

Interactive PDF user guide

This year we have produced a Strategic Report and separate Governance and Financial Report. Both documents are contained within this interactive pdf.

This interactive pdf allows you to access the information that you want easily, whether printing, searching for a specific item or going directly to another page, section or website.

The different features

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Section navigation

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LINKS

Throughout this report there are links to pages, other sections and web addresses for additional information.

Examples: This is an example of how the links appear within this document. They are recognisable by the underline, simply click to go to the relevant page or web URL (www.impaxam.com).



Click here to go directly to the Strategic Report.

Click here to print the Strategic Report.



Click here to go directly to the Governance and Financial Report.

Click here to print the Governance and Financial Report.

CELEBRATING

20
YEARS

1998

2018

INVESTING IN THE
TRANSITION TO A
MORE SUSTAINABLE
GLOBAL ECONOMY

IMPAX SPECIALISES IN INVESTING IN THE TRANSITION TO A MORE SUSTAINABLE GLOBAL ECONOMY

OUR MISSION

Our mission is to generate superior, risk-adjusted investment returns from opportunities arising from the transition to a more sustainable economy for clients with a medium to long-term horizon.

We provide a stimulating, collaborative and supportive work-place for our staff, and make a contribution to the development of a sustainable society, by supporting or undertaking relevant research and engaging or collaborating with others.

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20 YEARS AS PIONEERS IN OUR FIELD

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ONE OF THE LARGEST INVESTMENT MANAGERS INVESTING IN THE SUSTAINABLE GLOBAL ECONOMY

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PROVIDING ACCESS TO A BROAD RANGE OF INVESTMENT STRATEGIES

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A STRONG COMMITMENT TO GOING BEYOND INVESTMENT RETURNS

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Naming of companies in this document

For simplicity we use the following short forms in the place of the legal company entity names in this document and the Governance and Financial Report.

Impax Asset Management Group plc is referred to throughout as "Impax" or the "Company".

In January 2018, Pax World Management LLC was acquired by Impax and has been re-named Impax Asset Management LLC. This company is based in Portsmouth, New Hampshire and we refer to it as "Impax NH". Impax NH is the manager of Pax World Funds.

Impax Asset Management Ltd and Impax Asset Management (AIFM) Ltd manage or advise listed equity funds and accounts, and the Real Assets division. The majority of this business is based in London so we refer to it as "Impax LN".

2018 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

AUM¹

£12.5 BN
+72%

(2017: £7.3BN)



REVENUE

£65.7 M
+101%

(2017: £32.7M)

ADJUSTED OPERATING PROFIT

£20.0 M
+114%

(2017: £9.3M)

PROFIT BEFORE TAX

£14.6 M
+147%

(2017: £5.9M)

ADJUSTED EARNINGS PER SHARE²

12.4 P
+110%

(2017: 5.9p)

SHAREHOLDERS' EQUITY

£52.6 M
+48%

(2017: £35.6M)

CASH RESERVES

£24.6 M
+20%

(2017: £20.4M)

DIVIDEND PER SHARE⁴

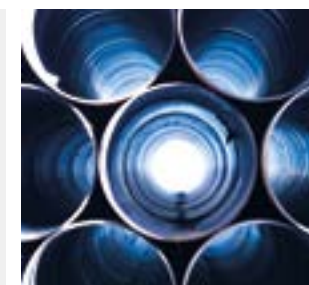
DIVIDEND SPECIAL
4.1 P +2.6 P
+41%

(2017: 2.9p)

BUSINESS HIGHLIGHTS

CELEBRATING 20 YEARS of success as pioneers of investing in the transition to a more sustainable economy

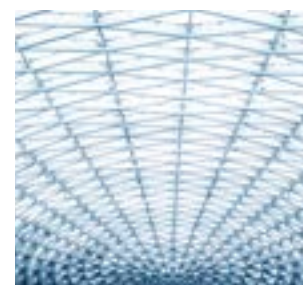
Integration of Impax NH and **STRONG ORGANIC GROWTH** in North America



Continuing **LONG-TERM OUT-PERFORMANCE** of our major investment strategies³



Continuing **NET INFLOWS** and encouraging mandate pipeline



FINAL CLOSE of our third private equity infrastructure fund

WINNER "Best Company To Work For In Investment 2018 Awards" by Investment Week

¹ Assets under management and advice as at 30 September 2018

² Adjusted operating profit is shown after removing the effects of non-recurring acquisition costs, ongoing amortisation of intangibles acquired, one-off tax credits and mark-to-market effects of National Insurance on equity award schemes. A reconciliation of the International Financial Reporting Standards ("IFRS") and adjusted KPIs are provided in [note 5](#) of the financial statements

³ Versus environmental indices

⁴ Proposed

AT A GLANCE

WHO WE ARE

Impax is a specialist asset manager investing in the opportunities arising from the transition to a more sustainable global economy.

Impax Asset Management was founded in 1998 and has been a pioneer in the development of investing in the transition to a more sustainable global economy. The Company now manages or advises on £12.5 billion (US\$16.3 billion)¹ of assets in both listed and real asset strategies which makes us one of the largest investment managers dedicated to investing in these markets globally.

OUR INVESTMENT PHILOSOPHY

At Impax, we believe that capital markets will be shaped profoundly by global sustainability challenges, including climate change, pollution and essential investments in human capital, infrastructure and resource efficiency.

These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.

Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors, enhances investment decisions.

WHAT WE DO

We invest in companies and assets that are well positioned to benefit from the shift to a more sustainable global economy.

We offer a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long-term.

Across our investment portfolios, we seek higher quality companies with strong business models that demonstrate sound management of risk.

ACCESSING OUR INVESTMENT STRATEGIES

We have an established global network of products and distributors, for example:

NORTH AMERICA

- Pax World Funds
- Impax funds platform (Delaware)
- NEI Investments
- Desjardins Global Asset Management
- Mackenzie Investments

UK/IRELAND

- Impax UCITS platform (Ireland)
- IEM plc
- White label accounts (Private wealth managers)

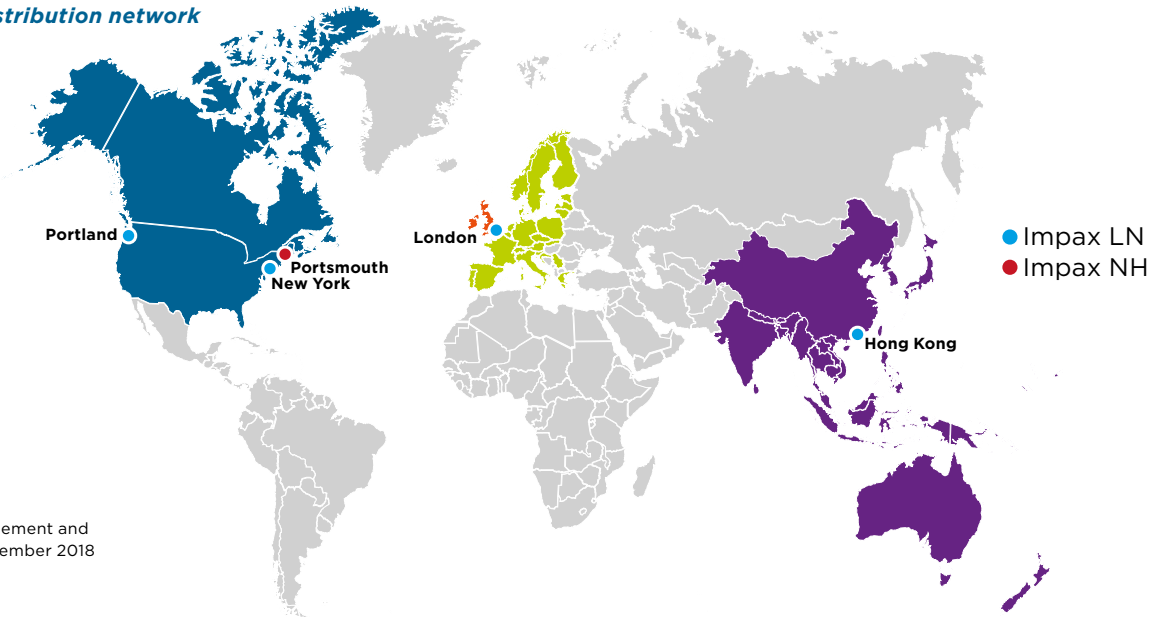
EUROPE

- ASN Bank
- BNP Paribas
- Absalon Capital

ASIA PACIFIC

- BNP Paribas in Hong Kong and Australia

FIGURE 1: Our distribution network



¹ Assets under management and advice as at 30 September 2018

OUR INVESTMENT APPROACH

OVERVIEW

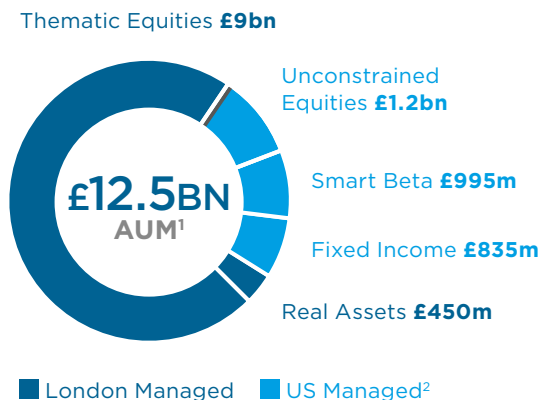
Specialist manager, 20 years' experience

52 investment team members (UK, US, HK)

Global distribution and client relations

High quality investment solutions for institutional and individual investors

Partnership approach with clients



PARTNERSHIP APPROACH

We seek to work in partnership with our clients to go beyond the delivery of long-term superior financial returns. To do this we offer:

Dedicated client service and financial reporting

Thought leadership research to continue building our industry

Collaborative engagement and stewardship

Impact reporting

IMPAX OFFERS SOLUTIONS IN:

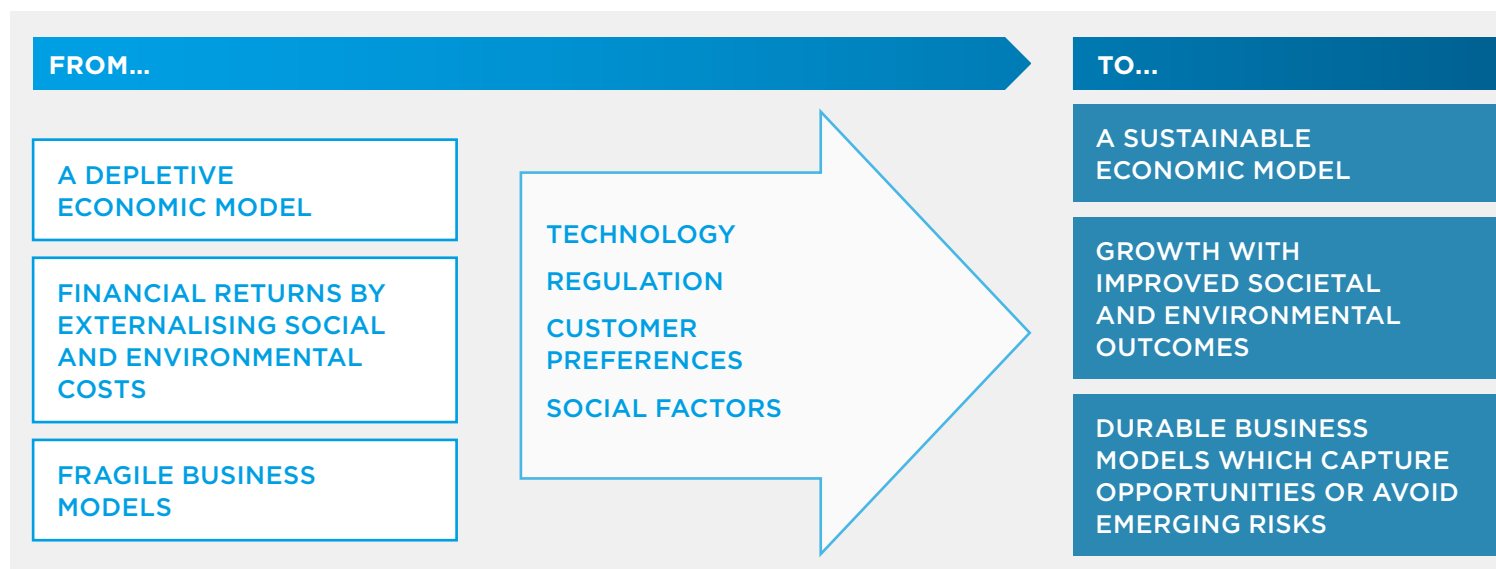


Thematic equities: investing in environmental solutions

Unconstrained equities: durable companies identified by the Impax Lens

Smart beta

THE TRANSITION TO A MORE SUSTAINABLE ECONOMY



Core Bonds
High Yield Bonds



Renewable energy infrastructure

¹ As at 30 September 2018. Assets under advice represent approximately 3%. Total of asset classes may differ due to rounding

² US managed AUM refers to Pax World Funds. Impax acquired Pax World Management LLC on 18 January 2018. Company and AUM history includes private equity/sustainable property funds, and non-discretionary accounts which are not included as part of Impax's GIPS compliant business

OUR KEY STRENGTHS

20 YEARS OF SUCCESS

One of the largest global asset managers specialising in investing in the transition to a more sustainable economy.

Clear investment philosophy and rigorous process.

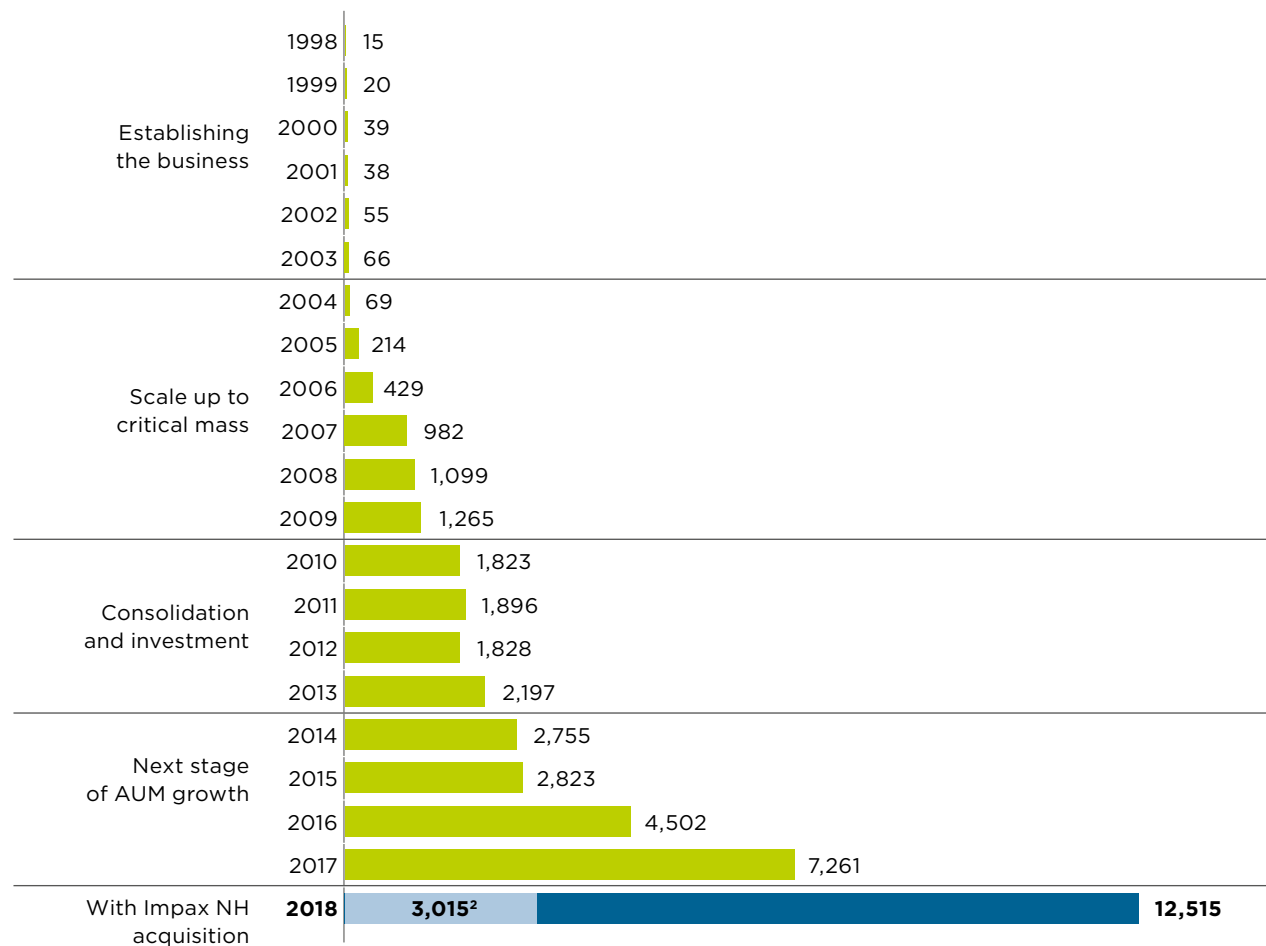
The successful acquisition of Impax NH in 2018 significantly enhances our footprint in the US.

£12.5BN

ASSETS UNDER MANAGEMENT

 [More on page 07](#)

Our business growth and milestones¹



¹ AUM shown as at end of financial years to 2018

² AUM of Impax NH at acquisition on 18 January 2018 (no double count of Pax World Global Environmental Markets fund)

AN ACKNOWLEDGED GLOBAL BRAND LEADER

Large, experienced, stable specialist investment team.

Managing assets for some of the world's largest investors.

Offices in UK, US and Hong Kong for effective global coverage.

PARTNERSHIPS WITH OUR CLIENTS TO DELIVER MORE THAN SUPERIOR INVESTMENT RETURNS

Commitment to client service and clear and transparent reporting.

Continuing development of our thought leadership work including focused collaborative engagement activities, impact reporting and stewardship services.

A SCALABLE BUSINESS WITH A WIDE RANGE OF INVESTMENT STRATEGIES

Our strategies are scalable and have significant capacity for expansion.

In 2018 the Global Opportunities strategy achieved a strong three year track record and is attracting significant investor attention.

New strategies through the acquisition of Impax NH.

A SUCCESSFUL GLOBAL DISTRIBUTION NETWORK

In the UK and US we have our own sales teams which sell our funds to institutional and intermediary clients.

Throughout Europe, Asia and also in the US and Canada, we have effective long-term relationships with several distribution partners.

BUILDING VALUE FOR ALL OUR STAKEHOLDERS

We continue to deliver compelling financial results against our KPIs, which has enabled us to increase our dividend per share significantly over the last 10 years.

High levels of staff engagement and a commitment to retaining talent.

Increasing our financial support and growing participation with our philanthropy partners.

52

MEMBERS IN OUR SPECIALIST INVESTMENT TEAM

109

CORPORATE ENGAGEMENTS IN 2018

15

INVESTMENT STRATEGIES


30+


COUNTRIES


12.4 PENCE

EARNINGS PER SHARE¹

 More at www.impaxam.com/about-us/team/impax-asset-management-group-plc/listed-equity

 More on [page 28](#)

 More at www.impaxam.com/strategies-funds

 More on [page 09](#)

 More at www.impaxam.com/investor-relations

¹ Diluted adjusted

CHIEF EXECUTIVE'S REPORT

“

I'm pleased to report another period of strong growth, underpinned by significant net inflows. Asset owners around the world are increasingly seeking investment exposure to the sustainable economy, and Impax continues to build an encouraging mandate pipeline.”

Ian R Simm

Chief Executive Officer

AUM

£ **12.5** BN

(2017: £7.3BN)



STRONG GROWTH IN 2018

2018 has been a particularly exciting year for Impax, and the Company has grown considerably. Notably, we completed the acquisition of Pax World Management LLC (“Impax NH”) which significantly enhanced our presence in the US, and which we believe makes Impax one of the largest investment managers globally, focused on the transition to a more sustainable economy.

During the twelve months ending 30 September 2018 (the “Period”), Impax’s assets under discretionary and advisory management (“AUM”) increased by 72 per cent to reach £12.5 billion. For the third consecutive year we have achieved a significant increase against all our key performance indicators (“KPIs”) which are detailed on [page 17](#) of the Strategic Report.

At 30 November 2018, AUM were £12.2 billion, reflecting the fall in equity markets in October. However, our funds have performed well over the last two months and we have continued to see new inflows from investors.

CELEBRATING 20 YEARS AND MAJOR MILESTONES

Since our inception in 1998 we have established a global brand and pioneered investing in the transition to a more sustainable global economy, with the objective to deliver superior, long-term investment returns. We see many compelling investment opportunities arising from disruptions through technology innovation and falling costs, regulation to incorporate the costs of social and environmental factors in business models and, not least, shifts in consumer preferences for more transparent, authentic and

healthier products. Our expertise has given us insights across large swathes of private sector activity and our long performance record and large, specialist investment team have proved attractive for asset owners seeking exposure to these rapidly growing markets. Over the Period we took on a significant number of new client accounts.

Our investment thesis has evolved from a focus in the late 1990s on micro/small cap “Environmental Technology” stocks to, by 2007, a broader review of all sizes of company across “Environmental Markets”, and then progressing to “Resource Efficiency”, spanning the energy, water, waste and sustainable food industries from 2012. We place high importance on investing to develop our research and thought leadership collaborations to help leverage our “early mover” position in these markets.

As the global economy shifts to become more sustainable, the set of related investment opportunities is expanding rapidly; in 2015 we launched our Global Opportunities strategy to provide our clients with access to this broader investment universe. This strategy has now achieved an impressive three year track record and has already attracted significant interest from clients.

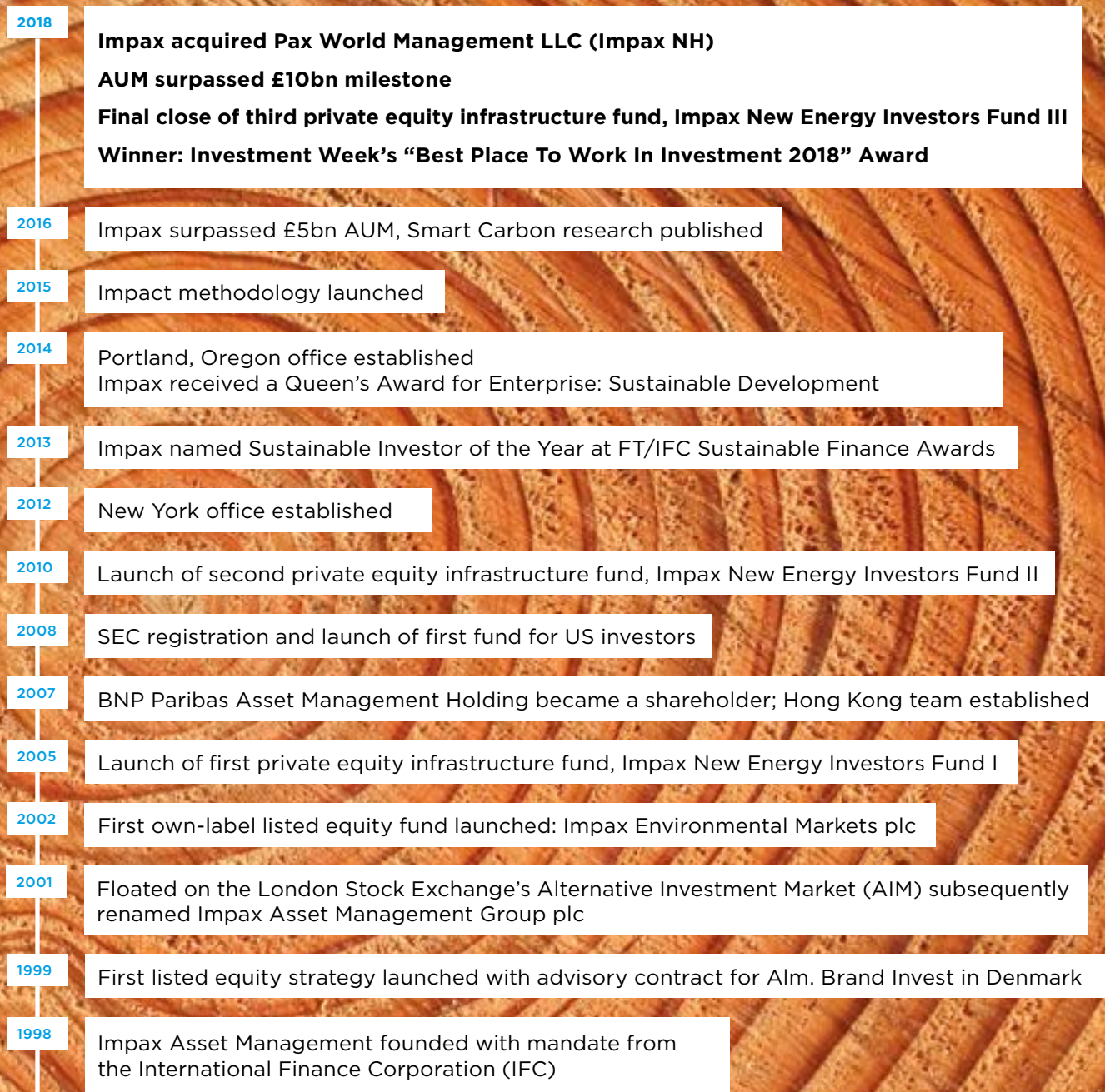
“

Since our inception in 1998 we have established a global brand and pioneered investing in the transition to a more sustainable global economy.”

Celebrating

 twenty years

As we celebrate our 20th anniversary we review the notable milestones we have achieved, and how we can build on these for future success.

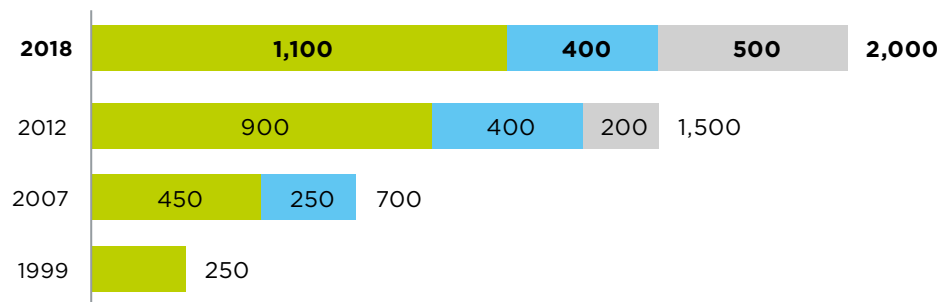


CHIEF EXECUTIVE'S REPORT CONTINUED

The 20 year transformation of Environmental Markets

- **>50%** revenue exposure to Environmental Markets
- **20% - 50%** revenue exposure to Environmental Markets
- **>20%** revenue exposure to Sustainable Food

FIGURE 1: The development of Environmental Markets¹ (number of stocks)



DRIVERS AND OPPORTUNITIES

The long-term drivers of the transition to a more sustainable global economy, namely the expanding global population, rising living standards, natural resource constraints and climate change continue to underpin our investment approach.

Climate change is likely to be one of the most serious risks to the long-term value of investment portfolios. The five warmest years on record have all occurred in this decade² and the oceans also appear to be warming at an alarming rate. In 2018 we witnessed many more severe weather events around the world, with devastating forest fires in California and Australia, while the 2017-18 hurricane season was one of most catastrophic on record.

It is estimated that three billion people currently live in regions where water is scarce, a figure that is projected to rise to five billion by 2050³. There is an urgent need to conserve, treat and recycle limited and increasingly polluted water supplies. Meanwhile, we face a global public health crisis posed by obesity and diabetes.

Air pollution also continues to dominate headlines, both in Asia and much closer to home, where many of the UK's cities now regularly report levels of pollution that are damaging to human health. Furthermore, in the last quarter of 2017, the acclaimed BBC documentary Blue Planet 2, brought the shocking levels of plastic pollution in the oceans to the public's attention.

The demand for products and services that are providing solutions to the challenges of climate change, pollution and public health issues is growing rapidly. Impax aims to provide investors with access to the best companies that are positioned to benefit from these global shifts.

OUR DEDICATED TEAM

Our success is attributable to the expertise and dedication of our staff. We have one of the most experienced, specialist, global teams in the sector. We believe in the importance of long-term incentives for our employees and will continue to encourage significant share ownership through the use of employee share schemes. In January, we were delighted to welcome our former distribution partners in Portsmouth, New Hampshire, as our new colleagues at Impax NH.

We have always aimed to sustain an excellent working environment based on effective engagement, so we were proud to be one of only three asset managers to be awarded the prestigious accolade of "Best Company To Work For In Investment 2018" by Investment Week.

 [More on page 23](#)

Our growth and US expansion will further enhance our ability to offer exciting career opportunities for our staff.

¹ As defined by FTSE

² National Oceanic & Atmospheric Administration

³ United Nations

FUND FLOWS AND DISTRIBUTION

As set out in Figure 2 below, we continued to see strong net inflows from investors around the world into our investment strategies. During the Period we received £1.5 billion in net new client allocations. In January 2018 the Global Opportunities strategy reached an important milestone of a strong three-year performance record, and consequent interest from several institutional investment consultants.

FIGURE 2: AUM and fund flows

AUM movement 12 months to 30 September 2018	Impax Asset Management Ltd Impax Asset Management AIFM Ltd (Impax LN)		Impax Asset Management LLC (Impax NH)		Reconcillation ² £m	Total firm £m
	Thematic equity funds £m	Real asset funds ¹ £m	Fixed income, smart beta, US equity funds £m			
Total AUM at 30 September 2017	6,788	473	-	-	-	7,261
Impax LLC acquisition	-	-	3,474	(459)	(459)	3,015
Net flows	1,721	(27)	(118)	(117)	(117)	1,459
Market movement, FX and performance	515	4	288	(27)	(27)	781
Total AUM at 30 September 2018	9,024	450	3,644	(603)	(603)	12,515

¹ Real Assets comprise Private Equity and Property funds

² Avoidance of double count of Pax World Global Environmental Markets Fund and Pax World Global Opportunities Fund



We continued to see strong net inflows from investors around the world.”

In June, we launched a new US mutual fund on the Pax World Funds platform based on this strategy; and the following month, St James's Place, a leading UK wealth manager, announced that it would switch its existing ethical fund to the Global Opportunities strategy. We have also recently launched a segregated mandate based on Global Opportunities for an Australian pension fund.

In the UK we have seen renewed interest from investors in our Irish UCITS fund platform, with material growth in both our Asia and Leaders strategies. The growth of this Leaders Fund has enabled us to redeem the seed capital we allocated at launch less than three years ago. Towards the end of the Period, the share price of our UK investment trust, Impax Environmental Markets plc, returned to a premium to net asset value reflecting increasing demand from private wealth managers and retail investors. We continue to see strong flows into the funds we manage in

Continental Europe for BNP Paribas Asset Management, particularly the Water strategy which had net inflows of over £740 million during the year and at Period end reported an AUM of some £3.3 billion. We have also taken on the sub-management of the Parvest Green Tigers fund, a BNP Paribas Asset Management sponsored SICAV targeting Asian environmental markets. In September, Impax was awarded a new mandate based on the Leaders strategy to advise on Better World, a new fund established by Absalon Capital in Denmark.

In North America we received significant inflows from the institutional channel and our white label relationships in Canada. However, the Pax World Funds range saw slightly negative net flows in spite of strong inflows into the Pax Global Environmental Markets Fund and the Pax Ellevest Global Women's Leadership Fund.

THE BIG LEAP FORWARD IN THE US

We have marketed our products in the US for over a decade, and since 2011 have focused on steadily building our team and resources. This year we have made a big leap forward there with both strong organic growth and the acquisition of Impax NH. This acquisition, which completed this January, added £3.0 billion to our AUM, and has expanded our investment capabilities, particularly in fixed income and smart beta.

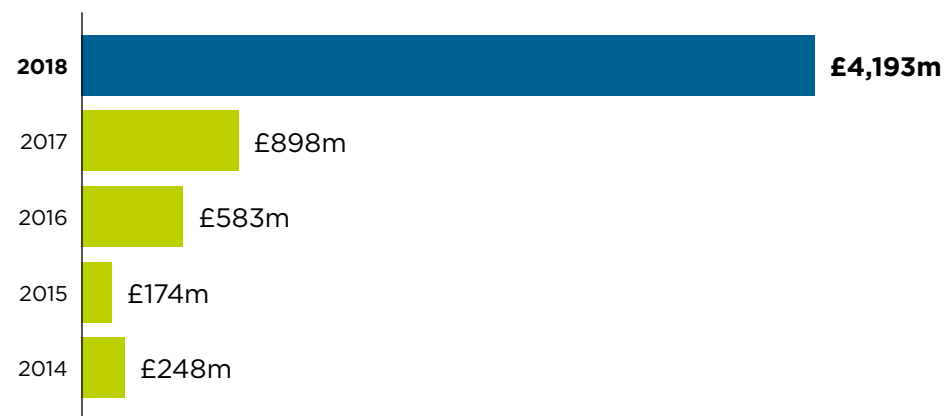
The acquisition was predicated not on cost savings but on expanding our offering to current and potential new clients. The integration plan was designed to enhance the effectiveness of the combined team. Initially we have focussed on establishing strong communication between the Client Service and Support teams. Over time, we also anticipate closer collaboration

and knowledge sharing between the investment teams.

Impax now has a significantly enhanced footprint in North America and Europe in terms both of our staff (47% of whom are now based in the US in our offices in Connecticut, Portland, Oregon and Portsmouth, New Hampshire), and in the geographical breakdown of our AUM. This critical mass gives us a broad view of regional investment opportunities and more extensive resources to support client service.

We continue to see significant and growing interest from investors in the US in investing in the transition to a more sustainable economy.

FIGURE 3: Growth in US assets



CHIEF EXECUTIVE'S REPORT CONTINUED

INVESTMENT PERFORMANCE

Listed Equity

We continue to build on the strong, long-term investment performance in the Impax Listed Equity division. Over three and five years our major strategies have out-performed their global benchmark, the MSCI All Country World Index ("ACWI"). During the Period our listed equity strategies delivered strong performance versus their environmental benchmarks but lagged the ACWI. Our stock selections generally proved successful and relative underperformance (versus ACWI) was mainly attributable to the sectors that are not part of our investment universe; for example, IT and consumer discretionary stocks were particularly strong, as were traditional energy companies as the oil price rose.

Our Global Opportunities strategy, with its exposure to a number of strongly performing sectors including IT, healthcare and some financials, returned 20.4%¹ over the Period, outperforming the ACWI which was up by 12.9%². Since launching in December 2014, this strategy has generated returns of 75.6%¹ (ACWI: 62.1%²).

During the Period, performance of the Pax World Funds, the mutual fund strategies managed by Impax NH, was mixed. For example, the Pax

Large Cap Fund and Pax Ellevest Global Women's Leadership Fund outperformed their respective benchmarks, while the Small Cap and Mid Cap funds underperformed.

Real Assets

Our private equity infrastructure business focused on renewable energy continues to produce attractive returns for investors.

The planned wind down of our second fund, Impax New Energy Investors II ("NEF II") has progressed well. During the Period we sold this fund's operating assets in Ireland and Italy, as well as a development business in France, generating €109 million. We plan to sell the remaining portfolio assets over the next year and wind up the fund.

With a successful track record for NEF II and an attractive investment case over the coming decade, we concluded the fund raising for Impax New Energy Investors III ("NEF III"), which held its final close on 31 May 2018 with total assets of €357 million (£313 million). This fund is implementing the same value-added strategy as NEF II. We have already committed over €140 million to new wind projects in France and Germany and hydro power in Norway and are reviewing a strong pipeline of interesting opportunities.

DELIVERING A PARTNERSHIP BEYOND INVESTMENT RETURNS

Impax's investment philosophy leads us to focus on opportunities emerging over the medium to long-term, particularly those whose asset prices do not yet reflect their potential.

“We believe that long term investing is enhanced by proactive stewardship of assets and in a partnership approach between the asset manager and asset owner.”

Increasingly, our clients are acknowledging the value of our work in engagement, impact reporting and thought leadership. This year we also have increased our funding for a small number of closely aligned environmental charities (see [pages 26-27](#)) as we have seen how valuable this involvement can be, for both staff development opportunities and engagement, as detailed on [page 21](#) and for our brand.

DEVELOPMENTS AFFECTING THE INVESTMENT MANAGEMENT SECTOR

We are preparing for the Senior Managers & Certification Regime ("SM&CR"), which will apply to Impax from 9 December 2019. We believe that our governance arrangements are well positioned and will only require modest enhancement.

In order to prepare for the Brexit scenarios that appear plausible at the time of writing, we are in advanced discussions with the Central Bank of Ireland to establish a locally-regulated, Irish subsidiary, through which some of our EU business may be routed. Post Brexit we estimate that less than 10% of our AUM would be re-contracted through this subsidiary; we believe that the operational impact of Brexit on the business would be manageable and that the financial impact, including foreign exchange exposure, would be immaterial.

¹ As at 30 September 2018, cumulative gross returns in sterling

² As at 30 September 2018, cumulative total net return in sterling (net dividend reinvested)

MARKETING OUR GLOBAL OPPORTUNITIES STRATEGY

As the shift to a more sustainable economy has gained momentum in recent years, we have continued to expand our search for compelling investment prospects. For example, the growth in consumer preference for more natural food ingredients, rapidly rising financial inclusivity in developing countries, and the transition towards diagnostic tools and more personalised medical care is giving rise to numerous interesting investment opportunities.

In 2014 we launched our Global Opportunities strategy offering clients access to a broader investment universe across markets and sectors in companies possessing sustainable competitive advantages.

Now that the strategy can demonstrate a three-year track record of out-performance versus its benchmark, the MSCI All Country World Index ("ACWI"), we are expanding our communications with potential investors and we expect to receive initial significant allocations to the strategy by the end of 2018.

CHIEF EXECUTIVE'S REPORT CONTINUED

OUTLOOK

Impax is well-positioned to continue to deliver long-term value to clients and shareholders. In the shorter-term we expect a somewhat softer global economy and steadily rising interest rates in many regions, a situation that may impact global equity markets. Over 20 years we have managed capital through two major downturns; we believe

that many of our clients are taking a long-term view when investing with us, and we therefore expect our business to be resilient as asset allocators respond to new information about shorter-term trends.

Since Impax's inception in 1998, the transition to a more sustainable

global economy has accelerated as demand for products and services that address the consequences of a more crowded planet has expanded dramatically. With over 20 years of experience, there is now compelling evidence that our investment philosophy can enhance the discovery of attractive investments. Against this backdrop, we are

confident that Impax can continue to deliver excellent results for all our stakeholders over decades to come.

Ian R Simm

5 December 2018

BEYOND INVESTMENT RETURNS

COLLABORATIVE ENGAGEMENT: we seek to improve the companies and markets in which we invest through our engagement and policy work. This year we published our first Engagement Report, highlighting our main engagement themes and milestones. We also work with companies to help them develop processes and improve disclosure to address sustainability challenges. Our engagement work is often undertaken in collaboration with others, including our clients.

IMPACT REPORTING: over the last four years we have advanced our methodology and published quantitative metrics to demonstrate the environmental outcomes of several of our investment portfolios. In 2017 we extended the scope of this work to show clients how their investments are aligned with the United Nations Sustainable Development Goals. In 2018, as well as continuing to report metrics for our small/mid cap ("Specialists") and all cap ("Leaders") strategies, we reported the impact metrics of our Asia-Pacific strategy for the first time.

THOUGHT LEADERSHIP WORK ON CLIMATE RISK: we continue to refine our Smart Carbon™ methodology, a scenarios-based approach to identifying and measuring climate risk in investment portfolios which we launched in 2015. This methodology is well aligned with the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"), which reported in 2017. We encourage companies to develop consistent climate-related financial risk disclosures to their stakeholders.

SUPPORTING OTHERS IN OUR COMMUNITY: we believe that targeted, philanthropic giving can be highly beneficial for our staff and brand as well as for the recipients. Our two major commitments are to [Ashden](#), a charity that works in the fields of sustainable energy and development and [ClientEarth](#), a not for profit law firm which uses the power of the law to protect people and the planet. We detail our charitable involvement with these organisations on [pages 26-27](#).



Q&A WITH THE CHIEF EXECUTIVE



Q Why do you believe there has been such a significant growth in investor interest in the transition to a more sustainable economy? Do you think this will continue?

A Over the last 20 years we have seen rapidly growing interest and appreciation of both the risks of investing in the traditional, depletive economy, as well as new investment opportunities across many market sectors. The drivers of a rapidly expanding population, rising living standards and climate change are indisputable. Investors also recognise many catalysts for investment, including new environmental policies, the higher incidence of catastrophic weather events and regular media coverage of severe air pollution in our cities and plastics in our oceans.

Yes, I believe momentum in this area will continue to build. Investors understand that many companies offering solutions to environmental, public health and related issues in both developed and developing countries should deliver superior, long-term growth compared to broader equity markets.

Q How has your investment philosophy and approach changed over the last 20 years?

A Although we continually refine and evolve our investment process, our investment philosophy has essentially remained the same over two decades. As the global economy shifts to become more sustainable, the set of related investment opportunities is broadening and deepening. This larger universe provides greater opportunities for active investment management.

Q What was the strategic rationale for acquiring Pax World Management LLC (Impax NH)?

A The acquisition brought together two pioneering firms with highly complementary investment capabilities and built on a successful ten year relationship and similar business cultures. The combined business is now one of the largest investment managers focused on the transition to a more sustainable economy. We believe that the acquisition, which has been earnings-enhancing in the first year, will underpin value over the long-term for all our stakeholders.

Q Your financial accounts are complex this year following the acquisition of Impax NH, can you explain the “reconciliation”?

A The acquisition has enhanced our earnings significantly. However, we incurred a number of “one off” costs related to the transaction which have had an impact on our operating profit, profit before tax and earnings per share. We are reporting these financial results on both a non-adjusted and an adjusted basis. The latter excludes the non-recurring items so it gives our shareholders a consistent measure of performance over time. More details are given in [note 5](#) on [page 31](#) of the Financial and Governance Report.¹

Q How much has the acquisition added to the bottom line this year?

A Impax NH has contributed adjusted operating profit of £2.3 million and has added 1.7p to adjusted earnings per share.²

Q Do you have plans to make any further acquisitions?

A We believe that our current range of investment strategies has significant growth potential and there are no plans for additional acquisitions. In future, we may consider adding teams or small units from other firms if they could enhance our offering to clients.

Q Investors will undoubtedly be pleased by your increasing dividend, what are your plans for future dividend growth?

A Since we paid our first dividend in 2008, the success of the business has enabled us to increase our dividend per share every year. We are committed to continuing this trend.

Q How does your 2018 AUM growth split between investment performance and new client money?

A Investment performance across our investment strategies added £781 million to our AUM (2017: £655 million). 2017 was a record year for inflows which totalled £2.1 billion, while this year new allocations totalled £1.5 billion. The acquisition of Impax NH added £3.0 billion to our AUM on completion in January.

¹ In addition, when reporting AUM we avoid double counting of Pax World Global Environmental Markets Fund and Pax World Global Opportunities Fund

² Net of finance costs



Q Which have been your strongest performing investment strategies and why?

A We are long-term investors. Over three and five years all our major thematic equity strategies have out-performed their global benchmarks. For the Period, our best performing equity strategy was Global Opportunities which delivered returns of 20.4%¹ compared to its benchmark the MSCI All Country World Index (“ACWI”) which returned 12.9%². This “unconstrained” strategy invests in a broader investment universe than our thematic equity products and the strong performance was largely attributable to successful stock selection in high growth companies that are clearly benefiting from the transition to a more sustainable economy. For example some of our best performing holdings were in companies supplying components for electric and hybrid vehicles, digital payments systems and cyber security companies.

Q Are your investment strategies scalable?

A Yes, we have focused on a small number of scalable strategies. This allows us to expand our business without a proportional increase in costs and reflects clients’ preference that the investment team is paying close attention to running their money.

Q Which investment strategies are attracting the most investor interest and from which geographical regions?

A In Europe we continue to receive major new allocations to our Leaders (global, all cap) strategy and Water strategy. Investors around the world are also showing significant interest in our Global Opportunities strategy. Within less than a year of marketing this strategy proactively we have seen commitments from a number of major investors, and current AUM³ of the strategy was £317 million. We have also expanded our institutional client base in the US.

Q Do you have plans to launch any of the Impax NH strategies outside the US?

A In the medium to longer-term, we expect to see investor demand outside the US for products based on the expertise and experience of the Impax NH team.

Q What are your plans for the real assets business?

A Our third private equity infrastructure fund closed to further investor allocations in May 2018. We raised €357 million in this fund and our current focus is to deploy this money in attractive assets in the target European countries. This fund will, like its predecessors, have a life of ten years. In time we’d expect to return to the market for a fourth fund.

Q What have been the key regulatory announcements and market trends that have affected your investments this year?

A We continue to see an increasing number of tighter environmental regulations announced by governments around the world.

This year there were a number of initiatives to curb single use plastics from governments in developed and developing countries. For example, the European Commission set out initiatives to increase recycling of plastic packaging in a “plastics strategy”, while in the UK, the Prime Minister also declared a “war on plastic waste” as part of a 25-year environmental plan.

In a major move to reducing CO₂ emissions, we saw the State of California approve a bill which aims to make the state carbon neutral by 2045. Meanwhile, the EU has agreed that 32% of its energy will come from renewable sources by 2030. In July, China’s State Council issued a three year “Blue Skies” air pollution action plan. This aims to make significant improvements in air quality by curbing harmful pollutant gases and particulates by 2020.

These changes will be favourable for companies active in areas of the market in which we invest such as energy efficiency, pollution control, recycling and alternative materials.

Q How well positioned is Impax to weather a significant global recession?

A Given that our equity and fixed income products are broadly correlated with the market, we would probably see a reduction in our AUM and earnings in a recession.

However, the companies in which we invest are well-managed and the majority have low levels of debt, and therefore should be able to outperform their peers in a recession or a climate of rising interest rates. In addition most of our clients take a medium to long-term view of their investments and accordingly, we would expect outflows to be relatively modest.

Q Are you confident that you have the appropriate business culture and corporate values across the business to continue to grow the Company in the coming years?

A Very much so. We are committed to sustaining and further developing our strong culture. Our key asset is our staff, and staff engagement is a high priority. Recent staff surveys and ongoing feedback are very positive, and we were proud to be one of only three asset managers awarded the accolade of “Best Company To Work For In Investment” in 2018 by Investment Week.

¹ As at 30 September 2018, gross cumulative returns in sterling

² As at 30 September 2018, total net returns in sterling (net divided reinvested)

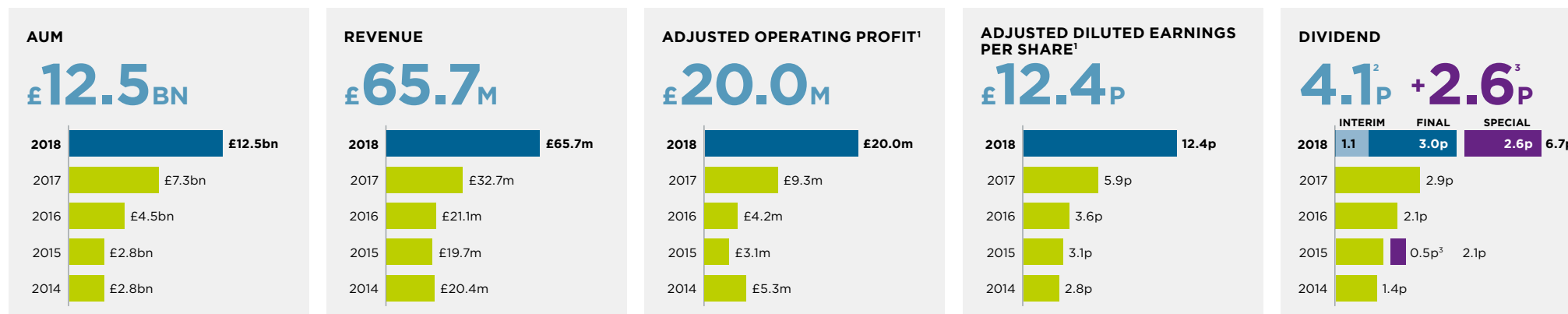
³ As at 4 December 2018

OUR APPROACH TO CREATING SHAREHOLDER VALUE

	OUR APPROACH	PROGRESS THIS YEAR	OUR PLANS FOR THE FUTURE
Invest by seeking price inefficiencies in high growth markets.	<p>Development of deep expertise in investing in companies set to benefit from the transition to a more sustainable global economy.</p> <p>Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors.</p>	We continue to deliver strong long-term investment performance. For example, Impax New Energy Investors II has now realised over 95 per cent of its portfolio and reported strong returns.	Focus on sharing investment expertise and best ideas across all strategies.
Focus on a small number of highly scalable investment strategies.	With the integration of Impax NH, we now offer strategies across five areas – Thematic Equities (Active), Equities (Smart Beta), Unconstrained Equities, Fixed Income and Real Assets. We would consider launching a small number of complementary strategies.	<p>Continued significant interest from investors around the world, £1.7 billion of net inflows.</p> <p>Global Opportunities strategy now established; St James’s Place announced an initial allocation of £286 million.</p> <p>Impax NH launched a US mutual fund based on the strategy.</p>	Roll out existing strategies. Further develop Smart Beta offering. Extend Fixed Income strategies.
Build and extend a flexible distribution architecture.	Continuous development of our marketing and client service capabilities in the UK and US to ensure effective communication with our clients and maximise opportunities for new business.	The activities of the sales and marketing teams of Impax LN and Impax NH are coordinated. A new corporate brand identity developed for the combined firm.	Continued investment into marketing and client service capabilities. Establish new partnerships to complement our successful existing relationships.
Attract and retain highly qualified individuals.	We prioritise investment in our staff and aim to empower team members to reach their full potential.	Ongoing improvements around staff development and talent management. Significant increase to expenditure on staff training. Winner of “Best Company to Work For In Investment 2018” award.	Continue to measure, review and improve our global employee engagement, seeking to maintain and further motivate our staff.
Balance tight cost control with the needs of an expanding business.	Manage and optimise a scalable platform for growth, including a core team, business systems and processes, and infrastructure.	Common IT platforms implemented across investment management, finance and HR. Strong cost controls contributing to a rising operating margin.	Invest to support business expansion.

KEY PERFORMANCE INDICATORS

We use a number of key performance indicators (“KPIs”) to measure our performance.



AUM represents our total assets under management and advice. The movement between opening and closing AUM provides an indication of the overall success of the business during the year in terms of both net subscriptions and investment performance. It also provides a good lead indicator of revenue and profitability.

Revenue represents the fees we have earned for services provided in the year.

Adjusted operating earnings reflects the performance of our core business. It takes into account our operating efficiency, investments made to grow our business and how we reward and retain our staff.

Adjusted diluted earnings per share (“EPS”) reflects the overall financial performance of the Company for the year and takes into account the dilutive effect of our share option and restricted share awards.

The Company is committed to a progressive dividend policy as a demonstration of commitment to increasing shareholder value.

HOW WE PERFORMED IN 2018

The KPIs all benefit from the inclusion of Impax NH for eight and a half months.

AUM grew by 72% during the year to £12.5 billion, our highest ever AUM. The growth was mainly due to the inclusion of Impax NH (£3.0bn) and net inflows (£1.5bn).

Revenue more than doubled to £65.7 million. Impax NH contributed £16.0 million. Impax LN was boosted by £9.8 million from inflows and £7.2 million from performance.

Adjusted operating earnings grew to £20.0 million as a result of the increased revenue.

Adjusted diluted EPS grew by 110% to 12.4 pence, with Impax NH contributing 1.7 pence, and after issuance of 2.67 million shares (2.1%).

The Board is recommending a final dividend of 3.0 pence per share bringing the total dividend for the year to 4.1 pence per share. This represents growth of 41% and is the tenth consecutive year that we have grown the dividend. In addition, we have paid a special dividend to reflect the receipt of carried interest.

¹ A reconciliation from the IFRS numbers is provided in [Note 5](#) of the Governance and Financial Report

² Proposed

³ Special dividend

FINANCIAL REVIEW



Impax’s rising AUM and the acquisition of Impax NH has enabled us to report growth in revenues and profitability.”

Charles D Ridge
Chief Financial Officer

EARNINGS PER SHARE¹

12.4p

(2017: 5.9p)

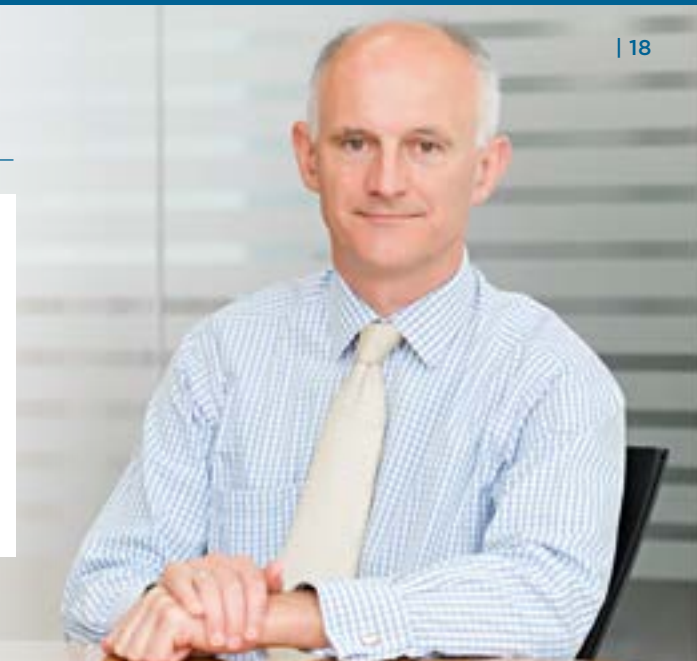


FIGURE 4: Financial highlights for financial year 2018 versus financial year 2017

	2018		2017	
	IFRS	Adjusted	IFRS	Adjusted
AUM	£12.5 billion		£7.3 billion	
Revenue	£65.7m		£32.7m	
Operating profit	£15.5m	£20.0m	£6.2m	£9.3m
Profit before tax	£14.6m	£19.2m	£5.9m	£8.7m
Diluted earnings per share	8.9p	12.4p	6.2p	5.9p
Shareholders' equity	£52.6m		£35.6m	
Cash reserves	£24.6m		£20.4m	
Seed investments	£3.8m		£8.1m	
Dividend per share	1.1p interim + 3.0p proposed + 2.6p special		2.9p	

¹ Diluted Adjusted

In previous years, in order to facilitate comparison of performance with previous time periods and to provide for an appropriate comparison with our peers, the Board has encouraged shareholders to focus on operating earnings, profit before tax and earnings per share after adjusting for the accounting treatment of Employer National Insurance contribution (“NIC”) arising from historic share awards. For this Period, for similar reasons, the Board recommends further adjustments, principally the elimination of the one-off acquisition costs of Impax NH, and the amortisation of the intangible asset arising from the acquisition.

In our financial statements we consolidate the financial results of Impax NH for eight and a half months from the date of acquisition (18 January 2018). A reconciliation of the International Financial Reporting Standards (“IFRS”) and adjusted numbers is provided in [note 5](#) of the Governance and Financial report.

REVENUE

“
Revenue for the period increased to £65.7 million, including £16 million from Impax NH. Impax LN revenue increased by £17 million.”

The key drivers of this growth were the strong inflows and investment performance recorded over the Period and prior year in the Listed Equity division, the receipt of carried interest payments following the strong performance of the second renewable energy infrastructure fund NEF II, and the additional capital in NEF III. There is potential for additional NEF II carried interest payments to be received in future years but these are likely to be of a significantly smaller magnitude.

Our run rate¹ revenue at the end of the Period was £69.6 million, giving a weighted average run rate revenue margin of 56.4 basis points on the £12.5 billion of AUM.

OPERATING COSTS

Adjusted operating costs increased to £45.7 million of which £13.8 million related to Impax NH. Impax LN costs

¹ Run rate is calculated as the month of September 2018's result extrapolated for 12 months. Adjustments are also made to remove the effects of one off transactions.

increased to £31.9 million mainly due to higher profit-related remuneration and staff headcount.

The IFRS operating costs showed additional increases due to the requirement to “mark to market” NIC and other charges related to share awards which increase in line with Impax's share price, the amortisation of intangible assets arising on the Impax NH acquisition and share-based payment charges relating to the acquisition. The NIC and other charges related to the share awards are more than offset by tax credits reported in equity.

As a result of the strong growth of the business and our expectations that this will continue, we intend to recruit additional staff in 2019 to improve our operating efficiency, increase our marketing efforts and respond to further regulatory change. In the near term, this expenditure may have an impact on the growth in operating margin.

PROFITS

The IFRS operating profits of £15.5 million have more than doubled from £6.2 million.

“
The adjusted operating profits more than doubled to £20.0 million with Impax NH contributing £2.3 million.”

The adjusted operating margin increased to 30.4%. This was despite Impax NH having a lower operating margin as its business model allows it to charge higher management fees in return for bearing various fund-related costs. Run-rate operating earnings were £18.4 million at the end of the Period, equivalent to a run rate operating margin of 26.0%.

TAX

£2.7 million of tax credits related to share incentive schemes are recorded partly within profit before tax and £2.4 million within reserves.

DILUTED EARNINGS PER SHARE

The IFRS diluted earnings per share have increased 44% to 8.9p.

“
Adjusted diluted earnings per share have increased by 110%.”

This is driven by the significant increase in operating earnings for Impax LN and the Impax NH acquisition.

Impax NH's operating earnings at this stage are lower than we expected at the time of the acquisition as a result of a moderate level of aggregate net outflows from the funds it manages.

IMPAX NH ACQUISITION

The acquisition of Impax NH completed on 18 January 2018. The initial consideration comprised £26.2 million of cash, which was part funded by debt, and 2.67 million of Impax shares. Impax NH management has initially retained 16.7% of the shares but these are subject to a put and call arrangement, and we expect that they will be converted to Impax shares and/or cash as Impax elects in January 2021.

Additionally, if triggered, Contingent Consideration will be determined based on Impax NH's average AUM as at 30 June 2020, 30 September 2020 and 31 December 2020. The sum payable will rise linearly from zero, if Impax NH's AUM is US\$5.5 billion or less, to US\$37.5 million if AUM is \$8 billion or more. Up to \$8.3 million of this Contingent Consideration will become payable on 15 July 2019 if these AUM targets are met based on the average at 31 December 2018, 31 March 2019 and 30 June 2019.

As a result of the acquisition we have recognised £9.9 million of goodwill and £25.6 million of intangible assets. The intangible assets relate to investment management contracts. As is normal for acquisitions of this size, the acquisition has put us into a capital deficit position. We have agreed a waiver with the Financial Conduct Authority which allows us a period of four years to make good the deficit.

FINANCIAL REVIEW CONTINUED

FINANCIAL MANAGEMENT

Impax is a strongly cash generative business. The Company had £24.6 million of cash resources at the year end and £10.0 million of debt.

In order to part-fund the acquisition of Impax NH, the Company entered into a US\$26 million debt facility with the Royal Bank of Scotland plc. This facility comprised a US\$13 million term loan facility, repayable annually over a three year term, and a US\$13 million five year term revolving facility (the “RCF”). The Company initially drew down the term loan in full and US\$12 million of the RCF. The Company’s strong cash generation has already allowed full repayment of the RCF. The RCF however remains available to the Company and may be used in January 2021 to part-pay the Contingent Consideration arising from the Impax NH acquisition, or for the general corporate purposes of the Group.

During the Period, the Company exited its successful seed investment in its UCITS fund based on the Leaders strategy, realising £4.7 million. We made a further seed investment of US\$2 million into a US mutual fund on the Pax World Funds platform based on our Global Opportunities strategy, and expect to continue to make new seed investments in the future.

SHARE MANAGEMENT

As part of the initial consideration for the acquisition of Impax NH, the Company issued 2.67 million of new Ordinary shares in January 2018 with a value of \$6.1 million.

The Board intends to continue to buy back the Company’s shares from time to time after due consideration of attractive alternatives for the use of the Company’s cash resources. Shares purchased may be used to satisfy obligations linked to share based-payment awards for employees.

During the Period, the Company’s Employee Benefit Trusts (“EBTs”) spent £2.5 million buying 1.5 million of the Company’s shares at an average price of 174 pence. The EBTs delivered 10.7 million shares and restricted shares to staff in respect of option exercises. The company allocated 675,000 shares against awards of Restricted Shares made in December 2017. At 30 September 2018 the EBTs held a total of 9.7 million shares of which 8.4 million were held for Restricted Shares.

Further equity issuance may arise in respect of staff option exercises that have not been previously matched by share buybacks, and also to satisfy Impax NH management’s conversion into Impax shares of their remaining 16.7% interest in Impax NH in 2021.

DIVIDENDS

“**Impax has followed a progressive dividend policy since 2008, and the Board intends this to continue.”**

The Company paid an interim dividend of 1.1 pence per share in July 2018. The Company also paid a special dividend of 2.6 pence per share at the same time in light of the receipt of the carried interest for NEF II. The Board now recommends payment of a final dividend of 3.0 pence per share. If this is approved by shareholders the aggregate dividend for the year would be 4.1 pence per share (6.7 pence including the special dividend), which represents a 41% increase over the dividend for the previous year.

This dividend proposal will be submitted for formal approval by shareholders at the Annual General Meeting on 7 March 2019. If approved, the dividend will be paid on or around 15 March 2019. The record date for the payment of the proposed dividend will be 8 February 2019 and the ex-dividend date will be 7 February 2019.

The Board expects to give further guidance on the Company’s dividend policy in 2019.

The Company operates a dividend reinvestment plan (“DRIP”). The final date for receipt of elections under the DRIP will be 22 February 2018. For further information and to register and elect for this facility, please visit www.signalshares.com and search for information related to the Company.

GOING CONCERN

The Financial Reporting Council requires all companies to perform a rigorous assessment of all the factors affecting the business when deciding to adopt a “going concern” basis for the preparation of the accounts. The Board has reviewed the Group’s financial plans, budget and stress testing. Impax has a strong balance sheet and a predicable operating cost profile. After taking these factors into consideration 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.

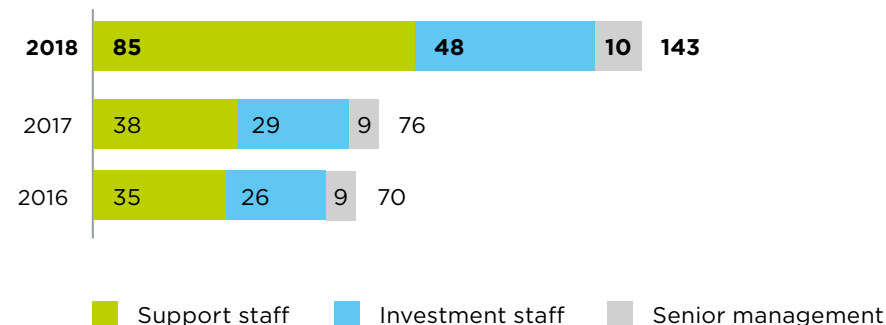
Charles D Ridge

5 December 2018

OUR PEOPLE



FIGURE 5: Staff numbers year ended 30 September 2018



OUR COMMITMENT TO OUR STAFF

We recognise that our colleagues’ skills, experience and commitment are both our greatest assets and the cornerstone of our business.

We seek to attract and retain the best people for each specific role and to foster a supportive and empowering working culture.

We believe that the diversity of our team and the promotion of equal opportunities are key to enhancing our success.

DIVERSITY

Impax is committed to promoting inclusion and diversity. Diversity in the workplace is an important aspect of good management and strong governance.

We value everyone in the Impax community as an individual. We do not tolerate discrimination on the grounds of any Protected Characteristics.

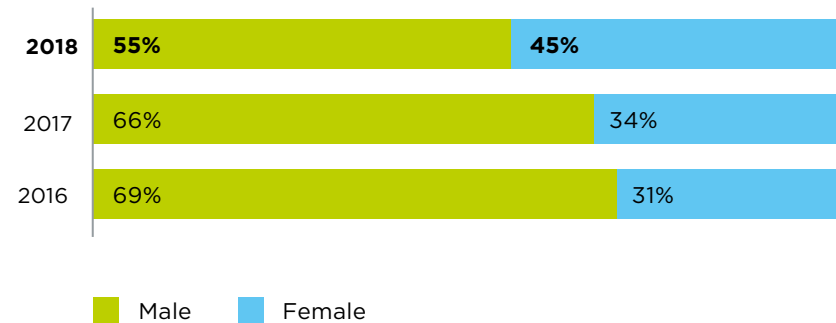
We believe that diversity has a positive impact on the Company’s performance. It enhances creativity, problem-solving, the quality of risk management and decision making. It also improves recruitment and retention of the most talented people, strengthens our client understanding and orientation and increases staff engagement.

We measure key aspects of our diversity and continually seek to develop and improve our approach to inclusion and diversity, our practices and measurement.

OUR PEOPLE CONTINUED



FIGURE 6: Gender diversity year ended 30 September 2018



GENDER PAY GAP REPORTING

Impax has always believed in providing equality of opportunity and in compensating employees for the role they do on an equal basis, regardless of gender or any other differences.

As a smaller company, with fewer than 250 employees, Impax is not required to report its gender

pay gap information under the UK's Gender Equality Act 2010, which came into force last year. However, we are committed to analysing this issue for all our staff. This is a complex process and we are currently researching and preparing our 2018 data which will be published on our website during H1 2019.

PEOPLE DEVELOPMENT WORKING GROUP

The three work streams of our Personal Development Working Group, which were set up in 2015, continue to advance and refine their work across personal development, staff appraisals and recruitment and on-boarding. For example, all staff now have both short-term and

longer-term personal development plans identifying their goals and training requirements. We have also progressed our staff well-being programme with a number of new initiatives to promote optimum health in the workplace.



WINNER BEST COMPANY TO WORK FOR IN INVESTMENT 2018

We were delighted to be named as one of only three winners in Investment Week's first "Best Company To Work For In Investment 2018" Awards.

We recognise that employees who are engaged, motivated and enjoy their work will perform well. This award acknowledged the quality of our policies, benefits, communication and engagement with all our UK staff.

The judges utilised a rigorous survey detailing company policies, practices, benefits and demographics to shortlist contenders for the award. At the second stage all our staff were asked to complete an in-depth survey on how they felt as Impax employees. This included seven demographic and two open-ended questions.

INVESTMENT
WEEK
**BEST COMPANIES
TO WORK FOR IN
INVESTMENT 2018**

SENIOR MANAGEMENT TEAM



IAN SIMM

Chief Executive

Ian is the Founder and Chief Executive of Impax Asset Management Group plc. Ian has been responsible for building the company since its launch in 1998, and continues to head the Listed Equities and Real Assets investment committees.

Prior to Impax, Ian was an engagement manager at McKinsey & Company advising clients on environmental strategy. Between 2013 and 2018 Ian was also a member of the Natural Environment Research Council (NERC), the UK's leading funding agency for environmental science; he is currently a member of the Steering Committee of the UK's Green Finance Institute. Ian has a first-class honours degree in physics from Cambridge University and a Master's in Public Administration from Harvard University.



HUBERT AARTS

Co-head of the Listed Equity business

Hubert started his career in the investment industry in 1990 and joined Impax in January 2007. He has extensive experience investing in Pan-European equities as a portfolio manager at MeesPierson and Merrill Lynch Investment Managers, where he chaired the European Sector Strategy Group. Hubert joined Impax from Cambrian Capital Partners LLP where he was a partner and portfolio manager of the Curalium fund, and Incremental Leveraged hedge funds. Hubert has a Master's degree in Economics and Business Administration from Maastricht University.



BRUCE JENKYN-JONES

Co-head of the Listed Equity business

Bruce has 24 years' experience of working in environmental markets. Prior to joining Impax in 1999 he was a utilities analyst with BT Alex Brown and before that a senior consultant at Environmental Resources Management Ltd. Bruce is a graduate of Oxford University and has a Master's in Environmental Technology from Imperial College and an MBA from IESE (Barcelona).



JOE KEEFE

President of Impax Asset Management LLC

Joe is President of Impax NH and heads the Portsmouth office. He is responsible for Pax World Funds and its underlying strategies.

Prior to joining Pax in May 2005, Joe was President of the strategic consulting and communications firm NewCircle Communications. He served as Senior Advisor for Strategic Social Policy at Calvert Group from 2003-2005 and as Executive Vice President and General Counsel of Citizens Advisers from 1997-2000.

Joe holds a Bachelor of Arts in Philosophy from the College of the Holy Cross, and a Juris Doctor degree from the University of Virginia School of Law.



ROZ REID

Head of Human Resources

Roz joined Impax in October 2014 and is responsible for all staff matters and HR strategic initiatives in the UK and overseas. She has over 20 years' experience in Financial Services having worked for Westpac, BNP Paribas and Chase JP Morgan. Roz has a BSc in Clinical Psychology from Oxford University and an MSc in Human Resource Management.



Information and biographies on our Board can be found in the Governance section.

**DAVID RICHARDSON****Global Head of Marketing and Client Service**

David joined Impax in 2012 from Global Energy investors where he was a managing partner.

He was previously managing director of Business Development at Dwight Asset Management Company (acquired by Goldman Sachs Asset Management). Prior to this he headed project development at Mark Technologies Corporation and successfully developed a number of large scale wind energy projects.

David holds a BS in Mechanical Engineering from the University of California and is a chartered financial analyst.

**CHARLIE RIDGE****Chief Financial Officer**

Charlie has 30 years' experience working in financial services. He joined Impax from Deutsche Bank, where he was a managing director within the finance division serving as the UK asset and wealth management chief financial officer, and previously in a variety of financial and market risk related roles for the global markets division.

Charlie has a degree in Engineering Science from Durham University and qualified as a chartered accountant at Ernst & Young.

**PETER ROSSBACH****Managing Director, Private Equity Infrastructure**

Peter joined Impax in 2000.

From 1997 to 2000, he was senior investment officer at AMI Asset Management. Before AMI, he held positions as senior investment adviser to EBRD, vice president of project finance at Mitsui Bank in New York, and within the energy project finance teams at Catalyst Energy, Lowrey Lazard and Standard and Poor's utility debt ratings services.

Peter holds a Bachelor's degree and a Master's in Public Policy from Harvard University.

**DANIEL VON PREYSS****Head of Private Equity Infrastructure (Europe)**

Daniel is both involved in investments and is Head of Asset Management for the Private Equity business.

Prior to joining Impax he was responsible for Babcock & Brown's Northern European infrastructure activities where he focused on regulated utilities, gas storage and broader power generation.

Daniel was previously Director of Corporate Finance for the European Energy and Utilities team at Deutsche Bank with a strong focus on M&A activity in Europe and has also worked in Citigroup's Utilities team.

**ZACK WILSON****Group General Counsel**

Zack serves as Group General Counsel for Impax Asset Management Group plc and is also Company Secretary.

Prior to joining Impax in 2011, Zack was Director & General Counsel for the investment management and corporate finance advisory group Development Capital Management. Previously he was Corporate Counsel for Telewest Global Inc (renamed Virgin Media Inc), where he played a leading role in managing the successful execution of high profile transactions including the Group's \$10bn financial restructuring.

Zack qualified as a solicitor at the global law firm Norton Rose, specialising in Corporate Finance.

He holds a Master of Arts in Jurisprudence from Oxford University.

OUR COMMITMENT TO CORPORATE RESPONSIBILITY

We review our corporate responsibility under the categories of People, Community, Environment and Marketplace.

COMMUNITY

Impax aims to support organisations that are aligned with our values.

In the UK, Impax promotes tax efficient payroll giving for staff through the Charities Aid Foundation Give as You Earn scheme. In 2018 we achieved Platinum status for the first time, with more than 20% of

staff participating in the scheme, donating to a range of charities on a regular basis. Impax matches all staff donations.

This year we continued our charitable support of Ashden and ClientEarth. We believe that we have strong synergies with both these charities and our financial support, which we have increased year on year,

Impax is committed to the highest standards of responsible business practice and this is embedded in our Values.

not only helps the work of these two outstanding organisations, but helps to build on both our thought leadership work and staff development and engagement.

We give all staff at least one working day a year to participate in an environment-related volunteering activity organised by the Company.

“We encourage staff to play an active role in the community for the benefit of both our business and society.”



Ashden champions practical, local energy solutions that cut greenhouse gas emissions, protect the environment, reduce poverty and improve people’s lives.

We have just commenced our seventh year of partnership with Ashden and are proud supporters of the Impax Ashden Award for Energy Innovation. Every year several of our staff are involved in the evaluation and judging of the award submissions, as well as on-going mentoring and support work with previous award winners. Ian Simm also sits on the Ashden judging panel for the Liveable Cities awards.

The 2018 winner of our award was Upside Energy. This young company has developed innovative software which aims to reduce stress on the National Grid through its cloud-based Virtual Energy Store™. This aggregates flexible demand from systems such as domestic energy storage, heat pumps, electric vehicles and un-interruptable power supplies, which it sells to National Grid, network operators and energy suppliers to help balance supply and demand. System owners and Upside Energy share in the revenue created.

“Upside Energy’s innovative approach to flexibility has the potential to revolutionise the sector, making it practical to involve millions of devices in homes and businesses in keeping the grid stable.”

Ashden judging panel

Upside Energy



Upside Energy instructs internet-connected devices to be turned on or off



23 MW of capacity signed up to Upside Energy as of May 2018



Saving over 13,800 tonnes CO₂ per year



COMMITTING TO ENSURING A HEALTHY PLANET

Since 2016, Impax has supported [ClientEarth](#), a not for profit environmental law organisation which uses the power of the law to protect people and the planet. [ClientEarth](#) is well known for its stand against the UK government on urban air pollution and, more recently, for their work with the European Commission to reduce single use plastics through the implementation of plastic taxes.

This year [ClientEarth](#) has been involved in a number of our popular educational events on carbon risk which we run for our pension fund clients in the UK and the US. Their insight into how asset owners should interpret the law on their fiduciary duty on climate and carbon risk has made a valuable contribution to our thought leadership work on identifying and measuring carbon risk in investment portfolios.

“

The environment cannot be protected by environmental laws alone. At [ClientEarth](#) we are developing innovative legal strategies using company and financial laws to drive companies, investors and directors towards sustainable and environmentally sound modes of governance and decision-making.”

Alice Garton
Senior Lawyer,
Head of Climate, ClientEarth.

ENVIRONMENT

We acknowledge and measure our impacts, recognise our responsibilities and take action to improve wherever possible.

As an office-based business, our direct environmental impact is relatively limited. The main impact of our operations is energy consumption, water use, travel and materials use. We are committed to

reducing these across our working practices through a culture of energy and resource efficiency.

Our Environment Committee has responsibility for coordinating and reporting all our environmental initiatives including maintenance of our Environmental Management System (EMS) for our UK operations. The EMS was launched in 2014 and is based on the ISO 14001 standard. Impax has reported its CO₂ emissions

to the Carbon Disclosure Project since 2009. Vince O'Brien is the Non-Executive Director responsible for the Company's environmental performance and targets. He attends the quarterly Environment Committee meetings.

Our move to new premises and the acquisition of Impax NH have had significant impact on both our Scope 2 (electricity use per employee) and 3 carbon emissions from air travel.

There has been an increase in energy use in the new building and increased air travel especially to the USA. Scope 2 emissions increased by 15%, while the Scope 3 emissions increased in absolute terms, but were flat year on year, at the per employee level.

We are currently reviewing plans to reduce our Scope 2 and Scope 3 carbon emissions. We also intend to set long-term reduction targets which we will publish next year.

OUR COMMITMENT TO CORPORATE RESPONSIBILITY CONTINUED

MARKETPLACE

Impax aspires to best practice across all aspects of the management of its listed and real asset investments.

ENGAGEMENT AND VOTING

We focus our investment in companies with robust governance. Environmental Social and Governance (“ESG”) considerations are embedded within our rigorous investment processes for all our investments.

For listed equity investments we have a ten step investment process and failure of a company to reach the required level of ESG quality will prevent our investment.

“Impax engages with investee companies and is committed to long-term engagement to improve practices and disclosure across their governance and sustainability activities.”

We measure our success by outcomes rather than the number of engagements. However, the work in this area is increasing, as shown in Figure 7.

We often work in collaboration with other organisations and investors as this can result in a more significant impact.

This year our main engagement themes were:

Smaller companies’ ESG processes and disclosures

Governance issues including entrenched or classified boards and separation of the roles of Chair and CEO

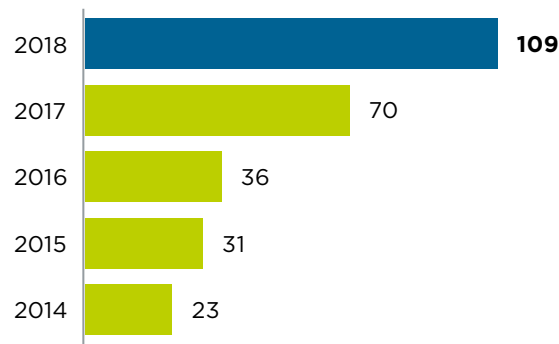
Directors’ remuneration

Cybersecurity

Climate and GHG emissions related (extent to which companies satisfied the recommendations of the [TCFD](#)).

We are committed to ensuring the consistent exercise of voting rights associated with shares held in investment mandates where proxy voting has been delegated to us. During the Period we voted at 186 company meetings (96% of all applicable), on over 2,245 resolutions. We voted against management on 170 (8%) of these. We disclose a summary of our proxy voting activity on our website on a quarterly basis.

FIGURE 7: Our annual engagement initiatives



A+

WE SCORE A+ FOR OUR OVER-ARCHING APPROACH TO RESPONSIBLE INVESTMENT IN THE 2018 UN PRI SURVEY.

PROXY VOTING

WE VIEW PROXY VOTING AS A KEY ACTIVITY IN THE ONGOING DIALOGUE WITH COMPANIES IN WHICH WE INVEST AND IT IS OFTEN THE CATALYST FOR MANY OF OUR GOVERNANCE ENGAGEMENTS.

#1

IMPAX IS RANKED AS A TIER 1 SIGNATORY TO THE FINANCIAL REPORTING COUNCIL’S THREE TIER UK STEWARDSHIP CODE.

MEASURING THE POSITIVE ENVIRONMENTAL IMPACT OF OUR INVESTMENT STRATEGIES



Many investors are not only interested in making superior, long-term, risk-adjusted returns, but in also ensuring that their investments have a positive impact on the environment.

We started reporting quantified impact metrics for our global small cap strategy four years ago. Judging from the positive feedback we have received, clients are finding it helpful

to understand the link between our investments in companies delivering environmental products and services and the environmental outcome of their business activities.

This year we reported our impact metrics for our Asia Pacific strategy for the first time, as well as results for the Impax Specialists and Leaders strategies.

FIGURE 8: Environmental impact for a £10 million investment

	In our Specialists strategy		In our Leaders strategy		In our Asia-Pacific strategy	
	Net CO₂ emissions avoided 7,850 tCO₂ (2017: 7,740 tCO ₂)	Equivalent to taking 4,130 cars off the road for a year in 2018	Net CO₂ emissions avoided 170 tCO₂ (2017: 170 tCO ₂)	Equivalent to taking 90 cars off the road for a year in 2018	Net CO₂ emissions avoided 7,560 tCO₂	Equivalent to taking 3,390 cars off the road for a year in 2018
 	Total renewable electricity generated 2,090 MWh (2017: 2,920 MWh)	Equivalent to 550 households' electricity consumption in 2018	Total renewable electricity generated 2,640 MWh (2017: 2,210 MWh)	Equivalent to 700 households' electricity consumption in 2018	Coal displaced in Asian cities 5,430 MWh	Air quality improvement equivalent to taking 4,270 diesel trucks off the road for a year
	Total water treated, saved or provided 2,390 MEGALITRES (2017: 3,030 megalitres)	Equivalent to 18,200 households' water consumption in 2018	Total water treated, saved or provided 640 MEGALITRES (2017: 2,670 megalitres)	Equivalent to 4,890 households' water consumption in 2018	Total water treated, saved or provided 9,010 MEGALITRES	Equivalent to 57,100 households' water consumption in 2018
	Total materials recovered/waste treated 1,300 TONNES (2017: 780 tonnes)	Equivalent to 1,340 households' waste arising in 2018	Total materials recovered/waste treated 2,690 TONNES (2017: 2,470 tonnes)	Equivalent to 2,720 households' waste arising in 2018	Total materials recovered/waste treated 3,950 TONNES	Equivalent to 23,200 households' waste arising in 2018

¹ Relates to the Asia-Pacific strategy

OUR COMMITMENT TO CORPORATE RESPONSIBILITY CONTINUED

We were an early signatory to the Montreal Pledge which requires investors to commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis. We believe our positive impact reporting takes this measurement to the next level.



HELPING CLIENTS CONSIDER THE ALIGNMENT OF THEIR INVESTMENTS WITH SDGS

As part of its sustainable development agenda, in 2015 the UN developed 17 Sustainable Development Goals (“SDGs”), a series of targets the UN has challenged the world’s economies to achieve by 2030. These cover topics ranging from healthcare, education and environmental protection, to equality. We have identified the SDGs that are most relevant to the products, services, and long-term strategies of our investee companies.

Asset owners are increasingly adopting the UN SDGs as a useful framework for allocating capital towards positive impact investments. Our mapping exercise helps to explain how our broader thematic listed equity strategies align with these goals. Further details on our methodology and results of this mapping can be found in our Impact Report.

PARTICIPATION AND MEMBERSHIPS

We are active members of several trade and industry organisations that are dedicated to promoting the transition to a more sustainable economy and the efficient use of natural resources.

Impax is member of, or signatory to the following organisations:

Council of Institutional Investors (“CII”)

Task Force for Climate-Related Financial Disclosures (“TCFD”)

UN Principles for Responsible Investment (“UNPRI”)

Institutional Investors Group on Climate Change (“IIGCC”)

Investor Network on Climate Risk (“INCR”)

Carbon Disclosure Project (“CDP”)

UK Sustainable Investment and Finance Association (“UKSIF”)

US Sustainable Investment and Finance Association (“USSIF”)

Low Carbon Finance Group

UK Stewardship Code

Intentional Endowments Network

Global Impact Investing Network (“GIIN”).

RISK MANAGEMENT AND CONTROL

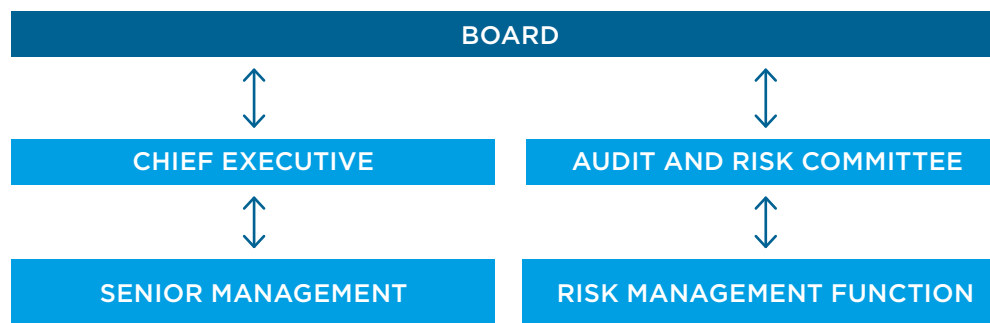
Impax has adopted a risk management framework which takes into account the key principles of risk identification, risk measurement, risk mitigation, risk monitoring and reporting. The Board strives to achieve a balance between appropriate levels of risk and return and to ensure that the risks taken by the firm are appropriately managed.

Although the Board sets the overall business risk strategy and appetite, all staff are responsible for identifying, monitoring and reviewing risks across their team and the Group.

The Chief Risk Officer is responsible for maintaining a risk register and for an on-going programme to monitor internal controls and processes designed to mitigate the risks identified. This includes reporting to the Group's Audit and Risk Committee on a quarterly basis.

The principal risks that the Group face are described in this section. Further information on financial risk is given in [note 32](#) to the financial statements.

HOW RISK IS MANAGED



PRINCIPAL RISKS AND UNCERTAINTIES

RISK	DESCRIPTION	HOW WE MITIGATE THE RISK
REPUTATIONAL RISK	Reputational risk can arise from any of the key risks described below and relates to the Impax brand and relationships with our stakeholders.	Integrity and appropriate conduct are an integral part of the Impax culture and values, and all our business dealings. In addition, the controls below help to mitigate the risk of incidents that may have a reputational impact.
MARKET RISK	<p>The Group's Listed Equity business charges management fees based on AUM and accordingly its revenue is exposed to market risk.</p> <p>The Group seeds investments in its own Listed Equity funds in order to build a track record to market those funds more effectively. It is therefore directly exposed to the market performance of the funds.</p> <p>The Group also invests in its own Private Equity funds and is therefore exposed to the performance of these funds.</p>	<p>The Group operates a number of different strategies which themselves are diversified by geography and industry.</p> <p>The Group's investments teams have to follow defined investment processes. All investments are overseen by The Group's Investment Committees. The Group attempts to mitigate this risk through the use of hedging instruments where appropriate and intends to divest from these investments when commercial and market conditions allow.</p>

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	DESCRIPTION	HOW WE MITIGATE THE RISK
CURRENCY RISK	<p>For the London-centred Impax LN business a significant percentage of its income is based on assets denominated in foreign currencies whilst the majority of costs are in sterling.</p> <p>For the New Hampshire, USA-based Impax NH business the majority of income is based on assets denominated in US dollars and all costs are in US dollars.</p> <p>Goodwill and intangible assets arising on the Impax LLC acquisition are held in US dollars and the Group's debt is held in US dollars.</p>	<p>For the year ended 30 September 2018, and on an on-going basis, the Group's strategy for the Impax LN business has been to put in place hedges, in the form of forward rate contracts, where there is sufficient predictability over the income to allow for an effective and cost-efficient hedge. Otherwise foreign currency income is converted to sterling as soon as practically possible after receipt.</p>
BUSINESS EXPANSION	<p>The acquisition in Q1 2018 of Impax Asset Management LLC (Impax NH), has resulted in the firm taking on the inherent risks of this US business, and the introduction of new integration risks.</p>	<p>The existing management and internal control frameworks have remained in place following the acquisition and have been incorporated into Group-wide governance structures.</p>
LIQUIDITY RISK	<p>Liquidity risk in relation to client portfolios is the risk that funds cannot be generated to meet redemptions or other obligations as they arise. Liquidity issues can arise as a result of market conditions or through holdings of illiquid investments.</p> <p>Liquidity risk also applies to the Group's own financial obligations, in the event that cash resources are insufficient to meet liabilities as they fall due.</p>	<p>We actively monitor the liquidity of individual stocks and will adjust fund holdings where necessary to ensure that we are able to meet fund redemptions.</p> <p>The Group's approach to managing its own liquidity risk is to ensure that it has sufficient cash on hand to meet liabilities when due under both normal and stressed conditions, and to satisfy regulatory requirements. The Group produces cash flow forecasts covering a 12 month period. The Group's management and Board review these forecasts. As shown in note 23 to the financial statements the Group has adequate cash reserves.</p>
CREDIT RISK	<p>The Group is exposed to the risk of counterparty default. Our counterparties include banks and other institutions holding the Group's cash reserves.</p>	<p>The Group seeks to manage this risk by only depositing cash with institutions with high credit ratings and by allocating its cash holdings to at least four institutions at any time.</p>
REGULATORY RISK	<p>The Group's operations are subject to financial services legislation and regulations, including minimum capital requirements and compliance procedures, in each of the jurisdictions in which it operates.</p>	<p>The Group seeks to manage these risks by ensuring close monitoring of compliance with the regulations, and by tracking proposed changes and reacting immediately when changes are required. The Group has a permanent and independent compliance function. In particular, the Group is actively monitoring Brexit negotiations and a new legal entity has been created in Ireland to mitigate potential disruption to our business model and clients.</p>

RISK	DESCRIPTION	HOW WE MITIGATE THE RISK
PEOPLE RISK	The success of the Group depends on the support and experience of its key employees, and in particular the most senior managers. The loss of key employees could have a material adverse effect on its result or operations.	The Group seeks to manage this risk by offering competitive remuneration packages, including share schemes and carried interest in Private Equity funds, and by creating a supportive and enjoyable working environment. We also seek to put in place sustainable succession and development plans. The UK senior investment team has been stable since the Company's inception.
OPERATIONAL RISK	Operational risk arises in our investment management activities, distribution activities and in the operation of our corporate infrastructure.	<p>The Group has established control frameworks so that the risk of financial loss to the Group through operational failure is minimised. As part of this the Group has obtained full "ISAE 3402" for the 12 months ended 30 September 2018, for its UK Listed Equity business.</p> <p>Impax also maintains plans to manage operational business risks in the case of an emergency. These involve specific responses to enable business contingency and recovery procedures.</p> <p>The Group has insurance cover which is reviewed each year prior to policy renewal.</p>
CYBER RISK	Cyber attacks against financial services firms are growing in number and sophistication and would result in business disruption and/or data loss.	<p>The Group has put in place measures to minimise and manage possible technology risks and to ensure the safety of data and General Data Protection Regulation compliance. Information and cyber security is enforced throughout the business. This ensures hardware such as laptops and mobile devices are fully protected.</p> <p>All staff globally receive regular cyber awareness training. In addition, external and internal penetration tests are carried out globally on an annual basis. We also carry out company-wide phishing tests, and have global security certifications.</p>

AUDITOR'S STATEMENT

The auditor's report on the financial statements and the auditors' statement under section 496 of the Companies Act on whether the information given in the Strategic Report and Directors' report (for the financial year ended 30 September 2018) is consistent with the Group financial statements were both unqualified and can be found on [pages 17-22](#) of the Governance and Financial Report.

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1998

2018

CELEBRATING
20
YEARS

INVESTING IN THE
TRANSITION TO A
MORE SUSTAINABLE
GLOBAL ECONOMY



IMPAX SPECIALISES IN INVESTING IN THE TRANSITION TO A MORE SUSTAINABLE GLOBAL ECONOMY

OUR MISSION

Our mission is to generate superior, risk-adjusted investment returns from opportunities arising from the transition to a more sustainable economy for clients with a medium to long-term horizon.

We seek to provide a stimulating, collaborative and supportive work-place for our staff, and make a contribution to the development of a sustainable society, by supporting or undertaking relevant research and engaging or collaborating with others.

This report contains details of members of the Board of Directors and the Senior Management team, reports on the Group's Corporate Governance and Remuneration and presents the full financial statements including the independent auditor's report.

Our separate Strategic Report contains information about Impax, how we make money and how we run the business. It includes an overview of our main markets, our strategy, business model, key performance indicators and main areas of risk, as well as our progress during 2018. A copy of the Strategic Report can be downloaded from www.impaxam.com. This report also describes our approach to organisation and culture, governance and sustainability, and includes a summary of our financial strategy.

Naming of companies in this document

For simplicity we use the following short forms in the place of the legal company entity names in this document and Strategic Report.

Impax Asset Management Group plc is referred to throughout as "Impax" or the "Company".

In January 2018, Pax World Management LLC was acquired by Impax and has been re-named Impax Asset Management LLC. This company is based in Portsmouth, New Hampshire and we refer to it as "Impax NH". Impax NH is the manager of Pax World Funds.

Impax Asset Management Ltd and Impax Asset Management (AIFM) Ltd manage or advise listed equity funds and accounts, and the Real Assets division. The majority of this business is based in London so we refer to it as "Impax LN".

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CHAIRMAN'S INTRODUCTION



2018 was a year of significant growth and progress for Impax. The acquisition of the US based Impax Asset Management LLC has enhanced our earnings and I am pleased to report another year of progress against all our Key Performance Indicators (“KPIs”).”

Keith Falconer
Chairman



During the 12 months to 30 September 2018 (the “Period”), Impax continued to see strong flows into its Listed Equity strategies from clients around the world. Our pipeline for new mandates is also very encouraging and we expect to receive allocations from both existing and new clients in the coming months.

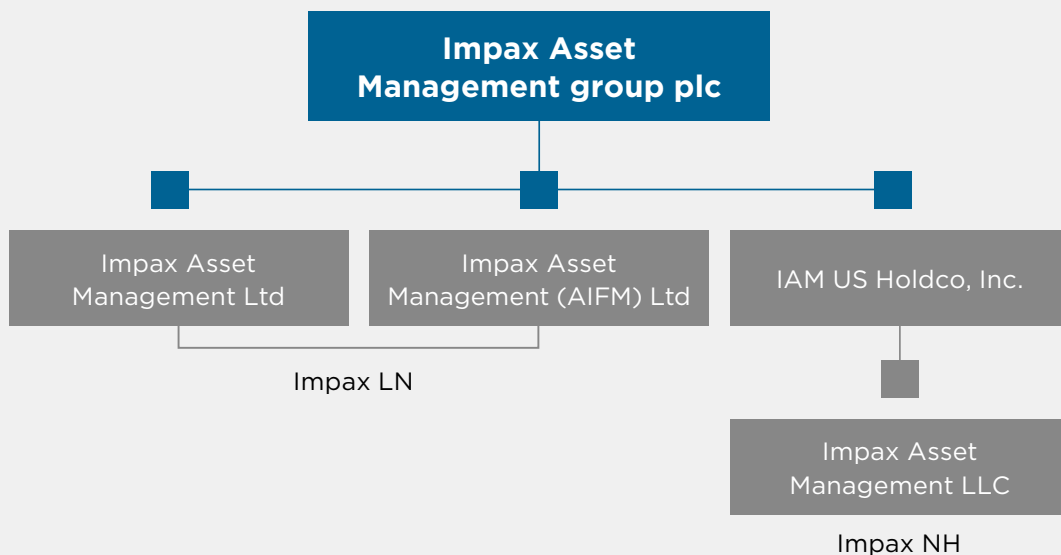
The acquisition of Impax Asset Management LLC, which completed in January 2018, cements Impax’s position as a leading asset manager focused on the transition to a more sustainable global economy. We now have an almost equal footprint in the US and Europe both in terms of staff numbers and assets under management (“AUM”)¹. Combining the two companies extends our view of investment opportunities and enhances our ability to offer exciting career opportunities to our staff.



Impax has a strong business culture: our well-established values reflect our philosophy, behaviour and commitments to our clients, staff, and responsible citizenship.”

Following the acquisition of Impax NH we have enhanced our internal communications with our teams around the world and are pleased with the high levels of staff engagement across all regions.

FIGURE 1: Impax Asset Management group plc organisation chart



¹ AUM - assets under management and advice



CHAIRMAN'S INTRODUCTION CONTINUED

BOARD STRUCTURE AND COMPOSITION

As Chairman, I am responsible for leading the Board and ensuring that the Company has in place the strategy, people, governance structure and culture to deliver value to shareholders and other stakeholders of the Group over the medium to long-term.

The Group comprises several subsidiary companies as shown in figure 1.

The Board is assisted by two committees, Remuneration and Audit & Risk, which have clearly defined terms of reference. Further details on the membership and role of these committees are provided on [pages 12-14](#). Other tasks, such as nominations, succession planning, environmental performance and the review of wider governance issues, are addressed during regular Board meetings.

During the Period, the Board comprised myself as Non-Executive Chairman, the Chief Executive and four other Non-Executive directors supported by the Group Company Secretary. Our Non-Executive Director group has a diverse mix of skills and experience gained through their many years in senior positions across the global financial services sector.

Guy de Froment stepped down as a non-executive director of the Company in June this year. I would like to thank him for his dedication and valuable contribution to the development of Impax's business over the last 10 years. At the same time we welcomed Arnaud de Servigny to the Board. Arnaud brings a wealth of experience in investment management. He is currently a non-executive director of BNP Paribas Asset Management, France, and has worked at Deutsche Bank, Barclays Wealth and Standard & Poor's. He sits on the Company's Audit & Risk and Remuneration Committees.

CORPORATE GOVERNANCE

The Quoted Company Alliance ("QCA") Code



The Directors recognise the importance of strong corporate governance and the need for continual development of our processes and practices in this rapidly evolving area."

Over the last year, companies quoted on the Alternative Investment Market ("AIM") have been required to provide details of the recognised corporate governance code that they have decided to apply, how they comply with that code, and, where they depart from their chosen corporate governance code, an explanation of the reasons for doing so. The Board has chosen to follow The Quoted Company Alliance ("QCA") Code, which was developed by the QCA in consultation with a number of significant institutional investors focused on smaller companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer-term".

To see how Impax addresses the key governance principles defined in the QCA Code, please refer to the detailed table on our website. In the few instances where our practices depart from the expectations of the QCA Code, we have clearly highlighted these and given an explanation.



Our commitment to the highest governance standards

Impax has pioneered methods to include Environmental Social and Governance principles, as well as Stewardship best practice, across the business. We aim to demonstrate the same levels of commitment and disclosure here as we look for in the companies in which we invest.

We seek to act with the highest standards across all our operations, recognising our responsibilities to all stakeholders. Our Non-Executive Directors are engaged in the oversight of the integration of responsible business practices throughout our operations. For example, Vince O'Brien is the Director responsible for our environmental impact and policies and attends the management team's quarterly environmental committee meetings as an observer, while both Sally Bridgeland and Lindsey Brace Martinez have led meetings of our recently formed "Women at Impax" Group. Further details on our inclusivity and diversity, human capital and environmental activities are outlined in our Corporate Responsibility section on [pages 26-30](#) of the Strategic Report.

2018 BOARD STRATEGY AND PROGRAMME

The Board held nine formal meetings during the Period, with significant time devoted to strategic discussion. The Non-Executive Directors also attended an annual strategy day with the executive team; this year the agenda was principally to review the progress of the integration and consider the advancement of business opportunities arising from the acquisition of Impax Asset Management LLC.

OUTLOOK

On behalf of the Board I would like to thank all our staff for their extraordinary commitment to the Company and their contributions to Impax's results during another successful year.

We are confident of continuing strong growth and delivering shareholder value through exploiting new opportunities in the transition to a more sustainable global economy and building further on the solid foundations laid down over many years.

J Keith R Falconer

5 December 2018



BOARD OF DIRECTORS



KEITH FALCONER
Chairman

Joined the board
2004



IAN SIMM
Chief Executive

Joined the board
2001



**LINDSEY BRACE
MARTINEZ** 
Non-Executive Director

Joined the board
2015



**SALLY
BRIDGELAND** 
Non-Executive Director

Joined the board
2015

**Previous
roles and
experience**

Keith joined Martin Currie, the independent Edinburgh-based investment firm in 1979. The first part of his career was spent managing portfolios on behalf of institutional clients. Subsequently, he became the managing director of sales and marketing. Keith retired from Martin Currie in 2003.

Ian has been responsible for building the Company since its launch in 1998, and he continues to head the listed equities and real assets investment committees.

Prior to joining Impax Ian was an engagement manager at McKinsey & Company advising clients on resource efficiency issues.

Lindsey served as a member of the Executive Team and was a Managing Director at Cambridge Associates. She held multiple roles during her 15-year tenure including, Global Head of Consulting Services and External Relations.

Prior to this, Lindsey was a portfolio analyst and manager for the Hancock Natural Resource Group and a senior consultant at Booz Allen.

Sally qualified as a Fellow of the Institute of Actuaries with consultants Bacon & Woodrow (now Aon Hewitt) and was CEO of the BP Pension Fund from 2007 to 2014. She has served as Chair of the Management Board of the Faculty and Institute of Actuaries.

**Current
external
appointments**

Director of Baillie Gifford Japan Trust and the Adelphi Distillery.

In 2013-2018 Ian was a board member of the Natural Environment Research Council (NERC), the UK's leading funding agency for environmental science. He is currently a member of the Steering Committee of the UK's Green Finance Initiative.

Founder and CEO, StarPoint Advisors, LLC. Member of the Advisory Board for the Yale Center for Business and the Environment. Member of the Investment Committee for the National Geographic Society. Chair of the Board, Novatus Energy, LLC. Trustee of Pax World Funds Series Trust 1, Board member of Seven Islands Land Company.

Non-executive director of Royal London and the Local Pensions Partnership. Trustee of Lloyds Bank's Pension Schemes, NEST Corporation and the Nuclear Liabilities Fund. Honorary Group Captain with 601 Squadron of the Royal Auxiliary Air Force and a trustee of RAF Central Fund. Strategic adviser to Darwin Property. Investment Consultant with Avida International.

**Qualifications
and
experience**

Qualified as a chartered accountant in 1979. Portfolio management and institutional sales and marketing.

First class honours degree in physics from Cambridge University and a Master's in Public Administration from Harvard University.

MBA and Master of Environmental Studies from Yale University. Over 25 years' experience in investment advisory, natural resources portfolio management, institutional marketing and sales, and management consulting.

Fellow of the Institute of Actuaries. 30 years' experience in the UK pensions and actuarial sector.



Committee membership

■ Remuneration ■ Audit & Risk



GUY DE FROMENT¹
Non-Executive Director

Joined the board
2008 (Retired 2018)

Guy joined Paribas in 1997 as head of Asset Management; he then co-headed BNP Paribas Asset Management after the merger with BNP until 2005. He was Vice-Chairman of BNP Paribas Investment Partners until his retirement in 2010.

Prior to this, he spent over 20 years with Indosuez in various market related activities including as head of Asset Management.

Trustee of the Paribas London. Pension Fund and director of Parvest and Parworld Luxembourg SICAVs.

Elected member of the Committee of the Wine Society.

Guy is a graduate of the Ecole des Hautes Etudes Commerciales (HEC Paris).
Some 40 years in global investment management.



ARNAUD DE SERVIGNY²
Non-Executive Director

Joined the board
2018

Arnaud was previously a Managing Director at Deutsche Bank Asset Management and has also worked at Barclays Wealth, Standard & Poors and BIM private equity fund.

Non-executive directorships of BNP Paribas Asset Management France, Bramham Gardens Investments Limited, Bramham Gardens SARL and Fondation Pour l'Ecole.

Arnaud has been a visiting Adjunct/ Professor of Finance at Imperial College Business School since 2005 and is the author of several books on finance, economics and investment management.



VINCENT O'BRIEN
Non-Executive Director

Joined the board
2009

Vince served as a director of Montagu Private Equity for over 23 years. He was part of the core team which lead the buyout of Montagu from HSBC in 2003.

Prior to that he worked in audit and corporate finance for Coopers & Lybrand, now PWC.

Chair of the Investment Committee at Nesta Impact Investments, Chair of Quest Fund Placement LLP.

Chartered accountant, former chairman of the British Venture Capital Association.
Over 30 years' experience in the private equity industry.



ZACK WILSON
Group General Counsel and Company Secretary

Assumed roles
2011

Prior to joining Impax in 2011, Zack was Director & General Counsel for the investment management group Development Capital Management. Previously he was Corporate Counsel for Telewest Global Inc (renamed Virgin Media Inc), where he played a leading role in managing the successful execution of a number of high profile transactions.

Zack is a non-executive director of Impax Funds (Ireland) plc.

Member of the Advisory Board of Prime Advocates Limited.

Qualified as a solicitor in 2000 at the global law firm Norton Rose.
Master of Arts in Jurisprudence from Oxford University.

¹ Retired 12 June 2018 ² Appointed 12 June 2018



CORPORATE GOVERNANCE

COMPLIANCE WITH QUOTED COMPANIES ALLIANCE CODE

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the “QCA Code”).

The correct application of the QCA code requires the Company to apply its ten principles and also to publish certain related disclosures either on our website or in this Annual Report or a combination of both. We have chosen to use a combination of both. Our website includes disclosure considering each principle in turn and references where the appropriate disclosure is given.

THE BOARD OF DIRECTORS

The Board deals with all aspects of the Company’s affairs including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources are in place and reporting to shareholders. The Board reserves these and other specific matters for its own decision. Operational decisions are delegated to the Chief Executive and senior management.

Board composition

The Board consists of a Non-Executive Chairman, four Non-Executive Directors and the Chief Executive. Details of the current Board members are given on [pages 4 and 5](#) of this report. Throughout the year the position of Chairman and Chief Executive were held by separate individuals. There is a clear division of responsibilities between the Chairman and Chief Executive. Guy de Froment resigned on 12 June 2018 and was replaced by Arnaud de Servigny on the same day.

The Board has appointed one of the Non-Executive Directors (Vince O’Brien) to act as the Senior Independent Director. The Board considers that three of the Non-Executive Directors (Vince O’Brien, Sally Bridgeland, Lindsey Brace Martinez) are independent as envisaged by the QCA Code. Arnaud de Servigny is not considered to be independent as he represents a significant shareholder. The Chairman is also not considered to be independent by nature of his significant shareholding and past service to the Group. The Non-Executive Directors and Chairman all have or have had senior executive experience and offer insightful judgement on Board matters. The Non-Executive Directors do not participate in any bonus schemes or share ownership schemes and their appointments are non-pensionable.

The Company anticipates a time commitment from the Non-Executive Directors of twenty days per annum. This includes attendance at regular Board meetings, service on the Audit and Risk and Remuneration Committees and a number of regular meetings to review and discuss progress with the executive team. The Chief Executive works full time in the business and has no other significant outside business commitments.

Board Committees

The Board has two standing Committees; the Audit and Risk Committee and the Remuneration Committee. The Board may appoint other committees from time to time to consider specific matters.

The Audit and Risk Committee is responsible for overseeing financial reporting, risk management and internal controls and external audit. Sally Bridgeland chairs this committee. The Committee report is provided on [pages 12 and 13](#).

The purpose of the Remuneration Committee is to ensure that the Chief Executive and other senior employees are fairly rewarded for their individual contribution to the overall performance of the Group and that remuneration packages provided do not promote undue risk taking. Vince O’Brien chairs this committee. The Committee’s report is provided on [pages 14-16](#).

The Board considers the skills and knowledge of individual members of each committee upon appointment and periodically, to ensure that each committee includes members with appropriate expertise and who are able to offer an independent outlook.

These committees report to the Board on a regular basis. They have clearly defined terms of reference which are published on the Company’s website.



Meetings

The Board has a formal agenda of items for consideration at each meeting but also convenes at additional times when required.

All Directors receive detailed Board papers and reports sufficiently in advance of meetings to enable a proper review and have unlimited access to the advice and services of senior management should further information be required. There is provision for Board members to solicit professional advice on Board matters at the Company's expense.

Details of the number of meetings of the Board (and any committees) during the year, together with the attendance record of each Director, are shown in the table below:

Meeting attendance	Board	Audit & Risk Committee	Remuneration Committee
Total number of meetings	9	5	4
Keith Falconer	6		
Ian Simm	9		
Vince O'Brien	9	4	4
Sally Bridgeland	8	5	3
Lindsey Brace Martinez ¹	8	3	3
Guy de Froment ²	6	2	1
Arnaud de Servigny ³	1		

¹ Appointed to Audit & Risk Committee 7 December 2017

² Resigned 12 June 2018

³ Appointed 12 June 2018. Arnaud attended all Board meetings he was eligible to attend

Appointment of new Directors

There is a rigorous procedure to appoint new Directors to the Board which is led by the Chairman. At appropriate times the Board considers the balance of skills, experience, independence and knowledge of the Group on the Board and its diversity, how the Board works as a unit and other factors relevant to its effectiveness.

Where new Board appointments are considered, the search for candidates will be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Board also considers succession planning.

All Directors are subject to reappointment by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years.

Performance evaluation

The Board carries out an evaluation of its performance annually.

Formal evaluations are carried out to assess the performance of the Board and the individual Directors which is led by the Chairman. The Board also completes an evaluation of the Chairman's performance which is led by the Senior Independent Director. The process this year followed the same format as the prior year. Directors completed questionnaires which were followed up with one to one meetings and a summary report of overall findings from the Chairman. The evaluations confirmed a high rating for performance.

Areas of focus arising from this year's evaluation include addressing added complexities arising from completion of the acquisition of Pax World Management LLC, overseeing diversification of the Group's client base and reviewing Board composition to reflect the Group's recent and planned business growth. In September 2018, the Board also visited the Group's office in New Hampshire to meet with senior management.

The Board will continue to monitor its approach to the evaluation of effectiveness including the use from time to time of external facilitation.



CORPORATE GOVERNANCE CONTINUED

Board members maintain their skillsets through practice in day-to-day roles, enhanced with attending specific training where required. This is a combination of in-house company arranged briefings and external training.

The Company Secretary and UK Head of Compliance supports the Chairman in addressing the training and development needs of Directors.

Resources

The Board uses external advisors where necessary to enhance knowledge or to gain access to particular skills or capabilities. Accountants and lawyers are used for diligence work on acquisitions, for example in relation to the acquisition of Pax World Management LLC. An external specialist employment consultant was commissioned to conduct a staff engagement survey across the Company in 2017. Specialist advisors have also been used by the Board in areas such as internal audit and regulatory compliance.

Indemnity

As permitted by the Company's Articles of Association, the Company has maintained qualifying third-party indemnity provisions (as defined under relevant legislation) for the benefit of the Company's Directors throughout the period.

INTERNAL CONTROL

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

The Group's fund management activities are regulated by the Financial Conduct Authority (the "FCA"), the US Securities and Exchange Commission and in respect of its Hong Kong activities, the Securities and Futures Commission. The Board has adopted procedures and controls designed to ensure its obligations are met.

Details of the key risks facing the Group and internal controls acting to control or mitigate the risks are set out on [pages 31–33](#) of the Strategic Report.

Grant Thornton provide internal audit services to the Group.

DIALOGUE WITH SHAREHOLDERS

The Company reports formally to shareholders at the half-year and year end. At the Annual General Meeting of the Company, a presentation is given and Directors are available to take questions, both formally during the meeting, and informally after the meeting. The Chief Executive and Senior Independent Director are available for dialogue with major shareholders on the Company's plans and objectives and meet with them at appropriate times.

Culture

Integrity and appropriate conduct are an integral part of the Impax culture and values, and all our business dealings. The Company undertakes regular review and monitoring of its policies in specific areas such as anti-bribery and corruption, anti-money laundering, Code of Ethics compliance, conflicts of interest, whistleblowing and information security.

We enjoy a strong collegial culture which we continue to evolve. We value meritocracy, openness, fairness and transparency. The Company's Culture and Values Committee, which has a rotating membership open to all staff, meets regularly to assess progress and advance new initiatives (the Board receives reports on key initiatives). Culture and values are also considered as part of staff appraisals.

In 2017 the Board supported the executive team's commissioning of a comprehensive staff engagement survey. Relative to comparable companies the results were very positive and we are working on those areas that can be improved. We plan to repeat this survey in future to ensure that high levels of staff engagement and motivation are sustained, and to maintain a positive and aspirational working environment which will enable the Company to continue to thrive and expand.

Impax is committed to promoting inclusion and diversity. During 2017 we formed a working group, "Diversity Matters", comprising individuals from across the Company. This group's initial objective was to refine our diversity statement to ensure that diversity was a top priority across the business and that we aspire to best practice.



DIRECTORS' REPORT

For the year ended 30 September 2018

DIVIDENDS

The Directors propose a final dividend of 3.0 pence per share (2017: 2.2 pence) which together with the interim dividend of 1.1 pence per share (2017: 0.7 pence) and the special dividend of 2.6 pence already declared and paid, makes a total for the year ended 30 September 2018 of 6.7 pence per share (2017: 2.9 pence). The dividend will be submitted for formal approval at the Annual General Meeting. These financial statements do not reflect the final dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2019.

The final dividend for the year ended 30 September 2017 was paid on 17 March 2018, being 2.2 pence per share. The trustees of the Impax Employee Benefit Trusts ("EBT") waived their rights to part of these dividends, leading to a total dividend payment of £2,752,107. The interim dividend of 1.1 pence and the special dividend of 2.6 pence for the year ended 30 September 2018 was paid on 17 July 2018 and totalled £4,634,000. These payments are reflected in the statements of changes in equity.

SHARES

The Company issued a total of 2,665,989 shares during the period as part of the acquisition of Impax NH bringing total shares in issue to 130,415,087. The Impax Asset Management Group plc Employee Benefit Trust 2012 and the Impax Group plc Employee Benefit Trust 2004 (together the "EBTs") made market purchases of 1,454,065 of the Company's shares during the year and satisfied option exercises in respect of 10,489,000 shares.

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors of the Company during the year and at the date of this report are set out below. The Directors' interests and those of their connected persons in the Ordinary Shares of the Company, all of which are beneficial, at 30 September 2018 and 30 September 2017 were:

	30 September 2018	30 September 2017
Keith Falconer ¹	6,637,775	10,489,290
Ian Simm ¹	9,545,919	9,486,002
Vince O'Brien	110,000	110,000
Guy de Froment	-	-
Sally Bridgeland	-	-
Lindsey Brace Martinez	-	-
Arnaud de Servigny	-	-

¹ Includes vested shares within sub-funds of the Impax Group Employee Benefit Trust 2004 ("EBT 2004") from which the individual and their families may benefit.

There have been no changes to the above holdings since 30 September 2018.

Ian Simm has a 5.88 per cent interest in the capital of Impax Carried Interest Partner LP, a 5 per cent interest in the capital of Impax Carried Interest Partner II LP, and a 4 per cent interest in the capital of INEI III CIP LP, entities in which the Company holds an investment.

Ian Simm has been granted options over the Company's Ordinary Shares which have not yet been exercised as shown in the table below.

Year granted	Options held	Exercise price	Earliest to exercise date	Latest to exercise date
2013 (options)	100,000	47.9p	01/01/16	31/12/19
2014 (options)	100,000	56.9p	01/01/17	31/12/20

In addition, Ian Simm was granted 60,000 Restricted Share Awards in December 2017 which vest in three equal tranches between December 2020 and 2022.



DIRECTORS' REPORT CONTINUED

For the year ended 30 September 2018

SUBSTANTIAL SHARE INTERESTS

The following interests in 3 per cent or more of the issued Ordinary Share capital have been notified to the Company as at 5 December 2018:

	Number	Percentage
BNP Paribas Asset Management Holding	31,920,000	24.5
Ian R Simm ¹	9,545,919	7.3
Impax Asset Management Group plc Employee Benefit Trust 2012	9,107,873	7.0
Hargreave Hale Limited	7,302,500	5.6
Blackrock Investment Management	7,031,271	5.4
J Keith R Falconer ¹	6,637,775	5.1
Asset Management One	5,474,955	4.2
Hargreaves Lansdown Asset Management	5,199,113	4.0
Rathbone Investment Managers	5,129,149	3.9
Bruce Jenkyn-Jones ²	4,951,699	3.8

¹ Includes vested shares within sub-funds of the EBT 2004 from which the individual and their families may benefit.

² Includes vested shares within sub-funds of the EBT 2004 from which the individual and their families may benefit and vested but unexercised options.

In addition the EBT 2004 has a legal interest in a further 13,950,080 shares which have transferred to sub-funds from which individuals and their families may benefit and holds 815,273 shares directly.

RISK

A description of the key risks facing the Group and policies and procedures in place to monitor or mitigate the risk is provided on [pages 31-33](#) of the Group's Strategic Report.

PEOPLE

Through our robust people management policies we aim to attract and develop the best people. Our performance management processes comprise a twice yearly performance appraisal against agreed objectives and our core values. Output from this performance process is used to inform decisions on remuneration, career development and progression.

As part of creating a high-performance organisation, we encourage all of our employees to fulfil their potential. We provide our employees with access to a range of training and development opportunities that are relevant to our business.

CREDITOR PAYMENT POLICY

The Group seeks to maintain good terms with its trading partners. It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 30 September 2018 were 29 (2017: 31).

CHARITABLE DONATIONS

During the year the Group has made donations to charities totalling £63,993.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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 and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

AUDITOR

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he or she ought to have taken as Director in order to make himself aware of any relevant information and to establish the Company's auditor is aware of that information. This confirmation is given pursuant to the section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

By order of the Board

Zack Wilson

Company Secretary

5 December 2018

Registered office

7th Floor, 30 Panton Street, London SW1Y 4AJ



AUDIT AND RISK COMMITTEE REPORT

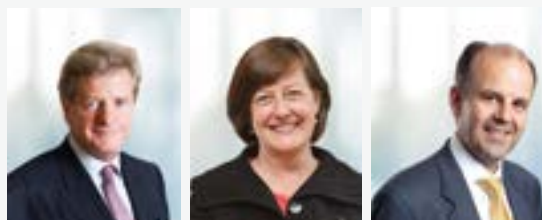
For the year ended 30 September 2018



CHAIRMAN

SALLY BRIDGELAND

AUDIT AND RISK COMMITTEE MEMBERS



VINCENT O'BRIEN | LINDSEY BRACE MARTINEZ
| ARNAUD DE SERVIGNY

MEETINGS HELD

5

FOCUS FOR THE YEAR

- Reviewed and approved the acquisition accounting for Impax NH
- Considered and approved the governance arrangements and financial reporting processes and controls for the combined group
- Reviewed the controls in place for strong cyber security of all our systems, and the plans in place to react to cyber attacks
- Evaluated the implementation of the GDPR

COMMITTEE MEMBERS

The Audit and Risk Committee is comprised of the following Non-Executive Directors: Sally Bridgeland (Chairman), Vince O'Brien, Lindsey Brace-Martinez and Arnaud de Servigny. Guy de Froment was a member but resigned on 12 June 2018 and was replaced by Arnaud de Servigny.

MEETINGS

The Committee generally meets four times per year. During the year the Committee met five times, the fifth meeting being in relation to the Pax acquisition. Details of attendance at the meetings are shown on [page 7](#).

ROLE AND RESPONSIBILITIES

The Committee's responsibilities include:

Financial reporting

- monitoring the integrity of the financial statements and formal announcements relating to the Company's and Group's financial performance;
- the implementation of new accounting standards and policies;

Risk management and internal control

- reviewing the Group's risk management processes and risk reports;
- monitoring of the internal financial control procedures;
- reviewing and recommending to the Board for approval the Company's Internal Capital Adequacy Process ("ICAAP");
- engagement and oversight of internal audit;

External auditors

- considering appointment, re-appointment and removal of the external auditors and approving the remuneration of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;
- ensuring the objectivity and independence of the external auditor by acting as primary contact with the external auditors, meeting the external auditors without the presence of management where considered necessary and receiving all reports directly from the external auditors.



FINANCIAL REPORTING

The Committee has reviewed the Group's Interim Report and the Annual Report and Accounts and recommended them to the Board for approval. The Committee has considered whether suitable accounting policies have been adopted and whether management have made appropriate estimate and judgements when preparing the financial statements.

The Committee received reports from the external auditor, KPMG on the audit scope and strategy and their independent assessment of the management conclusion on key areas of judgements and estimates. KPMG attended the Committee meetings following the half and full year ends and met privately with the Committee.

The key accounting estimates and judgements considered by the Committee during the period were as follows:

- Accounting for the acquisition of Impax NH
The acquisition required estimates to be made in respect of the fair value of management contracts acquired with the acquisition and of the contingent consideration payable for the acquisition. The Committee considered reports from the Finance function which described the key assumptions used and was satisfied with the values determined.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company's risk management process and the risks which are considered to be the key risks facing the Group are described on [pages 31-34](#) of the Strategic Report. The committee has received and considered a report from the Chief Risk Officer at each of its meetings and reviewed the Group risk assessment. The Committee also received specific presentations from management on cyber security and on the implementation of the GDPR regulations.

Prior to the completion of the acquisition of Pax the Committee reviewed the proposed governance arrangements and the financial reporting processes and controls for the combined group.

The Committee has also reviewed and approved the Group's ICAAP and the Group's capital arrangements following the acquisition of Pax.

EXTERNAL AUDITOR

KPMG LLP has acted as the auditor of the Group since 2010 following a competitive tender. Jatin Patel is the current audit partner and this is the first year that he has signed the audit report. Ethical standards would require him to rotate off following the audit of the year ended 30 September 2022. The Committee considered and agreed to the reappointment of the auditor during the period.

Details of fees paid to the Company's auditor are shown in [note 8](#) to the financial statements. The Committee considered and agreed the audit fee during the Period. Total fees paid for non-audit services were £86,000. Other non-audit work included tax advice and non-audit fees as a percentage of total fees paid were 23 per cent. In the opinion of the Board, none of the non-audit services provided any concern as to the auditor's independence or objectivity. The Committee also considered if there were any other factors impacting the auditor's independence and objectivity and concluded that there were none. As part of this assessment the committee received and considered a report from KPMG which confirmed that in their view they were independent.

INTERNAL AUDIT

The Group uses Grant Thornton to provide Internal Audit services and complete internal audits of areas suggested by management and approved by the Committee. Two audits were completed during the year. The Committee are considering expanding the number of audits completed.

Sally Bridgeland

Chairman of the Audit and Risk Committee

5 December 2018



REMUNERATION COMMITTEE REPORT

For the year ended 30 September 2018



CHAIRMAN

VINCENT O'BRIEN

REMUNERATION COMMITTEE MEMBERS



LINDSEY BRACE MARTINEZ | ARNAUD DE SERVIGNY | SALLY BRIDGELAND

MEETINGS HELD

4

FOCUS FOR THE YEAR

- Considered and recommended the implementation of a new long term incentive scheme which encourages retention of shares over a 10 year period
- Reviewed and approved the remuneration arrangements for Impax NH employees

COMMITTEE MEMBERS

The Remuneration Committee is comprised of the following Non-Executive Directors: Vince O'Brien (Chairman), Sally Bridgeland, Lindsey Brace Martinez and Arnaud de Servigny. Guy de Froment was a member but resigned on 12 June 2018 and was replaced by Arnaud de Servigny.

REMUNERATION ACTIVITIES DURING THE YEAR

During the past year, the Committee met four times to undertake the following:

- review and recommend the remuneration and terms and conditions of service of the Directors and senior employees;
- approve the overall remuneration policy to ensure that this is designed to be in line with the business strategy, objectives and long-term interests of the wider group;
- approve all share-based awards including the new Impax Asset Management Group plc UK Share Incentive Plan; and
- ensure that the Company's policies and practices are compliant with the FCA Remuneration Code and associated remuneration related Regulations.

POLICY ON CHIEF EXECUTIVE AND SENIOR EMPLOYEES REMUNERATION

The remuneration and terms and conditions of service of the Directors and senior employees are determined by the Board, based on recommendations made by the Remuneration Committee. The Committee recognise the importance of providing a remuneration package that will, without promoting undue risk, attract, retain and incentivise as well as encourage increased shareholder value in the short and longer-term.

For the year ended 30 September 2018 there are potentially three main elements of the remuneration packages for the Chief Executive and senior employees.

(i) Basic salary and benefits

Basic salaries are recommended to the Board by the Remuneration Committee taking into account the performance of the individual and the rate for similar positions in comparable companies. Benefits include income protection, critical illness insurance, life assurance and private medical insurance.



(ii) Variable remuneration

Variable remuneration consists of a cash bonus and share-based awards. For Impax LN aggregate variable remuneration will typically be capped at 45 per cent of operating earnings before variable remuneration, interest and taxes. Impax NH senior employees receive a bonus and may also be eligible to share in a cash bonus capped at 10% of Impax NH's EBITDA (reduced by a charge to reflect the cost of Restricted Stock Units awarded to Impax NH employees).

(A) Cash bonus

For Impax LN the cash bonus is determined based on the profitability of the relevant area where the employee works and on the individual's personal performance. For Impax NH the cash bonus is based solely on the individual's performance.

(B) Share-based awards

The Group has approved the award of 478,250 restricted shares to Impax LN employees under the Group Restricted Share Scheme ("RSS") and 500,000 options under the Group's Long-term Employee Share Ownership Plan ("LTOP") in respect of services during the Period. The award of these shares and options will be communicated to the relevant employees following announcement of the Group's results for the year ended 30 September 2018.

Under the RSS, shares awarded to employees are initially held by a nominee and the employee only gains unfettered access to the shares after three, four and five year periods (one third at each stage) subject to continued employment. During the period that the shares are held by the nominee, the employee will receive dividends and be able to vote on the shares but will not be able to sell them.

Options awarded under the LTOP have a 100p exercise price and vest after five years subject to continuous employment and are then subject to a holding period of a further five years.

The Chief Executive and other Impax LN employees continue to benefit from share-based payment awards made under the previous share-based incentive plans (the EIA Extension, ESOP 2011-15 and RSS 2014-2015, 2017) as more fully described in [note 10](#) of the financial statements. Impax NH senior employees benefit from the award of Restricted Share Units that were made at the time of the acquisition. Certain senior managers hold shares in Impax NH. These shares were originally acquired using loans from Impax NH which in part remain outstanding and the shares remain subject to employment restrictions (see [note 4](#) of the financial statements for further information).

The Chief Executive and other employees continue to benefit from share-based payment awards made under the previous share-based incentive plans (the EIA Extension, ESOP 2011-15 and RSS 2014-2015, 2017) as more fully described in [note 10](#) to the financial statements.

In addition, the Chief Executive and certain senior employees have been awarded interests in the partnerships, Impax Carried Interest Partner LP, Impax Carried Interest Partner II LP and INEI III CIP LP. These partnerships will receive payments from the Group's private equity funds depending on the fund's performance.

(iii) Pensions

The Group pays a defined contribution to the pension schemes of certain employees. The individual pension schemes are private and their assets are held separately from those of the Group.



REMUNERATION COMMITTEE REPORT CONTINUED

For the year ended 30 September 2018

DIRECTORS' REMUNERATION DURING THE YEAR

Details of each Director's remuneration are shown below.

	Fees/salary £	Benefits in kind £	Bonus £	2018 Total £	2017 Total £
Keith Falconer	70,000	-	-	70,000	67,500
Ian Simm	246,164	7,440	700,000	953,604	852,546
Guy de Froment	20,808	-	-	20,808	30,000
Arnaud de Sevigny	10,000	-	-	10,000	-
Vince O'Brien	40,000	-	-	40,000	37,500
Sally Bridgeland	40,000	-	-	40,000	37,500
Lindsey Brace Martinez	37,276	-	-	37,276	39,237
	464,248	7,440	700,000	1,171,688	1,064,283

The Company paid £76,750 to Lindsey Brace Martinez during the year for consultancy services provided (2017: £nil). Lindsey Brace Martinez is also a Director of Board of the Pax World Funds Series Trust 1 acting as the Group's representative on this Board. The Company paid her £36,237 for this service.

Ian Simm exercised options over a total of 450,000 shares during the Period generating a profit of £415,800.

Ian Simm received a distribution of €1,147,037 from Impax Carried Interest Partner II LP during the period being his share of the carried interest paid by the Group's second private equity fund.

Ian Simm was granted 60,000 Restricted Share Awards in December 2017 which vest in three equal tranches between December 2020 and 2022.

SERVICE CONTRACTS

The Chief Executive is employed under a contract requiring one year's notice from either party. The Chairman and Non-Executive Directors each receive payments under appointment letters which are terminable by up to six months' notice from either party.

POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION

The Chairman and Non-Executive Directors each receive a fee for their services. The fee is approved by the Board, mindful of the individual's time commitment and responsibilities and of current market rates for comparable organisations and appointments. The Non-Executive Directors and the Chairman are reimbursed for their travelling and other minor expenses incurred.

Vince O'Brien

Chairman, Remuneration Committee

5 December 2018



INDEPENDENT AUDITOR'S REPORT

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Impax Asset Management Group plc (“the Company”) for the year ended 30 September 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and Company statement of financial position, consolidated and Company statement of changes in equity, consolidated and Company cash flow statements and the related notes, including the accounting policies in [note 34](#).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2018 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:		£731k (2017:£308k)
Group financial statements as a whole		5% (2017: 5%) of Group profit before tax
Coverage		100 % (2017: 100%) of Group profit before tax
Risks of material misstatements:		vs 2017
New Group risks	Acquisition of Impax LLC	▲
	IFRS 2 charges in respect of the acquisition of Impax LLC	▲
Recurring Parent Company risks	Investment in subsidiary undertakings	◀▶



INDEPENDENT AUDITOR'S REPORT CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>Acquisition of Impax LLC</p> <p>£25.7 million fair value of intangible assets and £3.0 million fair value of contingent consideration.</p> <p>Refer to pages 12 and 13 (Audit Committee Report), page 58 (accounting policy) and page 28 (financial disclosures).</p>	<p>Subjective valuation</p> <p>Small changes in the assumptions used in determining contingent consideration and intangible assets could have a material impact on their valuation.</p>	<p>Our procedures included:</p> <p>Contingent consideration</p> <ul style="list-style-type: none"> – <i>Test of detail:</i> Obtained the Sale and Purchase Agreement to understand what consideration was payable in respect of the acquisition and the terms of the contingent consideration. – <i>Benchmarking assumptions:</i> We challenged the key assumptions in calculating the contingent consideration payable. These included fund performance, net flows and discount rate. Our challenge was based on historical experience and market comparable data obtained publicly or through internally derived data. – <i>Sensitivity analysis:</i> We performed sensitivity analysis on the key assumptions above. <p>Intangible assets</p> <ul style="list-style-type: none"> – <i>Benchmarking assumptions:</i> We challenged the assumptions made by management in calculating the fair value of intangible assets. These included fund performance, net flows, discount rate, operating margin and fund life. Our challenge was based on historical experience and market comparable data obtained publicly or through internally derived data. – <i>Sensitivity analysis:</i> We performed sensitivity analysis on the key assumptions above.



	The risk	Our response
<p>IFRS 2 charges in respect of the acquisition of Impax LLC (£1.8 million; 2017: nil)</p> <p>Refer to pages 12 and 13 (Audit Committee Report), page 58 (accounting policy) and page 28 (financial disclosures).</p>	<p>Subjective estimate</p> <p>The accounting for the replacement share awards in Impax LLC, including the assumptions included in the fair value of the awards and the allocation between acquisition price and on going employment expense, is complex.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – <i>Tests of detail:</i> We obtained and inspected the share exchange agreement for evidence of the conditions of the agreement and the value of the share agreement on acquisition, we assessed whether the excess of the fair value of the put/call options used the appropriate inputs and re-calculated in accordance with accounting standards. – <i>Tests of detail:</i> We assessed the adequacy of the Group’s disclosures about the replacement share awards.
<p>Recoverability of parent company’s investment in subsidiaries: (£34.4 million; 2017: £21.2 million)</p> <p>Refer to pages 12 and 13 (Audit Committee Report), page 61 (accounting policy) and page 68 (financial disclosures).</p>	<p>Low risk, high value</p> <p>The carrying amount of the Parent Company’s investments in subsidiaries represents 49% (2017: 63%) of the Company’s total assets. The recoverability is not considered to contain a high risk of significant misstatement or be subject to significant judgement. However, given the size of the balance in the context of the Parent Company financial statements this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – <i>Test of detail:</i> We compared the carrying amount of investment balances to net assets in the respective subsidiary’s trial balance to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and inspected that the subsidiaries had historically been profit making. – <i>Assessing subsidiary auditors:</i> Assessed the work performed by the subsidiary audit team on the subsidiary audits and considered the results of that work on the subsidiary’s profits and net assets.

Through disposals, the Group no longer has material holdings in unlisted investments and therefore, it is not separately identified in our report this year.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the group financial statements as a whole was set at £731k (2017: £308k), determined with reference to a benchmark of Group profit before taxation (of which it represents 5% (2017: 5%).

Materiality for the Parent Company financial statements as a whole was set at £701k (2017: £307k), determined with reference to a benchmark of total assets (of which it represents 1%).

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £35k (2017: £15k) in addition to other identified misstatements that warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT CONTINUED

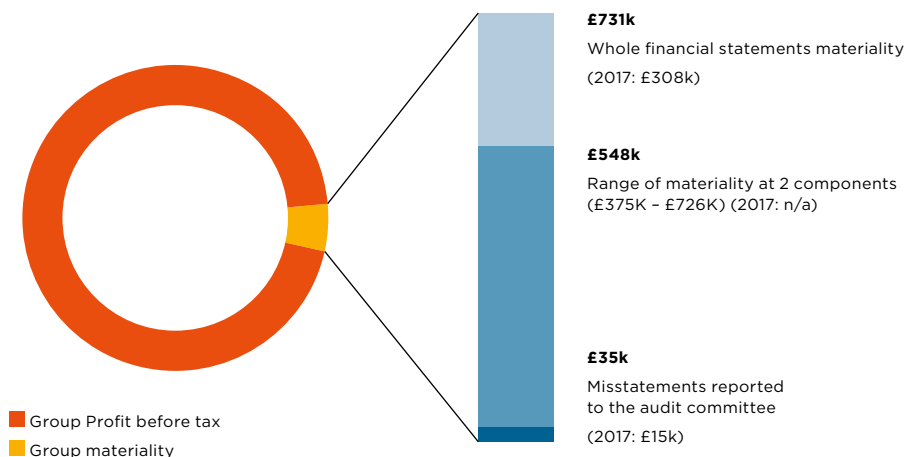
Of the group's 2 (2017: 1) reporting components, we subjected 2 (2017: 1) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated in the charts below. The Group team instructed component auditors as to the significant areas to be covered and the information to be reported back. The Group team approved the component materialities, which ranged from £375k to £726k (2017: n/a), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 2 components (2017: 0 of the 1 component) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team visited 2 (2017: 1) component location to assess the audit risk and strategy. Telephone conference meetings were also held with the component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditors.

Group Profit before tax

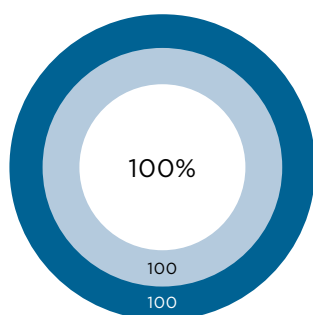
£14.6m (2017: £5.9m)

Group Materiality

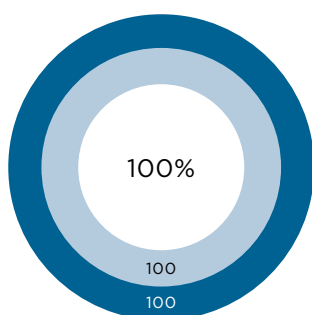
£731k (2017: £308k)



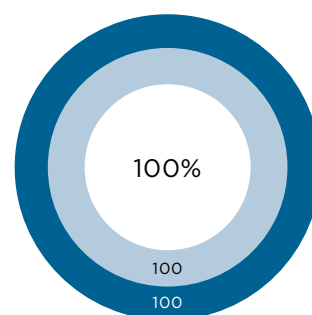
Group revenue



Group profit before tax



Group total assets



■ Full scope for Group audit purposes 2018
 ■ Full scope for Group audit purposes 2017



4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.



INDEPENDENT AUDITOR'S REPORT CONTINUED

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on [page 11](#), the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and Parent Company'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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Jatin Patel (Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square,
London

5 December 2018



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £000	2017 £000
Revenue	<u>7</u>	65,683	32,694
Operating costs	<u>8</u>	(50,200)	(26,461)
Fair value (losses)/gains on investments and other financial (expense)/income	<u>11</u>	(337)	(141)
Interest expense	<u>12</u>	(670)	-
Non-controlling interest	<u>29</u>	184	-
Change in third-party interests in consolidated funds	<u>13</u>	(40)	(239)
Profit before taxation		14,620	5,853
Taxation	<u>14</u>	(3,219)	1,814
Profit after taxation		11,401	7,667
Earnings per share			
Basic	<u>15</u>	9.0p	6.5p
Diluted	<u>15</u>	8.9p	6.2p
Dividends per share			
Special dividend paid	<u>16</u>	2.6p	-
Interim dividend paid and final dividend declared for the year	<u>16</u>	4.1p	2.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £000	2017 £000
Profit for the year	11,401	7,667
Change in value of cash flow hedges	(74)	157
Tax on changing value of cash flow hedges	14	(25)
Exchange differences on translation of foreign operations	1,212	(44)
Total other comprehensive income	1,152	88
Total comprehensive income for the year attributable to equity holders of the parent	12,553	7,755

* Total other comprehensive income for the year has been restated to exclude the tax credit on long-term incentive schemes which is now being recognised within the transaction with owners section within the consolidated changes of equity as required by IFRSs.

All amounts in other comprehensive income may be reclassified to income in the future. The statement has been prepared on the basis that all operations are continuing operations. Adjusted results are provided in [Note 5](#).

The notes on [pages 27-63](#) form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

Company No: 03262305

	Notes	2018		2017	
		£000	£000	£000	£000
Assets					
Goodwill	<u>17</u>	12,171		1,681	
Intangible assets	<u>18</u>	25,565		17	
Property, plant and equipment	<u>19</u>	1,836		461	
Deferred tax assets	<u>14</u>	4,450		1,947	
Total non-current assets			44,022		4,106
Trade and other receivables	<u>20</u>	15,858		11,732	
Investments	<u>21</u>	4,349		13,013	
Current tax asset		890		2,720	
Cash invested in money market funds and long-term deposit accounts	<u>23</u>	11,211		7,780	
Cash and cash equivalents	<u>23</u>	15,529		12,932	
Total current assets			47,837		48,177
Total assets			91,859		52,283
Equity and liabilities					
Ordinary shares	<u>27</u>	1,304		1,277	
Share premium		9,291		4,093	
Exchange translation reserve		1,014		(198)	
Hedging reserve		(44)		16	
Retained earnings		41,054		30,456	
Equity attributable to owners of the Company			52,619		35,644
Non-controlling interests	<u>29</u>		898		-
Total equity			53,517		35,644
Trade and other payables	<u>24</u>	24,755		11,282	
Loans	<u>25</u>	3,326		-	
Third-party interest in consolidated funds	<u>26</u>	87		4,846	
Current tax liability		130		180	
Total current liabilities			28,298		16,308
Accruals		228		331	
Loans	<u>25</u>	6,652		-	
Deferred tax liability	<u>14</u>	3,164		-	
Total non-current liabilities			10,044		331
Total equity and liabilities			91,859		52,283

Authorised for issue and approved by the Board on 5 December 2018. The notes on [pages 27–63](#) form part of these financial statements.

Ian R Simm

Chief Executive



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 October 2016		1,277	4,093	(154)	(116)	21,645	26,745
<i>Transactions with owners:</i>							
Dividends paid	<u>16</u>	-	-	-	-	(2,672)	(2,672)
Acquisition of own shares		-	-	-	-	(950)	(950)
Cash received on option exercises		-	-	-	-	1,096	1,096
Tax credit on long-term incentive schemes (restated*)		-	-	-	-	2,540	2,540
Share based payment charge	<u>10</u>	-	-	-	-	1,130	1,130
Total transactions with owners (restated*)		-	-	-	-	(1,144)	(1,144)
Profit for the year		-	-	-	-	7,667	7,667
<i>Other comprehensive income:</i>							
Change in value of cashflow hedges		-	-	-	157	-	157
Tax on changes in value of cashflow hedges		-	-	-	(25)	-	(25)
Exchange differences on translation of foreign operations		-	-	(44)	-	-	(44)
Total other comprehensive income (restated*)		-	-	(44)	132	-	88
Balance at 30 September 2017		1,277	4,093	(198)	16	30,456	35,644
<i>Transactions with owners:</i>							
Shares issued		27	5,198	-	-	-	5,225
Dividends paid	<u>16</u>	-	-	-	-	(7,386)	(7,386)
Acquisition of own shares		-	-	-	-	(2,534)	(2,534)
Cash received on option exercises		-	-	-	-	4,477	4,477
Impax NH Management equity scheme - value assigned to pre-acquisition service	<u>4</u>	-	-	-	-	1,917	1,917
Tax credit on long-term incentive schemes		-	-	-	-	2,352	2,352
Fair value of put option over non-controlling interest		-	-	-	-	(1,451)	(1,451)
Share based payment charges	<u>10</u>	-	-	-	-	1,822	1,822
Total transactions with owners		27	5,198	-	-	(803)	4,422
Profit for the year		-	-	-	-	11,401	11,401
<i>Other comprehensive income:</i>							
Change in value of cashflow hedges		-	-	-	(74)	-	(74)
Tax on changes in value of cashflow hedges		-	-	-	14	-	14
Exchange differences on translation of foreign operations		-	-	1,212	-	-	1,212
Total other comprehensive income		-	-	1,212	(60)	-	1,152
Balance at 30 September 2018		1,304	9,291	1,014	(44)	41,054	52,619

* See consolidated statement of comprehensive income on [page 23](#) for details of the restatement.

The notes on [pages 27-63](#) form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £000	2017 £000
Operating activities			
Cash generated from operations	<u>31</u>	23,436	8,384
Corporation tax refund/(payment)		1,583	(3,070)
Net cash generated from operating activities		25,019	5,314
Investing activities			
Acquisition of subsidiary (Impax NH), net of cash acquired	<u>4</u>	(23,893)	-
Deconsolidation of investment fund		(255)	-
Net acquisition of property plant & equipment and intangible assets		(1,690)	(367)
Net investments redemptions from unconsolidated Impax funds		3,938	455
Net investment disposals from consolidated Impax funds*		932	658
Settlement of investment related hedges		(987)	(1,460)
(Increase)/decrease in cash held in money market funds and long-term deposit accounts		(3,431)	5,111
Investment income received		279	639
Net cash used by investing activities		(25,107)	5,036
Financing activities			
Proceeds from bank borrowings		17,616	-
Repayment of bank borrowings		(8,779)	-
Interest paid on bank borrowings		(464)	-
Dividends paid		(7,386)	(2,672)
Acquisition of own shares		(2,534)	(950)
Cash received on exercise of Impax share options		4,477	1,096
Investments made by third-party investors into consolidated funds*		17	2,482
Net cash generated by financing activities		2,947	(44)
Net increase in cash and cash equivalents		2,859	10,306
Cash and cash equivalents at beginning of year		12,932	2,804
Effect of foreign exchange rate changes		(262)	(178)
Cash and cash equivalents at end of year	<u>23</u>	15,529	12,932

* The Group consolidates certain funds which it manages, these represent cash flows of these funds.

Cash and cash equivalents under IFRS does not include deposits in money market funds and cash held in deposits with more than an original maturity of three months. The Group however considers its total cash reserves to include these amounts. Cash held by consolidated funds and cash in research payment accounts are not included in cash reserves.

Movements on cash reserves are shown in the table below:

	At the beginning of the year £000	Cashflow £000	Foreign exchange £000	At the end of the year £000
Cash and cash equivalents	12,932	2,859	(262)	15,529
Cash invested in money market funds and long-term deposit accounts	7,780	3,431	-	11,211
Cash in RPAs	-	(2,074)	-	(2,074)
Cash held by consolidated funds	(348)	281	-	(67)
Total Group cash reserves	20,364	4,497	(262)	24,599



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 REPORTING ENTITY

Impax Asset Management Group plc (the “Company”) is incorporated and domiciled in the UK and is listed on the Alternative Investment Market (“AIM”). These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Company’s separate financial statements are shown on [pages 64-73](#).

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) adopted for use by the European Union. At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements of the Group. The financial statements have been prepared under the historical cost convention, with the exception of the revaluation of certain investments and derivatives being measured at fair value.

Details of the significant accounting policies adopted by the Group are shown in [note 34](#).

The financial statements are presented in sterling. All amounts have been rounded to the nearest thousand unless otherwise indicated.

3 USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements management has made judgements and estimates that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates. Revisions to estimates are recognised prospectively. The most significant judgements and estimates are described below.

A) Judgements

- Consolidation of managed funds (only significant for the year ended 30 September 2017)

The Group invests in certain funds that it manages. In such cases we have to determine whether these funds should be consolidated and therefore record the funds underlying investments on our balance sheet along with their cash and other assets and liabilities. The key judgements made in determining whether these funds are consolidated include whether returns received by the Group constitute an ownership interest and whether the Group controls the fund. Further information provided on the judgements made is given in [Note 21](#).

B) Estimates

- Determining the value of acquired management contracts and their useful economic life (see [note 4](#))

The Group acquired contracts to manage the Pax World funds as part of the acquisition of Impax NH. We have used a discounted cashflow model to value the contracts which requires us to estimate future inflows into, and the performance of, the funds along with costs incurred in managing the contracts. If these funds perform below expectations and actual and expected flows or performance are less than these estimates we may be required to impair the value of these assets. The key assumptions used were annual fund performance of five per cent, inflows averaging US\$220 million per year and an operating margin of 20%. Changes in the assumptions would give rise to impairments as follows: a consistent ten per cent decrease in inflows - impairment of £0.3 million; a 100 basis point annual reduction in performance each year - impairment of £1.6 million; a one per cent annual reduction in operating margin - impairment of £1.1 million.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

3 USE OF JUDGEMENTS AND ESTIMATES CONTINUED

- *Determining the amount of contingent consideration payable for the acquisition of Impax NH (see note 4)*

As described in [Note 4](#) contingent consideration is payable on the acquisition based on the AUM at certain dates in the future. We are required to estimate the amount payable which involves estimating the inflows into Impax NH funds and their performance. The estimates used were annual inflows of US\$360 million and annual performance of five per cent. If actual inflows and performance are higher than these estimates this would result in a charge to the income statement or, if lower, a credit to the income statement. A consistent ten per cent increase in annual inflows gives rise to a charge to the income statement of £0.7 million. A 100 basis point increase in annual performance would give rise to a charge of £1.0 million.

- *Determining the value of unlisted investments (see note 21)*

The Ensyn investment and the Private Equity investments held by the Group are recorded at fair value. The investments are not listed and accordingly estimates are required to determine their fair value. The actual sales price of these investments may be higher or lower than the estimate made with the difference being recorded in fair value gains or losses in the future. The methodology used to determine the fair values are described in [note 21](#).

- *Determining the share-based payment charge (see note 10)*

The Group makes share based payments (share options, restricted share awards and other share awards) to staff. The value of these is estimated using the Black-Scholes-Merton or binomial model. Key estimates include the volatility of Impax shares (which is determined based on historical volatility), Impax's dividend yield and the risk free rate.

4 ACQUISITION OF PAX WORLD MANAGEMENT LLC

On 18 January 2018, the Group completed the acquisition of Pax World Management LLC ("Pax"). Pax is a recognised leader in the field of sustainable investing in the United States. Based in Portsmouth, New Hampshire, Pax manages 11 mutual funds and at the date of acquisition had assets under management of £3.5 billion. This business combination creates scale for the Group's operations in North America and broadens the range of investment strategies the Group offers clients, including fixed income and passive equity.

Following completion of the acquisition Pax was renamed Impax Asset Management LLC ("Impax NH").

From the date of acquisition, Impax NH has contributed £17,421,000 of revenue and £2,271,000 of the adjusted operating profit of the Group. If the acquisition had taken place at the beginning of the year, revenue for the Group would have been £73,031,000 and the adjusted operating profit would have been £21,465,000.

The Group has initially acquired an ca. 83.3 per cent interest of Pax's share capital from the selling shareholders (the "Selling Shareholders") in exchange for initial cash payable of of \$36.2 million, 2,665,989 Impax shares and up to \$31.3m of contingent payments ("Contingent Consideration"). Pax's management and staff shareholders (the "Management Shareholders"), representing the remaining ca.16.7 per cent of Pax's issued share capital will retain their shareholding until 2021 when if either Impax or the Pax Management Shareholders exercise a put and call option arrangement, the Group would acquire their entire holding for US\$8.3 million and up to \$6.3 million of Contingent Consideration. This would be paid in 2021 in Impax equity and/or cash, as the Group elects.

The cash payable on acquisition was determined as US\$38.1 million less US\$1.9 million of balance sheet adjustments for working capital.

The number of Group shares issued to the Selling Shareholders was determined using an agreed value of US\$6.1 million, the 20 day average of the Group's share price to 12 January 2018 being 170.19 pence and a US\$/GBP exchange rate of 0.7403. The fair value of these shares used to determine the total consideration in the table below was determined to be 196 pence, using the Group's mid-market closing share price on 17 January 2018.



The contingent consideration will be determined based on Impax NH's average AUM as at 30 June 2020, 30 September 2020 and 31 December 2020 and will rise linearly from zero, if Impax NH's average AUM is not more than US\$5.5 billion, to US\$37.5 million for the entire share capital of Impax NH, if Impax NH's average AUM is \$8 billion or above. To the extent that Impax NH has achieved these performance targets, based on Impax NH's average AUM as at 31 December 2018, 31 March 2019 and 30 June 2019, up to \$8.3 million of Contingent Consideration will become payable to the Selling Shareholders within 45 days of 30 June 2019. The fair value of the Contingent Consideration payable to the Selling Shareholders has been estimated as \$4.2 million at the acquisition date. As with the initial consideration, settlement of any Contingent Consideration payable to Impax NH's Management Shareholders is expected to be made in 2021 in the Group's ordinary shares at the share price prevailing at the time and or in cash if Impax so elects.

Prior to the acquisition, Management Shareholders acquired their stake in Impax NH using loans provided by Impax NH with part of the distributions made by Impax NH being used to repay the loan and interest. The shares were subject to certain restriction linked to the employment of the individual. On acquisition the Group agreed to extend the period of these loans until 2021 in line with the put and call arrangements over the shares and have retained certain of the employment restrictions on the shares. The original arrangement is considered to be a share based payment for the individuals which has been replaced by a new share based payment in the Group's shares. The fair value of this equity scheme assigned to pre-acquisition service of £1.8 million is included as part of the consideration on acquisition and a charge for new share based payment award is included in the income statement over the period from acquisition to 31 December 2021, when the employment restriction over the shares ends. Accordingly, the value of this at 30 September is £1.9 million due to changes in foreign exchange.

The acquisition has been accounted for using the acquisition method. These consolidated financial statements include the results of Impax NH for the 8.5 month period from the acquisition date.

An analysis of the consideration paid, the recognised amounts of asset acquired and liabilities assumed and the resulting goodwill is provided below.

Consideration	£000
Cash and cash equivalents	26,209
Group shares - 2,665,989 shares	5,225
Contingent Consideration	3,039
Value assigned to management equity scheme	1,806
	36,279

Recognised amounts of identifiable assets acquired and liabilities assumed	£000
Assets	
Property, plant and equipment	67
Intangible assets - management contracts	25,669
Cash	2,316
Trade receivables	3,041
Total assets	31,093
Liabilities	
Trade and other payables	(3,763)
Total liabilities	(3,763)
Total identifiable net assets at fair value	27,330
Non-controlling interest	(982)
Goodwill arising on acquisition	9,931
Total	36,279



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

4 ACQUISITION OF PAX WORLD MANAGEMENT LLC CONTINUED

Goodwill and intangible assets

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Impax NH with those of the Group.

The intangible assets acquired on acquisition represent investment management contracts. These are amortised over an 11 year life.

The acquired intangible assets and goodwill are deductible for US tax purposes.

Minority interest

Impax NH owns 51% of Pax Ellevate Management LLC with the remaining shares being held by Ellevate Asset Management LLC (“EAM”). EAM has a put right to sell its Pax Ellevate units to Impax NH at any time. A liability is recorded for the value of this put within Trade and other payables with a corresponding charge to equity. The 49% non controlling interest is determined based on the fair value of the Pax Ellevate Management net assets (including intangible assets).

Transaction Costs

Transaction costs have been expensed in the income statement and are part of operating cash flows.

Pre-existing relationships

Impax LN sub managed Impax NH’s Pax Global Environmental Markets Fund prior to the acquisition and continues to carry out this activity. The contract was and continues to be at fair value and accordingly no adjustment has been made to the acquisition accounting.

Analysis of cash flows on acquisition:

	£000
Cash acquired with subsidiary	2,316
Cash paid	(26,209)
Net cash flow on acquisition	(23,893)



5 ADJUSTED PROFITS AND EARNINGS

The reported operating earnings, profit before tax and earnings per share are substantially affected by non-recurring acquisition costs, business combination affects and other items. The Directors have therefore decided to report an Adjusted operating profit, Adjusted profit before tax and Adjusted earnings per share which exclude these items in order to enable comparison with peers and provide consistent measures of performance over time. A reconciliation of the adjusted amounts to the IFRS reported amounts is shown below.

	Year ended 30 September 2018				
	Reported – IFRS £000	Adjustments			Adjusted £000
		Non- recurring acquisition costs £000	Business combination effects £000	Other £000	
Income statement					
Revenue	65,683				65,683
Operating costs	(50,200)				(45,696)
Acquisition costs		866			
Amortisation of intangibles arising on acquisition (see Note 4)			1,676		
Credit from contingent consideration adjustment			(170)		
Acquisition equity incentive scheme charges (see Note 4)			236		
Mark to market charge on equity awards				1,896*	
Operating Profit	15,483	866	1,742	1,896	19,987
Fair value (losses)/gains on investments and other financial (expense)/income	(337)		254	(170)	(253)
Interest payable	(670)				(670)
Non-controlling interest	184				184
Change in third-party consolidated funds	(40)				(40)
Profit before taxation	14,620	866	1,996	1,726	19,208
Taxation	(3,219)				(3,667)
Tax credit on adjustments		(120)		(328)	
Profit after taxation	11,401	746	1,996	1,398	15,541
Diluted earnings per share	8.9p	0.6p	1.7p	1.2p	12.4p

* This charge is offset by £2,352,000 of tax credits shown in the statement of changes in equity.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

5 ADJUSTED PROFITS AND EARNINGS CONTINUED

	Year ended 30 September 2017			
	Reported - IFRS £000	Adjustments		Adjusted £000
Non- recurring acquisition costs £000		Other £000		
Income statement				
Revenue	32,694			32,694
Operating costs	(26,461)			(23,365)
Acquisition costs		999		
Amortisation of intangibles arising on acquisition (see Note 4)				
Acquisition equity incentive scheme charges (see Note 4)				
Mark to market charge on equity awards			2,097	
Operating Profit	6,233	999	2,097	9,329
Fair value (losses)/gains on investments and other financial (expense)/income	(141)		(214)	(355)
Interest payable				
Non-controlling interest				
Change in third-party consolidated funds	(239)			(239)
Profit before taxation	5,853	999	1,883	8,735
Taxation	1,814			(1,074)
Tax credit on adjustments			(2,888)	
Profit after taxation	7,667	999	(1,005)	7,661
Diluted earnings per share	6.2p	0.9p	(1.2)p	5.9p

The adjusted diluted earnings per share is calculated using the adjusted profit after taxation shown above with a further adjustment for profit attributable to owners of restricted shares of £738,000 (see [Note 15](#)). The diluted number of shares is the same as used for the IFRS calculation of earnings per share (see [Note 15](#)).



Mark to market charge on equity incentive awards

The group has awarded employees in prior years and in the current period options over the Group's shares, some of which are either unvested or unexercised at the balance sheet date. The Group has also made awards of restricted shares ("RSS awards") the majority of which have not vested at the balance sheet date. Employers' National Insurance Contributions ("NIC") are payable on the option awards when they are exercised and on the RSS awards when they vest, based on the valuation of the underlying shares at that point. The Group does however receive a corporation tax credit equal to the value of the awards at the date they are exercised (options) or vest (RSS awards). A charge is accrued for the NIC within IFRS operating profit based on the share price at the balance sheet date. Similarly a credit for the corporation tax is accrued within Equity.

An additional retention payment is made to holders of legacy LTIP awards ("LTIP") when they are exercised, all of which are fully vested at the balance sheet date. The payment will be equal to the corporation tax benefit the Group receives on the exercise of the options minus the amount of NIC payable on exercise. This charge is accrued based on the share price at the balance sheet date.

These two charges vary based on the Group's share price (together referred to as mark to market charge on equity incentive schemes) and are not linked to the operating performance of the Group. They are therefore eliminated when reporting adjusted profit.

6 SEGMENTAL REPORTING

(a) Operating segments

Following the acquisition of IAM NH the group reports two reporting segments being Impax Ldn and Impax NH. Impax LN represents the group's business prior to the acquisition of Impax NH. It manages and advises listed equity and private equity funds and accounts. Impax NH operates and manages the Pax World mutual funds in the US. Impax LN itself has three operating segments: "Listed Equity", "Private Equity" and "Property". The results of these segments have been aggregated into a single reportable segment for the purposes of these financial statements because they have characteristics so similar that they can be expected to have essentially the same future prospects. These segments have common investors, operate under the same regulatory regimes and their distribution channels are substantially the same. Additionally management allocates the resources of Impax LN as though there is one operating unit.

Segment information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Chief Executive.

Year ended 30 September 2018

	Impax LN £000	Impax NH £000	Adjustments £000	Total £000
Revenue				
External customers	48,262	17,421	-	65,683
Inter-segment	1,459	-	(1,459)	-
Total revenue	49,721	17,421	(1,459)	65,683
Segment profit - adjusted operating profit	17,716	2,271	-	19,987

For the year ended 30 September 2017 there was only one segment being Impax LN.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

6 SEGMENTAL REPORTING CONTINUED

(b) Geographical analysis

An analysis of revenue by the location of client is presented below:

	Revenue	
	2018 £000	2017 £000
UK	18,781	11,190
North America	22,638	4,611
France	7,436	6,720
Luxembourg	11,104	5,554
Netherlands	2,752	2,094
Ireland	2,045	1,694
Other	927	831
	65,683	32,694

The Group's non-current assets (property plant and equipment, goodwill, intangible assets) are located in the following countries:

	Non-current assets	
	2018 £000	2017 £000
UK	3,397	2,142
United States	36,153	3
Hong Kong	22	15
	39,572	2,159

(c) Non-cash items

Operating expenses include the following non-cash items:

Year ended 30 September 2018

	Impax LN £000	Impax NH £000	Total £000
Share based payments	1,546	276	1,822
Depreciation and amortisation	270	1,727	1,997
	1,816	2,003	3,819



7 REVENUE

See accounting policy at [note 34 \(D\)](#)

The Group's main source of revenue is investment management and advisory fees. The Group may also earn carried interest from its Private Equity funds. Management and advisory fees are generally based on an agreed percentage of the valuation of AUM for Listed Equity funds. For Private Equity and Property funds they are generally based on an agreed percentage of commitments made to the fund by investors during the fund's investment period and thereafter on the cost price of investments made and not exited. Carried interest may be earned from Private Equity funds if the cash returned to investors exceeds an agreed return.

	2018 £000	2017 £000
Investment management and advisory	65,555	32,474
Transaction fees	128	220
	65,683	32,694

None of the Group's funds individually represented more than 10% of Group revenue (2017: three funds with revenue of £5,243,000, £4,275,000 and £3,428,000).

Revenue includes £65,513,000 (2017: £32,654,000) from related parties.

8 OPERATING COSTS

The Group's largest operating cost is staff costs. Other significant costs include fund costs, premises costs (rent payable on office building leases, rates and service charge), IT, placement agent fees and telecommunications costs.

See accounting policy at [note 34 \(E\)](#) for leases and [note 34 \(F\)](#) for placement fees.

	2018 £000	2017 £000
Staff costs (note 9)	30,587	18,017
Direct fund expenses	4,024	-
Premises costs	2,002	1,171
Research costs	1,079	-
Professional fees	2,242	1,276
IT and communications	1,693	1,311
Depreciation and amortisation	1,997	167
Acquisition costs	526	999
Mark to market charges on share awards	2,137	2,097
Other costs	3,913	1,423
	50,200	26,461

Operating costs includes £312,000 in respect of placement agent fees paid to related parties.

As described in [note 21](#) the Group consolidates certain funds in which it invests and therefore include their operating costs in the table above. An analysis of the total cost between operating entities and consolidated funds is shown in the table below.

	2018 £000	2017 £000
Operating costs of operating entities of the Group	50,117	26,260
Operating costs of consolidated funds	83	201
	50,200	26,461



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

8 OPERATING COSTS CONTINUED

Other costs includes £284,000 (2017: £400,000) paid to the Group's auditors which is analysed below:

	2018 £000	2017 £000
Audit of the Group's Parent Company and consolidated financial statements	91	46
Audit of subsidiary undertakings	107	53
Tax compliance	22	21
Other non-audit services	64	280
	284	400

The comparative operating expenses amount now includes certain share based payment and acquisition related expenses which were shown separately in the Consolidated Income Statement in the prior year.

9 STAFF COSTS AND EMPLOYEES

	2018 £000	2017 £000
Salaries and variable bonuses	23,672	13,397
Social security costs	2,443	1,743
Pensions	633	413
Share-based payment charge (see note 10)	1,822	1,130
Other staff costs	2,017	1,334
	30,587	18,017

Staff costs include salaries, a variable bonus, social security cost (principally UK Employers' National Insurance on salary, bonus and share awards), the cost of contributions made to employees' pension schemes and share-based payment charges. Further details of the Group's remuneration policies, including how the total variable bonus pool is determined, are provided in the Remuneration Report. Share-based payment charges are offset against the total cash bonus pool paid to employees. National Insurance charges on share-based payments are accrued based on the share price at the balance sheet date.

See accounting policy for pensions in [note 34 \(G\)](#)

The Group contributes to private pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds. Contributions totalling £12,137 (2017: £34,000) were payable to the funds at the year end and are included in trade and other payables.

Other staff costs include the cost of providing health and other insurances for staff, Non-Executive Directors' fees, contractor fees, recruitment fees and redundancy costs.

Directors and key management personnel

Details related to emoluments paid to Directors and Directors' rights to share awards are included in the Remuneration Report.

Key management personnel are related parties and are defined as members of the Board and/or the Executive Committee. The remuneration of key management personnel during the year was £6,886,184 plus £580,387 of share-based payments (2017: £4,632,161 plus £481,356 of share-based payments).



Employees

The average number of persons (excluding Non-Executive Directors and including temporary staff), employed during the year was 137 (2017: 73).

	2018 No.	2017 No.
Listed Equity	51	24
Private Equity	12	12
Client Service and Business Development Group	36	16
	38	21
	137	73

10 SHARE-BASED PAYMENT CHARGES

See accounting policy at [note 34 \(H\)](#)

The total expense recognised for the year arising from share-based payment transactions was £1,822,000 (2017: £1,130,000). The charges arose in respect of the Group's Restricted Share Scheme ("RSS"), the Group's Employee Share Option Plan ("ESOP") and the Group's Restricted Share Units scheme ("RSU") which are described below. Share based payment charges also arose in respect of the Put and Call arrangement made with Impax NH Management to acquire their shares in Impax NH. These are described in [note 4](#). Options are also outstanding in respect of the Group's Long-Term Incentive Plan ("LTIP") which fully vested on 30 September 2012. Details of all outstanding options are provided at the end of this note.

Restricted Share Scheme

Restricted shares have been granted to employees in prior years under the 2014, 2015 and 2017 plans. Post year end the Board approved the grant of a further 478,250 restricted shares under the 2018 plan. Details of the awards granted along with their valuation and the inputs used in the valuation are described in the table below. The valuation was determined using the Black-Scholes-Merton model with an adjustment to reflect that dividends are received during the vesting period. Following grant, the shares are held by a nominee for employees - who are then immediately entitled to receive dividends. After a period of three years continuous employment the employees will receive unfettered access to one third of the shares, after four years a further third and after five years the final third. The employees are not required to make any payment for the shares on grant or when the restrictions lapse.

The expected volatility was determined by reviewing the historical volatility of the Company and that of comparator companies. The expected dividend rate is determined using the Company share price and most recent full year dividend to grant date.

	2014 RSS	2015 RSS	2017 RSS	2018 RSS
Awards originally granted	1,250,000	3,140,000/ 1,000,000	2,550,000/ 500,000/ 675,000	478,250
In respect of services provided for period from	1 Oct 2013	1 Oct 2014/ 9 Feb 2016	14 Dec 2016/11 May 2017/1 Oct 2016	1 Oct 2017
Option award value	49.9p	42.1p/41.5p	52.2p/87.7p/161.6p	239.6p
Weighted average share price on grant	52.5p	41.4p	77.4p	241.0p
Expected volatility	32%	32%/31%	29%/29%/29%	30%
Weighted average option life on grant	5.3yrs	4.9yrs	4.3yrs	5.3yrs
Expected dividend rate	3%	3%	4%/2%/2%	1%
Risk free interest rate	1.2%	1.2%/0.8%	0.6%/0.6%/0.7%	1.2%



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 SHARE-BASED PAYMENT CHARGES CONTINUED

Restricted shares outstanding	2018
Outstanding at 1 October 2017	7,940,000
Granted during the year	675,000
Vested during the year	(250,251)
Outstanding at 30 September 2018	8,364,749

Employee share option plan

Under this Plan options over the Company's shares were granted to employees between 2012 and 2015 and in 2017. Details of the options granted along with their valuation and the inputs used in the valuation are described below.

The strike price of these options was set at a 10 per cent premium to the average market price of the Company's shares for the 30 business days (2015 and 2017 ESOP: five days) following the announcement of the results for each of the respective preceding financial years. The 2012-2015 ESOP options have vested. The 2017 options do not have performance conditions but do have a time vesting condition such that they vest subject to continued employment on 31 December 2020.

The valuation was determined using the Black-Scholes-Merton model.

In December 2018 the Board also approved the grant of a further 500,000 options under a new 2018 plan. The strike price of these options will be £1. The options do not have performance conditions but do have a time vesting condition such that the options vest subject to continued employment on 31 December 2023. Vested shares are restricted from being sold until after 31 December 2028 (other than to settle any resulting tax liability).

The valuation was determined using the binomial model.

Options outstanding

An analysis of the options over the Company's shares is provided below:

	Number	Weighted average exercise price p
Options outstanding at 1 October 2017	13,464,500	37.5
Options granted	1,300,000	180.2
Options forfeited	-	-
Options exercised	(10,489,000)	41.9
Options expired	-	-
Options outstanding at 30 September 2018	4,275,500	69.6
Options exercisable at 30 September 2018	2,975,500	21.3

Exercise prices for the options outstanding at the end of the period were 1p for the LTIPs, 37.6p for the ESOP 2012, 47.9p/54.0p for the ESOP 2013, 56.9p for the ESOP 2014, 45.4p for the ESOP 2015 and 180.2p for the ESOP 2017. The weighted average remaining contractual life was 3.06 years.

Restricted stock units

The Group awarded Restricted Stock Units ("RSUs") to Impax NH staff and management on 18 January 2018. The RSUs entitle holders to receive Impax shares with a total value equal to 10% of the Contingent Consideration paid for the Impax NH acquisition (see [note 4](#)). The number of shares that each individual will receive under the RSUs is determined on 15 January 2021 after the amount of Contingent Consideration payable is finalised using the Impax share price on 20 consecutive trading days ending 15 January 2021. There is a further two-year restriction on the holders' ability to sell the shares. The shares are forfeited if the individual leaves at any time before the restricted period ends.



The charge to the income statement for these awards is determined each year by estimating the total value of shares that will be awarded (using the estimate of Contingent Consideration – see [Note 4](#)) and spreading this over the five year period until the restrictions cease. The estimates are updated each year and the charge adjusted accordingly.

Based on the current valuation 119,000 shares will be issued.

Impax NH put and call arrangement

As detailed in [note 4](#) the schemes put in place whereby Impax NH management acquired their holding in Impax NH and the put and call options which will require Impax to purchase those stakes using Impax shares represent a share based payment. The charge is spread over a three year period from the date of acquisition.

11 FAIR VALUE (LOSSES)/GAINS ON INVESTMENTS AND OTHER FINANCIAL (EXPENSE)/INCOME

Fair value losses represent those arising on the revaluation of listed and unlisted investments held by the Group including those held by the Group's consolidated funds (see [note 21](#)) and any gains or losses arising on related hedge instruments held by the Group.

	2018 £000	2017 £000
Fair value losses	(233)	(52)
Interest	109	64
Other investment income	170	400
Unwinding of discount on contingent consideration (see note 4)	(254)	-
Foreign exchange gains losses	(129)	(553)
	(337)	(141)

Fair value losses represent those arising on the revaluation of listed and unlisted investments held by the Group including those held by the Group's consolidated funds (see [note 21](#)) and any gains or losses arising on related hedge instruments held by the Group.

The fair value loss comprises of unrealised gains of £576,000 and realised losses of £809,000 (2017:£760,000 of unrealised gains and £812,000 of realised losses).

12 INTEREST EXPENSE

Interest is payable on the loans from RBS which were used to fund the acquisition of Impax NH (see [note 4](#)).

See accounting policy at [note 34 \(J\)](#)

13 THIRD-PARTY INVESTOR'S SHARE OF CONSOLIDATED FUNDS

See accounting policy regarding consolidation at [note 34 \(A\)](#)

This charge removes the fair value gains or losses, other operating costs and investment income recorded in the Group's consolidated funds which are attributable to third-party investors in the funds.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

14 TAXATION

See accounting policy at [note 34 \(K\)](#)

The Group is subject to taxation in the countries in which it operates (the UK, the US and Hong Kong) at the rates applicable in those countries. The total tax charge includes taxes payable for the reporting period (current tax) and also charges relating to taxes that will be payable in future years due to income or expenses being recognised in different periods for tax and accounting periods (deferred tax).

(a) Analysis of charge for the year

	2018 £000	2017 £000
Current tax expense:		
UK corporation tax	-	-
Foreign taxes	325	432
Adjustment in respect of prior years	(116)	(2,038)
Total current tax	209	(1,606)
Deferred tax expense/(credit):		
Charge for the year	2,792	167
Adjustment in respect of prior years	218	(375)
Total deferred tax	3,010	(208)
Total income tax expense	3,219	(1,814)

A tax credit of £2,353,000 is also recorded in equity in relation to tax deductions on share awards arising due to the share price increase.

(b) Factors affecting the tax charge for the year

The UK tax rate for the year is 19%. The tax assessment for the period is higher than this rate (2017: lower). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	14,620	5,853
Tax charge at 19% (2017: 19.5%)	2,778	1,141
Effects of:		
Increase in tax deductions re share awards from share price increases	-	(462)
Non-taxable income	(24)	(472)
Non-deductible expenses and charges	248	200
Adjustment in respect of historical tax charges	98	(2,413)
Effect of higher tax rates in foreign jurisdictions	240	180
Tax deductibility of goodwill	(66)	-
Utilisation of tax losses brought forward and not recognised	(55)	-
Change in UK tax rates	-	12
Total income tax expense	3,219	(1,814)

The adjustment in respect of historical tax charges in 2017 primarily reflects tax credits due following a clarification of the tax treatment of income from private equity funds recorded in prior years.



(c) Deferred tax

The deferred tax asset/(liability) included in the consolidated statement of financial position is as follows:

	Income not yet taxable £000	Other liabilities	Total liabilities	Share- based payment scheme £000	Other assets £000	Total assets £000
As at 1 October 2016	(1,040)	(526)	(1,566)	661	148	809
Credit/(charge) to equity	-	-	-	2,540	(26)	2,514
Exchange differences on consolidation	(19)	-	(19)	-	-	-
Credit/(charge) to the income statement	(601)	(95)	(696)	386	519	905
As at 30 September 2017	(1,660)	(621)	(2,281)	3,587	641	4,228
Credit to equity	-	-	-	2,352	8	2,360
Exchange differences on consolidation	(11)	-	(11)	-	-	-
Credit/(charge) to the income statement	(1,180)	308	(872)	(2,326)	188	(2,138)
As at 30 September 2018	(2,851)	(313)	(3,164)	3,613	837	4,450

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at 30 September 2018 has been calculated taking this into account.

15 EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, less the weighted average number of own shares held. Own shares are held in Employee Benefit Trusts ("EBTs").

Earnings are reduced by £738,000 for the year ended 30 September 2018 (2017: £461,000) to reflect the profit attributable to holders of restricted shares, which are considered to be contingently returnable shares.

Diluted EPS includes an adjustment to reflect the dilutive impact of option awards and restricted share plan awards.

Impax NH's AUM is below the threshold for shares to be issued under the RSU so they are not considered to be dilutive. The put and call arrangement to acquire Impax NH management shares (see [note 4](#)) is currently anti-dilutive.

	Earnings for the year £000	Shares 000	Earnings per share
2018			
Basic	10,663	118,758	9.0p
Diluted	10,663	119,581	8.9p
2017			
Basic	7,206	111,251	6.5p
Diluted	7,206	115,396	6.2p



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

15 EARNINGS PER SHARE CONTINUED

The weighted average number of shares is calculated as shown in the table below:

	2018 £000	2017 £000
Weighted average issued share capital	129,612	127,749
Less own shares held not allocated to vested LTIP options	(10,854)	(16,498)
Weighted average number of ordinary shares used in the calculation of basic EPS	118,758	111,251
Additional dilutive shares re share schemes	2,550	10,495
Adjustment to reflect option exercise proceeds and future service from employees receiving awards	(1,727)	(6,349)
Weighted average number of ordinary shares used in the calculation of diluted EPS	119,581	115,397

The basic and diluted EPS includes vested LTIP option shares on the basis that these have an inconsequential exercise price (1p or 0p).

16 DIVIDENDS

Dividends are recognised as a reduction in equity in the period in which they are paid or in the case of final dividends when they are approved by shareholders. The reduction in equity in the year therefore comprises the prior year final dividend and the current year interim dividend.

Dividends declared/proposed in respect of the year

	2018 pence	2017 pence
Interim dividend declared per share	1.1	0.7
Special dividend, 2.6p, 0p	2.6	-
Final dividend proposed per share	3.0	2.2
Total	6.7	2.9

The proposed final dividend of 3.0p will be submitted for formal approval at the Annual General Meeting to be held on 7 March 2019. No special dividend is proposed for payment in respect of the current year. Based on the number of shares in issue at the date of this report and excluding own shares held the total amount payable for the final dividend would be £3,872,000.

Dividends paid in the year

	2018 £000	2017 £000
Prior year final dividend – 2.2p, 1.6p	2,752	1,856
Special dividend – 2.6p, 0p	3,256	-
Interim dividend – 1.1p, 0.7p	1,378	816
	7,386	2,672



17 GOODWILL

See accounting policy at [note 34 \(L\)](#)

	Goodwill £000
Cost	
At 1 October 2016 and 30 September 2017	1,681
Acquisition of Impax NH (see note 4)	9,931
Impairment	(52)
Foreign exchange	611
At 30 September 2018	12,171

The goodwill balance within the Group at 30 September 2017 arose from the acquisition of Impax Capital Limited on 18 June 2001 (Listed Equity and Private Equity operating segment) and the acquisition of a Property fund management business in 2014 (Property operating segment), with a further addition recorded in 2015. Goodwill also arose on the acquisition of Impax NH during the Period.

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill may be impaired.

The Group has determined the recoverable amount of its cash-generating units (“CGUs”) by calculating their value in use using a discounted cash flow model. The cash flow forecasts were derived from the Group budget for the year ended 30 September 2019, which was approved by the Directors in September 2018 and thereafter from the Group’s business plan which was approved by the Board in May 2018. The key assumptions used to calculate the cash flows in the budget were expected fund flows for each CGU (based on an aggregation of flows by product) and a discount rate of 12.5 per cent. The discount rate was derived from the Group’s weighted average cost of capital which we consider is reflective of a market participant’s discount rate.

The goodwill for the property division has been fully written off in the period. There has been no impairment of goodwill related to the Listed Equity and Private Equity segment to date and there is significant headroom before an impairment would be required. As an indication, if the discount rate was increased by 3 per cent there would be no impairment charge.

Impax NH consists of only one CGU. Goodwill is allocated between CGU’s at 30 September 2018 as follows – £10,542,000 to Impax NH and £1,629,000 to the Listed Equity and Private Equity CGU’s.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

18 INTANGIBLE ASSETS

See accounting policy at [note 34 \(M\)](#)

Intangible assets mainly represents the management contracts acquired as part of the acquisition of Impax NH (see [note 4](#)).

	Management contracts £000	Software £000	Total £000
Cost			
As at 1 October 2016	112	354	466
Additions	-	29	29
Disposals	-	(41)	(41)
As at 30 September 2017	112	342	454
Addition through Impax NH acquisition (see note 4)	25,669	-	25,669
Additions	-	76	76
Foreign exchange	1,600	-	1,600
As at 30 September 2018	27,381	418	27,799
Accumulated depreciation			
As at 1 October 2016	112	310	422
Charge for the year	-	37	37
Disposals	-	(22)	(22)
As at 30 September 2017	112	325	437
Charge for the year	1,722	19	1,741
Disposals	-	-	-
Foreign exchange	56	-	56
As at 30 September 2018	1,890	344	2,234
Net book value			
As at 30 September 2018	25,491	74	25,565
As at 30 September 2017	-	17	17
As at 30 September 2016	-	44	44



19 PROPERTY, PLANT AND EQUIPMENT

See accounting policy at [note 34 \(N\)](#)

Property, plant and equipment mainly represents the costs of fitting out the Group's leased London office (leasehold improvements) and office furniture and computers (fixtures, fitting and equipment).

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
As at 1 October 2016	713	664	1,377
Additions	191	252	443
Disposals	-	(12)	(12)
As at 30 September 2017	904	904	1,808
Addition through Impax NH acquisition (see note 4)	5	62	67
Additions	1,150	462	1,612
Disposals	-	(46)	(46)
Foreign exchange	-	5	5
As at 30 September 2018	2,059	1,387	3,446
Accumulated depreciation			
As at 1 October 2016	704	565	1,269
Charge for the year	8	82	90
Disposals	-	(12)	(12)
As at 30 September 2017	712	635	1,347
Charge for the year	115	168	283
Disposals	-	(19)	(19)
Foreign exchange	-	(1)	(1)
As at 30 September 2018	827	783	1,610
Net book value			
As at 30 September 2018	1,232	604	1,836
As at 30 September 2017	192	269	461
As at 30 September 2016	9	99	108



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

20 TRADE AND OTHER RECEIVABLES

See accounting policy at [note 34 \(N\)](#)

	2018 £000	2017 £000
Trade receivables	3,432	1,550
Other receivables	1,799	1,682
Prepayments and accrued income	10,627	8,500
	15,858	11,732

Accrued income relates to accrued management fees and arises where bills are raised in arrears.

An analysis of the aging of Group trade receivables is provided below:

	2018 £000	2017 £000
0-30 days	2,576	768
<i>Past due but not impaired:</i>		
31-60 days	363	95
61-90 days	493	687
	3,432	1,550

At the date of this report, all of the trade receivables above have been received. There were no amounts that were impaired at the reporting date.

£12,200,789 of trade and other receivables and accrued income were due from related parties (2017: £8,994,000). £407,000 included in other receivables was due from non-consolidated sub funds of the EBT 2004 (2017: £523,000).

21 CURRENT ASSET INVESTMENTS

See accounting policy at [note 34 \(O\)](#)

The Group makes seed investments into its own Listed Equity funds and also invests in its Private Equity funds. Where the funds are consolidated the underlying listed investments are shown in the table below as part of Listed Investments. Investments made in unconsolidated funds are shown as part of Unlisted investments. Further details of when funds are consolidated are described in [note 34 \(A\)](#).

	Unlisted investments £000	Listed investments £000	Total £000
At 1 October 2016	1,568	11,246	12,814
Additions	14	4,977	4,991
Fair value movements	(57)	1,358	1,301
Repayments/disposals	(458)	(5,635)	(6,093)
At 30 September 2017	1,067	11,946	13,013
Additions	1,525	811	2,336
Fair value movements	367	439	806
IEL Deconsolidation	4,670	(9,270)	(4,600)
Repayments/disposals	(5,463)	(1,743)	(7,206)
At 30 September 2018	2,166	2,183	4,349



Listed investments

Impax Global Equity Opportunities Fund (consolidated)

On 23 December 2014 the Group launched the Impax Global Equity Opportunities Fund (“IGEO”) and invested from its own resources £2,000,000 in the fund. IGEO invests in listed equities using the Group’s Global Equity Strategy. During the Period the Group redeemed £930,000 of its investment. The Group’s investment represented more than 50 per cent of IGEO’s Net Asset Value (“NAV”) from the date of launch to 30 September 2018 and the fund has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

Unlisted investments

Pax Global Opportunities Fund (not consolidated)

On 27 June 2018 the Group launched the Pax Global Opportunities Fund (“Pax GO”) and invested US\$2,000,000 from its own resources into the fund. Pax GO invests in listed equities using the Group’s Global Equity Strategy. The level of the Group’s investment has meant that consolidation is not required and accordingly the investment is recorded as an unlisted investment.

Impax Environmental Leaders Fund (Not consolidated)

On 11 January 2016 the Group launched the Impax Environmental Leaders (Ireland) Fund (“IEL”) and invested from its own resources £3,000,000 in the fund. IEL invests in listed equities using the Group’s Leaders Strategy. The Group consolidated this fund for the period from the date of its initial investment to 30 September 2017 with its underlying investments included in listed investment in the table above. During the current period investments made by third parties meant that consolidation was no longer required and the fund was deconsolidated with the investment shown in Unlisted investments. The Group fully redeemed its investment in the Fund on 28 September 2018 for £4,870,000.

Private equity funds (not consolidated)

The Group has invested in its private equity funds, Impax New Energy Investors LP, Impax New Energy Investors II LP and Impax New Energy Investors III LP (“INEI”, “INEI II” and “INEI III”). The investments represent 3.76 per cent, 1.14 per cent and 1.12 per cent respectively of these funds. Further details of the Group’s commitments to these partnerships are disclosed in [note 31](#).

The INEI investment is recorded at a fair value of £nil. The fund held investments in Spanish solar assets which were adversely affected by the Spanish government’s changes to tariffs earned by these investments. A claim for compensation from the Spanish government is currently being considered by the European Court of Arbitration. In the event that the claims for compensation are successful the Group would receive its share of the compensation.

The carrying value of the investments in INEI II is recorded at a fair value of £115,000. The majority of the investments held by this fund are subject to sales processes. The fair value is set at a discount to the bids received as part of these processes.

The Group has a 1.12 per cent partnership share in Impax New Energy Investors III LP, a private equity partnership managed by the Group. The Group has made an investment of £19,000 at the reporting date. The Group has a commitment to invest up to €4,000,000 into this partnership.

Ensyn Corporation (not consolidated)

The Group has an investment in the Ensyn Corporation which is recorded at a fair market value of £452,000. The valuation is determined based on the price of the latest fair market transaction in this entity.

The unlisted investments include £97,582 in related parties of the Group (2017: £628,000).



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

21 CURRENT ASSET INVESTMENTS CONTINUED

Hierarchical classification of investments

The hierarchical classification of the investments as considered by IFRS 13 Financial Instruments: Disclosures are shown below:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 1 October 2017	11,946	-	1,067	13,013
Additions	811	1,506	19	2,336
Fair value movements	439	313	54	806
Deconsolidation	(9,270)	4,670	-	(4,600)
Repayments/disposals	(1,743)	(4,870)	(593)	(7,206)
At 30 September 2018	2,183	1,619	547	4,349

Market risk and investment hedges

See accounting policy for derivatives at [note 34 \(Q\)](#)

The investment in the IGEO and Pax GO funds at 30 September 2018 are subject to market risk. The Group has attempted to hedge against the risk of market falls by the use of derivative contracts. The derivative contracts consist of short positions against a global equity index and are arranged through BNP Paribas, a related party. Any outstanding amounts on the short positions are settled daily.

22 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

See accounting policy at [note 34 \(A\)](#) and [note 34 \(X\)](#)

The Group's interest in structured entities is reflected in the Group's AUM. The Group is exposed to movements in AUM of structured entities through potential loss of fee income as a result of client withdrawals or market falls. Outflows from funds are dependent on market sentiment, asset performance and investor considerations. Further information on these risks can be found in the strategic review. Considering the potential for changes in AUM of structured entities, management has determined that the Group's unconsolidated structured entities include segregated mandates and pooled funds vehicles. Disclosure of the Group's exposure to unconsolidated structured entities has been made on this basis.

At 30 September 2018 AUM managed within unconsolidated structured entities was £12.51 billion (2017: £6.9 billion) and within consolidated structured entities was £2.21 million (2017: £12.2 million).

£65,286,420 in revenue was earned from unconsolidated structured entities.

The total exposure to unconsolidated structured entities in the statement of financial position is shown in the table below:

	2018 £000	2017 £000
Management fees receivable (including accrued income)	8,680	7,072
Investments	2,166	628
	10,846	7,700

The main risk the Group faces from its interest in unconsolidated structured entities are decreases in the value of seed capital investments. Details on this are provided in [note 21](#).



23 CASH AND CASH EQUIVALENTS, CASH INVESTED IN MONEY MARKET FUNDS AND LONG-TERM DEPOSITS

See accounting policy for cash at [note 34 \(R\)](#)

Cash and cash equivalents under IFRS does not include deposits in money market funds or cash held in deposits with an original maturity of more than three months. However the Group considers its total cash reserves to include these amounts. Cash held by consolidated funds is not considered to be available to the Group so it is not included in cash reserves. Cash held in Research Payment Accounts (“RPAs”) is collected from funds managed by the Group and can only be used towards the cost of researching stocks. A liability of an equal amount is included in trade and other payables. This cash is also excluded from cash reserves. A reconciliation is shown below:

	2018 £000	2017 £000
Cash and cash equivalents	15,529	12,932
Cash invested in money market funds and long-term deposit accounts	11,211	7,780
Less: cash and cash equivalents held by consolidated funds	(67)	(348)
: cash held in RPAs	(2,074)	-
Cash reserves	24,599	20,364

The Group is exposed to interest rate risk on the above balances as interest income fluctuates according to the prevailing interest rates. The average interest rate on the cash balances during the year was 0.5 per cent (2017: 0.4 per cent). A 0.5 per cent increase in interest rates would have increased Group profit after tax by £133,000 (2017: £89,000). An equal change in the opposite direction would have decreased profit after tax by £119,000 (2017: £89,000).

The credit risk regarding cash balances of the operating entities of the Group is spread by holding parts of the balance with RBS, Lloyds, Citizens and the Bank of New Hampshire Bank (with Standard & Poor’s credit rating A-2, A-2, A-1 and A-2 respectively) and the remainder in money market funds managed by BlackRock and Goldman Sachs (both with a Standard & Poor’s credit rating of AAA).

24 TRADE AND OTHER PAYABLES

See accounting policy at [note 34 \(R\)](#)

	2018 £000	2017 £000
Trade payables	914	260
Taxation and other social security	2,404	2,246
Other payables	7,063	281
Accruals and deferred income	14,374	8,495
	24,755	11,282

The most significant accrual at the year end relates to staff bonuses. Other payables includes estimated amounts payable for contingent consideration (see [Note 4](#)). This is measured at fair value and is classified as Level 3 for the hierarchical classification purposes of IFRS 13.

25 LOANS

See accounting policy at [note 34 \(T\)](#)

To part fund the acquisition of Impax NH the Group signed a debt facility with RBS. The facility consists of a US\$13 million term loan repayable annually over a three year term and a US\$13 million revolving credit facility (“RCF”) with a five year tenor. The term loan incurs interest at US LIBOR plus 2.9 per cent and the revolving credit facility at US LIBOR plus 3.3%. On completion of the acquisition the Group drew down the term loan in full and US\$12 million of the revolving credit facility. At 30 September 2018 the RCF had been repaid in full.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

25 LOANS CONTINUED

	2018 £000	2017 £000
Amounts due within one year	3,326	-
Amounts due after more than one year	6,652	-
	9,978	-

A reconciliation of the movements on the loan is provided in the table below

	2018 £000	2017 £000
Proceeds from bank borrowings	18,080	-
Repayments of bank borrowings	(8,779)	-
Foreign exchange	677	-
At 30 September	9,978	-

The above amounts do not include transaction costs.

26 THIRD-PARTY INTEREST IN CONSOLIDATED FUNDS

	2018 £000	2017 £000
At fair value	87	4,846

Third-party interest in consolidated funds represents the net assets of the consolidated fund IGEO which are not attributable to the Group. As described in [note 21](#), IGEO is a subsidiary of the Group and its net assets and operating results are consolidated into the Group's results at year end. At 30 September 2018 the Group's interest in IGEO is 96.6 per cent (2017: 98.9%). This balance is classified as Level 1 for the hierarchical classification purposes of IFRS 13. The reduction in the balance during the year is due to the de-consolidation of the Impax Environmental Leaders fund of £4,816,000 (see [note 21](#)), offset by the share of profits of this fund and new subscriptions.

27 ORDINARY SHARES

See accounting policy at [note 34 \(S\)](#)

	2018 No of shares/000s	2017 No of shares/000s	2018 £000	2017 £000
Issued and fully paid				
At 1 October	127,749	127,749	1,277	1,277
Shares issued/1p	2,666	-	27	-
At 30 September	130,415	127,749	1,304	1,277

The shares were issued as part of the acquisition of Impax NH (see [note 4](#)) at a price of 196 pence giving rise to an increase in the share premium account of £5,198,000.



28 OWN SHARES

See accounting policy at [note 34 \(T\)](#)

	No of shares/000s	£000
At 1 October 2016	21,387,839	7,131
Satisfaction of option exercises	(3,845,000)	(1,448)
EBT 2012 purchases	1,466,493	950
At 30 September 2017	19,009,332	6,633
Satisfaction of option exercises and RSS vesting	(10,739,251)	(3,747)
EBT 2012 purchases	1,454,065	2,534
At 30 September 2018	9,724,146	5,420

Included within own shares are 8,365,000 shares held in a nominee account in respect of the Restricted Share Scheme as described in [note 10](#).

29 NON-CONTROLLING INTERESTS

See accounting policy at [note 34](#)

	£000
At 30 September 2017	-
Acquisition of Impax NH	982
Minority interest loss	(184)
Foreign exchange	100
At 30 September 2018	898

49% of the Group's subsidiary Pax Elevate Management LLC is owned by a third party and accordingly a non-controlling interest arises.

The following table provides financial information for Pax Elevate Management LLC.

	2018 £000
NCI percentage	49%
Non-current assets	2,087
Current assets	138
Non-current liabilities	-
Current liabilities	(392)
Net assets	1,833
Net assets attributable to NCI	898
Revenue	729
Loss for the year	(376)
Total comprehensive income	(376)
Loss allocated to NCI	(184)
Cash flows from operating activities	(45)
Cash flows from investment activities	-
Cash flows from financing activities (dividends to NCI: nil)	-
Cashflow	(45)



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

29 NON-CONTROLLING INTERESTS CONTINUED

The non-controlling interest has a put arrangement under which it can require the Group to acquire its share. A liability is recorded within other payables for the cost of acquiring the stake. Changes in this liability are recorded through equity.

30 FINANCIAL COMMITMENTS

At 30 September 2018 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages.

- €203,000 (2017: €203,000) into INEI; this amount could be called on in the period to 17 August 2019;
- €672,000 (2017: €672,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €3,981,000, into INEI III (2017: €4,000,000); this amount could be called on in the period to 31 December 2026.

At 30 September the Group had commitments under non-cancellable operating leases as follows:

	Offices		Other	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	1,110	142	16	11
Between one and five years	6,496	3,914	16	42
Later than five years	8,295	5,030	-	-
	15,901	9,086	32	53

The material operating leases for 2018 are for office space at 7th Floor, 30 Panton Street London SW1Y 4AJ and for office space in Portsmouth, New Hampshire, USA. The London lease is for ten years expiring 30 June 2027. The New Hampshire lease is for 12.5 years expiring 31 March 2031.



31 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES

This note should be read in conjunction with the Consolidated cashflow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cashflows.

	2018 £000	2017 £000
Profit before taxation	14,620	5,853
<i>Adjustments for income statement non-cash charges:</i>		
Depreciation of property, plant and equipment and amortisation of intangible assets	2,051	167
Fair value gains and losses	616	52
Share-based payment charges	1,822	1,130
Minority interest	(184)	-
<i>Adjustments for which the cash effects are investing or financing activities</i>		
Investment income	(279)	(464)
Interest payable	670	-
Changes in third party interests in consolidated funds	40	239
<i>Adjustment for statement of financial position movements</i>		
Increase in trade and other receivables	(2,011)	(4,196)
Increase in trade and other payables	6,091	5,603
Net cash flow from operating activities	23,436	8,384

32 FINANCIAL RISK MANAGEMENT

Risk management is integral to the business of the Group. There are systems of controls in place to create an acceptable balance between the potential cost should such a risk occur and the cost of managing those risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. This section provides details of the Group's exposure to financial risks and describes the methods used by management to control such risk.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a counterparty to settle their financial and contractual obligations to the Group, as and when they fall due. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

The Group's primary exposure to credit risk relates to its cash and cash equivalents and cash in money market funds and long-term deposits that are placed with regulated financial institutions (see [note 23](#)). The Group is also exposed to credit risk on trade receivables, representing investment management fees due. An analysis of the ageing of these is provided in [note 20](#).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. For Impax LN a significant amount of the Group's income is denominated in euros and US dollars whilst the majority of expenses are in Sterling. For Impax NH all income and all expenditure is in US dollars. Impax NH's assets along with the goodwill and intangible assets arising on its acquisition are denominated in US dollars. Debt held to finance the acquisition of NH is denominated in US dollars.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

32 FINANCIAL RISK MANAGEMENT CONTINUED

The strategy for Impax LN for the year ended 30 September 2018 has been to convert earned income back to sterling and to use hedges where there is sufficient predictability over inflows to allow for an effective and efficient hedge. At the year end the Group had outstanding forward rate foreign currency contracts to sell euro and buy sterling. These have been designated as cash flow hedges against euro income and will be recognised in profit in October 2018, and January, April and July 2018. The fair value of these instruments at 30 September 2018 was (£54,000) which is recognised in equity. £13,000 was reclassified from equity to the income statement during the year on maturity of the hedges.

The Group also held USD at 30 September 2017 to cover the consideration for the acquisition of Impax NH that was funded from cash reserves.

The Group's exposure to foreign exchange rate risk, including that arising from consolidated funds, at 30 September 2018 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Current asset investments	115	2,067	-
Trade and other receivables	1,247	16,975	52
Cash and cash equivalents	11	3,482	2,744
	1,373	22,524	2,796
Liabilities			
Trade and other payables	3,096	23,729	594
Loans	-	9,978	-
Third-party interest in consolidated funds	17	45	15
	3,113	33,752	609
Net exposure	(1,740)	(11,228)	2,187

The Group's exposure to foreign exchange rate risk at 30 September 2017 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Current asset investments	3,116	6,804	2,154
Trade and other receivables	4,804	1,627	23
Cash and cash equivalents	309	8,398	295
	8,229	16,829	2,472
Liabilities			
Trade and other payables	3,137	1,131	33
Third-party interest in consolidated funds	1,020	2,492	864
	4,157	3,623	897
Net exposure	4,072	13,206	1,575



The following table demonstrates the estimated impact on Group post-tax profit and net assets caused by a 5 per cent variance in the exchange rate used to revalue significant foreign assets and liabilities, assuming all other variables are held constant. Post-tax profit will either increase or (decrease) as shown.

	Post-tax profit	
	2018 £000	2017 £000
Translation of significant foreign assets and liabilities		
GBP strengthens against the USD, up 5%	452	(531)
GBP weakens against the USD, down 5%	(452)	531
GBP strengthens against the EUR, up 5%	70	(164)
GBP weakens against the EUR, down 5%	(70)	164

Liquidity risk and regulatory capital requirements

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due or will have to do so at a cost. The Group monitors its liquidity risk using cash flow forecasts taking into account the commitments made to its private equity funds (see [note 32](#)) and the cash required to meet the Group's investment plans and its regulatory capital requirements.

The Group considers its share capital, share premium and retained earnings to constitute its total capital. These are shown in the statement of changes in equity. Certain companies of the Group are regulated and must maintain capital or liquid capital resources to comply with the capital requirements of the Financial Conduct Authority (the "FCA"). As a result of the acquisition of Impax NH the Group moved into a capital deficit position and agreed a waiver for a four year period.

At 30 September 2018, the Group had cash and cash equivalents and cash in money market funds and long-term deposit accounts of £26,740,000. This is £1,985,000 in excess of trade and other payables. The Group in addition had other current assets of £21,097,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its loans and interest-bearing assets, specifically cash balances that earn interest at a floating rate.

Market risk

The significant holdings that are exposed to equity market price risk is the Group's investments in its managed funds. See [note 21](#) for further information.

Fair values of financial assets and liabilities

The Directors consider there to be no difference between the carrying value of the Group's financial assets and liabilities and their fair value.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

32 FINANCIAL RISK MANAGEMENT CONTINUED

Financial assets and liabilities by category

30 September 2018	Available for sale £000	*FVTPL - designated on initial recognition £000	*FVTPL - Held for trading £000	Loans and receivables £000	Financial liabilities measured at amortised cost £000
Financial assets					
Cash and cash equivalents	-	-	-	15,529	-
Cash held in money market funds and long-term deposits	-	-	-	11,211	-
Trade and other receivables	-	-	-	5,231	-
Investments	3	2,116	2,183	-	-
Total financial assets	3	2,116	2,183	31,971	-
Financial liabilities					
Trade and other payables	-	3,313	-	-	4,664
Loans	-	-	-	-	9,978
Third-party interest in consolidated funds	-	87	-	-	-
Total financial liabilities	-	3,400	-	-	14,642

30 September 2017	Available for sale £000	*FVTPL - designated on initial recognition £000	*FVTPL - Held for trading £000	Loans and receivables £000	Financial liabilities measured at amortised cost £000
Financial assets					
Cash and cash equivalents	-	-	-	12,932	-
Cash held in money market funds and long-term deposits	-	-	-	7,780	-
Trade and other receivables	-	-	-	2,702	-
Investments	3	1,067	11,943	-	-
Total financial assets	3	1,067	11,943	23,414	-
Financial liabilities					
Trade and other payables	-	-	-	-	529
Third-party interest in consolidated funds	-	4,846	-	-	-
Total financial liabilities	-	4,846	-	-	529

* FVTPL = Fair value through profit and loss

33 RELATED PARTY TRANSACTIONS

Private Equity Funds managed by the Group, entities controlled by these funds and the Impax Global Resource Optimization Fund LP are related parties of the Group by virtue of subsidiaries being the General Partners to these funds. The Group earns management fees from these entities.

BNP Paribas Asset Management Holding is a related party of the Group by virtue of owning a 24.5 per cent equity holding. The Group sub-manages certain funds for BNP for which it earns fees.

Other funds managed by subsidiaries of the Group are also related parties by virtue of its management contracts.



Fees earned from the above related parties have been disclosed in [note 7](#) and amounts receivable are disclosed in [note 20](#). Any amounts paid to them are disclosed in [Note 8](#). The Group also invests in certain funds that it manages which is disclosed in [note 21](#).

The transactions with the EBT 2004 described in [note 20](#) are also considered to be related party transactions.

Impax NH granted its President a US\$1.6 million loan to enable them to purchase their original shares in Impax NH.

During the year loan facilities were provided to two executives for the sole purpose of investment in a fund managed by the Group. The loans are provided at an interest rate of LIBOR plus 2.9% per annum on amounts drawn, calculated on a daily basis. The balance on the loans to the two executives is £2,000 each at the reporting date.

34 ACCOUNTING POLICIES

(A) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All intra-Group transactions and balances are eliminated in full on consolidation.

Subsidiaries are those entities, including investment funds, over which the Group has control. The Group is deemed to have control if it is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity.

The entities included in the consolidation may vary year on year due to restructuring of the Group (including acquisition and disposals) and the level of investments made in investment funds (see below).

Subsidiaries are accounted for using the acquisition method of accounting whereby the Group's results include the results of the acquired business from the date of acquisition until the date of disposal.

The Company includes certain assets and liabilities of the EBT 2004 and EBT 2012 (together the "EBTs") within its statement of financial position. In the event of the winding up of the Company, neither the shareholders nor the creditors would be entitled to the assets of the EBTs.

Investment funds and structured entities

The Group acts as a fund manager to investment funds that are considered to be structured entities under IFRS. Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding which party has control: for example, when any voting rights relate to administrative tasks only and the relevant activities of the entity are directed by means of contractual arrangements. The Group has interests in structured entities as a result of the management of these investment funds.

Where the Group holds a direct interest in an investment fund it manages, the interest is accounted for either as a consolidated structured entity or as a financial asset, depending on whether the Group has control over the fund or not. Control is determined in accordance with IFRS 10, based on an assessment of the level of power and aggregate economic interest that the Group has over the fund, relative to third-party investors. Power is normally conveyed to the Group through the existence of an investment management agreement and/or other contractual arrangements. Aggregate economic interest is a measure of the Group's exposure to variable returns in the fund through a combination of direct interest, carried interest and expected management fees (including performance fees).

The Group concludes that it acts as a principal when the power it has over the fund is deemed to be exercised for self-benefit, considering the level of aggregate economic exposure in the fund and the assessed strength of third-party investors' kick-out rights. The Group concludes that it acts as an agent when the power it has over the fund is deemed to be exercised for the benefit of third-party investors. The Group concludes that it has control and, therefore, will consolidate a fund as if it were a subsidiary where the Group acts as a principal. If the Group concludes that it does not have control over the fund, the Group accounts for its interest in the fund as a financial asset.

In cases where investment funds are consolidated, the third-party interest is recorded as a financial liability. The consolidation has no net effect on the income statement. The treatment continues until the Group loses control as defined by IFRS.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

34 ACCOUNTING POLICIES CONTINUED

Details of funds that are recorded as a financial asset are provided in [note 21](#).

(B) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see [note 17](#)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

In instances where the non-controlling interests holds an option enabling it to require the Group to purchase its interests the Group uses the present access method to account for this. A liability is recognised for the estimated cost of acquiring the non-controlling interest and charged to equity. Subsequent changes in the value of the liability are recognised through equity.

(C) Foreign currency

(i) Functional and presentational currency

The financial information of each of the Group's entities are initially recorded in the currency of the primary economic environment in which the entity operates (the "functional currency"). This is mainly sterling but for some entities it is the euro and the US dollar. The consolidated financial statements are presented in sterling which is both the Company's functional and presentational currency as well as the currency in which the majority of the Group's revenue streams, assets and liabilities are recorded.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Foreign currency gains or losses resulting from the settlement of such transactions and their translation at year end rates are recorded in the income statement.

(iii) Consolidation

On consolidation, the results and financial position of all Group entities that have a functional currency different from sterling (the "presentational currency") are translated into sterling as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses are translated at the date of the transaction or at average exchange rate for the year; and
- any resulting exchange differences are recognised as a separate component of the statement of comprehensive income.



(D) Revenue

Management fee revenues are calculated as a percentage of net fund assets managed or of commitments made to a fund in accordance with individual management agreements. Management fees are accrued over the period for which the management service is provided and only when we consider it probable that the fee will be received. Where management fees are received in advance, they are recognised over the period of the provision of the asset management service.

Performance fees are recognised when the quantum of the fee can be estimated reliably and it is probable that the fee will crystallise. This is usually at the end of the performance period. For private equity funds carried interest income is recognised when the cash is received.

(E) Leases

Rental payments on operating leases are charged to the income statement on a straight-line basis over the lease term. The Group has no finance leases.

(F) Placement fees

Placement fees incurred that are directly attributable to securing an investment management contract are deferred and amortised over the investment period of the related fund. Such charges are included in other costs in [note 8](#) - Operating costs.

(G) Pensions

Pension contributions made to defined contribution schemes by the Group are charged to the consolidated income statement as they become payable.

(H) Share-based payments

The fair value of employee services received in exchange for the grant of restricted shares or share options is recognised as an expense. The fair value of the shares and share options awarded is determined at the date the employee is deemed to be fully aware of their potential entitlement and all conditions of vesting (termed the “grant date”). The expense is charged over the period starting when the employee commenced the relevant services (termed the “service commencement date”) to the vesting date. In instances where the grant date occurs after the date of signing these financial statements the fair value is initially estimated by assuming that the grant date is the reporting date.

(I) Investment income

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rate applicable. Other investment income is recognised when the right to receive payment is established.

(J) Interest expense

Interest expense is recognised using the effective interest method.

(K) Taxation

Current tax is based on taxable profits for the year after all potential reliefs available have been utilised. Taxable profits differ from “profit before tax” as reported in the income statement because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible in the current year. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date. In the United Kingdom tax deductions are available in respect of the award of the Company’s shares. In instances where the tax deduction is greater than the associated share-based payment charge due to differences in the Company’s share price that amount, tax effected, is recognised in equity.

Deferred tax is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are not recognised to the extent that their recoverability is uncertain.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

34 ACCOUNTING POLICIES CONTINUED

The carrying amounts of deferred tax assets are reviewed at each statement of financial position date and regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

(L) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that its value might be impaired.

Changes in contingent consideration are recorded through the income statement unless they are measurement period adjustments, in which case they adjust goodwill.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(M) Intangible assets

Intangible assets are stated at cost (fair value for assets acquired via a business combination) less accumulated depreciation and any accumulated impairment losses.

Amortisation is provided on a straight-line basis over the estimated useful lives shown below:

Management contracts	11 years
Other items	4 years

(N) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis over the estimated useful lives shown below:

Leasehold improvements	life of the lease
Fixtures, fittings and equipment	3 years

(O) Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(P) Current asset investments

Current asset investments are categorised as financial assets at fair value through profit or loss either because they are designated at fair value through profit and loss on initial recognition or because they are held for trading. All gains or losses together with transaction costs are recognised in the income statement. The investments comprise both listed investments and unlisted investments. The fair value of the listed investments which are traded in active markets are based on quoted market prices at the statement of financial position date. The appropriate quoted price for investments held is the current bid price.

The fair value of the unlisted investments which are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.



(Q) Derivatives

The Group uses foreign exchange contracts as a hedge against foreign exchange risk on future income denominated in foreign currencies. At the statement of financial position date these derivative contracts are recorded at their fair value (disclosed as derivative asset or liability) on the statement of financial position. In instances where the hedge accounting criteria is met, changes in the fair value are recorded in other comprehensive income. The amounts recognised in other comprehensive income are reclassified to income when the hedged item (such as the relevant foreign exchange income) is recorded.

The Group also uses forward derivative contracts to hedge the market risk on seed investments made. These are also recorded at their fair value in the statement of financial position with any changes recorded in the income statement as part of fair value gains and losses.

(R) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits with an original maturity period of three months or less.

(S) Trade and other payables

Trade and other payables are initially recognised at cost and subsequently remeasured at amortised cost using the effective interest rate method. Accruals are based on the latest information and therefore require a degree of estimation.

(T) Loans

Loans are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost.

(U) Ordinary shares

Ordinary shares issued by the Group are recorded at the proceeds received, net of direct issue costs.

(V) Own shares

Company shares held by the Group's Employee Benefit Trusts are deducted from shareholder's funds and classified as Own shares until such time as they vest unconditionally to participating employees and their families.

(W) Impairment of assets

At the statement of financial position date, the Group reviews the carrying amount of assets to determine whether there is any indication that those assets have suffered an impairment loss or if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

34 ACCOUNTING POLICIES CONTINUED

(X) Interests in unconsolidated structured entities

The Group classifies the following investment funds as unconsolidated structured entities:- Segregated mandates and pooled funds managed where the Group does not hold any direct interest. In this case, the Group considers that its aggregate economic exposure is insignificant, and, in relation to segregated mandates and certain pooled funds, the third-party investor has the practical ability to remove the Group from acting as fund manager, without cause. As a result the Group concludes that it acts as an agent for third-party investors. Pooled funds managed by the Group where the Group holds a direct interest, for example seed capital investments, and the Group's aggregate economic exposure in the fund relative to third-party investors is less than 20 per cent (i.e. the threshold established by the Group for determining agent versus principal classification). Here, the Group concludes that it is an agent for third-party investors and therefore accounts for its beneficial interest in the fund as a financial asset. The disclosure of the AUM in respect of consolidated and unconsolidated structured entities is provided in [note 22](#).

35 NEW ACCOUNTING STANDARDS

New standards, interpretations and amendments adopted during the year

No new accounting standards, interpretation or amendments were adopted during the year.

New standards not yet adopted

The following new standards issued have not been early adopted. The Group is currently assessing their impact on its consolidated financial statements.

Standard	Topic	Effective for annual periods beginning on/after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 Financial instruments was issued in July 2014. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 Financial Instruments: Recognition with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Under IFRS 9, the Group's business model and the contractual cash flows arising from its investments in financial instruments will determine the appropriate classification. All equity investments within the scope of IFRS 9 are measured at fair value, with gains or losses reported either in the statement of comprehensive income or, by election, through other comprehensive income. However, where fair value gains and losses are recorded through other comprehensive income there will no longer be a requirement to transfer gains or losses to the statement of comprehensive income on impairment or disposal. In addition, IFRS 9 introduces an expected loss model for the assessment of impairment. The current incurred loss model under IAS 39 requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. The Group does not anticipate that this will have a material impact on its results.



- IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes a single, principle-based model to be applied to all contracts with customers, to recognise revenue in a manner that reflects the pattern of transfer of services to the customer. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The Standard provides guidance on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group does not anticipate that this will have a material impact on its results.

- IFRS 16 Leases was issued on 13 January 2016 and replaces IAS17 Leases. IFRS 16 requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's statement of financial position and recognised as a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be amortised on a straight-line basis with the lease liability being amortised using the effective interest method. Certain optional exemptions are available under IFRS 16 for short-term leases (lease term of less than 12 months) and for small-value leases. The Group is currently assessing the impact of this new accounting standard.

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's consolidated financial statements.



COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

Company No: 03262305

	Notes	2018		2017	
		£000	£000	£000	£000
Assets					
Property, plant and equipment	<u>37</u>	1,695		445	
Investments	<u>38</u>	34,375		21,181	
Deferred tax assets	<u>42</u>	183		177	
Total non-current assets			36,253		21,803
Trade and other receivables	<u>39</u>	25,974		2,453	
Investments	<u>40</u>	1,714		629	
Cash invested in money market funds and long-term deposit accounts		233		232	
Cash and cash equivalents		6,917		8,429	
Total current assets			34,838		11,743
Total assets			71,091		33,546
Equity and Liabilities					
Ordinary shares	<u>27</u>	1,304		1,277	
Share premium		9,291		4,093	
Retained earnings		31,967		14,160	
Total equity			42,562		19,530
Trade and other payables	<u>41</u>	18,551		14,016	
Loans		3,326		-	
Total current liabilities			21,877		14,016
Loans		6,652		-	
Total non-current liabilities			6,652		-
Total equity and liabilities			71,091		33,546

Authorised for issue and approved by the Board on 5 December 2018. The notes on [pages 67-73](#) form part of these financial statements.

Ian R Simm

Chief Executive



COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 October 2016		1,277	4,093	14,317	19,687
Profit for the year		-	-	753	753
<i>Transactions with owners</i>					
Dividends paid	<u>16</u>	-	-	(2,672)	(2,672)
Acquisition of own shares		-	-	(950)	(950)
Cash received on option exercises		-	-	1,096	1,096
Tax credit on long-term incentive schemes (Restated*)		-	-	486	486
Long-term incentive scheme charge		-	-	1,130	1,130
Total transactions with owners (Restated*)		-	-	(910)	(910)
As at 30 September 2017		1,277	4,093	14,160	19,530
Profit for the year		-	-	18,967	18,967
<i>Transactions with owners</i>					
Shares issued		27	5,198	-	5,225
Dividends paid	<u>16</u>	-	-	(7,386)	(7,386)
Acquisition of own shares	<u>28</u>	-	-	(2,534)	(2,534)
Management equity scheme - value assigned to pre-acquisition service				1,917	1,917
Cash received on option exercises		-	-	4,477	4,477
Tax credit on long-term incentive schemes		-	-	544	544
Long-term incentive scheme charge		-	-	1,822	1,822
Total transactions with owners		27	5,198	(1,160)	4,065
As at 30 September 2018		1,304	9,291	31,967	42,562

The notes on [pages 67-73](#) form part of these financial statements.

* Restated to show tax credit on long term incentive schemes within Transactions with owners



COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £000	2017 £000
Operating activities:			
Profit before taxation		20,094	885
<i>Adjustments for:</i>			
Investment income		(13,000)	(11)
Depreciation of property, plant & equipment	<u>37</u>	242	81
Fair value movements and other financial income/expense		(3)	393
Interest payable		670	-
Share-based payment		229	144
Operating cash flows before movement in working capital		8,232	1,492
Decrease/increase in receivables		(4,147)	1,676
Decrease/increase in payables		4,200	3,343
Decrease/increase in margin account		(144)	77
Cash used by operations		8,141	6,588
Corporation tax		-	-
Net cash generated from operating activities		8,141	6,588
Investing activities:			
Interest received		-	11
Dividend received		13,000	-
Investments in new subsidiaries		(8,095)	-
Loans to new subsidiaries		(19,232)	-
Repayments from/proceeds on sale of investments		6,011	3,508
Investments made into Impax managed funds		(1,526)	(14)
Settlement of investment related hedges		(987)	(1,580)
Decrease in cash held in money market funds		-	1,697
Purchase of property, plant & equipment		(1,492)	(350)
Net cash used by investing activities		(12,321)	3,272
Financing activities:			
Proceeds from bank borrowings		17,616	-
Repayment of bank borrowings		(8,779)	-
Interest paid on bank borrowings		(464)	-
Dividends paid		(7,386)	(2,672)
Acquisition of own shares		(2,534)	(950)
Cash received on exercise of Impax share options		4,477	1,096
Net generated from financing activities		2,930	(2,526)
Net decrease in cash and cash equivalents		(1,250)	7,334
Cash and cash equivalents at beginning of year		8,429	1,273
Effect of foreign exchange rate changes		(262)	(178)
Cash and cash equivalents at end of year		6,917	8,429



NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

36 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. The principal accounting policies adopted are the same as those set out in the Group's financial statements disclosures. In addition [note 38](#) sets out the accounting policy in respect of investments in subsidiary undertakings.

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company's net profit for the year amounted to £18,967,000 (2017: £753,000).

37 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
As at 1 October 2016	709	619	1,328
Additions	189	237	426
As at 30 September 2017	898	856	1,754
Additions	1,131	387	1,518
Disposals	-	(46)	(46)
As at 30 September 2018	2,029	1,197	3,226
Depreciation			
As at 1 October 2016	698	530	1,228
Charge for the year	8	73	81
As at 30 September 2017	706	603	1,309
Charge for the year	113	129	242
Disposals	-	(20)	(20)
As at 30 September 2018	819	712	1,531
Net book value			
As at 30 September 2018	1,210	485	1,695
As at 30 September 2017	192	253	445
As at 30 September 2016	11	89	100



NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

38 NON-CURRENT INVESTMENTS

Investments held by the Company in subsidiary undertakings are held at cost less any provision for impairment.

	Other investments £000	Subsidiary undertakings £000	Total £000
At 1 October 2016	14	22,228	22,242
Additions	-	-	-
Capital contribution	-	986	986
Disposals/repayment of invested capital	(11)	(2,036)	(2,047)
At 30 September 2017	3	21,178	21,181
Additions	-	15,237	15,237
Capital contribution	-	1,593	1,593
Transfer to current asset investments	-	(3,000)	(3,000)
Disposals/repayment of invested capital	(3)	(633)	(636)
At 30 September 2018	-	34,375	34,375

The subsidiary undertakings are:

	Country of incorporation	Proportion of ordinary capital held	Nature of business
Impax Asset Management Limited*	UK	100%	Fund management
Impax Asset Management (AIFM) Limited*	UK	100%	Fund management
Impax Asset Management LLC	USA	83.3%	Fund management
Pax Elevate Management LLC	USA	51%	Fund management
INEI I GP (UK) LLP	UK	100%	General partner to private equity fund
INEI II GP (UK) LLP	UK	100%	General partner to private equity fund
INEI III GP (UK) LLP	UK	100%	General partner to private equity fund
Climate Property (GP) Limited	UK	100%	General partner to property fund
INEI III Team Co-Investment LP	UK	80%	Investment Partnership
Impax Carried Interest Partner (GP) Limited	UK	100%	General partner to private equity fund
Impax Carried Interest Partner II (GP) Limited	UK	100%	General partner to private equity fund
Impax Global Resource Optimization (GP) Ltd	UK	100%	General partner to listed equity fund
Impax US Holdings Limited	UK	100%	Holding company
Impax New Energy Investors (GP) Limited	UK	100%	Holding company
Impax New Energy Investors II (GP) Limited	UK	100%	Holding company
Impax Capital Limited	UK	100%	Dormant
Impax New Energy Investors Management SARL	Luxembourg	100%	General partner to private equity fund
Kern USA Inc	USA	100%	Holding company for US assets
Impax Asset Management (Hong Kong) Ltd**	Hong Kong	100%	Fund management
Impax Asset Management (US) LLC	USA	100%	Fund management
Impax Global Equity Opportunities Fund	Ireland	96.6%	Investment Fund
IAM US Holdco, Inc.	USA	100%	Holding company

* FCA regulated

** Hong Kong SFC regulated



Charges relating to options over the Company's shares granted to employees of subsidiary undertakings are accounted for in the subsidiary undertaking. In the Company financial statements the capital contribution in respect of this charge has been recognised as an increase in the investment in subsidiaries.

Investments in subsidiary undertakings are divided between interest in shares and capital contributions as follows:

	2018 £000	2017 £000
Interest in shares	20,985	9,381
Capital contribution	13,390	11,797
	34,375	21,178

The principal other investment for the Company is in the fund Impax New Energy Investors SCA which is incorporated in Luxembourg.

39 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Due within one year:		
Amounts owed by Group undertakings	23,924	182
Taxation and other social security receivable	855	519
Other receivables	521	1,065
Prepayments and accrued income	674	687
	25,974	2,453

40 CURRENT ASSET INVESTMENTS

	Investments £000
At 1 October 2016	1,116
Additions	14
Fair value movements	(43)
Repayments/disposals	(458)
At 30 September 2017	629
Additions	1,526
Transfer from non-current investments	3,000
Fair value movements	1,933
Repayments/disposals	(5,374)
At 30 September 2018	1,714

41 TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Trade payables	-	175
Amounts owed to Group undertakings	14,416	10,602
Taxation and other social security	239	341
Other payables	214	78
Accruals and deferred income	3,682	2,820
	18,551	14,016



NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

42 DEFERRED TAX

The deferred tax asset included in the Company statement of financial position is as follows:

	Accelerated capital allowances £000	Other temporary differences £000	Excess management charges £000	Share- based payment scheme £000	Total £000
As at 30 September 2017	9	(536)	144	560	177
Credit/(charge) to the income statement	(50)	354	(144)	(154)	6
As at 30 September 2018	(41)	(182)	-	406	183

A reduction in the UK corporation tax rate to 17 per cent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax charge at 30 September 2018 has been calculated taking this into account.

43 FINANCIAL COMMITMENTS

At 30 September 2018 the Company has outstanding commitments to invest up to the following amounts into private equity funds that it manages:

- €203,000 (2017: €203,000) into INEI; this amount could be called on in the period to 17 August 2018;
- €672,000 (2017: €672,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €3,981,000 into INEI III; this amount could be called on in the period to 31 December 2026.

At 30 September the Company had commitments under non-cancellable operating leases as follows:

	Offices		Other	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	606	77	16	16
Between one and five years	4,235	3,706	31	31
Later than five years	3,971	5,030	-	-
	8,812	8,813	47	47

The material operating lease for 2018 and 2017 is for office space at 7th Floor, 30 Panton Street London SW1Y 4AJ. The lease is for ten years expiring 30 June 2027.

44 FINANCIAL RISK MANAGEMENT

The risk management processes of the Company are aligned to those of the Group as a whole. The Company's specific risk exposures are explained below.

Credit risk

The Company's primary exposure to credit risk relates to cash and deposits that are placed with regulated financial institutions and amounts due from subsidiaries.

At the statement of financial position date, the credit risk regarding cash and cash equivalent balances of the asset management business was spread by holding part of the balance with RBS and part with Barclays (Standard & Poor's credit rating A-2) and the remainder in a money market funds managed by BlackRock and Goldman Sachs which both have a Standard & Poor's credit rating of AAA. The risk of default is considered minimal.



Foreign exchange risk

The amount of the Company's expenses denominated in foreign currencies is minimal.

The Company activities are principally conducted in sterling, euro, and US dollars. Foreign exchange risk arises from income received in these currencies together with a limited amount of exposure to costs payable.

The Company's exposure to foreign exchange rate risk at 30 September 2018 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Current asset investments	98	-	-
Trade and other receivables	-	19,715	-
Cash and cash equivalents	-	270	-
	98	19,985	-
Liabilities			
Trade and other payables	286	779	-
Loans	-	9,978	-
	286	10,757	-
Net exposure	(188)	9,228	-

The Company's exposure to foreign currency exchange rate risk at 30 September 2017 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Non-current asset investments	3	-	-
Current asset investments	628	1	-
Trade and other receivables	-	-	-
Cash and cash equivalents	-	8,118	-
	631	8,119	-
Liabilities			
Trade and other payables	947	778	11
	947	778	11
Net exposure	(316)	7,341	(11)



NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2018

44 FINANCIAL RISK MANAGEMENT CONTINUED

The following table demonstrates the estimated impact on Group post-tax profit and net assets and Company post-tax profit and net assets caused by a 5 per cent movement in the exchange rate used to revalue significant foreign assets and liabilities, assuming all other variables are held constant. Post-tax profit either increases or (decreases).

	Post-tax profit	
	2018 £000	2017 £000
Translation of significant foreign assets and liabilities		
GBP strengthens against the USD, up 5%	(369)	(295)
GBP weakens against the USD, down 5%	369	295
GBP strengthens against the EUR, up 5%	8	13
GBP weakens against the EUR, down 5%	(8)	(13)

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due or will have to do so at cost. The Company can request to borrow cash through intra-Group loans to maintain sufficient liquidity.

Interest rate risk

At the reporting date the Company's cash and cash equivalents, including bank overdrafts and cash held in money market deposits balance of £7,150,000 (2017: £8,661,000) were its only financial instruments subject to variable interest rate risk. The impact of 0.5 per cent increase or decrease in interest rate on the post-tax profit is not material to the Company.

Market pricing risk

The Company has made investments in its own managed funds and the value of these investments are subject to equity market risk.

Fair values of financial assets and liabilities

The Directors consider there to be no difference between the carrying value of the Group's financial assets and liabilities and their fair value.

The hierarchical classification of financial assets and liabilities measured at fair value are as follows:

	Level 2	Level 3
	2018 £000	2017 £000
At 1 October 2017	-	629
Transfer from non-current investments	3,000	-
Additions	1,506	20
Fair value	1,981	(48)
Disposals	(4,872)	(503)
At 30 September 2018	1,615	98

The Company did not have any investments classified as Level 1 in 2018 (2017: £nil).

There were no movements between any of the levels in the year (2017: £nil).

The Company had no financial liabilities measured at fair value for 2018 (2017: £nil).



Financial assets and liabilities by category:

30 September 2018	Available for sale £000	*FVTPL - designated on initial recognition £000	Loans and receivables £000	Financial liabilities measured at amortised cost £000
Financial assets				
Cash and cash equivalents	-	-	6,917	-
Cash held in money market funds	-	-	233	-
Trade and other receivables	-	-	24,445	-
Investments	-	1,615	-	-
Total financial assets	-	1,615	31,595	-
Financial liabilities				
Trade and other payables	-	-	-	14,630
Loans	-	-	-	9,978
Total financial liabilities	-	-	-	24,608

30 September 2017	Available for sale £000	*FVTPL - designated on initial recognition £000	Loans and receivables £000	Financial liabilities measured at amortised cost £000
Financial assets				
Cash and cash equivalents	-	-	8,429	-
Cash held in money market funds	-	-	232	-
Trade and other receivables	-	-	718	-
Investments	-	629	-	-
Total financial assets	-	629	9,379	-
Financial liabilities				
Trade and other payables	-	-	-	10,855
Total financial liabilities	-	-	-	10,855

* FVPTL = Fair value through profit and loss



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Impax Asset Management Group plc (the “Company”) will be held at the offices of the Company, 7th floor, 30 Panton Street, London SW1Y 4AJ at 2pm on 7 March 2019 for the following purposes:

AS ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company’s annual accounts for the financial year ended 30 September 2018 together with the Directors’ report and the auditor’s report on those accounts.
2. To elect Arnaud de Servigny as a Director.
3. To re-elect Lindsey Brace Martinez as a Director.
4. To re-elect Vince O’Brien as a Director.
5. To reappoint KPMG LLP as auditor of the Company.
6. To authorise the Directors to fix the remuneration of the auditor.
7. To declare a final dividend in respect of the financial year ended 30 September 2018 of 3.0 pence per Ordinary Share payable to the holders of Ordinary Shares on the register of members at the close of business on 8 February 2019.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, resolution 8 of which will be proposed as an ordinary resolution and resolutions 9, 10 and 11 of which will be proposed as special resolutions:

8. THAT, in substitution for any subsisting authorities to the extent unused, the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
 - (a) up to an aggregate nominal amount of £434,716.95 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below in excess of £434,716.95) and
 - (b) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £869,433.91 (such amount to be reduced by the nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph (a) above) in connection with an offer by way of a rights issue:
 - (i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to Treasury Shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company’s next Annual General Meeting (or, if earlier, close of business on 7 June 2020) except that the Company may at any time before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.



9. THAT, subject to the passing of resolution 8 above dealing with the authority to allot pursuant to section 551 of the Companies Act 2006 (the “Act”), the Directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 8 above or by way of a sale of Treasury Shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:
- (a) the allotment or sale of equity securities, either in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities, subject only to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with any Treasury Shares, fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and
 - (b) the allotment or sale (otherwise than pursuant to resolution 9(a)) of equity securities or sale of Treasury Shares up to an aggregate nominal value of £65,207.54,

the power conferred by this resolution shall expire at the conclusion of the Company’s next Annual General Meeting (or, if earlier, at the close of business on 7 June 2020), except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted (and Treasury Shares to be sold) after such expiry and the Directors of the Company may allot equity securities (and sell Treasury Shares) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

10. THAT, subject to the passing of resolution 8 above, the Directors of the Company be and are hereby empowered in addition to any authority granted under resolution 9(b) to allot equity securities (within the meaning of section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as Treasury Shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:
- (a) limited to the allotment of equity securities or sale of Treasury Shares up to a nominal amount of £65,207.54; and
 - (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

the power conferred by this resolution shall expire at the conclusion of the Company’s next Annual General Meeting (or, if earlier, at the close of business on 7 June 2020), except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted (and Treasury Shares to be sold) after such expiry and the Directors of the Company may allot equity securities (and sell Treasury Shares) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.



NOTICE OF ANNUAL GENERAL MEETING CONTINUED

11. THAT the Company be and is generally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1 pence each provided that:
 - (a) the maximum aggregate number of Ordinary Shares that may be purchased is 13,041,508;
 - (b) the minimum price which may be paid for each Ordinary Share is 1 pence;
 - (c) the maximum price which may be paid for each Ordinary Share is not more than 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange for the five business days immediately preceding the day of purchase; and
 - (d) unless previously renewed, varied or revoked, the authority conferred by this resolution shall expire at the conclusion of the Company's next Annual General Meeting save that the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Zack Wilson

Company Secretary

17 December 2018



Notes:

- 1 Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his or her stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. A form of proxy is enclosed for use of members. Completion and return of a form of proxy or CREST Proxy Instruction (as described in [note 4](#)) will not preclude a member from attending and voting in person at the meeting should he or she so decide. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 2 To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power of authority) must be deposited at the offices of Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 2.00 pm on 5 March 2019. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the form of proxy. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of Members at close of business on 5 March 2019 (or, in the event of any adjournment, close of business on the date which is two days before the time of the adjourned meeting).
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
5. As at 5 December 2018 (being the last practicable date prior to the publication of this notice) the total number of Ordinary Shares in the Company in issue was 130,415,087 and the Company held no Shares in treasury. The total number of voting rights on that date was therefore 130,415,087.
6. Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the annual general meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
7. A copy of this notice of annual general meeting and other information required by section 311A of the Companies Act 2006, can be found at www.impaxam.com.



OFFICERS AND ADVISERS

DIRECTORS

J Keith R Falconer (Chairman)
Ian R Simm (Chief Executive)
Guy de Froment (Non-Executive)¹
Arnaud de Servigny (Non-Executive)²
Vincent O'Brien (Non-Executive)
Sally Bridgeland (Non-Executive)
Lindsey Brace Martinez (Non-Executive)

SECRETARY

Zack Wilson

REGISTERED OFFICE

7th Floor
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London
SW1Y 4AJ

AUDITOR

KPMG LLP
15 Canada Square
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E14 5GL

BANKERS

The Royal Bank of Scotland International
London Branch
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London
EC2R 8BP

REGISTRARS

Link Asset Services³
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

NOMINATED ADVISER AND BROKER

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

SOLICITOR

Stephenson Harwood LLP
1 Finsbury Circus
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EC2M 7SH

¹ Resigned 12 June 2018

² Appointed 12 June 2018

³ Previously known as Capita Asset Services






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