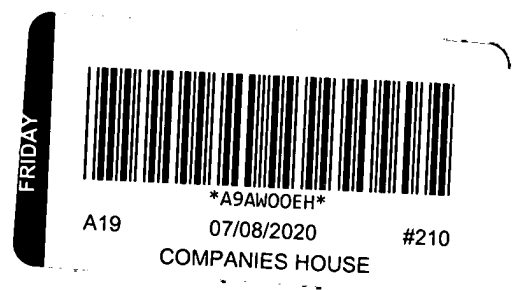


Registered No: OC314700

Polar Capital LLP

Report and Financial Statements

31 March 2020



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Polar Capital LLP

Registered No: OC314700

Partnership information

Members

Polar Capital Partners Limited

N Brind

N Evans

G Godber

G Hackman

A Holliman

D Keetley

J Mansell

N Martin

G Powell

G Rochussen

B Rogoff

M Vise

R Wilson

X Zhao

B Ashford-Russell (resigned on 08 August 2019)

D Mahony (resigned on 30 September 2019)

S Ayub (resigned on 30 November 2019)

A Black (resigned on 30 November 2019)

J Brandt (resigned on 30 November 2019)

I Evans (resigned on 30 November 2019)

A Hassall (resigned on 30 November 2019)

B Tomlinson (resigned on 30 November 2019)

N Taylor (resigned on 30 November 2019)

J Salter (resigned on 31 December 2019)

D Pinniger (resigned on 31 December 2019)

G Rushton (resigned on 31 March 2020)

J Yakas (resigned on 31 March 2020)

Auditors

Ernst & Young LLP

Canary Wharf

London

E14 5EY

Bankers

HSBC Bank plc

60 Queen Victoria Street

London

EC4N 4TR

Solicitors

Herbert Smith LLP

Exchange House

Primrose Street

London

EC2A 2HS

Registered Office

16 Palace Street

London

SW1E 5JD

Members' Report

The Members present their annual report and audited financial statements for the year ended 31 March 2020.

Principal activity and review of the business

The principal activity of Polar Capital LLP (the "Partnership") is to provide investment management services. It is authorised to conduct investment business by the Financial Conduct Authority (the "FCA").

The Partnership is a subsidiary of Polar Capital Holdings plc ("PCH"), a company which has its shares traded on the Alternative Investment Market of the London Stock Exchange. Polar Capital Holdings plc and its subsidiaries, together the "Group", manage 22 funds and 3 investment trusts across a range of long-only and alternative products. These funds, which are aimed at institutional and professional investors, have combined assets under management at 31 March 2020 of £12.2bn (2019: £13.8bn).

Disclosure of the Group's Stewardship Code, in accordance with guidance issued by the Financial Reporting Council, as well as its capital, risk exposures and risk assessment process, in accordance with the FCA rules on Pillar 3 disclosures, is made on the www.polarcapital.co.uk website.

Results and distributions

The results for the year are shown in the statement of comprehensive income on page 9. All profits are allocated to the Members. The Partnership's statement of financial position as detailed on page 10 shows satisfactory net assets with Members' interests amounting to £55,920,000 (2019: £67,251,000).

Future Development

The Members do not anticipate any significant change in the business of the LLP for the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties for the Partnership are the loss of key investment personnel and that assets under management decrease as a result of poor investment performance, redemptions, market value movements or economic conditions such as COVID-19.

Members

Polar Capital Partners Limited, J Mansell and G Rochussen were Designated Members of the LLP during the period. Polar Capital Partners Limited is the Managing Member. The Members of the LLP during the year are listed on page 2.

Members' profit allocation

Any profits are shared among the Members as decided by the Managing Member and governed by the Partnership Agreement. As per the partnership agreement, the Managing Member shall decide to allocate profits and losses of the LLP between Members in the proportions set out in the agreement as soon as the annual accounts for the relevant accounting year of the LLP are approved by the Members.

Policy for Members' drawings, subscriptions and repayments of Members' capital

Policies for Members' drawings, subscriptions and repayment of Members capital are governed by the Partnership Agreement dated 31 October 2005 and amended on 4 January 2007 and 2 April 2014. The Partnership Agreement was subsequently amended and restated on 31 March 2020.

Members' Report

Going Concern

Note 2.2 to the financial statements include the key considerations made by the Designated Members of the Partnership, in light of the COVID-19 pandemic, and as part of the going concern assessment.

The Designated Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Members' report and financial statements.

Disclosure of information to auditor

So far as the designated members are aware, there is no relevant audit information of which the LLP's auditor is unaware. The members have taken all steps that they ought to have taken as members in order to make them aware of any relevant audit information and to establish that Polar Capital's auditor is aware of this information.

Auditor

As a result of the Group's audit tender process, PricewaterhouseCoopers LLP (PWC) will be appointed as external auditors for the financial year ending 31 March 2021.

On behalf of the Designated Member



John Mansell
Designated Member
22 July 2020

Statement of Designated Members' responsibilities in respect of the financial statements

The Designated Members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 as applied by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnership Act 2000 requires the Members to prepare financial statements for each financial year. Under that law, the Members have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2018.

Under the regulation, the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

In preparing these financial statements, the Designated Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether UK Accounting Standards have been complied with, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The Designated Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the Members of Polar Capital LLP (the LLP)

Opinion

We have audited the financial statements of Polar Capital LLP ('the LLP') for the year ended 31 March 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Reconciliation of Members' interests, the Statement of cash flows, and the related notes 1.1 to 4.7, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's report to the Members of Polar Capital LLP (the LLP)

Other information

The other information comprises the information included in the annual report set out on pages 3 to 4, other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Statement of Designated Members' responsibilities in respect of the financial statements set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's report to the Members of Polar Capital LLP (the LLP)

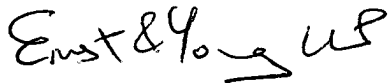
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.



Amarjit Singh (Senior statutory auditor)

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

London

22 July 2020

Statement of comprehensive income

For the year ended 31 March 2020

		Year to 31-Mar-20 £'000	Year to 31-Mar-19 £'000
Turnover	3.1	153,281	177,899
Trail commission	3.2	(7,990)	(8,130)
Operating expenses	3.2	(36,139)	(35,406)
Operating profit	3.2	109,152	134,363
Net (losses)/gains on assets at fair value through profit or loss		(1,920)	10
Interest and other income		65	44
Profit for the year before members' remuneration and profit shares		107,297	134,417
Share based payment	3.3(a)	(2,056)	(2,265)
Profit available for discretionary division amongst members	3.3(b)	105,241	132,152

There were no recognised gains and losses other than the profit for the current and prior year.

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

The notes on pages 13 to 22 form part of these financial statements

Statement of financial position

For the year ended 31 March 2020

		Year to 31-Mar-20 £'000	Year to 31-Mar-19 £'000
Current assets			
Financial assets at fair value through profit or loss	4.1(a)	10,556	5,814
Trade and other receivables	4.2	12,332	12,828
Cash and cash equivalents	4.3	33,112	48,742
		56,000	67,384
Current liabilities			
Trade and other payables	4.4	2,497	133
		2,497	133
Net assets attributable to members		53,503	67,251
Represented by:			
<i>Loans and other debts due to members</i>			
Members capital classified as a liability		6,037	28
Other amounts		32,020	52,266
<i>Members' other interests</i>			
Members' capital classified as equity		6,108	6,108
Other reserves	4.5	(2,250)	(2,250)
Other reserves – deferred remuneration	3.3	11,588	11,099
		53,503	67,251
Total members' interests:			
Members' other interests		15,446	14,957
Loans and other debts due to members		38,057	52,294
		53,503	67,251

The financial statements were approved by the Members on 22 July 2020 and were signed on its behalf by:



J Mansell – Designated Member

The notes on pages 13 to 22 form part of these financial statements

Reconciliation of Members' interests

For the year ended 31 March 2020

	<i>Members' Capital Classified as equity</i>	<i>Other reserves</i>	<i>Other reserves – deferred remuneration</i>	<i>Total Members' other interests</i>	<i>Members' Capital Classified as liability</i>	<i>Loans and other debts due to/ (from) Members</i>	<i>Total loans and other debts due to/ (from) Members</i>	<i>Total Members' interests</i>
	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£ '000</i>
As at 1 April 2018	6,108	(2,250)	5,230	9,088	27	66,008	66,035	75,123
Introduction of capital	-	-	-	-	1	-	1	1
Profit for the year available for discretionary division among members	-	132,152	-	132,152	-	-	-	132,152
Share based payment	-	-	-	-	-	2,265	2,265	2,265
Allocation of profits	-	(132,152)	5,869	(126,283)	-	126,283	126,283	-
Distributions	-	-	-	-	-	(142,290)	(142,290)	(142,290)
As at 1 April 2019	6,108	(2,250)	11,099	14,957	28	52,266	52,294	67,251
Introduction of capital	-	-	-	-	6,020	-	6,020	6,020
Reduction of capital	-	-	-	-	(11)	-	(11)	(11)
Profit for the year available for discretionary division among members	-	105,241	-	105,241	-	-	-	105,241
Share based payment	-	-	-	-	-	2,056	2,056	2,056
Allocation of profits	-	(105,241)	489	(104,752)	-	104,752	104,752	-
Transfer of amounts due to former members	-	-	-	-	-	(2,417)	(2,417)	(2,417)
Distributions	-	-	-	-	-	(124,637)	(124,637)	(124,637)
As at 31 March 2020	6,108	(2,250)	11,588	15,446	6,037	32,020	38,057	53,503

The notes on pages 13 to 22 form part of these financial statements

Statement of cash flows

For the year ended 31 March 2020

		Year to 31-Mar-20 £'000	Year to 31-Mar-19 £'000
Net cash inflow generated from operating activities	4.3	109,595	132,911
Investing activities			
Purchase of assets at fair value through profit or loss		(14,772)	(2,246)
Interest received		65	44
Net cash outflow generated from investing activities		(14,707)	(2,202)
Financing activities			
Introduction of capital		6,020	1
Repayment of capital		(10)	-
Distributions to Members		(116,528)	(141,842)
Net cash outflow from financing activities		(110,518)	(141,841)
Net decrease in cash and cash equivalents		(15,630)	(11,132)
Cash and cash equivalents at start of the year		48,742	59,874
Cash and cash equivalents at end of the year		33,112	48,742

The notes on pages 13 to 22 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2020

Section 1: Corporate information

This section provides general information about Polar Capital LLP.

1.1 Corporate information

Polar Capital LLP (the 'LLP') is a limited liability partnership incorporated in England and Wales. Its registered office is 16 Palace Street, London, SW1E 5JD.

Section 2: Basis of preparation and other significant accounting policies

This section provides additional information about the overall basis of preparation that the members consider is useful and relevant in understanding these financial statements.

The principal accounting policies applied in the preparation of these accounts for the year ended 31 March 2020 are set out below. These policies have been applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the LLP have been prepared on a going concern basis and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships 2018.

The 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. The financial statements are presented in sterling, which is the functional and presentational currency, and all values are rounded to the nearest thousand (£'000), except where otherwise stated.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the LLP for the year ended 31 March 2020.

2.2 Going concern

The COVID-19 pandemic has brought about significant social and economic change globally since the World Health Organisation first declared an international public health emergency at the end of January 2020. Although equity markets have since responded positively to both the easing of lock downs that had been implemented around the world and the unprecedented levels of central bank and government stimulus, there remains considerable uncertainty as to the medium and longer term impact on global economies and financial markets.

The Designated Members have made an assessment of going concern taking into account both the immediate impact of COVID-19 on the LLP's results as well the impact on the LLP's outlook. As part of this assessment the Designated Members have used information available to the date of issue of these financial statements and considered the following key areas:

- Analyses of the LLP's budget for the year ending March 2021, longer term financial projections and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the LLP's ICAAP have also been revisited to ensure they remain appropriate in light of COVID-19;
- Cash flow forecasts and an analysis of the LLP's liquid assets, which include cash and cash equivalents; and
- The operational resilience of the LLP and its ability to meet client servicing demands across all areas of the LLP's business, including outsourced functions.

Notes to the financial statements

for the year ended 31 March 2020

2.2 Going concern (Continued)

The LLP continues to maintain a robust financial resources position, access to cashflow from ongoing investment management contracts and the Designated Members believe that the LLP is well placed to manage its business risks, including the additional challenges to operational resilience brought on by COVID-19. The Designated Members also have a reasonable expectation that the LLP has adequate resources to continue operating for a period of at least 12 months from the balance sheet date. Therefore, the Designated Members continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the LLP financial statements requires the Designated Members to make critical accounting estimates and assumptions. No significant accounting estimates and assumptions were used in the preparation of LLP's financial statement.

The preparation of the LLP financial statements also requires the Designated Members to exercise its judgement in the process of applying the LLP's accounting policies. Other than going concern as disclosed in Note 2.2, no other significant judgements were used.

2.4 Foreign currency

Transactions in foreign currencies are initially recorded by the LLP 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 comprehensive income.

2.5 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.

Notes to the financial statements

for the year ended 31 March 2020

Section 3: Detailed information on the statement of comprehensive income items

This section provides additional information about individual line items in the statement of comprehensive income, including the relevant accounting policies.

3.1 Revenue

Income recognition

Revenue

Revenue is recognised to the extent that the LLP obtains the right to consideration in exchange for its performance.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Management fees

Management fees are recognised when there is entitlement under the terms of the agreement, and represent fees receivable during the period for discretionary investment management and advisory services.

Research fees

Research fees relate to bespoke research provided in respect of the funds in accordance with the IMA.

Performance fees

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 performance is measured.

Interest and similar income

Revenue is recognised as interest accrues using the effective interest method.

The analysis of turnover is as follows:

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Investment management and research fees	130,934	126,179
Investment performance fees	22,347	51,720
	153,281	177,899

Notes to the financial statements

for the year ended 31 March 2020

3.2 Operating profit

Trail commission

Trail commission includes fees and commissions payable to third parties 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.

Operating expenses

Operating expenses relates to costs incurred by another Group entity that are charged to the LLP in accordance with the terms of a service level agreement.

Operating profit is stated after charging staff costs of £nil (2019: £nil). Staff costs and other operating expenses are borne by another Group entity.

The auditor's remuneration of £24,225 (2019: £16,500) for audit services and £45,000 (2019: £45,000) in connection with review of internal controls are borne by another Group entity.

3.3 Members remuneration

Deferred Remuneration

Where variable compensation is deferred, the cost of the award is spread over the vesting period through the allocation of profits, being split between "Other reserves – deferred remuneration" within equity and "Loans and other debts due to/ (from) members" within liabilities.

Where deferrals are made into Polar Capital Holdings plc ("PCH") shares or fund units, the LLP hedges its exposure to price fluctuations by purchasing PCH shares or fund units at the date of grant. The deferral liability is revalued at each balance sheet date to the expected settlement amount, being the current market value of the underlying PCH shares and fund units. Any increase or decrease in value is recognised in the statement of comprehensive income within "Net gains on assets at fair value through profit or loss".

PCH shares are included within financial assets at fair value through profit or loss (FVTPL) on the statement of financial position. Any change in market value of the shares is recognised in the statement of comprehensive income. A share-based payment charge is recognised in each accounting year over the term of the vesting period, releasing deferred amounts from "Other reserves – deferred remuneration" within equity to "Loans and other debts due to/ (from) members" within liabilities over the same term.

Deferrals into Polar fund units are included within financial assets at fair value through profit or loss (FVTPL) on the statement of financial position. Any change in market value of the shares is recognised in the statement of comprehensive income. Amounts are released from "Other reserves – deferred remuneration" within equity to "Loans and other debts due to/ (from) members" within liabilities over the term of the vesting period and to 'amount due to former members' in current liabilities within trade and other payables for members who have resigned.

Share based payments

As indicated above, where deferrals are made into PCH shares, these are accounted for as cash settled share-based payment awards in the LLP accounts. There are no performance conditions attached to the award. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. One third of an award will vest and become exercisable on each of the first, second and third anniversaries of the grant date.

Notes to the financial statements

for the year ended 31 March 2020

3.3 Members remuneration continued

Members' profit allocations and drawings

Amounts becoming due to members in respect of members' profit allocation are debited directly to reserves in the year in which the division occurs. Drawings are recognised as a loan due from members until allocation occurs. Amount due to former members with respect to profit allocations and drawings is recognised in trade and other payables.

(a) Share based payments

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

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Deferred remuneration plan	2,056	2,265

(b) Members' remuneration

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Profit for the financial year available for division among members	105,241	132,152
Profit attributable to the member with the largest interest	69,013	79,790
Average number of members during the year	25	28

Notes to the financial statements

for the year ended 31 March 2020

Section 4: Detailed information on statement of financial position items

This section provides additional information about individual line items in the statement of financial position, including the relevant accounting policies.

4.1 Financial assets held at fair value

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised on the LLP's statement of financial position when the LLP becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are offset and the net amount is reported in the 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. Financial assets are derecognised when the rights to received cashflows from the assets have expired or where they have been transferred and the LLP has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability has been discharged, cancelled or has expired.

Financial assets

The LLP's financial assets include financial assets at fair value through profit or loss (FVTPL), trade and other receivables and cash and equivalents.

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 statement of comprehensive income.

Purchases and sales of financial assets are recognised at trade date, being the date when the LLP commits to purchase or sell the asset.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent investment held by the LLP against bonus awards deferred into PCH and fund units. Such assets are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in the statement of comprehensive income.

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

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Investment in PCH	2,915	3,264
Investment in funds units	7,641	2,550
	10,556	5,814

Financial assets at FVTPL arise as a result of the LLP's deferred remuneration plan, representing the market value of amounts invested in Polar funds and PCH shares.

Notes to the financial statements

for the year ended 31 March 2020

4.1 Financial assets held at fair value (continued)

(b) Financial instruments risk management objectives and policies

The main areas of risk arising from the LLP's financial instruments are credit risk, liquidity risk, market risk and capital risk. Each of these risks is discussed in detail below. The LLP 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 LLP is not exposed to material financial risk. The LLP has designed a framework to manage the risks of its business and to ensure that the Members have in place risk management practices appropriate for a regulated LLP. The management of risk within the LLP is governed by the Members and overseen by the Group Audit Committee.

i) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to settle its debt to the LLP. The LLP is exposed to credit risk primarily from its treasury activities including deposits held with banks and financial institutions but also from its trade receivables.

Amounts placed on deposit are invested according to a treasury policy that is designed to reduce concentration and counterparty risk. The carrying value of the LLP's cash and cash equivalents amounting to £33,112,128 (2019: £48,742,474) represents its maximum exposure to credit risk at the year end.

Fees due from funds managed by the LLP 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. The carrying value of the LLP's trade receivables amounting to £10,986,245 (2019: £11,463,631) represents its maximum exposure to credit risk at the year end.

ii) Liquidity risk

Liquidity risk is the risk that the LLP may be unable to meet its payment obligations as they fall due. The LLP maintains significant liquid resources in the form of cash or cash deposits in order to meet working capital and regulatory needs. The LLP's treasury policy is designed to align the duration period of the cash investments to the working capital requirements of the LLP. At year end, no deposit was placed for a period of more than 35 days.

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

iii) Price risk

Price risk is the risk that changes in market prices will affect the LLP's income or value of its investments. The LLP holds financial assets at fair value through profit or loss consisting of investments in its own funds and PCH shares, which are sensitive to movements in market equity prices.

Should the market move by 10% it would result in a change to the carrying value of the assets of +/- £1,055,649 (2019: £581,000). This movement would be recognised in the statement of comprehensive income.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows related to financial instruments will fluctuate because of changes to market interest rates.

The LLP'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 LLP has no borrowings.

Notes to the financial statements

for the year ended 31 March 2020

4.1 Financial assets held at fair value (continued)

(b) Financial instruments risk management objectives and policies (continued)

v) Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will cause the LLP to suffer losses.

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

The Group's hedging policy serves to substantially mitigate its exposure to foreign currency risk on the LLP's revenue. Any changes in foreign exchange rates will have an equal and opposite effect on the hedged items and open forward currency contracts at a consolidated level.

vi) Capital management

The LLP is managed as a going concern and has sufficient capital to meet its day-to-day needs and to fulfil any externally imposed capital requirements. The capital of the LLP consists of equity, capital contributions and other reserves.

The LLP is a member of a Group, supervised by the Financial Conduct Authority and submits appropriate returns on the capital adequacy of both the Group and the regulated entity, the LLP. Throughout the year the Group and LLP held surplus capital over the regulated requirement.

The Group's Pillar III disclosures can be found on the Group's website at www.polarcapital.co.uk.

vii) Fair value hierarchy

The LLP 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 fair value through profit or loss financial instruments held by the LLP were Level 1. The carrying values of the LLP's financial instruments are presented on the face of the statement of financial position.

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

Notes to the financial statements

for the year ended 31 March 2020

4.2 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 LLP 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 comprehensive income.

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Trade receivables	10,986	11,464
Accrued income	1,346	1,364
	12,332	12,828

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

4.3 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.

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Cash at bank and in hand	33,112	48,742

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at the year-end was £33,112,128 (2019: £48,742,474).

Cash generated from operations

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Operating profit	109,152	134,363
Decrease/(increase) in receivables	496	(1,527)
(Decrease)/increase in trade and other payables	(53)	75
	109,595	132,911

Notes to the financial statements

for the year ended 31 March 2020

4.4 Trade and other payables

Accruals and other payables are initially recognised at fair value and subsequently at amortised cost. See Note 3.3 for the accounting policy relating to amount due to former members.

	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
Accruals and other payables	80	133
Amount due to former members	2,417	-
	2,497	133

4.5 Other reserves

On 31 October 2005, the investment management contracts of Polar Capital Partners Limited were transferred to Polar Capital LLP ('LLP'). This was represented as a capital contribution by Polar Capital Partners Limited in the LLP valued at £2,250,000. The members determined that this transfer should be accounted for in accordance with FRS 6 as a group reconstruction. Consequently, the value of the business is not reflected in the statement of financial position of the LLP and a reserve equal and opposite to the capital contribution by Polar Capital Partners Limited has been recorded. The application of FRS 6 occurred prior to the adoption of FRS 102.

4.6 Related party transactions

As at the year end, £11,253,120 (2019: £23,246,874) was due to Polar Capital Partners Limited, the Managing Member. This balance is unsecured, non-interest bearing and repayable on demand.

4.7 Ultimate parent undertaking and controlling party

The LLP is controlled by its Managing Member, Polar Capital Partners Limited.

The ultimate parent undertaking of Polar Capital Partners Limited is Polar Capital Holdings plc, a company registered in England and Wales. Its registered office is 16 Palace Street, London, SW1E 5JD. Polar Capital Holdings plc has included the LLP in its group accounts, copies of which are publicly available.