2015: 94,000,334) ordinary shares, being the weighted average number of ordinary shares allowing for all options of 4,808,519 (2015: 7,076,157) which are dilutive.

The calculation of adjusted basic earnings per ordinary share is based on profit for the year of £18,819,702 but adjusted for the cost of share-based payments of £3,290,173 (2015: profit of £23,873,443 adjusted for the cost of share-based payments of £2,557,462) and an 88,685,262 (2015: 86,924,177) ordinary shares, being the weighted number of ordinary shares.

The calculation of adjusted diluted earnings per ordinary share is based on profit for the year of £18,819,702 but adjusted for the cost of share-based payments of £3,290,173 (2015: profit of £23,873,443 adjusted for the cost of share-based payments of £2,557,462) and 93,493,781 (2015: 94,000,334) ordinary shares being the weighted average number of ordinary shares allowing for all dilutive options.

As at 31 March 2016, the fully diluted number of ordinary shares which would be in issue is 94,948,510 (2015: 95,191,410) shares, if all outstanding options were exercised.

Notes to the Financial Statements continued
For the year ended 31 March 2016

10. Tangible Fixed Assets

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

2015				
Cost				
As at 1 April 2014	711	573	197	1,481
Additions	1,629	118	248	1,995
Disposals	–	–	–	–
As at 31 March 2015	2,340	691	445	3,476
Depreciation				
As at 1 April 2014	706	504	177	1,387
Charge for the year	11	52	19	82
Disposals	–	–	–	–
As at 31 March 2015	717	556	196	1,469
Net book value at 31 March 2015	1,623	135	249	2,007

11. Financial Assets and Liabilities

11.1 Financial assets

	31 March 2016 £'000	31 March 2015 £'000
Assets at fair value through profit or loss	33,293	38,071
Assets held for sale	6,835	13,614
	40,128	51,685

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

The Group's financial assets at fair value through profit or loss include investments in the funds it manages all of which are listed. The fair values of such financial assets are derived from quoted market prices in active markets.

(b) Assets held for sale

In 2015 the Group's seed investments in its European Income fund and UK Absolute Equity fund were classified as assets held for sale as their carrying value would be recovered principally through a sale transaction rather than through continuing investment.

During the year the Group's holding in the Polar Capital UK Absolute Fund was reduced to a level where the fund was not deemed to be a subsidiary and as such, has been included within assets at fair value through profit or loss at 31 March 2016.

Included within other income is a gain of £1,277,700 (2015: nil) recognised on Polar Capital UK Absolute Fund between 1 April 2015 and the date it was reclassified to assets at fair value through profit or loss.

As at 31 March 2016, assets held for sale include the Group's investment in the Polar Capital European Income fund. The Group expects to sell this investment to external investors over the next 12 months.

Assets held for sale are carried at the lower of carrying amount and fair value less costs to sell.

There were no material liabilities relating to assets held for sale as at 31 March 2016 (2015: nil).

11.2 Financial liabilities

	31 March 2016 £'000	31 March 2015 £'000
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	86	58
Securities – short positions	1,982	4,039
Derivatives designated as cash flow hedges		
Foreign exchange forward contracts	898	1,260
	2,966	5,357

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 11.3.

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 11.3.

Notes to the Financial Statements continued
For the year ended 31 March 2016

11. Financial Assets and Liabilities continued

11.3 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.

(a) 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 fair value through profit or loss are monitored regularly. The carrying value of the Group's financial assets represents its maximum exposure to credit risk at the year end.

(b) Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due. The Group maintains significant liquid resources in the form of cash or cash deposits in order to meet working capital and regulatory needs. The Group's treasury policy is designed to align the duration period of the cash investments to the working capital requirements of the Group with no investment being placed for a period of more than three months.

The Group's financial liabilities comprise trade and other payables and derivative instruments. The maturity dates for all financial liabilities fall within either one year or are repayable on demand.

(c) 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 investments in its own 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 +/ - £4m (2015: £3.8m).

This movement would be recognised in the consolidated statement of profit or loss.

(d) 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.

(e) 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, certain of those fees are generated from assets based in other countries, in particular USD 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 four (2015: four) open contracts to sell US dollars totalling USD $23,250,000 (2015: USD $23,200,000), for a total of £15,337,156 (2015: £14,350,871). There was one open Sterling/ Yen contract to sell a total of ¥78,000,000 (2015: ¥139,000,000), for a total of £427,046 (2015: £812,866).

The Group also holds assets at fair value through profit or loss 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 four (2015: five) 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 a further three (2015: three) forward currency contracts for the sale of USD $18,000,000 (2015: USD $27,700,000) to purchase £12,604,089 (2015: £18,589,375) and one forward currency contract for the sale of €6,000,000 to purchase £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.

(f) 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 premiums, reserves and retained earnings as disclosed in Note 17.

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.

(g) Fair value hierarchy

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

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

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

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

At the end of both the current as well as the comparative period, all held for sale financial assets and fair value through profit or loss financial instruments held by the Group were Level 1 and all open forward foreign exchange contracts were Level 2. The open forward foreign exchange contracts are held at fair value using valuation techniques that incorporate foreign exchange spot and forward rates. The carrying values of the Group's financial instruments are presented on the face of the balance sheet.

During the reporting period there were no transfers between levels in fair value measurements. There are no level 3 financial instruments.

12. Investment

The investment is the Company's wholly owned subsidiary Polar Capital Partners Limited.

13. Trade and Other Receivables

	31 March 2016		31 March 2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	6,410	–	7,569	–
Other receivables	205	26,517	693	26,510
Prepayments	1,369	–	1,072	–
	7,984	26,517	9,334	26,510

Other receivables for the Company are due from Polar Capital Partners Limited and Polar Capital LLP.

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

Notes to the Financial Statements continued
For the year ended 31 March 2016

14. Cash and Cash Equivalents

	31 March 2016 £'000	31 March 2015 £'000
Cash at bank	48,762	41,385

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 £48,761,531 (2015: £41,385,292).

As at 31 March 2016 the Group had placed £2,700,000 (2015: £3,380,000) of its cash at bank with counterparties to fulfil the collateral requirements for derivatives contracts related to short positions (see Note 11.2).

15. Non-Current Provisions and Other Liabilities

	31 March 2016 £'000	31 March 2015 £'000
Other non-current liabilities	1,157	–
Dilapidations provisions	975	–
	2,132	–

15.1 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 2016 and which will be released on a straight line basis over the remaining term of the lease which expires in October 2024.

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

Non-current provisions:	31 March 2016 £'000	31 March 2015 £'000
As at 1 April 2015	–	–
Arising in the year	975	–
Utilised	–	–
As at 31 March 2016	975	–

16. Trade and Other Payables

	31 March 2016		31 March 2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Other creditors	13,928	–	19,972	–
Accruals	7,309	–	6,304	–
	21,237	–	26,276	–

17. Issued Share Capital and Reserves

17.1 Issued share capital Group and Company

	31 March 2016 £'000	31 March 2015 £'000
Allotted, called up and fully paid:		
91,216,011 ordinary shares of 2.5p each		
(2015: 89,286,273 ordinary shares of 2.5p each)	2,280	2,232

The increase in share capital arises from 1,512,650 (2015: 1,514,981) shares issued on exercise of employee share options as well as the issue of 417,088 (2015: 417,089) shares in connection with the crystallisation of manager preference shares as described in Note 21.

17.2 Nature and purpose of reserves

(a) Share premium

Share premium records the difference between the nominal value of shares issued and the full value of the consideration received.

(b) Own shares held

The Group has made a loan to the Polar Capital Employee Benefit Trust to enable it to acquire ordinary shares in Polar Capital Holdings plc. The assets of the Employee Benefit Trust are included on the Group's Balance Sheet and the investment in own shares (held at cost) is deducted from equity as required by IAS 32. At 31 March 2016 there were 1,076,020 shares of 2.5p each (2015: 1,171,020 shares of 2.5p each) held by the Employee Benefit Trust.

(c) Capital reserves

The capital reserve represents a share repurchase reserve and preference shares issued by a subsidiary company, and is offset by movements in share capital of Polar Capital Holdings plc issued under this preference share scheme as described in Note 21.

(d) Other reserves

Other reserves relate to movements in:

- deferred tax assets 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
- exchange differences arising on translation of foreign operations

Notes to the Financial Statements continued

For the year ended 31 March 2016

18. Dividends Paid and Proposed

Dividends on ordinary shares declared and paid during the year:

	31 March 2016 £'000	31 March 2015 £'000
First interim dividend for 2016: 5.5p per share (2015: 5.5p per share)	4,885	4,791
Second interim dividend for 2015: 19.5p per share (2014: 21.0p per share)	17,188	18,100
Total dividend paid and charged to equity	22,073	22,891

Dividends on ordinary shares proposed for approval by the Board of Directors (not recognised as a liability at 31 March 2016):

	31 March 2016 £'000	31 March 2015 £'000
Second interim dividend for 2016: 19.5p per share (2015: 19.5 per share)	17,577	17,188

The Board has declared a second interim dividend of 19.5p (2015: 19.5p) to be paid in July 2016.

Together with the first interim dividend of 5.5p paid in January 2016 the total dividend for the year amounts to 25.0p (2015: 25.0p).

19. Operating Lease Commitments

As at 31 March 2016, the Group had non-land and buildings, operating lease commitments as follows:

	31 March 2016 £'000	31 March 2015 £'000
Amounts payable within one year	291	304
Amounts payable between two and five years	206	334

These leases consist of a number of market feed and other technology related subscriptions, with no single material contract.

As at 31 March 2016, the Group had operating lease commitments in respect of its rented premises as follows:

	31 March 2016 £'000	31 March 2015 £'000
Amounts payable within one year	1,264	1,349
Amounts payable between two and five years	5,184	5,396
Amounts payable in more than five years	4,835	6,748

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

20. Cash Generated From Operations

Reconciliation of profit before taxation to cash generated from operations:

	31 March 2016		31 March 2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Cash flows from operating activities				
Profit on ordinary activities before tax	24,243	22,073	31,126	22,580
Interest receivable and similar income	(45)	–	(18)	–
Depreciation of tangible fixed assets	499	–	82	–
Decrease in assets at fair value through profit or loss	12,792	–	5,629	–
Decrease/(increase) in receivables	1,350	(7)	341	(209)
(Decrease) in trade and other payables	(5,041)	–	(3,843)	–
Increase in non-current provisions and other liabilities	1,157	–	–	–
(Gain)/ loss on financial instruments at fair value through profit or loss	(2,111)	–	2,911	–
Net (gain) on assets held for sale	(1,142)	–	(1,144)	–
Share-based payment	3,290	–	2,557	–
Cash generated from operations	34,992	22,066	37,641	22,371

21. Share-Based Payments

21.1 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 company's parent undertaking, Polar Capital Holdings plc) be satisfied by the issue of ordinary shares in Polar Capital Holdings plc. Such conversion takes place according to a pre-defined conversion formula that considers the relative contribution of the manager to the Group as a whole. The equity is awarded in return for the forfeiture of a manager's current core economic interest and is issued over three years from the date of conversion.

The issue of the Preference Shares constitutes a share-based payment under IFRS 2 and the cost is the estimated fair value, at the date of issue of the preference shares, of the effective entitlement to the ordinary shares. At each reporting date the estimated number of ordinary shares to be ultimately issued upon conversion will vary and the holder, initially, and the Group, ultimately, determines the start of the three year period ('Crystallisation') over which the ordinary shares are awarded following conversion. The start of this period will always be at least three years after the end of the financial accounting period in which the preference shares are issued.

The share-based payments charge for the year under this scheme was £2,370,875 (2015: £1,493,250).

At 31 March 2016 three sets of preference share have the right to call for conversion.

The fair value of these share-based payments is estimated using a Black-Scholes-Merton option pricing model. The following table lists the inputs to the model.

	2012 Awards	2011 Awards	2008 Awards
Dividend yield (%)	4.55	4.77	3.50
Expected share price volatility (%)	42.00	45.00	40.00
Risk free interest rate (%)	1.58	2.11	5.33
Weighted average share price (£)	1.42	1.94	1.21
Expected life of options (years)	6	6	6

Notes to the Financial Statements continued

For the year ended 31 March 2016

21. Share-Based Payments continued

21.1 Manager and Team Preference Shares ('Preference Shares') continued

The share price volatility was calculated by reference to the Company's historic share price.

The following table illustrates the number of, and movements in, the estimated number of ordinary shares to be issued. No subscription price is payable on the issue of the ordinary shares.

Estimated number of ordinary shares to be issued on conversion:

	31 March 2016 Number of shares	31 March 2015 Number of shares
At 1 April 2015	3,976,768	2,087,496
Conversion/ crystallisation	–	–
Movement in the year	1,727,344	1,889,272
As at 31 March 2016	5,704,112	3,976,768

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

	31 March 2016 Number of shares	31 March 2015 Number of shares
Outstanding at 1 April 2015	417,088	834,177
Issued in the year ('crystallised')	(417,088)	(417,089)
Outstanding as at 31 March 2016	–	417,088

In the year to 31 March 2016 there were no new conversions of preference shares into Polar Capital Holdings equity (2015: 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.

21.2 Group Equity Incentive Plans

As part of an ongoing program to retain and incentivise employees, the Group issues share options under the following schemes:

(a) Enterprise management incentive scheme

Share options in Polar Capital Holdings plc are granted to directors and employees under an Enterprise Management Incentive Scheme. These shares have a vesting period of either three or four years, and the exercise price for each option is the market value of the shares on the date it was granted. Early exercise conditions exist in the event of a takeover of more than 75% of the share capital of the Company.

(b) Save as you Earn scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved 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.

(c) Company share option scheme

Share options in Polar Capital Holdings plc are granted to employees under a HMRC approved 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.

(d) 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. 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 expense recognised for share-based payments in this respect of these share schemes during the year was £919,298 (2015: £1,064,212).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2016		2015	
	Number	WAEP	Number	WAEP
Outstanding at beginning of the year	14,034,270	242p	16,106,847	218p
Granted during the year	97,320	356p	346,354	432p
Exercised during the year[1]	(2,312,903)	131p	(2,394,639)	108p
Lapsed during the year	(41,170)	323p	(24,292)	489p
Outstanding at end of the year	11,777,517	265p	14,034,270	242p
Exercisable at end of the year	5,011,979	137p	5,071,300	109p

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 1,512,650 shares (Note 17) were issued to satisfy the total number of options exercised (2015: 1,514,981 shares)

The weighted average fair value of options granted during the year was £0.85 (2015: £0.74).

For options exercised during the year the weighted average share price at the date of exercise was £4.06 (2015: £4.26).

The weighted average remaining contractual life of the share options outstanding as at 31 March 2016 was 6 years (2015: 7 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 2016	6,061,324	92p – 198p
Year ending 31 March 2017	730,612	147p – 191p
Year ending 31 March 2018	4,566,902	311p – 493p
Year ending 31 March 2019	321,359	396p – 446p
Year ending 31 March 2020	97,320	356p
	11,777,517	

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 2016 and 31 March 2015.

	31 March 2016	31 March 2015
Dividend yield (%)	5.79	3.00
Expected share price volatility (%)	30.8	26
Risk free interest rate (%)	1.49	1.3–1.8
Weighted average share price (£)	4.32	2.42
Expected life of options	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.

The total share based payment cost charged to the consolidated statement of profit or loss is £3,290,173 (2015: £2,557,462), which is made up of the charge under the performance share scheme of £2,370,875 (2015: £1,493,250) and a further charge for the employee options of £919,298 (2015: £1,064,212).

Notes to the Financial Statements continued
For the year ended 31 March 2016

22. Related Party Transactions

22.1 Group

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 £7,905,839 (2015: £6,924,500). The amounts receivable at the year end in this respect was £1,319,041 (2015: £1,289,200).

At the end of the year, the Group had an outstanding loan due of £877,700 (2015: £961,735) from the Polar Capital Employee Benefit Trust, which was set up in 2002 to hold ordinary shares in Polar Capital Holdings plc for the benefit of employees.

The investments in financial assets at fair value through profit or loss disclosed in Note 11 are in affiliated funds that are managed by a subsidiary of the Group.

22.2 Company

The Company has intercompany balances with Polar Capital Partners Limited and with Polar Capital LLP. The balance receivable from Polar Capital Partners Limited of £26,429,681 (2015: £26,429,681) and the balance of £81,362 receivable from Polar Capital LLP (2015: £81,362) relate to cash movements by the subsidiaries on behalf of the Company.

22.3 Remuneration of key management personnel

The remuneration of key management, which includes the executive and non-executive Directors, is summarised below. Further details are included in Note 6 which details Directors' emoluments.

	31 March 2016 £'000	31 March 2015 £'000
Total emoluments including partnership profit allocations and pension contributions	1,290	1,382

At the end of the year the Group had balances owing to or in regards to key personnel of £5,000 (2015: £5,000). This amount relates 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 2016 are disclosed in the Remuneration Committee's Report.

Included within the share-based payments charge disclosed in Note 21, is an amount of £131,505 (2015: £178,300) relating to key management personnel.

Shareholder Information and Advisers

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4235369

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Company Secretary
Neil Taylor

Website
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Annual General Meeting
29 July 2016
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 2016

Amount
5.5p per ordinary share

Ex-dividend date
24 December 2015

Record date
29 December 2015

Payment date
15 January 2016

Second interim dividend
For the financial year ended 31 March 2016

Amount
19.5p per ordinary share

Ex-dividend date
7 July 2016

Record date
8 July 2016

Payment date
15 July 2016

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Shares
The shares are traded on the Alternative Investment Market of the London Stock Exchange and information on the share price and the Company can be accessed via the Company's website or at www.londonstockexchange.com – code: POLR; or Bloomberg: POLR LN.

ISIN number: GB00B1GCLT25

SEDOL code: B1GCLT2