

Polar Capital LLP

Report and Financial Statements

31 March 2023

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Polar Capital LLP
Registered No: OC314700

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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
D Robinson
A Amiri-Garroussi (appointed 1 April 2022)
D Marshall (appointed 1 April 2022)

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

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

Polar Capital LLP
Registered No: OC314700

Members' Report

The Members present their report and audited financial statements for the year ended 31 March 2023.

Principal activity and review of the business

The principal activity of Polar Capital LLP (the "Partnership" or the "LLP") 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" or together with its subsidiaries, referred to as the "Group"), a company which has its shares traded on the Alternative Investment Market of the London Stock Exchange. The LLP manages 23 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 2023 of £18.0bn (2022: £21.7bn).

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 10. All profits are allocated to the Members. The Partnership's statement of financial position as detailed on page 11 shows satisfactory net assets with Members' interests amounting to £71.8m (2022: £80.0m).

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.

Streamlined Energy & Carbon Reporting (SECR)

The Partnership is exempt from providing disclosures relating to SECR as this is provided by Polar Capital Holdings plc in its group accounts, copies of which are publicly available.

Members

Polar Capital Partners Limited, J Mansell and G Rochussen were Designated Members of the LLP during the year. 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.

Polar Capital LLP

Registered No: OC314700

Members' Report

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.

Going Concern

Note 2.2 to the financial statements include the key considerations made by the Members of the Partnership as part of the going concern assessment.

The 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 the independent auditors

So far as the Members are aware, there is no relevant audit information of which the LLP's independent auditors are 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 the LLP's independent auditors are aware of this information.

On behalf of the Members



S Ayub

Finance Director (on behalf of Polar Capital Partners Limited)

25 July 2023

Polar Capital LLP

Registered No: OC314700

Statement of Members' responsibilities in respect of the financial statements

The Members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the Members to prepare financial statements for each financial year. Under that law, the Members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, as applied to limited liability partnerships, 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 the financial statements, the Members are required to:

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

The Members are responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The 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 Companies Act 2006.

The Members have delegated the responsibility for the preparation of the financial statements in accordance with applicable law and regulations to the Designated Members.

Independent auditors' report to the members of Polar Capital LLP

Report on the audit of the financial statements

Opinion

In our opinion, Polar Capital LLP's financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 March 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2023; the Statement of comprehensive income, the Reconciliation of Members' interests, and the Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of Polar Capital LLP

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Members' Report, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the partnership'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 partnership or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditors' report to the members of Polar Capital LLP

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. We evaluated management's incentives and opportunities for *fraudulent manipulation of the financial statements (including the risk of override of controls)*, and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Polar Capital LLP

Independent auditors' report to the members of Polar Capital LLP

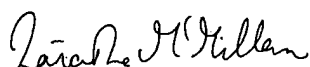
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the partnership, 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.

We have no exceptions to report arising from this responsibility.



Natasha McMillan (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

25 July 2023

Statement of comprehensive income

For the year ended 31 March 2023

		Year to 31-Mar-23 £'000	Year to 31-Mar-22 £'000
Revenue	3.1	182,400	216,757
Commission and fees payable	3.2	(18,314)	(20,214)
Operating costs	3.2	(34,877)	(29,816)
Operating profit	3.2	129,209	166,727
Net (loss)/gain on assets at fair value through profit or loss		(195)	265
Interest and other income		257	18
Profit for the year before Members' remuneration and profit shares		129,271	167,010
Share-based payments	3.3(a)	(1,105)	(1,345)
Profit available for discretionary division amongst members	3.3(b)	128,166	165,665

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 14 to 25 form part of these financial statements.

Polar Capital LLP
Registered No: OC314700

Statement of financial position

As at 31 March 2023

		31-Mar-23 £'000	31-Mar-22 £'000
Non-current assets			
Intangible assets	4.1	9,205	10,368
Current assets			
Financial assets at fair value through profit or loss	4.2(a)	20,959	22,626
Trade and other receivables	4.3	13,537	19,462
Cash and cash equivalents	4.4	28,828	28,758
		63,324	70,846
Current liabilities			
Trade and other payables	4.5	717	1,189
		717	1,189
Net assets attributable to Members		71,812	80,025
Represented by:			
<i>Loans and other debts due to Members</i>			
Members capital classified as a liability		13,010	13,011
Other amounts		31,588	36,961
<i>Members' other interests</i>			
Members' capital classified as equity		17,408	17,348
Other reserves	4.6	(2,250)	(2,250)
Other reserves – deferred remuneration	3.3	12,056	14,955
		71,812	80,025
Total Members' interests:			
Members' other interests		27,214	30,053
Loans and other debts due to Members		44,598	49,972
		71,812	80,025

The notes on pages 14 to 25 form part of these financial statements.

The financial statements were approved by the Members on 25 July 2023 and were signed on its behalf by:



S Ayub – Finance Director (on behalf of Polar Capital Partners Limited)

Reconciliation of Members' interests

For the year ended 31 March 2023

	<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>
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
As at 1 April 2021	6,108	(2,250)	14,166	18,024	11,689	19,288	30,977	49,001
Capital contribution	11,240	-	-	11,240	1,322	-	1,322	12,562
Profit for the year available for discretionary division among Members	-	165,665	-	165,665	-	-	-	165,665
Share-based payments	-	-	-	-	-	1,345	1,345	1,345
Allocation of profits	-	(165,665)	789	(164,876)	-	164,876	164,876	-
Transfer of amounts due to former Members	-	-	-	-	-	2,439	2,439	2,439
Distributions	-	-	-	-	-	(150,987)	(150,987)	(150,987)
As at 1 April 2022	17,348	(2,250)	14,955	30,053	13,011	36,961	49,972	80,025
Capital contribution	60	-	-	60	(1)	-	(1)	59
Profit for the year available for discretionary division among Members	-	128,166	-	128,166	-	-	-	128,166
Share-based payments	-	-	-	-	-	1,105	1,105	1,105
Allocation of profits	-	(128,166)	(2,899)	(131,065)	-	131,065	131,065	-
Transfer of amounts due to former Members	-	-	-	-	-	345	345	345
Distributions	-	-	-	-	-	(137,888)	(137,888)	(137,888)
As at 31 March 2023	17,408	(2,250)	12,056	27,214	13,010	31,588	44,598	71,812

The notes on pages 14 to 25 form part of these financial statements.

Polar Capital LLP
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Statement of cash flows

For the year ended 31 March 2023

		Year to 31-Mar-23 £'000	Year to 31-Mar-22 £'000
Net cash inflow generated from operating activities	4.4	136,170	164,951
Investing activities			
Purchase of assets at fair value through profit or loss		(12,594)	(16,782)
Proceeds from sale of assets at fair value through profit or loss		9,460	9,931
Interest received		257	18
Net cash outflow generated from investing activities		(2,877)	(6,833)
Financing activities			
Capital contribution		119	1,322
Repayment of capital		(60)	-
Distributions to former Members		(70)	-
Distributions to Members		(133,212)	(149,031)
Net cash outflow generated from financing activities		(133,223)	(147,709)
Net increase in cash and cash equivalents		70	10,409
Cash and cash equivalents at start of the year		28,758	18,349
Cash and cash equivalents at end of the year		28,828	28,758

The notes on pages 14 to 25 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2023

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 2023 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 2023.

2.2 Going concern

The Designated Members have made an assessment of going concern taking into account both the LLP's results as well as 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 LLP's budget, longer term financial projections, cash flow forecasts and an analysis of the LLP's liquid assets and its regulatory capital position and forecasts. The stress testing scenarios applied as part of the LLP's Internal Capital Adequacy and Risk Assessment ('ICARA') have also been revisited to ensure they remain appropriate.

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. 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 date of signing the financial statements. Therefore, the Designated Members continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the financial statements

for the year ended 31 March 2023

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. The area where significant estimates and assumptions were used is set out in the following note: Intangible assets (Note 4.1).

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 2023

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 the investment management services provided. 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 and is recognised as the service is provided and it is probable that the fee will be collected.

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.

The analysis of turnover is as follows:

	Year ended 31-Mar-23	Year ended 31-Mar-22
	£'000	£'000
Investment management and research fees	175,705	202,717
Investment performance fees	6,695	14,040
	182,400	216,757

Notes to the financial statements

for the year ended 31 March 2023

3.2 Operating profit

Commission and fees payable

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

Operating costs

Operating costs relates mainly to expenses 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 (2022: nil) and amortisation of intangible assets of £1,162,793 (2022: £872,094). Staff costs and other operating expenses are borne by another Group entity.

The auditors' remuneration of £81,240 (2022: £67,400) for audit services and £6,930 (2022: £6,300) for audit related assurance services 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.

Notes to the financial statements

for the year ended 31 March 2023

3.3 Members remuneration (continued)

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.

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-23 £'000	Year ended 31-Mar-22 £'000
Deferred remuneration plan	1,105	1,345

(b) Profit allocation

	Year ended 31-Mar-23 £'000	Year ended 31-Mar-22 £'000
Profit for the financial year available for division among Members	128,166	165,665
Profit attributable to the Member with the largest interest	9,211	15,230
Average number of Members during the year	18	16

Notes to the financial statements

for the year ended 31 March 2023

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 Intangible assets

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

	Investment management contracts £'000
Cost	
As at 1 April 2022	11,240
Introduced during the year	-
As at 31 March 2023	11,240
Accumulated amortisation and impairment	
As at 1 April 2022	872
Amortisation for the year	1,163
Impairment for the year	-
As at 31 March 2023	2,035
Net book value as at 31 March 2023	9,205
Net book value as at 31 March 2022	10,368

Notes to the financial statements

for the year ended 31 March 2023

4.1 Intangible assets (continued)

On 26 February 2021, Polar Capital Partners Limited completed the acquisition of 100% of the issued share capital of Dalton Capital (Holdings) Limited, the parent company of Dalton Strategic Partnership LLP ('Dalton'), a UK based boutique asset manager for a total consideration of £15.6m which included an amount of £11.6m relating to the investment management contracts acquired as part of this transaction.

On 1 July 2021, these investment management contracts were transferred to the LLP. As a result, the LLP has recognised an intangible asset of £11.2m, being the carrying value of the investment management contracts at the date of transfer under FRS 102. A corresponding increase in Members' Capital Classified as equity has been recognised.

The useful economic life of the investment management contracts was estimated as 10 years at the date of acquisition and was 9.7 years at the date of transfer. The remaining amortisation period of the intangible asset is 7.9 years at the reporting date (2022: 8.9 years).

Significant area of estimation:

Management has reviewed the carrying value and the useful economic life of the intangible asset at the reporting date and has concluded that there are no indicators of impairment. As part of this assessment, management has also considered the future cash flows generated by the cash generating unit (CGU) associated with the asset using discounted cash flow model. The key estimates used in this assessment are as follows:

- The market growth rate used to extrapolate the cash flows of the CGU beyond the five-year period was 3% (2022: 3%), obtained by using historic growth information specific to the industry of the CGU;
- A pre-tax discount rate of 15% (2022: 12%) based on the Group's weighted average cost of capital.

A sensitivity analysis was carried out and a rise in the pre-tax discount rate to 23% or applying a nil growth rate would not give rise to an impairment charge.

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4.2 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-23	Year ended 31-Mar-22
	£'000	£'000
Investment in PCH	1,316	1,894
Investment in funds units	19,643	20,732
	20,959	22,626

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 2023

4.2 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 £28.8m (2022: £28.8m) 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 £13.0m (2022: £18.9m) 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 +/- £2.1m (2022: +/- £2.3m). 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 2023

4.2 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 and Euro-based assets. The impact of foreign currency risk is deemed immaterial to the LLP.

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 2023

4.3 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-23	Year ended 31-Mar-22
	£'000	£'000
Trade receivables	12,949	18,933
Accrued income	588	529
	13,537	19,462

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

4.4 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-23	Year ended 31-Mar-22
	£'000	£'000
Cash at bank and in hand	28,828	28,758

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 £28.8m (2022: £28.7m).

Cash generated from operations

	Year ended 31-Mar-23	Year ended 31-Mar-22
	£'000	£'000
Operating profit	129,209	166,727
Amortisation of intangible assets	1,163	872
Decrease/(Increase) in receivables	5,925	(2,517)
Decrease in trade and other payables	(127)	(131)
	136,170	164,951

Notes to the financial statements

for the year ended 31 March 2023

4.5 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-23 £'000	Year ended 31-Mar-22 £'000
Accruals and other payables	7	134
Amount due to former members	710	1,055
	717	1,189

4.6 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 £2.2m. 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 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.

4.7 Related party transactions

As at the year end, £0.2m was due to Polar Capital Partners Limited (2022: £4.9m due from Polar Capital Partners Limited), the Managing Member. This balance relates to advances made to Polar Capital Partners Limited and is unsecured, non-interest bearing and repayable on demand.

4.8 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.

Polar Capital Holdings plc is both the largest and smallest group of undertakings for which consolidated financial statements are prepared which include the LLP.