

STRATEGIC REPORT

For the year ended 30 September 2017





Awards

Professional Pensions: Environmental, Social and Governance (ESG) Manager of the Year

European Pension Awards: ESG/SRI Provider of the Year

Funds Europe: Special commendation, European Specialist Investment Firm of the Year



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Financial and operational highlights

Financial performance

AUM

£7.3bn¹

2016: £4.5bn

Revenue

£32.7m

2016: £21.1m

Operating earnings²

£7.9m

2016: £4.2m

Profit before tax

£5.9m

2016: £5.2m

Shareholders equity

£35.6m

2016: £26.7m

Cash reserves

£20.4m

2016: £15.4m

Seed investments

£8.1m

2016: £10.5m

Dividend per share

£2.9p³

2016: 2.1p

Business performance

Record net inflows of

£2.1bn

Outperformance

of major Listed Equity strategies over one, three and five years⁴

Compelling

strategic rationale for the acquisition of Pax World Management LLC

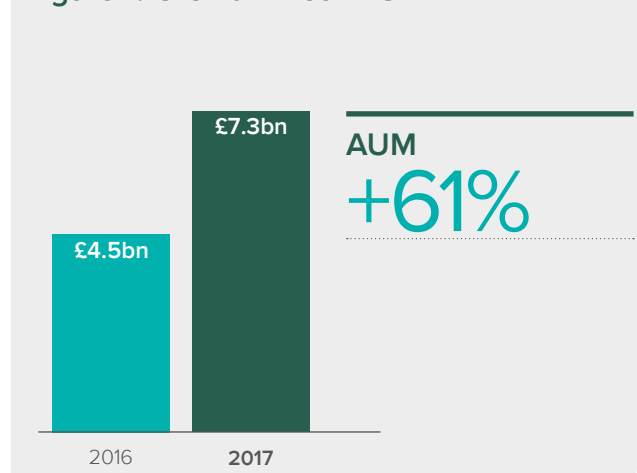
Expansion

of the range of Listed Equity strategies

Strong

mandate pipeline

Figure 1: Growth in our AUM



¹ AUM as at 30 September 2017

² Revenue less operating costs, excluding credits/charges related to legacy long-term incentive schemes and acquisition costs

³ Proposed

⁴ Versus MSCI All Country World Index (ACWI)

Impax at a glance

Impax is a leading investment firm offering listed and private equity strategies primarily to institutional clients, with assets under management and advice (“AUM”) of £7.3 billion¹.

We believe that demographic change, resource scarcity, inadequate infrastructure and environmental constraints will shape markets profoundly. These trends, which will progressively drive the transition towards a more sustainable global economy, will lead well-positioned companies to out-perform. To succeed, an investment manager should take a long-term view of opportunity and risk, and also seek to exploit valuation anomalies over the shorter term.

We are a proud holder of a Queen’s Award for Enterprise: Sustainable Development and numerous investment management industry awards.

¹ As at 30 September 2017. Assets under advice represent approximately 5% of total AUM

Figure 2: Global distribution capabilities

Combination of direct and third-party marketing

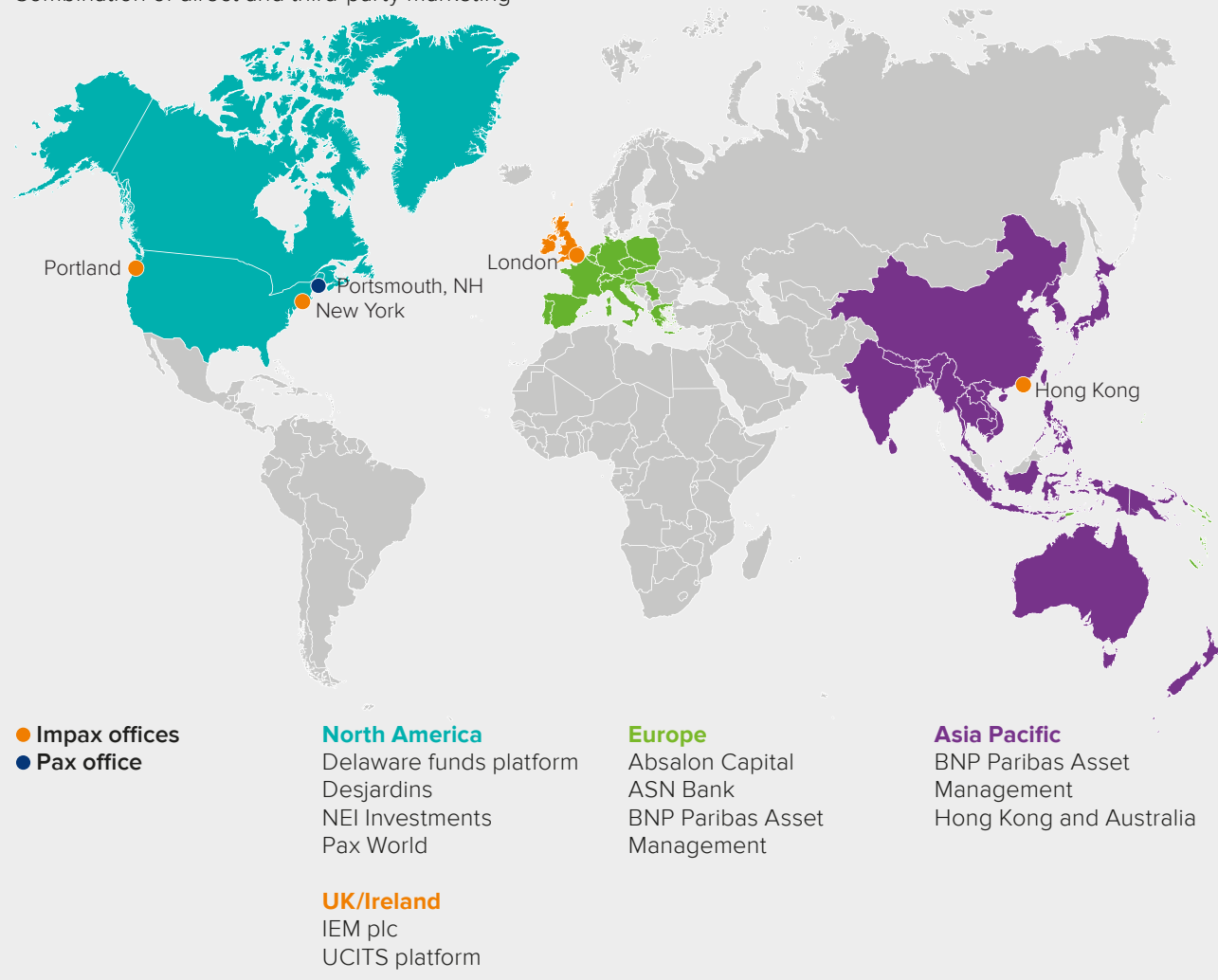


Figure 3: Our business growth and milestones

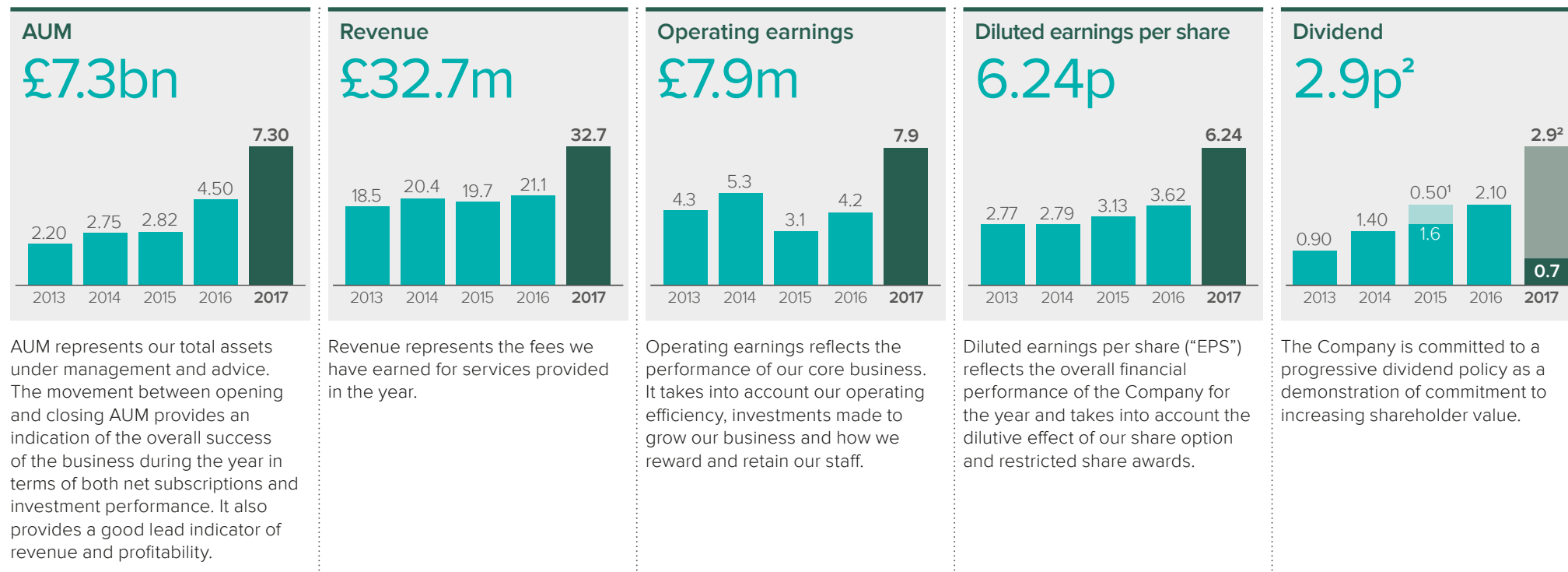


AUM shown as at end of financial years to 2017.

¹ Latest reported AUM, as at 30 September 2017. ² On 18 September 2017, Impax Asset Management Group plc announced it had entered into agreements to acquire 100% of Pax World Management LLC ("Pax"), subject to certain closing conditions, pro forma AUM of combined Company as of 30 September 2017

Our key performance indicators

We use a number of key performance indicators to measure our performance.



HOW WE PERFORMED IN 2017

AUM grew by 61% during the year to £7.3 billion, our highest ever AUM.

Revenue grew by 55% to £32.7 million.

Operating earnings grew to £7.9m.³

Diluted EPS grew by 72% to 6.24 pence.

The Board is recommending a final dividend of 2.2 pence per share bringing the total dividend for the year to 2.9 pence per share. This represents growth of 38% and is the ninth consecutive year that we have grown the dividend.

¹ Special dividend

² Proposed

³ Includes £1.4 million of non-recurring charges, which are more than offset by corporation tax

Chief Executive's report



As Impax approaches its twentieth anniversary, I am delighted to report on a year of exceptional growth in assets, strong investment performance and the attainment of several notable milestones, culminating in the announcement on 18 September 2017 of our planned acquisition of Pax World Management LLC (“Pax”).

During the twelve months ending 30 September 2017 (the “Period”), Impax’s assets under discretionary and advisory management (“AUM”) increased by 61% to reach £7.3 billion, a new high for the Company. By 31 October 2017, AUM had grown further to £7.6 billion. On the back of this expansion, we have also achieved a significant increase in revenue, profit and the value of shareholder equity; these are described further in the Financial Review.

Impax was one of the first investment managers to identify the compelling investment opportunities arising from the transition to a more sustainable economy. Back in the late 1990s, environmental markets were relatively small and our investee companies often represented risky investments. Nearly two decades later, our investment expertise is yielding insights across large swathes of private sector activity, and our long track record and large team have proved attractive for asset owners seeking to gain exposure.

DEVELOPMENTS IN THE INVESTMENT MANAGEMENT SECTOR

The investment management sector is undergoing a period of significant external scrutiny and, as a result, is having to evolve rapidly. Generalist investment managers are under pressure to justify or lower fees as cheap investment vehicles wrapping passively managed strategies continue to gain market share. In parallel,

the unprecedented volume of complex regulatory change is increasing the cost of doing business and highlighting the importance of having the necessary expertise to respond appropriately.

Against this backdrop, Impax remains well positioned, with significant scale and a differentiated product range.

Over the past 12 months we have made a number of investments in systems and taken expert advice in readiness for compliance with the requirements of MiFID II. Looking ahead to 2018, we will be conducting a formal review of our governance framework and oversight model to ensure we comply with the Financial Conduct Authority’s Senior Managers & Certification Regime.

There is still uncertainty around the impact on investment managers of the UK’s expected departure from the European Union. However, with a well-established set of relationships across the EU and extensive experience of working within local regulatory frameworks, we are confident in our ability to adapt our service delivery and processes in order to thrive despite any untoward implications of Brexit.

Chief Executive's report continued

OUR INVESTMENT OPPORTUNITY

In previous reports I have written extensively about the evolution of the markets in which Impax seeks investment.

During 2017, the drivers behind the companies in which we have taken a financial stake have strengthened further, and future prospects remain excellent.

This year we have seen important policy developments across the global automotive industry and many manufacturers announcing further hybridisation or full electrification of their fleets. Following similar announcements in France and Norway, and not long after losing a High Court case over failure to meet EU standards on air pollution in cities, the UK government published plans to ban petrol and diesel vehicle sales by 2040. In parallel, China looks set to announce its intention to cease production of diesel vehicles by 2030, and India showed signs of following suit.

A year ago we noted the successful, early ratification of The Paris Climate Agreement and discussed the likely future impacts across many industries. President Trump's announcement in June of his intention to withdraw the United States from the Agreement was met by widespread domestic defiance, particularly from city mayors. Investors have appeared unperturbed, while key carbon emitters,

particularly the European Union, China and India, reiterated their commitments to reducing carbon emissions.

As we look more broadly across the economy, the rise in the importance of "big data" is of particular interest. The use of extensive data sets has the potential to bring major changes to many businesses and industrial processes. We see a proliferation of opportunities to invest in smart systems to manage inventory control, production lines and warehouse space, and to reduce transportation costs across most industries, most notably in consumer goods. We are also following the rise of blockchain technology, which has the potential to transform resource efficiency across supply chains.

Figure 4: AUM and advice and fund flows

AUM movement 12 months to 30 September 2017	Listed Equity funds £m	Private Equity funds £m	Property funds £m	Total £m
Total AUM at 1 October 2016	4,195	285	22	4,502
Net flows	1,948	155	—	2,103
Market movement, FX and performance	645	11	—	656
Total AUM at 30 September 2017	6,788	451	22	7,261

FUND FLOWS AND DISTRIBUTION

As set out in Figure 4, net inflows over the year reached another record high of £2.1 billion, more than four times the level in the previous financial year. New business from European clients was particularly strong, with major allocations from ASN Bank in the Netherlands and through our Danish distribution partner, Absalon Capital, totalling £155 million and £134 million respectively. Subscriptions for products that we manage on behalf of BNP Paribas Asset Management were also robust: the water (Aqua Fund), sustainable food and agriculture (SMaRT Food Fund) and small cap (Climate Impact Fund) strategies were the most successful.

Assets under management from North American clients grew by 62%, driven by rising investor interest in environmental markets and sustainable development. The funds we sub-advise for Pax in the United States and for NEI Investments and Desjardins in Canada continued to attract commitments, and we also extended our

AUM

£7.3bn

2016: £4.5bn

We continue to build on the strong, long-term investment performance of our Listed Equity strategies.

institutional client base. In addition, we received materially higher inflows from BNP Paribas Asset Management in Asia compared to the previous year.

INVESTMENT PERFORMANCE

Listed Equity

We continue to build on the strong, long-term investment performance of our Listed Equity strategies.

Our three largest Listed Equity strategies (which together accounted for over 90% of our listed assets under management at Period end), all out-performed the MSCI All Country World Index ("ACWI") last year, extending their impressive three and five-year track records.

Further details on the performance of these strategies is provided on pages 20-22.

In previous reports I have mentioned our Global Opportunities strategy which we launched in January 2015 with Impax seed capital. This strategy is an evolution of our thematic environmental strategies and broadens the investment universe to encompass a wider set of opportunities arising from the transition to a more sustainable global economy. With a three-year track record next January, we will soon start marketing the strategy proactively to investors. As of 30 September 2017, the strategy has returned 45.9% since launch, versus the ACWI which has delivered 43.5% for the same period.

Although achieving superior financial returns is our primary objective, we see an increasing desire from clients to quantify the positive environmental impact of their holdings. Many asset owners are also considering the alignment of their investments with the United Nations' Sustainable Development Goals. In response to this demand, we have extended our research in this area and published our first impact report which can be viewed on our website.

Real Assets

Our Private Equity team investing in the renewable power sector had a particularly busy year, raising additional capital for our latest fund, Impax New Energy Investors III ("NEF III") and also realising successful exits from earlier funds. We

continue to engage with additional investment prospects for the Fund which will close to investors early in 2018. NEF III currently has capital commitments of €303 million and has already made its first investments in France and Germany.

Progress with the sustainable property business has been slower than expected, due to the continuing uncertainties in the UK commercial property market since the EU referendum.

PLANNING FOR THE FUTURE

In order to ensure that Impax remains prepared to realise the many opportunities ahead, we are continuing to invest in our core capabilities while remaining open to new ideas.

The acquisition of Pax, which remains subject to closing conditions, will be a major step forward. Impax and Pax share similar business cultures and the management teams know each other well, having worked together for over ten years on the launch and management of a large, successful environmental fund. The business combination will create scale for our operations in North America and broaden the range of investment strategies we will be able to offer our clients, including fixed income and passive equity. Further details on the transaction are outlined on pages 9 to 10.

Meanwhile, in response to requests from many of our clients for a wide range of information, we have continued to develop a partnership approach to client service. In addition to the impact reporting we have extended our work and reporting on engagement to improve the governance, working practices and disclosure of the companies whose shares we own.

Separately, we have further developed our analysis of the investment risk associated with climate change. Our scenario-based model has been operating for three years and has attracted widespread interest. Recently, we were proud to be one of the first corporate signatories to endorse the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), a major global initiative launched by Michael Bloomberg



Chief Executive's report continued

and Mark Carney. The TCFD focuses on the key themes of governance, corporate strategy, risk management and metrics and targets, and represents a crucial milestone in the international financial system's internalisation of the emerging systemic risks of climate change.

We have continued to invest further in our staff, whose collective efforts continue to deliver excellent returns for clients and shareholders. As described further in the People section (see pages 14-16), during the Period we progressed several important initiatives around diversity, team building, coaching and personal development. We also completed a comprehensive staff survey, with encouraging results and suggestions for further improvement in some areas.

The lease on our current London office expires at the end of 2017 and we look forward to the move to new premises nearby at 30 Panton Street, a building which has excellent sustainability criteria.

We remain committed to supporting relevant environmental charities. This year we extended our relationships with Ashden Awards and ClientEarth, providing financial contributions as well as learning opportunities for staff and clients.

OUTLOOK

At the time of writing, equity markets have continued to register near all-time highs. Although the prolonged period of quantitative easing and low interest rates appears to be coming to an end, we believe that the companies in which Impax invests are well-positioned for the changing macro-economic environment.

As we implement plans to expand our offering to clients, we are particularly excited about the imminent integration with Pax.

The combined group will be one of the world's most experienced investment managers focused on opportunities arising from the transition to a more sustainable global economy, and our brand, which is recognised around the world, should continue to be attractive to those seeking to allocate capital.

In closing, on behalf of the Board I would like to thank all our staff for their commitment to the Company and for their contributions to Impax's results during an outstanding year. We intend to build further on the strong foundations laid down over many years.

Ian R Simm
28 November 2017



Our new London office,
7th Floor, 30 Panton Street, London SW1Y 4AJ

Acquisition of Pax¹



At a time when many asset owners are seeking increased exposure to investment opportunities arising from the transition to a more sustainable global economy, Impax's acquisition of Pax represents a compelling opportunity for all stakeholders.

Ian Simm
Chief Executive



This is an exciting new chapter in our decade-long partnership with Impax. Combining our two firms will create a leading sustainable investment manager with business on both sides of the Atlantic.

Joe Keefe
President and Chief Executive Officer of Pax

On 18 September 2017 Impax announced that it had agreed to acquire Pax World Management LLC ("Pax") at an initial valuation of US\$52.5 million, with additional contingent payments of up to US\$37.5 million payable in 2021, subject to Pax's performance.

We believe there is a compelling strategic rationale for this acquisition which will combine two pioneering firms with highly complementary investment capabilities, at a time of rising interest from asset owners worldwide in allocating capital to high growth sustainable investment opportunities.

On completion of the acquisition, Pax will become a division of Impax and will be renamed in due course. Joe Keefe will continue to lead the team, reporting to Ian Simm. The US mutual funds managed by Pax will retain the Pax name.

Figure 5 on page 10 shows the complementary investment capabilities of the two companies.

The acquisition, which builds on the companies' successful ten-year relationship on the launch and management of the Pax Global Environmental Markets fund, will extend Impax's foothold in North America.

The transaction should make a significant earnings contribution to the business in 2018. If they had been consolidated on 30 September 2017, pro forma-assets under management of the combined Group would have been £10.33 billion (US\$13.84 billion).

¹ Subject to closing conditions

Acquisition of Pax continued

Figure 5: The complementary investment capabilities of the two companies

Asset Class	Style	Strategy	Impax	Pax
Listed equity	Active	Global thematic	✓	
		Global unconstrained	✓	
		US	✓	✓
		Europe	✓	
		Asia	✓	
	Passive	Global thematic		✓
		US		✓
Private equity			✓	
Fixed income				✓

Impax

- Headquartered in London
- Offices in the New York metropolitan region, Portland (OR) and Hong Kong
- AUM of £7.3 billion² (US\$9.7 billion)
- Focus is on actively managed global public equity and private equity strategies for institutional clients around the world.

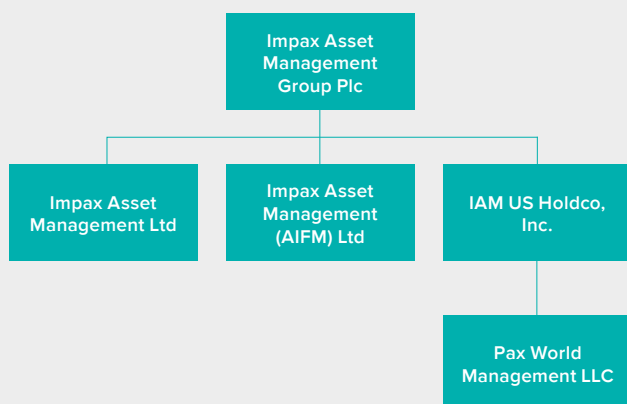
Pax

- Headquartered in Portsmouth (NH), USA
- AUM of £3.4 billion² (US\$4.5 billion)
- Offers actively and passively managed equity and fixed income strategies, primarily for retail clients in the US.



² As of 30 September 2017

Figure 6: Impax Asset Management Group plc structure following Pax acquisition¹



¹ Simplified

Financial review



With a scalable business model, Impax's strong AUM growth has driven significant further improvement in financial performance.

The Pax acquisition is expected to be significantly earnings enhancing in 2018.

FIGURE 7: FINANCIAL HIGHLIGHTS FOR FINANCIAL YEAR 2017 VERSUS FINANCIAL YEAR 2016

	2017	2016	% increase
AUM	£7.3 billion	£4.5 billion	61
Revenue	£32.7m	£21.1m	55
Operating earnings ¹	£7.9m	£4.2m	90
Profit before tax	£5.9m	£ 5.2m	13
Diluted earnings per share	6.24p	3.62p	72
Shareholders' equity	£35.6m	£26.7m	33
Cash reserves	£20.4m	£15.4m	32
Seed investments	£8.1m	£10.5m	(23)
Dividend per share	2.9p²	2.1p	38

REVENUES

Revenues increased by 55% to £32.7 million (2016: £21.1 million) driven by the high net flows into our Listed Equity funds, together with strong investment performance. Revenue from our Private Equity business also rose as a result of successful fundraising for our third Private Equity fund, Impax New Energy Investors III. Our run rate revenue at the end of the Period (excluding Pax, as the acquisition has not yet completed), was £37.6 million, giving a weighted average run rate revenue margin of 52 basis points on the £7.3 billion of AUM.

¹ Revenue less operating costs, excluding credits/charges related to legacy long-term incentive schemes and acquisition costs

² Proposed

OPERATING COSTS

Operating costs increased to £24.8 million (2016: £16.9 million) mainly due to higher profit-related remuneration and placement agent fees associated with the successful Private Equity fundraising. In addition, fixed costs increased due to a small rise in headcount, improvements to our Listed Equity operating platform, and costs incurred in anticipation of future regulatory changes. The large increase in Impax share price over the period required a £1.4 million provision increase for National Insurance Contributions ("NIC") on employee share schemes which is more than offset by corporation tax savings.

We expect some modest cost increases in 2018 as we move to new office accommodation in London, make a small number of additions to our teams to support on-going growth in the business, and continue to respond to regulatory changes.

PROFITS

Operating earnings, excluding the non-recurring NIC charge, more than doubled to £9.3 million (2016: £4.2 million), giving an operating margin of 29%. Run rate operating earnings were £11.6 million at the end of the Period, equivalent to a run rate operating margin of 31%.

We incurred £1.0 million of costs on adviser fees for the acquisition of Pax prior to the end of the Period and these are recorded as exceptional costs. £0.4 million of further costs are contingent on completion of the deal and will be reported in the 2018 financial statements.

Financial review continued

We recorded foreign exchange losses of £0.6 million, principally on US dollars that we purchased in anticipation of the Pax acquisition. We also incurred charges of £0.7 million in respect of legacy share incentive schemes, which are offset by corporation tax credits.

TAX

Our tax charge for the year benefitted from a £2.4 million credit following the clarification of the treatment of historical income from our Private Equity business.

£3.0 million of tax credits relating to share incentive schemes are recorded partly within profit after tax (£0.5m), with the remainder within the Statement of comprehensive income (£2.5 million).

EARNINGS PER SHARE

Basic earnings per share ("EPS") have increased 79% to 6.48p (2016: 3.62p) and diluted EPS have increased 72% to 6.24p (2016: 3.62p). This is driven by the significant increase in operating earnings, partly offset by net hedge losses on seed investments. The NIC on share schemes, charges in relation to legacy share incentive schemes and costs for the acquisition of Pax are all offset by tax effects.

PAX ACQUISITION

There was no contribution from Pax this year but we expect the acquisition to be significantly earnings enhancing from 2018. The table below sets out the expected impact of the acquisition on some of our key financial metrics on the basis that the acquisition completed at 31 July 2017.

	Impax standalone	Combined Group
AUM/£bn	6.9	10.3
Run rate revenue/£m	36.1	59.6
Cash/£m	22.3	13.1

The acquisition is conditional on certain regulatory approvals and is expected to complete in the first quarter of 2018.

FINANCIAL MANAGEMENT

Impax has a robust balance sheet and is strongly cash generative. The Company retains sufficient cash on its balance sheet to meet its regulatory capital obligations with a prudent surplus.

In order to fund the purchase of Pax, the Company will use a portion of the significant cash reserves which have been built up over previous years. In addition, Impax entered into US\$26 million of debt with The Royal Bank of Scotland plc comprising a US\$13 million three year term loan facility (LIBOR plus 2.9%) and a US\$13 million five year revolving facility (LIBOR plus 3.3%). In addition to part-funding this acquisition, the revolving facility can be used for the general corporate purposes of the Group. The facilities will be borrowed by the Company and guaranteed by and secured on the assets of the Company's subsidiaries: Impax Asset Management Limited; Impax

Asset Management (AIFM) Ltd; and IAM US Holdco, Inc. (a newly formed special purpose vehicle established for the purpose of the Pax acquisition). Impax intends to service this debt from on-going cash generation.

SHARE MANAGEMENT

The Board intends to continue to buy back the Company's shares from time to time after due consideration of attractive alternative uses of the Company's cash resources. Shares purchased may be used to satisfy obligations linked to share-based awards for employees, thus reducing the requirement to issue new shares. During the Period, the Company's Employee Benefit Trust ("EBT") spent £1.0 million buying 1.5 million of the Company's shares at an average price of 65 pence.

Further equity issuance may arise in respect of staff option exercises that have not been previously matched by share buybacks and, in 2021, to satisfy Pax Management's conversion into Impax shares of their remaining 17% interest in Pax.

Part of the initial consideration for the acquisition of Pax will be made in the form of a new issue of Ordinary Shares in the Company with the value of US\$6.1 million.

DIVIDENDS

The Company has implemented a progressive dividend policy since 2008 and the Board intends this to continue. Following the payment of an interim dividend of 0.7 pence per share in June, the Board recommends a final dividend of 2.2 pence per share. If this is approved by shareholders, the aggregated dividend payment for the full year would be 2.9 pence per share, which would represent a 38% increase over the dividend for the previous year (2016: 2.1 pence per share).

This dividend proposal will be submitted for formal approval by shareholders at the Annual General Meeting on 2 March 2018. If approved, the dividend will be paid on or around 16 March 2018. The record date for payment of the proposed dividend will be 9 February 2018 and the ex-dividend date will be 8 February 2018.

The Company operates a dividend reinvestment plan (DRIP). The final date for receipt of elections under the DRIP will be 16 February 2018. For further information and to register and elect for this facility, simply visit www.signalshares.com.

GOING CONCERN

The Financial Reporting Council requires all companies to perform a rigorous assessment of all factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts. The Board has reviewed the Company's financial plans, budgets and stress testing required by the Internal Capital Adequacy Assessment Process ("ICAAP"). Impax has a strong balance sheet and a predictable operating cost profile; therefore, 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
Chief Financial Officer
28 November 2017



Our people



We seek to provide development opportunities and excellent careers, and ensure a stimulating, supportive working culture underpinned by our Values.

OUR BUSINESS CULTURE AND VALUES

We enjoy a strong collegial culture which we continue to evolve. We value meritocracy, openness, fairness and transparency. The Culture and Values Committee, which has a rotating membership open to all staff, meets regularly to assess progress and advance new initiatives. This group reports to the senior management team on a regular basis. This year one of the main initiatives advanced by this Committee was “Sensus”, our staff engagement survey.

“SENSUS”

Earlier in 2017 we commissioned an external specialist employee research company to conduct a staff engagement survey across the Company. We also benchmarked our data against an external group of ten similar sized organisations in financial and professional services. Our response rate was high at some 87% worldwide and the results were generally positive. While there was some variation by business area, overall Impax scored at or above benchmark for all the key themes. More than 90% of respondents reported they were engaged with our business and the Company and staff were generally well-aligned to the Company’s goals and vision.

These results were reassuring, but did highlight some areas for improvement. We are committed to addressing these and making further progress which we plan to measure at regular intervals in the future.

“DIVERSITY MATTERS”

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

We will not tolerate discrimination on the grounds of age, disability, gender, gender identity, marital status, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), socio-economic background, religion or belief, sexual orientation or any other factor.

Diversity in the workplace is an important aspect of good management. It is not about quotas or targets but about valuing everyone in the organisation as an individual.

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 believe a diverse staff is fundamental to Impax's long-term success and we aim to create and nurture an environment in which difference, diversity and inclusion are respected and welcomed.

We seek to employ a progressive diversity strategy to add value to the Company and contribute to staff well-being, inclusion and engagement.

We included the topic of diversity in our staff engagement survey, and it was pleasing to note that 73% of staff believed that Impax has a good understanding and approach to diversity. In addition, earlier this year, our staff were invited to take part in an independent industry-wide investment management survey administered by Mercer. The results showed that the investment industry generally has much work to do if companies are to achieve and benefit from

a more diversified workforce. We are interested to see how Impax compares against other investment managers and we have commissioned a breakout of our own responses to attitudes, beliefs and data which should serve as a useful benchmark for our future performance in this area.

PEOPLE DEVELOPMENT WORKING GROUP

Effective employee development is based on a clear understanding of our current and future business strategy. We aim to agree a sound development plan with each employee that is designed to address talent gaps.

In 2015, we set up a staff-managed People Development Working Group. With three work streams: personal development, appraisals and recruitment. Although many of the changes recommended by the Group have now been implemented we continue to progress and to evolve in these areas. Last year we made significant improvements to staff well-being and the articulation of individuals' long-term development goals.



Our people continued

LEADERSHIP DEVELOPMENT

Effective leadership is about setting direction and helping people to work independently. We prioritise our investment in relationship development and recognise that this is a long-term, dynamic process. We are committed to providing regular and comprehensive feedback to all staff.

RECRUITMENT

We seek to identify the need to recruit additional skills to drive business success and we dedicate considerable time to our hiring process and promotion decisions. We have developed effective hiring and on-boarding processes and endeavour to ensure that new hires are given all the resources they need to become engaged employees who can look forward to successful and lasting careers with the Company.

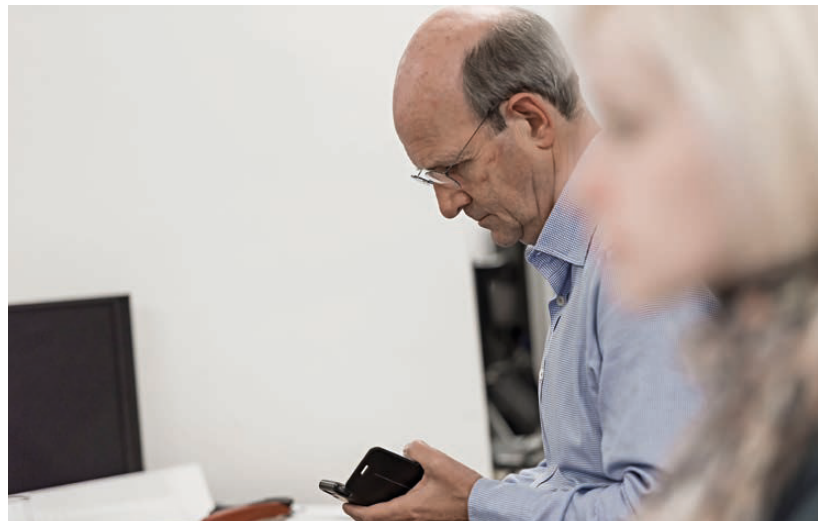


Figure 8: Staff numbers¹

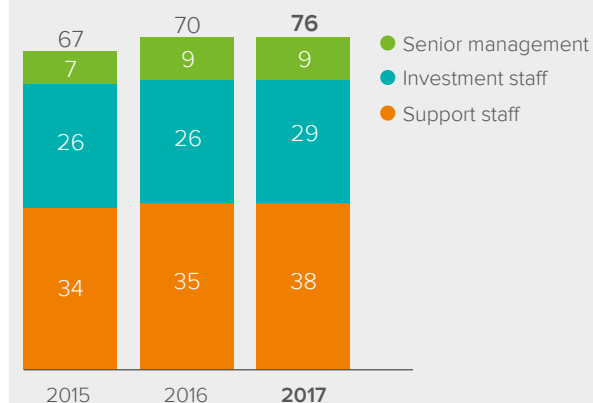
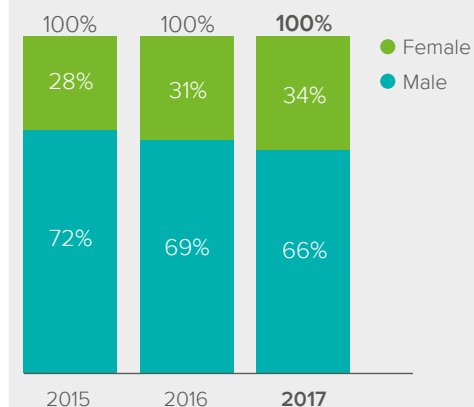


Figure 9: Gender diversity¹



¹ Years ended 30 September

Our senior management team



Ian Simm



Hubert Aarts



Bruce Jenkyn-Jones



Roz Reid



David Richardson



Charlie Ridge



Peter Rossbach



Daniel von Preyss



Zack Wilson

Our senior management team continued

IAN SIMM

Chief Executive

Ian is the Founder and Chief Executive of Impax Asset Management Group plc. He 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 resource efficiency issues. In 2013 he was appointed by the Secretary of State (Senior Minister) for Business, Energy and Industrial Strategy as a member of the Natural Environment Research Council ("NERC"), the UK's leading funding agency for environmental science. He 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 Listed Equities

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. He has a Master's degree in Economics and Business Administration from Maastricht University.

BRUCE JENKYN-JONES

Co-head Listed Equities

Bruce is a Director of IAM¹ and IAIFM², and Managing Director for the Listed Equity business. He has 23 years' experience 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).

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.

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 is a Director of IAM¹ and IAIFM², and Chief Financial Officer of Impax Asset Management Group plc. Charlie has more than 28 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

Co-head Private Equities

Peter is a Director of IAM¹ and IAIFM², and co-head of the Private Equity team that manages Impax New Energy Investors and Impax New Energy Investors II. 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

Co-head Private Equities

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.

Previously, Daniel was Director of Corporate Finance for the European Energy and Utilities team at Deutsche Bank with a strong focus on M&A activity in Europe. He 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. He is a Non-Executive Director of Impax Funds (Ireland) plc. 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 high profile transactions including the Group's \$10 billion financial restructuring. Zack qualified as a solicitor at the global law firm Norton Rose. He holds a Master of Arts in Jurisprudence from Oxford University.

¹ Impax Asset Management Limited

² Impax Asset Management (AIFM) Limited

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

Our approach to creating shareholder value

Strategy component	Our approach	Progress this year	Our plans for the future
INVEST BY SEEKING PRICE INEFFICIENCIES IN HIGH GROWTH MARKETS	Development of deep investment expertise in companies set to benefit from the transition to the more sustainable global economy. On-going search for investment opportunities and close review of trends shaping the global economy.	We continue to deliver strong long-term investment performance. Over 90% of our listed equity assets under management out-performed the MSCI ACWI global benchmark during the Period, and our three key strategies have outperformed this benchmark over one, three and five years. We have now raised €303 million for our third renewable infrastructure fund.	Continue to look selectively for new, related markets impacted by long-term trends, and further refinement of our analysis and investment processes as the markets in which we invest evolve. On completion of the Pax acquisition, we will focus on sharing investment expertise and best ideas across all strategies.
FOCUS ON SCALABLE INVESTMENT STRATEGIES	We offer a suite of six long only and two real assets strategies and are open to launching or providing a platform for additional strategies.	Record inflows across our Listed Equity strategies and building a strong three year track record for Global Opportunities. The acquisition of Pax adds new investment strategies including passive equities and fixed income.	Formal launch of Global Opportunities in 2018. Successful integration of Pax to leverage distribution opportunities and extend our product range.
BUILD AND EXTEND A FLEXIBLE DISTRIBUTION ARCHITECTURE	Continuous development of our marketing and client service capabilities in the UK and US to ensure effective communications with our clients and maximise opportunities for new business. We provide investment sub-management services to several third parties with strong brands in various channels.	We have strengthened and expanded our London and metropolitan New York office, and significantly increased the size of funds managed by our distribution partners. The Pax acquisition significantly extends our footprint in North America. Significant scaling of BNPP and ASN funds in Continental Europe and NEI in Canada.	Integration of the Impax and Pax sales, marketing and client service teams to ensure we develop an optimum distribution capability and client service resource. 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 development and talent management from our People Development Working Group. Positive results from a comprehensive staff engagement survey. Staff equity interests now represent 39.4% of the Company ¹ .	Continue to measure, review and improve our global employee engagement, seeking to maintain and further motivate our staff, including our new colleagues at Pax.
BALANCE TIGHT COST CONTROL WITH THE NEEDS OF AN EXPANDING BUSINESS	To manage and optimise a scalable platform for growth, including a core team, business systems and processes, and infrastructure.	Strong cost controls and rising operating margin.	Consider incremental investments to support business expansion, particularly in the areas of IT, investment analysis, distribution, client service and regulatory compliance.

This Strategic Report has been approved by the Board and signed on its behalf by:

Ian R Simm
Chief Executive
28 November 2017

¹ As of 30 September 2017. Includes vested shares within sub-funds of the Employee Benefit Trusts ("EBTs") from which the individuals and their families may benefit and other shares held by EBTs in respect of vested Long Term Incentive Plan ("LTIP") option awards and other employee incentive schemes

Update on our investment strategies

We seek to produce superior investment returns for our clients by consistently applying specialist expertise, taking a long-term perspective and, as asset owners or managers, acting responsibly.

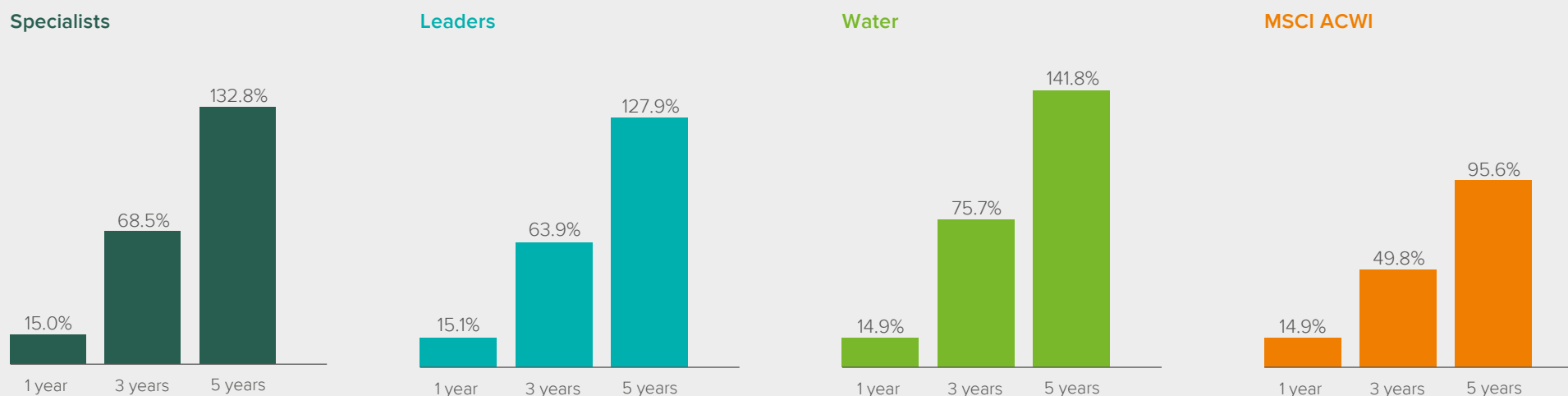
LISTED EQUITY

Record inflows throughout the Period, together with strong investment performance, have led to considerable increases in the assets we manage across most of our strategies.

We continue to build our long term investment performance. Our three largest strategies have all demonstrated out-performance against the ACWI over one, three and five years¹.



Figure 10: Percentage returns from one, three and five years for our three largest Listed Equity Strategies²



¹ As at 30 September 2017, gross cumulative returns in sterling.

² As at 30 September 2017, total net returns in sterling (net dividend reinvested)

Figure 11: Increase in Listed Equity strategies' AUM over the Period

	AUM at 30.09.2017.	AUM at 30.09.2016.	% change 12 months to 30.09.2017.	Inception
Leaders	£2,025m	£1,270m	+ 59%	2008
Specialists	£1,828m	£1,427m	+ 28%	2002
Asia-Pacific	£ 51m	£28m	+80%	2009
Food and Agriculture	£574m	£165m	+248%	2012
Water	£2,308m	£1,302m	+77%	2009
Global Opportunities ¹	£ 2.7m	£2.4	+13%	2015

The Global Opportunities (GO) strategy, launched in January 2015, is an evolution of our thematic environmental strategies and shares the same key growth drivers, namely: demographic changes, resource scarcity, inadequate infrastructure and environmental constraints. The strategy seeks to achieve long-term capital growth through investment in companies with sustainable competitive advantages, track records of consistent returns on investment, and where the portfolio manager believes that these characteristics are not reflected in the share price. Since January 2015 GO has returned 45.9%, versus the ACWI which has delivered 43.5%.

Figure 12: Our investment philosophy

Impax believes that

Demographic change, resource scarcity, inadequate infrastructure and environmental constraints will shape private sector markets profoundly.

These trends, which will progressively drive the transition towards a more sustainable global economy, will lead to out-performance for well-positioned companies.

Portfolios that account for the risk of both sudden shocks and long-term value erosion can out-perform.

... and offers solutions in

Thematic Global Equities

'Unconstrained' Global Equities

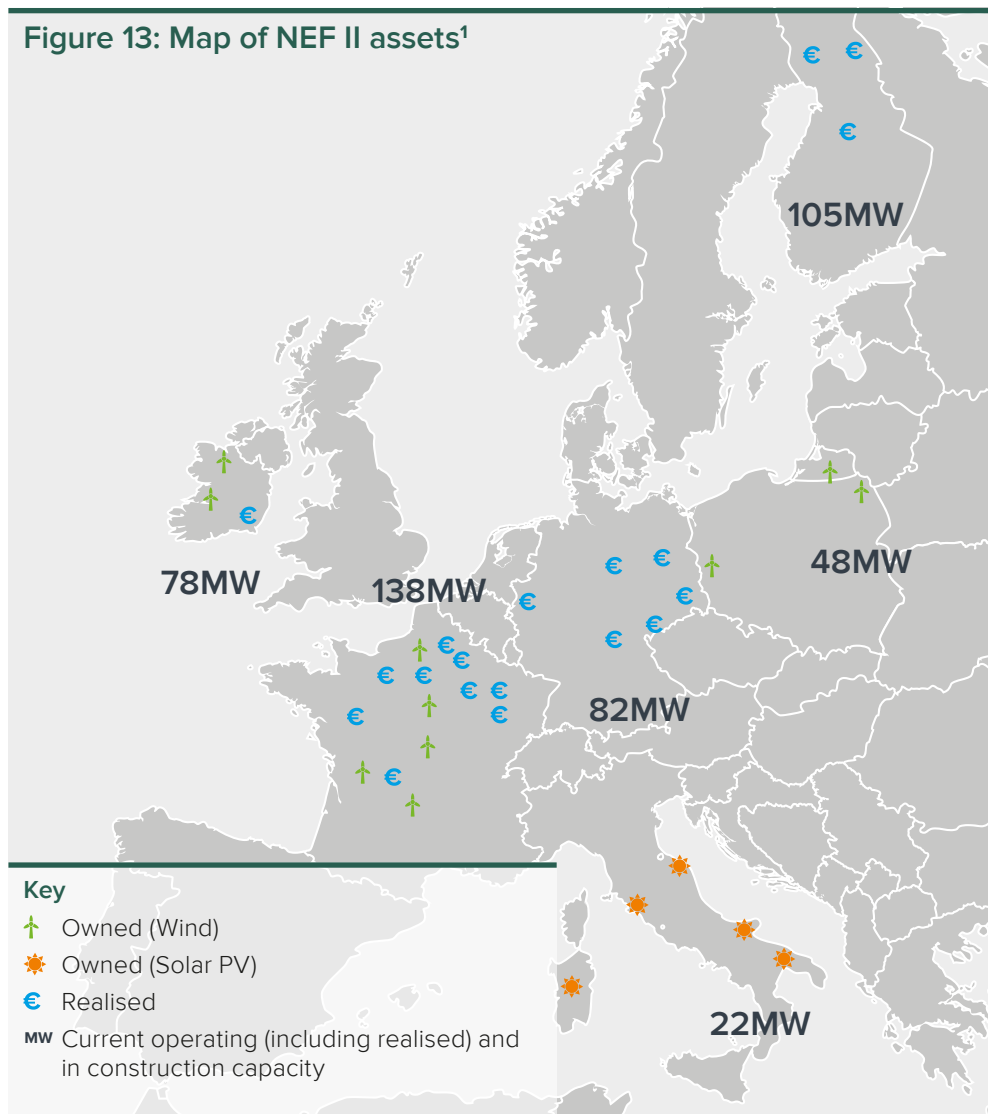
Impax Global Opportunities Strategy

Real Assets

We believe that the opportunities for GO include Resource Efficiency Markets but also embrace a wider set of prospects, such as companies that facilitate financial inclusion, meet evolving healthcare challenges, enhance productivity and promote well-being and improved nutrition.

¹ Impax seed money

Update on our investment strategies continued

Figure 13: Map of NEF II assets¹¹ As of 30 September 2017

REAL ASSETS

Impax is one of the longest-established private equity fund managers in the large and rapidly growing renewable energy sector. Our private equity infrastructure funds follow an industrially-focused value-add strategy, investing in renewable power generation and related assets.

Impax operates a “buy, build, sell” business model for our renewable energy infrastructure funds. We seek to buy pre-operational on-shore wind or solar projects which we then build and sell on, usually to utilities or other infrastructure investors, as soon as the assets are operational. We believe that a relatively fast rotation of three to five years of a well-diversified portfolio offers investors an attractive value proposition. To date the focus has been on Continental Europe because it has a diverse mix of opportunities and has supportive regulation based on consistent long-term climate change policies.

Impax New Energy Investors II (“NEF II”) has now sold 70% of its assets in five significant sales, and returned €291 million to investors. We continue to work on the sale of the Fund’s remaining assets in France, Italy, Ireland and Poland.

We launched our third fund, Impax New Energy Investors III (“NEF III”) in 2016. At the end of the Period this Fund had €303 million in commitments with further allocations pending. We continue to market NEF III to investors around the world and the Fund is due to close to further investment by 28 February 2018. The Fund has already made its first investments, including a 30MW pipeline of wind assets for construction in Germany and a 22MW operating wind asset in France.

Figure 14: Committed capital in our renewable energy infrastructure funds

	Committed capital/€	Inception
Impax New Energy Investors I LP	125	2005
Impax New Energy Investors II LP	329	2010
Impax New Energy Investors III LP	303 ¹	2016

Our commitment to corporate responsibility

Impax is committed to the highest standards of responsible business practice.

We review our corporate responsibility under the categories of People (see pages 14-16, Community, Environment and Marketplace).

COMMUNITY

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

In the UK we promote tax efficient payroll giving for staff through the Charities Aid Foundation Give as You Earn scheme. In 2017 we maintained our Gold status with more than 15% of staff participating in the scheme, donating to 12 charities on a regular basis. Impax matches staff donations.

This year we continued our support of Ashden and ClientEarth.



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

We are now in our sixth year of partnership with Ashden and are proud supporters of the Impax Ashden Award for Energy Innovation. 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. The winner of our award this year was Switchee, an innovative young company that has developed a smart connected thermostat which is designed to help affordable housing providers fight fuel poverty.



ClientEarth is a legal firm which is “committed to ensuring a healthy planet”. ClientEarth’s lawyers are pushing governments to implement and enforce strong environmental laws and regulations.

This year ClientEarth has been involved in a number of the educational events on carbon risk which we have run for our clients. Their insight into how asset owners should interpret the law on their fiduciary duty on climate and carbon risk has been valuable and helped build our thought leadership programme in this area.



Ian Simm presents the 2017 Impax Ashden Award for Energy Innovation to the Switchee team.
Photo credit: Andy Aitchison/Ashden

Our commitment to corporate responsibility continued

Our volunteering programme

We encourage staff to play an active role in the community for the benefit of both our business and society. We give all staff the opportunity to participate in an environment-related volunteering activity organised by the Company. In May an Impax team took part in a Wild Workday organised by the London Wildlife Trust at Braeburn Park in South East London. This site is a thriving oasis for wildlife, boasting remarkably high biodiversity. The team cleared scrub areas, planted trees and built and erected nesting boxes. We plan to return to do further work at a couple of our previous volunteering sites next year.

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. Environmental credentials were a major factor in the selection of our new London office which has an "Excellent" BREEAM rating.

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.

For the Period, the Company's Scope 2 emissions (energy consumption) were 562 kg CO₂ per capita (2016: 814 kg CO₂ per capita). Our recorded energy use declined by 6%. (The large decrease in kg CO₂ per capita is partly due to the emission factor for the UK¹ dropping by 25%. This reflects the higher percentage of gas, wind and solar used in the UK's electricity generation mix.)

Our Scope 3 emissions (air travel) were 1,476 kg CO₂ per capita (2016: 1,616 kg CO₂ per capita). Our Scope 3 emissions fluctuate considerably year-on-year, depending on the level of travel required to support our overseas activities.

Meeting our targets

Our target is to ensure our avoided CO₂ significantly exceeds our emissions.

We consider that the greenhouse gas emissions from our air travel is the most significant environmental impact of our business. In setting a target to address this impact, we believe it is important to include the positive impact of our business activities; specifically, the total CO₂ abated from Impax's holdings in the private equity renewable energy funds we manage, which predominantly comprise European onshore wind farms. During the Period, 2,947 tonnes of CO₂ (tCO₂) were avoided through these holdings (2016: 2,554 tCO₂). This year we again significantly exceeded our target.

MARKETPLACE

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

Our pledges

We aim to partner with charitable organisations which are aligned with our values.

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

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

Our target is to ensure our avoided CO₂ significantly exceeds our emissions.

¹ Calculated using DEFRA UK Electricity Scope 2 carbon conversion factor for 2017

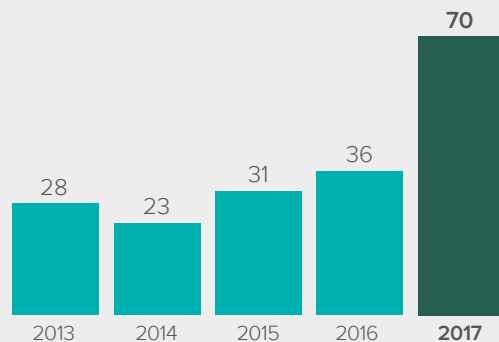
Engagement and voting

We focus our investment activity 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 15 below.

This year we focused primarily on engagement with smaller US companies to urge them to develop robust and materiality-based sustainability processes and reporting.

Figure 15: Annual engagement initiatives



We have also increased our work to encourage diversity on boards, in particular with Japanese companies.

We often work in collaboration with other organisations and investors as this can result in a more significant impact. This year our collaborative engagements have included encouraging food and restaurant companies around the world to reduce their use of antibiotics and to increase their focus on developing plant-based proteins. We also joined forces with the Workforce Disclosure Initiative to engage with multinational companies to improve their employee working conditions and contracts, as well as ensuring similar standards within their supply chains.

In the 2017 UN PRI survey Impax scored A+ for our over-arching approach to responsible investment.

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.

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 195 company meetings (97% of all applicable), on over 2,000 resolutions. We voted against management on 185 (8%) of these. We disclose a summary of our proxy voting activity on our website on a quarterly basis.

Impax is ranked as a Tier 1 signatory to the Financial Reporting Council’s three tier UK Stewardship Code.

In the 2017 UN PRI survey Impax scored A+ for our over-arching approach to responsible investment.

We are active members of trade and industry organisations that are dedicated to promoting sustainable investment and the more efficient use of natural resources. Impax is member of, or signatory to: the 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), UK Stewardship Code, the Intentional Endowments Network and the Global Impact Investing Network (GIIN).



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 annual basis. We believe our impact analysis for some of our Listed Equities products and Real Assets takes this measurement to the next level.

Impax is ranked as a Tier 1 signatory to the Financial Reporting Council’s three tier UK Stewardship Code.

Key risks

Impax has adopted an ongoing risk management framework taking 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 Financial Officer is responsible for maintaining a risk register and for an on-going programme to monitor internal controls and processes put in place to control or 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 below. Further information on financial risk is given in note 27 to the financial statements.

Key risk	Description	How we manage 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 below controls help to mitigate the risk of incidents that may have a reputational impact.
MARKET RISK	The Group's Listed Equity business charges management fees based on AUM and accordingly its revenue is exposed to market risk.	The Group operates a number of different strategies which themselves are diversified by geography and industry. The Group has a defined investment process that has to be followed. All investments are overseen by the Listed Equity Investment Committee.
	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.	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.
	The Group also invests in its own Private Equity funds and is therefore exposed to the performance of these funds.	The Group has a defined investment process that has to be followed. All investments are overseen by the Real Assets Investment Committee.
CURRENCY RISK	<p>A significant percentage of the Group's income is based on assets denominated in foreign currencies and an element of the Group's costs is incurred in foreign currencies.</p> <p>A proportion of the Group's assets and liabilities is denominated in foreign currency. The Group also owns a small number of minor subsidiaries denominated in foreign currency.</p>	<p>For the year ended 30 September 2017, and on an on-going basis, the Group's strategy 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.</p> <p>Otherwise the Group converts foreign currency income to sterling as soon as practically possible after receipt.</p> <p>During 2017, in anticipation of the Pax transaction, part of the cash reserves were converted into US dollars to reduce the Group's exposure in respect of the initial consideration.</p>
BUSINESS EXPANSION	The Pax acquisition will result in the firm taking on the inherent risks of the Pax business, and introduce integration risks.	<p>The current Pax management and internal control framework will remain in place following the acquisition, and will be incorporated into Impax's existing governance structure.</p> <p>Detailed integration plans are being prepared which minimise short term disruption; implementation is being closely overseen by Impax and Pax senior management.</p>

Key risk	Description	How we manage the risk
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.</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 26 to the financial statements the Group has significant 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>
LEGAL, REGULATORY AND COMPLIANCE RISK	<p>The Group's operations are subject to financial 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 dedicated compliance team. In particular, the Group is actively monitoring Brexit negotiations and will act promptly following any developments which impact on our business model.</p>
PEOPLE RISK	<p>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.</p>	<p>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 senior investment team has been stable since the Company's inception.</p>
OPERATIONAL RISK	<p>Operational risk arises in our investment management activities, distribution activities and in the operation of our IT and operations infrastructure.</p>	<p>The Group has established a control framework 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" (formerly known as SAS 70) certification, for the 12 months ended 30 September 2016, for its Listed Equity business.</p> <p>Furthermore, the Group has put in place measures to minimise and manage possible risks of disruption to its business and to ensure the safety of its staff. This plan has been put in place to manage its strategic and operational business risks in the case of an emergency and is aimed at bringing together particular responses such as IT disaster recovery, contingency plans, off-site storage of records, data back-up and recovery procedures, evacuation procedures and customer/staff communications.</p> <p>The Group has insurance cover which is reviewed each year prior to policy renewal.</p>

Auditors' statement

The auditors' 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 2016) is consistent with the Group financial statements were both unqualified and can be found on pages 12-15 of the Governance and Financial Report.

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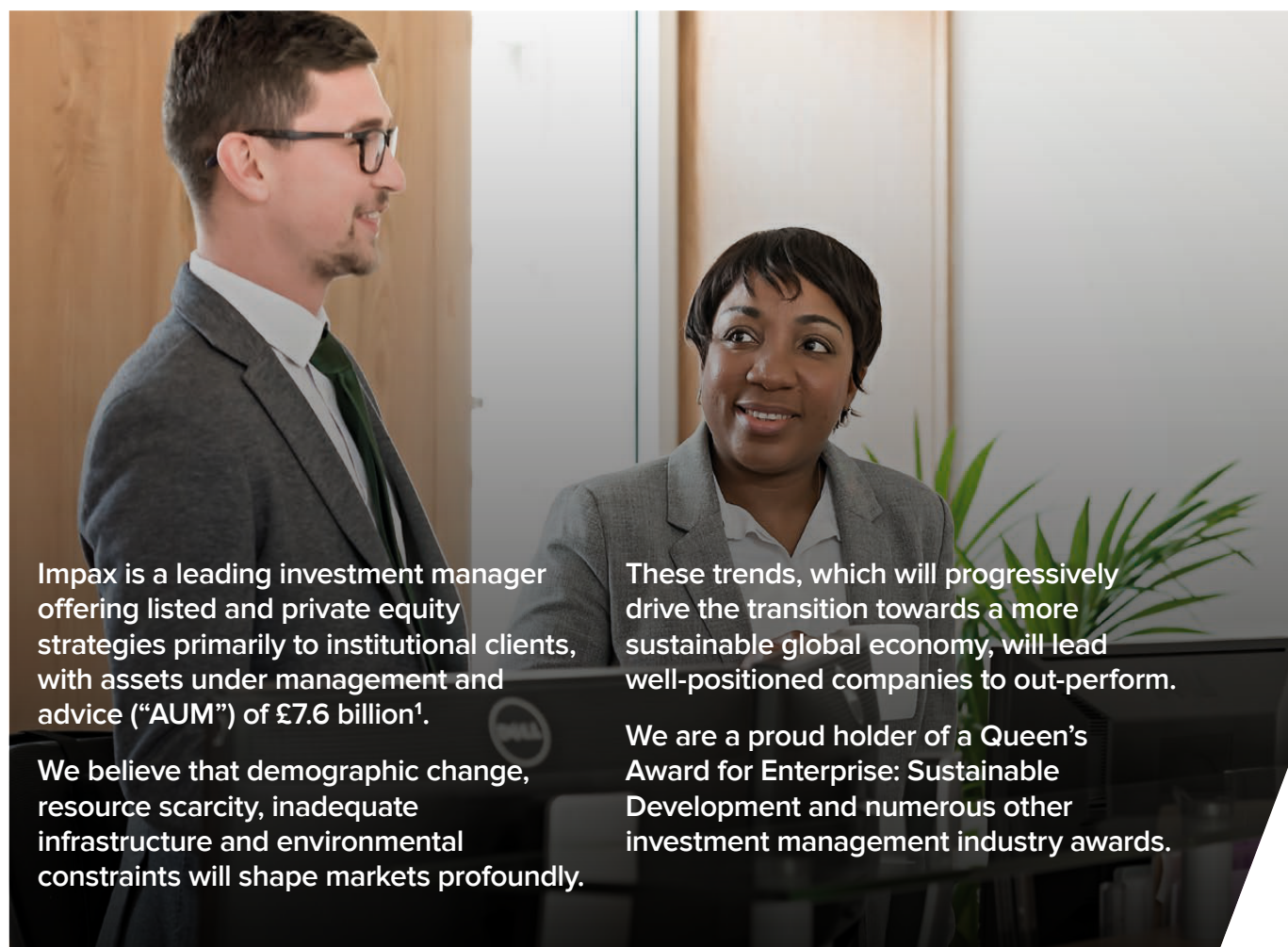
Impax Asset Management Group plc

GOVERNANCE AND FINANCIAL REPORT

For the year ended 30 September 2017



Introduction



Impax is a leading investment manager offering listed and private equity strategies primarily to institutional clients, with assets under management and advice (“AUM”) of £7.6 billion¹.

We believe that demographic change, resource scarcity, inadequate infrastructure and environmental constraints will shape markets profoundly.

These trends, which will progressively drive the transition towards a more sustainable global economy, will lead well-positioned companies to out-perform.

We are a proud holder of a Queen’s Award for Enterprise: Sustainable Development and numerous other investment management industry awards.

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This report contains details of members of the Board of Directors, 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 2017. The report also describes our approach to organisation and culture, governance and sustainability. A copy of the Strategic Report can be downloaded from www.impaxam.com.

1 As of 31 October 2017

Chairman's introduction

Last year Impax Asset Management Group plc ("Impax", the Group or the "Company") saw the strongest growth since inception in 1998. Thanks to the hard work and commitment of our staff we have celebrated many successes across the business, and I'm pleased to report excellent progress against all our Key Performance Indicators (see page 4 of the Strategic Report), including increases in profitability, earnings per share and dividend for the year.



During the 12 months to 30 September 2017, Impax delivered significant organic growth with unprecedented levels of inflows across our listed equity strategies, from both Impax labelled products and from those sold by our distribution partners around the world. We have also considerably advanced the fundraising for our private equity infrastructure business.

On 18 September 2017, Impax announced the agreement to acquire Pax World Management LLC ("Pax"). The strategic rationale for combining the two companies is compelling and will create the leading investment manager focused on the transition to a more sustainable global economy. Further details on the acquisition of Pax can be found on pages 9-10 of the Strategic Report.

BOARD COMPOSITION

The Board is responsible for Impax's long-term growth and is accountable to our shareholders for ensuring that the Company is appropriately and effectively managed and governed. During the Period, the Board comprised myself as Non-Executive Chairman, the Chief Executive and four other independent directors, supported by the Group Company Secretary.

During the 12 months to 30 September 2017, Impax has delivered significant organic growth with unprecedented levels of inflows across our listed equity strategies

Our Non-Executive Director group has a diverse mix of skills and experience gained through their many years in senior positions across the investment management industry and the broader global financial services sector. The Non-Executive Directors recognise their duty to present a fair, balanced and understandable assessment of the Group's position and prospects, and to ensure that all our operations and reporting are transparent. The Board reviews and approves the effectiveness of internal controls operated by the Group, including financial, operational and compliance systems and risk management.

Chairman's introduction continued

OUR BUSINESS CULTURE AND STAFF ENGAGEMENT

The Board seeks to lead by example to ensure that Impax's working environment is high-performance while being supportive for staff and compliant with applicable regulations. The Company publishes public statements on its culture and values.

This year the Board supported the executive team's commissioning of a comprehensive staff engagement survey, as outlined in the Strategic Report. 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.

GOVERNANCE AND STRUCTURE

Impax is committed to operating to the highest standards of Board leadership and governance. The Company is not subject to the requirements of the Financial Reporting Council's ("FRC") Corporate Governance Code; however, we aspire to emulate best reporting practices and therefore seek to comply with the Code in so far as is appropriate for the Group's size and complexity.

The Group comprises several subsidiary companies including Impax Asset Management Limited, which oversees the investment activities governed by the MIFID regulations, and Impax Asset Management (AIFM) Limited, which manages funds classified as "alternative" under the European Alternative Investment Fund Managers Directive ("AIFMD"). These subsidiaries have separate boards and I attend these meetings to provide independent oversight. On completion of the acquisition of Pax, Pax will become a division of Impax and will be renamed in due course. Joe Keefe will continue to lead the team, reporting to Ian Simm. Ian Simm and Charlie Ridge, Chief Financial Officer, will join the board of Pax and Joe Keefe is expected to join the boards of Impax Asset Management Limited and Impax Asset Management (AIFM) Limited.

The Board is assisted by two committees, Remuneration and Audit & Risk, which have clearly defined terms of reference. Further details on the structure and role of these committees are provided on page 6. Other tasks, such as nominations and the review of wider governance issues, are addressed during regular Board meetings.

2017 BOARD STRATEGY AND PROGRAMME

The Board held nine formal meetings during the Period, with agendas that were planned to create time for strategic discussion. The Non-Executive Directors also attended an annual strategy day with the executive team which was devoted to consideration of the Company's future priorities. Furthermore, the Board was also extensively involved in the planning and considerations relating to the Pax acquisition. I thank the Non-Executive Directors for all their work in assisting the executive team to assess the merits of the transaction.

OUTLOOK

We continue to see intensifying interest in our services from asset owners seeking exposure to the rapidly growing markets in which Impax invests. Although lower cost, passive investing is gaining traction, there is a strong demand for specialist investment managers offering clearly differentiated products and services. Impax is well placed to deliver long term growth in this environment and the acquisition of Pax will enhance our position.

The Board and the executive team are excited by the many opportunities that lie ahead. We look forward to working with new colleagues to build our global business further with the aim of delivering future value for all our stakeholders.

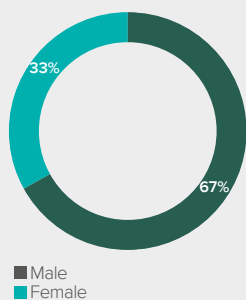
J Keith R Falconer
28 November 2017

Board of Directors

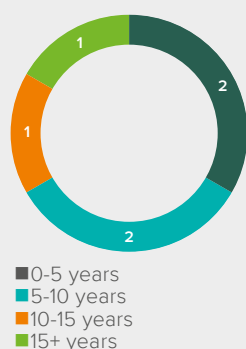


From left to right: Keith Falconer, Lindsey Brace Martinez and Guy de Froment

GENDER DIVERSITY



TENURE



COMMITTEE MEMBERSHIP KEY

- A&R Audit & Risk Committee
- R Remuneration Committee
- Denotes committee chair

KEITH FALCONER Chairman

Joined the board 2004

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.

Director of numerous companies including: Baillie Gifford Japan Trust, Asian Opportunities Absolute Return Fund, Asian Equity Special Opportunities Fund.

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

IAN SIMM Founder and Chief Executive

Joined the board 2001

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.

In 2013 Ian was appointed by the Secretary of State (Senior Minister) for Business, Energy and Industrial Strategy as a member of the Natural Environment Research Council (NERC), the UK's leading funding agency for environmental science.

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

LINDSEY BRACE MARTINEZ Non-Executive Director

R

Joined the board 2015

Lindsey served as a member of the executive team at Cambridge Associates and held multiple roles during her 15-year tenure including, Managing Director of Global Client Service and Relations and Head of Consulting for the firm. Prior to this, Lindsey worked for the Hancock Natural Resource Group and was a consultant at Booz Allen.

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.

Over 25 years' experience in investment advisory, natural resource investments, and management consulting.

Previous roles
and experience

Current external
appointments

Qualifications
and experience



From left to right: Sally Bridgeland, Vincent O'Brien, Zack Wilson and Ian Simm

SALLY BRIDGELAND Non-Executive Director



Joined the board 2015

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 also served as a member of the Pensions Policy Institute, Member of the Investment Council of the National Association of Pension Funds (now PLSA) and as Chair of the Management Board of the Faculty and Institute of Actuaries. Sally was also the first lady Master of the Worshipful Company of Actuaries.

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. Founder and Trustee of Executive Shift. Strategic adviser to Darwin Property. Investment Consultant with Avida International.

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

GUY DE FROMENT' Non-Executive Director



Joined the board 2008

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.

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 HBC 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.

Corporate governance report

for the year ended 30 September 2017

The Company is committed to maintaining good standards of corporate governance. As an AIM quoted company, compliance with the Finance Reporting Council's UK Corporate Governance Code ("the Code") is not mandatory. However the Board of Directors ("the Board") seeks to comply with the principles of the Code in so far as appropriate to the Group's size and complexity. This report describes how the Group has applied the principles throughout the year.

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.

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 page 4 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.

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 Code. Guy de Froment 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. 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.

The Board meets regularly throughout the year. It met nine times in the year ended 30 September 2017 to consider a number of items including strategic development, the acquisition of Pax World Management LLC and to review trading results and operational and business matters.

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.

The Board has carried out a formal evaluation of its own performance and individual Directors which was led by the Chairman. The Board also completed an evaluation of the Chairman's performance which was led by the Senior Independent Director. The evaluations confirmed a high rating for performance.

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.

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.

BOARD COMMITTEES

The Board is assisted by two standing committees which report to it on a regular basis. These committees have clearly defined terms of reference.

Audit and Risk Committee

The Audit and Risk Committee is comprised of the following Non-Executive Directors: Sally Bridgeland (Chairman), Vince O'Brien and Guy de Froment. The Committee has met four times this year.

The Committee's responsibilities include:

- monitoring the integrity of the financial statements and formal announcements relating to the Company's and Group's financial performance;
- reviewing the Group's risk management processes and risk reports;
- monitoring of the internal financial control procedures;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- the implementation of new accounting standards and policies;
- reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process; and
- reporting to the Board on how it has discharged its responsibilities.

KPMG LLP has acted as the auditor of the Group since 2010 when it was appointed following a competitive tender. Richard Hinton is the current audit partner; he first signed the audit report for the year ended 30 September 2015 and ethical standard would require him to rotate off following the audit of the year ending 30 September 2019.

Details of fees paid to the Company's auditor are shown in note 5 to the financial statements. Total fees paid for non-audit services were £301,000 the majority of which was £241,000 for due diligence in relation to acquisition of Pax World Management LLC. Other non-audit fees included tax compliance. Non-audit fees as a percentage of total fees paid were 75 per cent. Quotes were received from other firms in relation to due diligence work and the audit committee concluded that the KPMG proposal provided the best service. In the opinion of the Board, none of the non-audit services provided caused any concern as to the auditor's independence or objectivity. To ensure that the independence and objectivity of the auditor is maintained, the Committee monitors the scope of all work performed.

Remuneration Committee

The Remuneration Committee is comprised of the four Non-Executive Directors: Vince O'Brien (Chairman), Sally Bridgeland, Lindsey Brace Martinez and Guy de Froment. The Committee has met three times this year.

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. The Remuneration Committee responds to this requirement in the way that meets the best interests of shareholders. Further details regarding the remuneration policy and payments made can be found in the Remuneration Report on page 10.

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 page 26 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.

Directors' report

For the year ended 30 September 2017

DIVIDENDS

The Directors propose a final dividend of 2.2 pence per share (2016: 1.6 pence) which together with the interim dividend of 0.7 pence per share (2016: 0.5 pence) already declared and paid, makes a total for the year ended 30 September 2017 of 2.9 pence per share (2016: 2.1 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 2018.

The final dividend for the year ended 30 September 2016 was paid on 17 March 2017, being 1.6 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 £1,855,916. The interim dividend of 0.7 pence for the year ended 30 September 2017 was paid on 23 June 2017 and totalled £815,813. These payments are reflected in the statements of changes in equity.

SHARES

The Impax Asset Management Group plc Employee Benefit Trust 2012 ("EBT 2012") made market purchases of 1,466,493 of the Company's shares during the year and satisfied option exercises in respect of 3,845,000 shares. The Directors expect that future options exercises will primarily be satisfied by the EBT 2012.

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 2017 and 30 September 2016 were:

	30 September 2017	30 September 2016
Keith Falconer ¹	10,489,290	10,489,290
Ian Simm ¹	9,486,002	9,486,002
Vince O'Brien	110,000	110,000
Guy de Froment	—	—
Sally Bridgeland	—	—
Lindsey Brace Martinez	—	—

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 2017.

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

Ian Simm also has been granted options over the Company's Ordinary Shares as shown in the table below.

Year granted	Options held	Exercise price	Earliest to exercise date	Latest to exercise date
2011	450,000	49.6p	01/01/15	31/12/17
2012	100,000	37.6p	01/01/16	31/12/18
2013	100,000	47.9p	01/01/17	31/12/19
2014	100,000	56.9p	01/01/18 ¹	31/12/20

¹ The options will only vest subject to continuous employment to this date

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 30 November 2017:

	Number	Percentage
BNP Paribas Asset Management Holding	31,920,000	24.9
Impax Asset Management Group plc Employee Benefit Trust 2012	13,296,059	10.4
J Keith R Falconer ¹	10,489,290	8.2
Ian R Simm ¹	9,486,002	7.4
Hargreave Hale Limited	7,302,500	5.7
Bruce Jenkyn-Jones ²	5,483,310	4.3
Asset Management One	5,474,955	4.3
Rathbone Investment Managers	5,435,265	4.3

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 1,438,273 shares directly.

RISK

A description of the key risks facing the Group and policies and procedures in place to monitor or mitigate the risk including the use of hedging instruments is provided on page 26 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 2017 were 31 (2016: 37).

CHARITABLE DONATIONS

The Group operates a scheme whereby it matches donations made by employees to their own chosen charities. During the year the Group made total donations of £4,459 under this scheme.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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 International Financial Reporting Standards as adopted by the EU ("IFRS") 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 judgments 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 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 necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or

error and they 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 responsible for preparing a Strategic Report and Directors' report that complies with the law and regulations.

AUDITORS

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 auditors are 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
28 November 2017

Registered office:
Norfolk House
31 St James's Square
London SW1Y 4JR

Remuneration report

For the year ended 30 September 2017

POLICY ON CHIEF EXECUTIVE AND SENIOR EMPLOYEES' REMUNERATION

The remuneration and terms and conditions of service of the Chief Executive and senior employees are determined by the Board, based on recommendations made by the Remuneration Committee.

For the year ended 30 September 2017 there are potentially four 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 payments. Aggregate variable remuneration across the Group will typically be capped at 45 per cent of operating earnings before variable remuneration, interest and taxes. As the Group's profitability increases, this percentage is likely to fall in line with market norms.

(A) Cash bonus

The cash bonus is determined based on the profitability of the relevant area where the employee works and on the individual's personal performance.

(B) Share-based awards

The Group has awarded 3,050,000 restricted shares under the Groups' Restricted Share Plan ("RSS") in respect of services during the Period. The Board has also approved the award of a further 675,000 Restricted Shares and 1,300,000 options under the Group's Employee Share Option Plan ("ESOP") for services during the Period. The award of these shares and options will be communicated to employees and granted to them following announcement of results for the year ended 30 September 2017.

Under the RSS, shares awarded to employees are initially held by a nominee and they only gain unfettered access to the shares after a three, four and five year period (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 awards made under the 2017 ESOP will have an exercise price set at a 10 per cent premium to the average share price of the five business days following the announcement of results for the year ended 30 September 2017. They will vest subject to continued employment to 31 December 2020.

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) as more fully described in note 7 to the financial statements.

(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.

In addition the Chief Executive and certain senior employees have been awarded interests in the Impax Carried Interest Partner LP and Impax Carried Interest Partner II LP. These partnerships will receive payments from the Group's private equity funds depending on the fund's performance. No such payments were made during the year. The amounts will be accounted for at the point they become payable.

DIRECTORS' REMUNERATION DURING THE YEAR

Details of each Director's remuneration are shown below.

	Fees/salary £	Benefits in kind £	Bonus £	2017 Total £	2016 Total £
Keith Falconer	67,500	—	—	67,500	65,000
Ian Simm	246,169	6,377	600,000	852,546	451,953
Guy de Froment	30,000	—	—	30,000	30,000
Vince O'Brien	37,500	—	—	37,500	31,667
Sally Bridgeland	37,500	—	—	37,500	31,667
Lindsey Brace Martinez	39,237	—	—	39,237	33,135
	457,906	6,377	600,000	1,064,283	643,422

The Company paid £nil to Lindsey Brace Martinez during the year for consultancy services provided (2016: £3,373). The Company has contracted with Lindsey Brace Martinez to provide consultancy services for the period from 25 September 2017 to 19 January 2018 at a cost of US\$100,000.

The above disclosure does not include any options or restricted shares that may be awarded to Ian Simm pursuant to the 2017 ESOP or the 2017 RSS in respect of service for the year ended 30 September 2017.

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.

By order of the Board

Vince O'Brien
Chairman, Remuneration Committee
28 November 2017

Independent auditor's report

To the members of Impax Asset Management Group plc

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 2017 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 29.

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 2017 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 Company 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:	£308,000 (2016: £405,000)
Group financial statements as a whole	5% (2016: 7.5%) of Group profit before tax

Risks of material misstatements: vs 2016

Recurring risks	Valuation of investments	◀ ▶
	Investments in subsidiary undertakings	◀ ▶

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

Key audit matters are those matters that, in our professional judgment, 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 (unchanged from 2016):

	The risk	Our response
Valuation of unlisted investments: £1,067,000 (2016: £1,568,000) Refer to page 38 (accounting policy) and page 29 (financial disclosures)	Subjective valuation: The unlisted investment balance is made up of private equity fund investments (£628,000) and investment in an unlisted entity (£439,000). There is a high degree of judgement and assumption involved in setting the auction headline price and assessing the discount to bids received for the investments in private equity funds. The fair value of the investment in an unlisted entity is determined on the price of the latest fair market transaction in the unlisted entity. Judgement is involved in assessing any subsequent changes in price.	Our procedures included: Methodology choice: <ul style="list-style-type: none"> We assessed the reasonableness of the valuation methodology used Test of details: <ul style="list-style-type: none"> We obtained the bid documents to agree existence of investments in the process of being marketed. For a sample of investments, we inspected the external offers received, and assessed the reasonableness of discount due to selling costs, finance debt or bid discount We obtained board minutes and an independent valuation of the unlisted entity and we compared the fair value of the unlisted entity against the latest market transaction entered into by the unlisted entity Assessing bidders credentials: <ul style="list-style-type: none"> We assessed the reliability and credit worthiness of the bidder through independent research Assessing transparency: <ul style="list-style-type: none"> We considered the adequacy of the group's disclosures on the valuation technique used
Recoverability of parent company's investment in subsidiaries: £21,178,000 (2016: £22,228,000) Refer to page 39 (accounting policy) and page 44 (financial disclosures)	Low risk, high value: The carrying amount of the parent company's investments in subsidiaries represents 63% (2016: 72%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However due to their materiality 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.	Our procedures included: Test of detail: <ul style="list-style-type: none"> We compared the carrying amount of investment balances to reciprocal equity holdings in the respective subsidiary's trial balance to identify their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount Assessing subsidiary auditors: <ul style="list-style-type: none"> Assessed the work performed by the subsidiary audit team on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets in due course of the Group's normal audit Assessing transparency: <ul style="list-style-type: none"> We considered the adequacy of the Company's disclosure in respect of investments in subsidiary undertakings held at cost less any impairment

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 £308,000 (2016: £405,000), determined with reference to a benchmark of Group profit before taxation, of which it represents 5% (2016: 7.5%) reflecting industry consensus.

Materiality for the parent company financial statements as a whole was set at £307,000 (2016: £405,000), based on component materiality. This is lower than the materiality we would otherwise have determined with reference to a benchmark of total assets, and represents 1% (2016: 1%) of this benchmark.

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £15,000 (2016: £20,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using materiality level set out above.

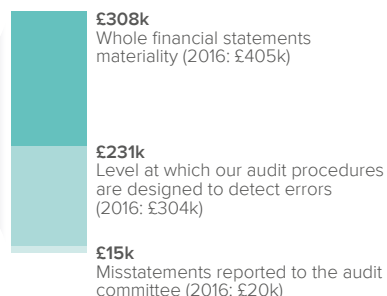
Group Profit before tax

£5.9m (2016: £5.2m)



Group Materiality

£308k (2016: £405k)



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 and Directors' reports;
- 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.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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.

Richard Hinton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London
28 November 2017

Consolidated income statement

For the year ended 30 September 2017

	Notes	2017 £000	2016 £000
Revenue	4	32,694	21,067
Operating costs	5	(24,809)	(16,915)
(Charges)/credits related to legacy long-term incentive schemes	8	(653)	27
Exceptional acquisition costs	27	(999)	–
Fair value (losses)/gains on investments and other financial (expense)/income	9	(605)	989
Investment income	10	464	319
Change in third-party interests in consolidated funds	11	(239)	(288)
Profit before taxation		5,853	5,199
Taxation	12	1,814	(1,022)
Profit after taxation		7,667	4,177
Earnings per share			
Basic	13	6.48p	3.62p
Diluted	13	6.24p	3.62p
Dividends per share			
Interim dividend paid and final dividend proposed for the year	14	2.9p	2.1p

Consolidated statement of comprehensive income

For the year ended 30 September 2017

	Notes	2017 £000	2016 £000
Profit for the year		7,667	4,177
Increase/(decrease) in valuation of cash flow hedges		157	(193)
Tax on change in valuation of cash flow hedges		(25)	38
Tax credit on long-term incentive schemes		2,540	–
Exchange differences on translation of foreign operations		(44)	87
Total other comprehensive income		2,628	(68)
Total comprehensive income for the year attributable to equity holders of the Parent Company		10,295	4,109

With the exception of the tax credit on long-term incentive schemes 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.

The notes on pages 20 to 40 form part of these financial statements.

Consolidated statement of financial position

As at 30 September 2017

Company No: 03262305

		2017		2016	
	Notes	£000	£000	£000	£000
Assets					
Goodwill	15	1,681		1,681	
Intangible assets		17		61	
Property, plant and equipment	16	461		108	
Investments		3		14	
Deferred tax assets	12	1,947		—	
Total non-current assets			4,109		1,864
Trade and other receivables	17	11,202		6,931	
Derivative asset		227		—	
Investments	18	13,010		12,811	
Current tax asset		2,720		—	
Margin account		303		378	
Cash invested in money market funds and long-term deposit accounts	20	7,780		12,891	
Cash and cash equivalents	20	12,932		2,804	
Total current assets			48,174		35,815
Total assets			52,283		37,679
Equity and liabilities					
Ordinary shares	23	1,277		1,277	
Share premium		4,093		4,093	
Exchange translation reserve		(198)		(154)	
Hedging reserve		16		(116)	
Retained earnings		30,456		21,645	
Total equity			35,644		26,745
Trade and other payables	21	11,270		5,473	
Third-party interest in consolidated funds	22	4,846		2,125	
Derivative liability		12		265	
Current tax liability		180		2,135	
Total current liabilities			16,308		9,998
Accruals		331		180	
Deferred tax liability	12	—		756	
Total non-current liabilities			331		936
Total equity and liabilities			52,283		37,679

Authorised for issue and approved by the Board on 28 November 2017. The notes on pages 20 to 40 form part of these financial statements.

Ian R Simm
Chief Executive

Consolidated statement of changes in equity

For the year ended 30 September 2017

	Note	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 October 2015		1,277	4,093	(241)	39	20,759	25,927
Transactions with owners							
Dividends paid	14	—	—	—	—	(2,462)	(2,462)
Acquisition of own shares	24	—	—	—	—	(1,547)	(1,547)
Award of shares on option exercise		—	—	—	—	166	166
Long-term incentive scheme charge		—	—	—	—	552	552
Profit for the year		—	—	—	—	(3,291)	(3,291)
Other comprehensive income						4,177	4,177
Cash flow hedge		—	—	—	(193)	—	(193)
Tax on change in valuation of cash flow hedges		—	—	—	38	—	38
Exchange differences on translation of foreign operations		—	—	87	—	—	87
		—	—	87	(155)	4,177	4,109
Balance at 30 September 2016		1,277	4,093	(154)	(116)	21,645	26,745
Transactions with owners							
Dividends paid	14	—	—	—	—	(2,672)	(2,672)
Acquisition of own shares	24	—	—	—	—	(950)	(950)
Award of shares on option exercise		—	—	—	—	1,096	1,096
Long-term incentive scheme charge		—	—	—	—	1,130	1,130
Profit for the year		—	—	—	—	(1,396)	(1,396)
Other comprehensive income						7,667	7,667
Cash flow hedge		—	—	—	157	—	157
Tax on change in valuation of cash flow hedges		—	—	—	(25)	—	(25)
Tax credit on long-term incentive schemes		—	—	—	—	2,540	2,540
Exchange differences on translation of foreign operations		—	—	(44)	—	—	(44)
		—	—	(44)	132	10,207	10,295
Balance at 30 September 2017		1,277	4,093	(198)	16	30,456	35,644

The notes on pages 20 to 40 form part of these financial statements.

Consolidated cash flow statement

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Operating activities			
Profit before taxation		5,853	5,199
Adjustments for:			
Investment income	10	(464)	(319)
Depreciation and amortisation		167	198
Fair value losses		52	(1,180)
Share-based payment charge	7	1,130	512
Charge/(credits) related to legacy long-term incentive schemes		653	(27)
Change in third-party interests in consolidated funds		239	288
Operating cash flows before movement in working capital		7,630	4,671
Increase in receivables		(4,271)	(2,139)
Decrease/(increase) in margin account		75	(203)
Increase in payables		4,950	802
Cash generated from operations		8,384	3,131
Corporation tax paid		(3,070)	(815)
Net cash generated from operating activities		5,314	2,316
Investing activities			
Investment income received		639	329
Settlement of investment related hedges		(1,460)	(1,990)
Net distributions/redemptions made to Impax by unconsolidated Impax managed funds		455	2,329
Net investment disposals/(investments made) from consolidated funds*		658	(4,549)
Decrease in cash held in money market funds and long-term deposit accounts		5,111	4,262
Acquisition of property plant & equipment and intangible assets		(367)	(109)
Net cash generated by investing activities		5,036	272
Financing activities			
Dividends paid		(2,672)	(2,462)
Acquisition of own shares	24	(950)	(1,547)
Cash received on exercise of Impax share options		1,096	166
Investments made by third-party investors in consolidated funds*		2,482	1,693
Net cash used in financing activities		(44)	(2,150)
Net increase in cash and cash equivalents		10,306	438
Cash and cash equivalents at beginning of year		2,804	2,364
Effect of foreign exchange rate changes		(178)	2
Cash and cash equivalents at end of year	20	12,932	2,804

* 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. However, the Group considers its total cash reserves to include these amounts. Cash held by consolidated funds 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	2,804	10,306	(178)	12,932
Cash invested in money market funds and long-term deposit accounts	12,891	(5,111)	-	7,780
Cash held by consolidated funds	(292)	(53)	(3)	(348)
Total Group cash reserves	15,403	5,142	(181)	20,364

Notes to the financial statements

For the year ended 30 September 2017

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 41 to 49.

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 29.

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.

– *Determining the value of unlisted investments (see note 18)*

A number of accounting estimates and judgements are incorporated within current asset investments in respect of the valuation of unlisted investments including the investment in Impax New Energy Investors LP which is subject to significant uncertainty. The methodology used is described in note 18.

– *Consolidation of managed funds*

In determining whether managed funds should be consolidated key judgements include whether returns received by the Group constitute an ownership interest and as to whether the Group controls the fund.

– *Determining the share-based payment charge (see note 7)*

In determining the value of share-based payments, key judgements include the volatility of Impax shares, Impax’s dividend yield and the risk free rate.

– *Determining the value of NIC payments due in respect of share schemes (see note 8)*

In determining the value of amounts that will be payable in respect of National Insurance Contribution (“NIC”) payments in respect of the Group’s share schemes the key estimates are the price of the shares at the date when NIC becomes payable and the NIC rate prevalent at that date. The Group uses the share price at the statement of financial position date as its estimate.

– *Determining the value of deferred tax assets for future tax deductions in respect of share-based payment charges (see note 12)*

A share-based payment charge and associated NIC charge are recorded in the current year. Tax deductions in respect of these will only be available in future years when the individual exercises options or when the restrictions over restricted share awards lapse and accordingly the Group will recognise a corresponding deferred tax asset. In determining the size of the deferred tax asset the key judgements are the price of the shares at the date when the tax or NIC becomes payable and the tax and NIC rates prevalent at that date. The Group uses the price and rates enacted at the statement of financial position date as its estimate.

– *Impairment of goodwill (see note 15)*

Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment and when events or circumstances arise that indicate that the carrying value may not be recoverable. In determining if goodwill is impaired, the Group determines the recoverable amount of its cash-generating units (“CGUs”) by applying a discounted cash flow model.

– *Taxation of fees received from private equity funds (see note 12)*

The Group receives income from private equity funds. Taxation of this area is subject to uncertainty, dependent on future events and subject to agreement with the relevant authorities.

4 ANALYSIS OF REVENUE AND ASSETS

Revenue

See accounting policy at note 29 (C) and note 29 (L)

The Group's main source of revenue is investment management and advisory fees. No performance fees were earned in the current or prior year. 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.

Analysis of revenue by type of service:

	2017 £000	2016 £000
Investment management and advisory	32,474	20,599
Transaction fees	220	468
	32,694	21,067

Analysis of revenue by the location of customers:

	2017 £000	2016 £000
UK	11,190	8,091
Rest of the world	21,504	12,976
	32,694	21,067

Analysis of "rest of the world" customer location:

	2017 £000	2016 £000
Ireland	1,694	1,711
France	6,720	4,022
Luxembourg	5,554	2,756
Netherlands	2,094	1,566
North America	4,611	2,133
Other	831	788
	21,504	12,976

Revenue from three of the Group's customers individually represented more than 10% of Group revenue, equating to £5,243,000, £4,275,000 and £3,428,000 (2016: three, equating to £3,644,000, £3,267,000 and £3,003,000).

Revenue includes £32,654,000 (2016: £21,034,000) from related parties.

Assets

All material non-current assets, excluding deferred tax assets and financial instruments, are located in the UK.

Notes to the financial statements continued

For the year ended 30 September 2017

5 OPERATING COSTS

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

See accounting policy at note 29 (D) for leases and note 29 (E) for placement fees.

	2017 £000	2016 £000
Staff costs (note 6)	19,441	12,640
Premises costs	1,171	1,061
IT and communications	1,311	1,008
Depreciation and amortisation	167	198
Other costs	2,719	2,008
	24,809	16,915

As described in note 18 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.

	2017 £000	2016 £000
Operating costs of operating entities of the Group	24,608	16,705
Operating costs of consolidated funds	201	210
	24,809	16,915

Other costs includes £400,000 (2016: £131,000) paid to the Group's auditors which is analysed below:

	2017 £000	2016 £000
Audit of the Group's Parent Company and consolidated financial statements	46	44
Audit of subsidiary undertakings	53	51
Tax compliance	21	21
Other non-audit services	280	15
	400	131

6 STAFF COSTS AND EMPLOYEES

	2017 £000	2016 £000
Salaries and variable bonuses	13,397	9,523
Social security costs	3,167	1,207
Pensions	413	416
Share-based payment charge (see note 7)	1,130	512
Other staff costs	1,334	982
	19,441	12,640

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 29(F)

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 £34,000 (2016: £37,000) 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 £4,632,161 with £481,356 of share-based payments (2016: £3,082,047 and £241,654 of share-based payments).

Employees

The average number of persons (excluding Non-Executive Directors and including temporary staff), employed during the year was 73 (2016: 69).

	2017 No.	2016 No.
Listed Equity	24	23
Private Equity	12	12
Marketing	16	15
Group	21	19
	73	69

7 SHARE-BASED PAYMENT CHARGES

See accounting policy at note 29 (G)

The total expense recognised for the year arising from share-based payment transactions was £1,130,000 (2016: £512,000). The charges arose in respect of the Group's Restricted Share Scheme ("RSS") and the Group's Employee Share Option Plan ("ESOP") which are described below. 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 were granted to employees under the 2014, 2015 and 2017 plans. Details of the awards granted along with their valuation and the inputs used in the valuation are described in the table below. In November 2017 the Board also approved the grant of a further 675,000 restricted shares under the 2017 plan. 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 of 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
Awards originally granted	1,250,000	3,140,000/1,000,000	2,550,000/500,000/ 675,000
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
Award value	49.9p	42.1p/41.5p	52.2p/87.7p/142.3p
Weighted average share price on grant	52.5p	41.4p	74.0p
Expected volatility	32%	32%/31%	29%/29%/29%
Weighted average option life	5.3yrs	4.9yrs	4.1yrs
Expected dividend rate	3%	3%	4%/2%/2%
Risk free interest rate	1.2%	1.2%/0.8%	0.6%/0.6%/0.6%

Restricted shares outstanding

	2017
Outstanding at 1 October 2016	4,890,000
Granted during the year	3,050,000
Outstanding at 30 September 2017	7,940,000

Notes to the financial statements continued

For the year ended 30 September 2017

7 SHARE-BASED PAYMENT CHARGES CONTINUED

Employee share option plan

Under this Plan options over the Company's shares were granted to employees between 2011 and 2015. 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 ESOP: five business days) following the announcement of the results for each of the respective preceding financial years. The 2011-2013 ESOP options have vested. The 2014 and 2015 options do not have performance conditions but do have a time vesting condition such that they vest subject to continued employment on 31 December 2017.

In November 2017 the Board also approved the grant of a further 1,300,000 options in respect of services provided from 1 October 2016.

The valuations of these options was determined using the Black-Scholes-Merton 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 2016	17,409,500	35.5
Options granted	100,000	45.4
Options forfeited	(200,000)	49.6
Options exercised	(3,845,000)	28.1
Options expired	—	—
Options outstanding at 30 September 2017	13,464,500	37.5
Options exercisable at 30 September 2017	9,210,500	31.0

The exercise prices for the options outstanding at the end of the period were 0/1p for the LTIP 49.6p for the ESOP 2011, 37.6p for the ESOP 2012, 47.9p/54.0p for the ESOP 2013, 56.9p for the ESOP 2014 and 45.4p for the ESOP 2015. The weighted average remaining contractual life was 2.33 years.

8 (CHARGES)/CREDITS RELATED TO LEGACY LONG-TERM INCENTIVE SCHEMES

	2017 £000	2016 £000
LTIP NIC (charge)	(421)	(3)
LTIP additional payment (charge)/credit	(232)	55
Advisory fees incurred on EBT settlement	—	(25)
	(653)	27

Long-Term Incentive Plan ("LTIP") NIC charge

The Group made option awards under its LTIP plan in 2011. These awards vested in 2012 but 2,969,500 remained outstanding at 30 September 2017. The Group pays an Employers NIC charge when individuals exercise their options and accordingly accrues for the estimated amount that would be payable on exercise using the year end share price. The amount accrued therefore varies from period to period in line with the Company's share price with any adjustment recorded through the income statement.

LTIP additional payments

Individuals who received LTIP options have earned a retention payment which is payable after the end of the financial year in which each employee exercises his or her LTIP options. The payments are equal to the corporation tax benefit realised by the Group on the exercise of the LTIP options minus the amount of the Employers NIC suffered by the Group on the exercise of the LTIP options. No payments were made during the year leaving £413,000 accrued at the year end.

9 FAIR VALUE GAIN ON INVESTMENTS AND OTHER FINANCIAL (EXPENSE)/INCOME

Fair value losses for the year were £52,000 (2016: £1,180,000 gain) and 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 18) and any gains or losses arising on related hedge instruments held by the Group. The loss is comprised of £760,000 of unrealised gains and £812,000 of realised losses (2016: £3,169,000 and £1,989,000 respectively). Other financial expense of £553,000 represents foreign exchange losses (2016: £191,000 foreign exchange loss).

10 INVESTMENT INCOME

See accounting policy at note 29 (H)

	2017 £000	2016 £000
Interest	64	100
Other investment income	400	219
	464	319

11 THIRD-PARTY INVESTOR'S SHARE OF CONSOLIDATED FUNDS

See accounting policy regarding consolidation at note 29 (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.

12 TAXATION

See accounting policy at note 29 (I)

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).

	2017 £000	2016 £000
(a) Analysis of charge for the year		
Current tax (credit)/expense:		
UK corporation tax	–	2,226
Foreign taxes	432	108
Adjustment in respect of historical tax charges	(2,038)	347
Total current tax	(1,606)	2,681
Deferred tax (credit)/expense:		
Charge for the year	167	(1,253)
Adjustment in respect of historical tax charges	(375)	(406)
Total deferred tax	(208)	(1,659)
Total income tax expense	(1,814)	1,022

A tax credit of £2,540,000 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 weighted average tax rate for the year is 19.5 per cent. The tax assessment for the period is lower than this rate (2016: lower). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	5,853	5,199
Effective tax charge at 19.5% (2016: 20%)	1,141	1,040
Effects of:		
Increase in tax deductions re: share awards from share price increases	(462)	–
Non-taxable income	(475)	–
Non-deductible expenses and charges	200	24
Adjustment in respect of historical tax charges	(2,413)	(59)
Effect of higher tax rates in foreign jurisdictions	183	59
Change in UK tax rates	12	(42)
Total income tax expense	(1,814)	1,022

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

Notes to the financial statements continued

For the year ended 30 September 2017

12 TAXATION CONTINUED

(c) Deferred tax

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

	Accelerated capital allowances £000	Income not yet taxable £000	Share-based payment scheme £000	Other temporary differences £000	Total £000
As at 1 October 2015	41	(2,936)	584	74	(2,237)
Credit to equity	—	—	—	38	38
Exchange differences on consolidation	—	(216)	—	—	(216)
Credit/(charge) to the income statement	3	2,112	77	(533)	1,659
As at 30 September 2016	44	(1,040)	661	(421)	(756)
Credit/(charge) to equity	—	—	2,540	(26)	2,514
Exchange differences on consolidation	—	(19)	—	—	(19)
Credit/(charge) to the income statement	(35)	(601)	386	458	208
As at 30 September 2017	9	(1,660)	3,587	11	1,947

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 30 September 2017 has been calculated using this rate.

13 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").

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

	Earnings for the year £000	Shares £000	Earnings per share £000
2017			
Basic	7,206	111,251	6.48p
Diluted	7,206	115,397	6.24p
2016			
Basic	4,043	111,794	3.62p
Diluted	4,177	114,399	3.62p

Earnings are reduced by £461,000 for the year ended 30 September 2017 to reflect the profit attributable to holders of restricted shares, which are treated as contingently returnable shares.

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

	2017 000	2016 000
Issued share capital	127,749	127,749
Less own shares held not allocated to vested LTIP options	(16,498)	(15,955)
Weighted average number of ordinary shares used in the calculation of basic EPS	111,251	111,794
Additional dilutive shares re share schemes	10,495	10,690
Adjustment to reflect option exercise proceeds and future service from employees receiving awards	(6,349)	(8,085)
Weighted average number of ordinary shares used in the calculation of diluted EPS	115,397	114,399

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

14 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

	2017 pence	2016 pence
Interim dividend declared per share	0.7	0.5
Final dividend proposed per share	2.2	1.6
Total	2.9	2.1

The proposed final dividend of 2.2p will be submitted for formal approval at the Annual General Meeting to be held on 2 March 2018. No special dividend is proposed for payment in respect of the current year. Based on the number of shares in issue at the year end and excluding own shares held the total amount payable for the final dividend would be £2,676,000.

Dividends paid in the year

	2017 £000	2016 £000
Prior year final dividend 1.6p, 1.2p	1,856	1,344
Prior year special dividend 0p, 0.5p	–	561
Interim dividend 0.7p, 0.5p	816	557
	2,672	2,462

15 GOODWILL

See accounting policy at note 29 (J)

	Goodwill £000
Cost	
At 30 September 2016 and 30 September 2017	1,681

The goodwill balance within the Group arose from the acquisition of Impax Capital Limited on 18 June 2001 (Listed Equity operating segment) and the acquisition of a Property fund management business in 2014 (Property operating segment), with a further addition recorded in 2015.

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 2018, which was approved by the Directors in October 2017 and thereafter using a growth rate of 2 per cent for revenue and 5 per cent for costs. 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 post-tax discount rate of 11 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.

There has been no impairment of goodwill 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.

Notes to the financial statements continued

For the year ended 30 September 2017

16 PROPERTY, PLANT AND EQUIPMENT

See accounting policy at note 29 (K)

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 2015	713	593	1,306
Additions	–	71	71
As at 30 September 2016	713	664	1,377
Additions	191	252	443
Disposals	–	(12)	(12)
As at 30 September 2017	904	904	1,808
Accumulated depreciation			
As at 1 October 2015	609	512	1,121
Charge for the year	95	53	148
As at 30 September 2016	704	565	1,269
Charge for the year	8	82	90
Disposals	–	(12)	(12)
As at 30 September 2017	712	635	1,347
Net book value			
As at 30 September 2017	192	269	461
As at 30 September 2016	9	99	108
As at 30 September 2015	104	81	185

17 TRADE AND OTHER RECEIVABLES

See accounting policy at note 29 (L)

	2017 £000	2016 £000
Trade receivables	1,550	283
Other receivables	1,152	1,997
Prepayments and accrued income	8,500	4,651
	11,202	6,931

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

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

	2017 £000	2016 £000
0-30 days	768	51
Past due but not impaired:		
31-60 days	95	42
61-90 days	687	190
	1,550	283

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.

£8,994,000 of trade and other receivables and accrued income were due from related parties (2016: £6,370,000).
£523,000 included in other receivables was due from non-consolidated sub funds of the EBT 2004 (2016: £523,000).

18 CURRENT ASSET INVESTMENTS

See accounting policy at note 29 (M)

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 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 29 (A).

	Unlisted investments £000	Listed investments £000	Total £000
At 1 October 2015	3,329	4,090	7,419
Additions	116	7,216	7,332
Fair value movements	566	2,604	3,170
Repayments/disposals	(2,443)	(2,667)	(5,110)
At 30 September 2016	1,568	11,243	12,811
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	11,943	13,010

Listed investments

Impax Environmental Leaders Fund (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 has consolidated this Fund with its underlying investments included in listed investment in the table above.

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. The Group's investment represented more than 50 per cent of IGEO's Net Asset Value from the date of launch to 30 September 2017 and the fund has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

Impax Food and Agriculture Fund (consolidated)

On 1 December 2012 the Group launched the Impax Food and Agriculture Fund ("IFAF") and invested £2,000,000 from its own resources into the fund. The Group redeemed its investment in the Fund in 2017 for £3,380,000.

Unlisted investments

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 1.83 per cent respectively of these funds. Further details of the Group's commitments to these partnerships are disclosed in note 25.

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 £614,000. The majority of these 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 1.83 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 £14,000 at the reporting date. The Group has a commitment to invest up to €4,000,000 into this partnership.

Notes to the financial statements continued

For the year ended 30 September 2017

18 CURRENT ASSET INVESTMENTS CONTINUED

Ensyn Corporation (not consolidated)

The Group has an investment in the Ensyn Corporation which is recorded at a fair market value of £439,000. The valuation is determined on the price of the latest fair market transaction in this entity.

The unlisted investments include £628,000 in related parties of the Group (2016: £1,114,000).

Hierarchical classification of investments

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 1 October 2016	11,243	–	1,568	12,811
Additions	4,977	–	14	4,991
Fair value movements	1,358	–	(57)	1,301
Repayments/disposals	(5,635)	–	(458)	(6,093)
At 30 September 2017	11,943	–	1,067	13,010

There were no movements between any of the levels in the year.

Market risk and investment hedges

See accounting policy for derivatives at note 29 (N)

The investment in the IGEO and IEL funds at 30 September 2017 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.

19 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

See accounting policy at note 29 (A) and note 29 (U)

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 Report. 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 2017 AUM managed within unconsolidated structured entities was £6.9 billion (2016: £4.4 billion) and within consolidated structured entities was £12.2 million (2016: £11.6 million).

£31,794,000 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:

	2017 £000	2016 £000
Management fees receivable (including accrued income)	7,072	4,070
Investments	628	1,114
	7,700	5,184

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 18.

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

See accounting policy for cash at note 29 (O)

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 available to the Group so is not included in cash reserves. A reconciliation is shown below:

	2017 £000	2016 £000
Cash and cash equivalents	12,932	2,804
Cash invested in money market funds and long-term deposit accounts	7,780	12,891
Less cash and cash equivalents held by consolidated funds	(348)	(292)
Cash reserves	20,364	15,403

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 0.4 per cent (2016: 0.6 per cent). A 0.5 per cent increase in interest rates would have increased Group profit after tax by £89,000 (2016: £86,000). An equal change in the opposite direction would have decreased profit after tax by £89,000 (2016: £86,000).

The credit risk regarding cash balances of the operating entities of the Group is spread by holding parts of the balance with RBS, Lloyds and Barclays (with Standard & Poor's credit rating 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 AAAM).

21 TRADE AND OTHER PAYABLES

See accounting policy at note 29 (P)

	2017 £000	2016 £000
Trade payables	260	96
Taxation and other social security	2,246	416
Other payables	269	258
Accruals and deferred income	8,495	4,703
	11,270	5,473

The most significant accruals at the year end relate to bonuses.

22 THIRD-PARTY INTEREST IN CONSOLIDATED FUNDS

	2017 £000	2016 £000
At fair value	4,846	2,125

Third-party interest in consolidated funds represents the net assets of the consolidated funds IGEO and IEL which are not attributable to the Group. As described in note 18, IGEO and IEL are subsidiaries of the Group and their net assets and operating results are consolidated into the Group's results at year end. At 30 September 2017 the Group's interest in IGEO is 98.9 per cent (2016: 98.6%) and in IEL 49.2 per cent (2016: 67.3 per cent). This balance is classified as Level 1 for the hierarchical classification purposes of IFRS 13. In 2016, the Group's third party interest in funds also included IFAF, which was redeemed during the year.

23 ORDINARY SHARES

See accounting policy at note 29 (Q)

	2017 £000	2016 £000
127,749,098 ordinary shares of 1p each	1,277	1,277

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For the year ended 30 September 2017

24 OWN SHARES

See accounting policy at note 28 (R)

	Own shares Number	Own shares £000
At 1 October 2015	18,292,620	5,791
Satisfaction of option exercises	(503,000)	(207)
EBT 2012 purchases	3,598,219	1,547
At 30 September 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

Included within own shares are 7,940,000 shares held in a nominee account in respect of the RSS as described in note 7.

25 FINANCIAL COMMITMENTS

At 30 September 2017 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages

- €203,000 (2016: €203,000) into INEI; this amount could be called on in the period to 17 August 2018;
- €672,000 (2016: €1,103,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €4,000,000 into INEI III; this amount could be called on in the period to 31 December 2026.

At 30 September 2017 the Group has committed to the acquisition of Pax World Management LLC, subject to certain closing conditions. The acquisition is expected to complete in early 2018. See note 27 for further information.

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

	Offices		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	142	431	16	11
Between one and five years	3,914	282	31	42
Later than five years	5,030	–	–	–
	9,086	713	47	53

The material operating lease for 2016 was for office space at Norfolk House, 31 St James's Square, London SW1Y 4JR. The lease expires 13 December 2017.

The material operating lease for 2017 is for office space at 7th Floor, 30 Panton Street London SW1Y 4AJ. The lease is for ten years expiring 30 June 2027.

26 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 20). 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 17.

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. A significant amount of the Group's income is denominated in Euros and US dollars. The Group's foreign exchange risk arises from income received in these currencies, together with an exposure to expenses in foreign currencies, principally US dollars and from cash and investments held in Euros and US Dollars.

The strategy of the Group for the year ended 30 September 2017 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 2017, as well as January and April 2018. The fair value of these instruments at 30 September 2017 was £13,000 which is recognised in equity. £144,000 was reclassified from equity to the income statement during the year on maturity of the hedges. The Group also holds US dollars at 30 Sept 2017 to cover the consideration for Pax World Management LLC that will be funded from cash reserves (see note 27).

The Group's exposure to foreign exchange rate risk, including that arising from consolidated funds, at 30 September 2017 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Non-current asset investments	17	–	–
Current asset investments	3,099	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 Group's exposure to foreign exchange rate risk at 30 September 2016 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Non-current asset investments	14	–	–
Current asset investments	3,087	6,364	2,625
Trade and other receivables	2,707	935	110
Cash and cash equivalents	79	283	–
	5,887	7,582	2,735
Liabilities			
Trade and other payables	4,145	2,434	21
Third-party interest in consolidated funds	370	1,202	426
	4,515	3,636	447
Net exposure	1,372	3,946	2,288

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For the year ended 30 September 2017

26 FINANCIAL RISK MANAGEMENT CONTINUED

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	
	2017 £000	2016 £000
Translation of significant foreign assets and liabilities		
GBP strengthens against the USD, up 5%	(531)	(158)
GBP weakens against the USD, down 5%	531	158
GBP strengthens against the EUR, up 5%	(164)	(55)
GBP weakens against the EUR, down 5%	164	55

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 25) 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 liquid capital resources to comply with the capital requirements of the Financial Conduct Authority (the "FCA"). Throughout the Period the companies have significantly exceeded these requirements. The policy of the Group is to retain sufficient capital to enable it to meet its growth objectives and to satisfy regulatory requirements. The Group currently has no borrowings.

At 30 September 2017, the Group had cash and cash equivalents and cash in money market funds and long-term deposit accounts of £20,712,000. This is £9,442,000 in excess of trade and other payables. The Group in addition had other current assets of £27,462,000.

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 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 18 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.

Financial assets and liabilities by category

	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
30 September 2017					
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
30 September 2016					
Financial assets					
Cash and cash equivalents	–	–	–	2,804	–
Cash held in money market funds and long-term deposits	–	–	–	12,891	–
Trade and other receivables	–	–	–	2,280	–
Investments	14	1,568	11,243	–	–
Total financial assets	14	1,568	11,243	17,975	–
Financial liabilities					
Trade and other payables	–	–	–	–	354
Third-party interest in consolidated funds	–	2,125	–	–	–
Total financial liabilities	–	2,125	–	–	354

* FVTPL = Fair value through profit and loss

27 ACQUISITION OF PAX WORLD MANAGEMENT LLC

On 18 September 2017 the Group announced its intention to acquire 100% of Pax World Management LLC (“Pax”), a US-based investment manager. The proposed acquisition is subject to certain closing conditions, including approval by the shareholders of the mutual funds managed by Pax and receipt of a capital waiver from the FCA.

Pax is headquartered in Portsmouth, New Hampshire USA and has AUM of £3.4 billion (US\$4.5 billion) at 30 September 2017.

The Group will acquire 100% of Pax at an initial valuation of US\$52.5 million, with additional contingent payments of up to US\$37.5m payable in 2021, subject to Pax’s performance.

The proposed acquisition is to buy:

- (1) exiting shareholders’ interest (which represents approximately 83.3 per cent of Pax’s issued capital) for US\$44.2 million in cash and Impax equity at closing, plus contingent payments of up to US\$31.3 million and
- (2) management shareholders’ interest (which represents approximately 16.7 per cent of Pax’s issued capital) in exchange for Impax shares in 2021 valued at a minimum of US\$8.3 million, plus contingent payments up to US\$6.3 million

The initial consideration will be funded through a US\$26 million debt facility provided by RBS, the issuance of Impax equity to a value of US\$6.1 million and through the use of Impax cash reserves.

The transaction is expected to complete by the end of February 2018.

The Group incurred £999,000 of costs on the acquisition of Pax in the Period. These costs have been classified as exceptional and are shown separately on the face of the income statement. Further costs are contingent on completion of the acquisition and will be recorded in the year ended 30 September 2018.

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28 RELATED PARTY TRANSACTIONS

INEI, INEI II, INEI III, Impax New Energy Investors II-B LP, Impax New Energy Investors II-B LP, Impax New Energy Investors III (Feeder) SLP, INEI III Team Co-Investment LP, INEI III Co-Investment LP, Impax New Energy Investors SCA, Impax Carried Interest Partners LP, Impax Carried Interest Partners II LP, INEI III CIP LP, Impax Climate Property Fund LP and Impax Global Resource Optimization Fund LP and entities controlled by these funds 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 24.99 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 4 and amounts receivable are disclosed in note 17. The Group also invests in certain funds that it manages which is disclosed in note 18.

The transactions with the EBT 2004 described in note 17 are also considered to be related party transactions.

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% per annum on amounts drawn, calculated on a daily basis. The balance on the loans to the two executives is £835 each at the reporting date.

29 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 funds 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.

Details of funds that are recorded as a financial asset are provided in note 18.

(B) 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.

(C) Revenue

Management fee revenue is recognised as the service is provided and it is probable that the fee will be received. Where fees are calculated and billed in arrears amounts are accrued and estimated based on the statement of financial position date.

Revenue also includes transaction based fees. These fees are recorded as income as the service is provided and the receipt of income is almost certain.

Performance fees arising upon the achievement of the specified targets are recognised when the fees are confirmed as receivable.

(D) 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.

(E) 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 5.

(F) Pensions

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

(G) 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.

Notes to the financial statements continued

For the year ended 30 September 2017

29 ACCOUNTING POLICIES CONTINUED

(H) 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.

(I) 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.

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.

(J) 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.

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

(K) 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 – three years

(L) 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.

(M) Current asset investments

Current asset investments are categorised as financial assets at fair value through profit or loss and are designated at fair value through profit and loss on initial recognition or as 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.

(N) 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 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.

(O) 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.

(P) 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.

(Q) Ordinary shares

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

(R) Own shares

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

(S) 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.

(T) Segmental information

The Group has three operating segments: "Listed Equity", "Private Equity" and "Property". The results of these segments have been aggregated into a single reportable segment (see note 4) 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 the Group as though there is one operating unit.

Notes to the financial statements continued

For the year ended 30 September 2017

29 ACCOUNTING POLICIES CONTINUED

(U) 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, 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 19.

30 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*

* Subject to EU endorsement

- *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 *IAS 17 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 2017

Company No: 03262305

		2017		2016	
	Notes	£000	£000	£000	£000
Assets					
Property, plant and equipment	32	445		100	
Investments	33	21,181		22,242	
Deferred tax assets	37	177		–	
Total non-current assets			21,803		22,342
Trade and other receivables	34	1,924		3,836	
Derivative asset		227		–	
Investments	35	629		1,116	
Margin account		302		379	
Cash invested in money market funds		232		1,929	
Cash and cash equivalents		8,429		1,273	
Total current assets			11,743		8,533
Total assets			33,546		30,875
Equity and liabilities					
Ordinary shares	23	1,277		1,277	
Share premium		4,093		4,093	
Retained earnings		14,160		14,317	
Total equity			19,530		19,687
Trade and other payables	36	14,016		10,774	
Total current liabilities			14,016		10,774
Deferred tax liability		–		414	
Total non-current liabilities			–		414
Total equity and liabilities			33,546		30,875

Authorised for issue and approved by the Board on 28 November 2017. The notes on pages 44 to 49 form part of these financial statements.

Ian R Simm
Chief Executive

Company statement of changes in equity

For the year ended 30 September 2017

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
As at 1 October 2015		1,277	4,093	17,165	22,535
Profit for the year		–	–	443	443
Transactions with owners					
Dividends paid	14	–	–	(2,462)	(2,462)
Acquisition of own shares	24	–	–	(1,547)	(1,547)
Award of shares on option exercise		–	–	166	166
Long-term incentive scheme charge		–	–	552	552
		–	–	(3,291)	(3,291)
As at 30 September 2016		1,277	4,093	14,317	19,687
Profit for the year		–	–	753	753
Tax credit on long-term incentive schemes		–	–	486	486
Transactions with owners					
Dividends paid	14	–	–	(2,672)	(2,672)
Acquisition of own shares	24	–	–	(950)	(950)
Award of shares on option exercise		–	–	1,096	1,096
Long-term incentive scheme charge		–	–	1,130	1,130
		–	–	(1,396)	(1,396)
As at 30 September 2017		1,277	4,093	14,160	19,530

The notes on pages 44 to 49 form part of these financial statements.

Company cash flow statement

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Operating activities			
Profit before taxation		885	447
Adjustments for:			
Investment income		(11)	(2,504)
Depreciation of property, plant & equipment	32	81	139
Fair value movements in investments		393	1,490
Share-based payment		144	46
Operating cash flows before movement in working capital		1,492	(382)
Decrease/(increase) in receivables		1,676	(988)
Decrease/(increase) in margin account		77	(205)
Increase in payables		3,343	6,205
Cash generated from operations		6,588	4,630
Corporation tax		–	–
Net cash generated from operating activities		6,588	4,630
Investing activities			
Interest received		11	4
Dividend received		–	2,500
Repayments from/proceeds on sale of investments		3,508	2,445
Investments made into Impax managed funds		(14)	(3,116)
Settlement of investment related hedges		(1,580)	(1,990)
Decrease in cash held in money market funds		1,697	(809)
Purchase of property, plant & equipment		(350)	(61)
Net cash used in from investing activities		(3,272)	(1,027)
Financing activities			
Dividends paid		(2,672)	(2,462)
Acquisition of own shares	24	(950)	(1,547)
Cash received on exercise of Impax share options		1,096	166
Net cash used in financing activities		(2,526)	(3,843)
Net increase/(decrease) in cash and cash equivalents		7,334	(240)
Cash and cash equivalents at beginning of year		1,273	1,513
Effect of foreign exchange rate changes		(178)	–
Cash and cash equivalents at end of year		8,429	1,273

Notes to the Company financial statements

For the year ended 30 September 2017

31 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 33 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 £753,000 (2016: £443,000).

32 PROPERTY PLANT AND EQUIPMENT

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
As at 1 October 2015	708	559	1,267
Additions	1	60	61
As at 30 September 2016	709	619	1,328
Additions	189	237	426
As at 30 September 2017	898	856	1,754
Depreciation			
As at 1 October 2015	605	484	1,089
Charge for the year	93	46	139
As at 30 September 2016	698	530	1,228
Charge for the year	8	73	81
As at 30 September 2017	706	603	1,309
Net book value			
As at 30 September 2017	192	253	445
As at 30 September 2016	11	89	100
As at 30 September 2015	103	75	178

33 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 2015	16	18,722	18,738
Additions	—	3,000	3,000
Capital contribution	—	506	506
Disposals/repayment of invested capital	(2)	—	(2)
At 30 September 2016	14	22,228	22,242
Capital contribution	—	986	986
Disposals/repayment of invested capital	(11)	(2,036)	(2,047)
At 30 September 2017	3	21,178	21,181

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
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
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) Limited	UK	100%	General partner to listed equity fund
Impax US Holding 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 New Energy Investors III (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
IAM US Holdco, Inc.	USA	100%	Holding Company
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	98.9%	Investment Fund
Impax Environmental Leaders Fund	Ireland	49.2%	Investment Fund

* 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:

	2017 £000	2016 £000
Interest in shares	9,381	11,392
Capital contribution	11,797	10,836
	21,178	22,228

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

34 TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Due within one year:		
Amounts owed by Group undertakings	182	2,483
Taxation and other social security	519	60
Other receivables	536	902
Prepayments and accrued income	687	391
	1,924	3,836

Notes to the Company financial statements continued

For the year ended 30 September 2017

35 CURRENT ASSET INVESTMENTS

	Investments £000
At 1 October 2015	2,941
Additions	116
Fair value movements	502
Repayments/disposals	(2,443)
At 30 September 2016	1,116
Additions	14
Fair value movements	(43)
Repayments/disposals	(458)
At 30 September 2017	629

36 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade payables	175	34
Amounts owed to Group undertakings	10,602	9,563
Taxation and other social security	341	15
Other payables	78	181
Accruals and deferred income	2,820	981
	14,016	10,774

37 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 2016	44	(532)	52	22	(414)
Credit/(charge) to the income statement	(35)	(4)	92	538	591
As at 30 September 2017	9	(536)	144	560	177

Reductions 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 2017 has been calculated using these rates.

38 FINANCIAL COMMITMENTS

At 30 September 2017 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages:

- €203,000 (2016: €203,000) into INEI; this amount could be called on in the period to 17 August 2018;
- €672,000 (2016: €1,103,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €4,000,000 into INEI III; this amount could be called on in the period to 31 December 2026.

At 30 September 2017 the Group has committed to the acquisition of Pax World Management LLC, subject to certain closing conditions. The acquisition is expected to complete in early 2018. See note 27 for further information.

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

	Offices		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	77	366	16	11
Between one and five years	3,706	—	31	42
Later than five years	5,030	—	—	—
	8,813	366	47	53

The material operating lease for 2016 was for office space at Norfolk House, 31 St James's Square, London SW1Y 4JR. The lease expires 13 December 2017.

The material operating lease for 2017 is for office space at 7th Floor, 30 Panton Street London SW1Y 4AJ. The lease is for ten years expiring 30 June 2027.

39 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 money market funds managed by BlackRock and Goldman Sachs which both have a Standard & Poor's credit rating of AAAm. 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 2017 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Non-current asset investments	3	–	–
Current asset investments	628	1	–
Cash and cash equivalents	–	8,118	–
	631	8,119	–
Liabilities			
Trade and other payables	947	778	–
	947	778	–
Net exposure	(316)	7,341	–

The Company's exposure to foreign currency exchange rate risk at 30 September 2016 was:

	EUR/GBP £000	USD/GBP £000	Other/GBP £000
Assets			
Non-current asset investments	14	–	–
Current asset investments	1,115	1	–
Cash and cash equivalents	–	141	–
	1,129	142	–
Liabilities			
Trade and other payables	1,376	1,413	11
	1,376	1,413	11
Net exposure	(247)	(1,271)	(11)

Notes to the Company financial statements continued

For the year ended 30 September 2017

39 FINANCIAL RISK MANAGEMENT CONTINUED

The following table demonstrate 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	
	2017 £000	2016 £000
Translation of significant foreign assets and liabilities		
GBP strengthens against the USD, up 5%	(295)	51
GBP weakens against the USD, down 5%	295	(51)
GBP strengthens against the EUR, up 5%	13	10
GBP weakens against the EUR, down 5%	(13)	(10)

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 £8,661,000 (2016: £3,202,000) 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:

	2017 £000	2016 £000
Current investments	629	1,116

The Company did not have any investments classified as Level 1 or Level 2 in 2017 (2016: £nil).

There were no movements between any of the levels in the year (2016: £nil).

The Company had no financial liabilities measured at fair value for 2017 (2016: £nil).

Financial assets and liabilities by category:

	Available for sale £000	*FVTPL- designated on initial recognition £000	Loans and receivables £000	Financial liabilities measured at amortised cost £000
30 September 2017				
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
30 September 2016				
Financial assets				
Cash and cash equivalents	–	–	1,273	–
Cash held in money market funds	–	–	1,929	–
Trade and other receivables	–	–	3,385	–
Investments	–	1,116	–	–
Total financial assets	–	1,116	6,587	–
Financial liabilities				
Trade and other payables	–	–	–	9,778
Total financial liabilities	–	–	–	9,778

* FVPTL = Fair value through profit and loss

Officers and advisers

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Ian R Simm (Chief Executive)
Guy de Froment (Non-Executive)
Vincent O'Brien (Non-Executive)
Sally Bridgeland (Non-Executive)
Lindsey Brace Martinez (Non-Executive)

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Notes

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