**Governance and Financial Report**
For the year ended 30 September 2019

# Impax Asset Management Group plc

## Specialists in the transition to a more sustainable economy

IMPAX Asset Management

# Impax is an established global brand and a pioneer in investing in the transition to a more sustainable global economy.

## Our Mission

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

To make a contribution to the development of a sustainable society, particularly by supporting or undertaking relevant research and engaging or collaborating with others.

To provide a stimulating, collaborative and supportive work-place for our staff.

## Our Values

**Be the solution**

**A passion for excellence**

**All voices valued**

**Doing better together**

**Building a common future**

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**Governance and Financial Report**

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

Our separate Strategic Report contains information about Impax, how we make money and how we run the business. It includes an overview of our main markets, our strategy, business model, key performance indicators and main areas of risk, as well as our progress during the 2019 financial year. A copy of the Strategic Report can be downloaded from www.impaxam.com. This report also describes our approach to organisation and culture, governance and sustainability, and includes a summary of our financial strategy.

**Naming of companies in this document**

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

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

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

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

# "I am pleased to report on another year of strong growth and the achievement of many important milestones."

**J Keith R Falconer** Chairman

## STRONG PROGRESS

I am pleased to report on another year of strong growth and the achievement of important milestones for Impax Asset Management Group plc ("Impax" or the "Company"). During the 12 months to 30 September 2019 (the "Period"), Impax's assets under management and advice ("AUM") rose by 21% to £15.1 billion, and we continue to receive strong net inflows of new client money. Our major investment strategies maintained their record of out-performing global equity markets, and we see growing interest from investors in our products across all asset classes. It is also pleasing to report on the success of the integration of Impax NH, and the positive feedback on our progress that we have received from our staff, clients, distribution partners and shareholders.

Throughout the Period we have experienced rising global geopolitical uncertainty, giving rise to more volatile financial markets and this looks set to continue over the longer-term. We have also witnessed unprecedented levels of concern from the public on environmental issues and climate change. However, regulators have taken some significant positive steps to address the most obvious climate risks, while many asset owners are recognising both the risks that they need to manage, and the higher growth opportunities which they can access. We have seen new guidelines from the Financial Reporting Council ("FRC") that require companies to think beyond financial returns and consider a range of risks that include, for the first time, climate change. The Department for Work and Pensions in the UK published principles on material environmental, social and governance ("ESG") risks including Climate Change, and in 2020 is scheduled to publish an implementation report on those principles.

The transition to a more sustainable economy is gathering momentum at an unprecedented rate, validating Impax's investment proposition. The Company's share price has strengthened in the last 12 months, from an average of 182 pence in financial year 2017/18 to 233 pence in financial year 2018/19. As a fast growing company on the AIM market, Impax is attracting significant attention among private investors. A few weeks ago, we received the "AIM Company of the Year Award" from Shares magazine, based on the votes of readers and users of the AJ Bell investment platform.

Impax's visibility to investors interested in the transition to a more sustainable global economy received a further boost this year when we became one of just 75 companies to receive the new Green Economy Mark from the London Stock Exchange ("LSE"); the Mark recognises LSE-listed businesses that derive a majority of their revenues from the green economy.

**Impax awarded "AIM Company of the Year" from Shares magazine**

SHARES 2019 WINNER

**"This year the Board's governance focus was on enhancing our environmental management and human capital."**

### DIVIDEND

I am delighted that on the back of the strong results, my Board has recommended for the dividend to increase by 34% for the year to a total of 5.5p and that we are to move to a policy of paying between 55% and 80% of adjusted profit after tax. Further details are provided in the Financial Review on page 18 of the Strategic Report.

### OUR CULTURE AND VALUES

Impax has a strong mission and business culture. As explained further on page 26 of the Our People section of the Strategic Report, we have recently updated and extended our Values statements. These amendments reflect how the business has grown and developed in recent years, with a significantly increased headcount following the acquisition of Impax NH, and investment in teams that will help facilitate the next stage of our growth.

On behalf of the Board I would like to thank all our staff around the world for their dedication, expertise and innovation they bring to the Company. Our success is directly attributable to their outstanding commitment. I am particularly pleased that our 2019 staff survey returned very favourable results, with a high response rate, significantly increased levels of engagement since the last survey in 2017, and many improved scores. More detail on these results is given in the Our People section of the Strategic Report on page 26.

### BOARD STRUCTURE, COMPOSITION AND PROGRAMME

During the Period, the Board comprised myself as Non-Executive Chairman, the Chief Executive and four other Non-Executive directors supported by the Group Company Secretary. Our Non-Executive Directors bring a diverse mix of highly relevant skills and experience including global sales, marketing, environmental markets, US institutional investment management, pension fund management and private equity, gained through their many years in senior positions across the global financial services sector.

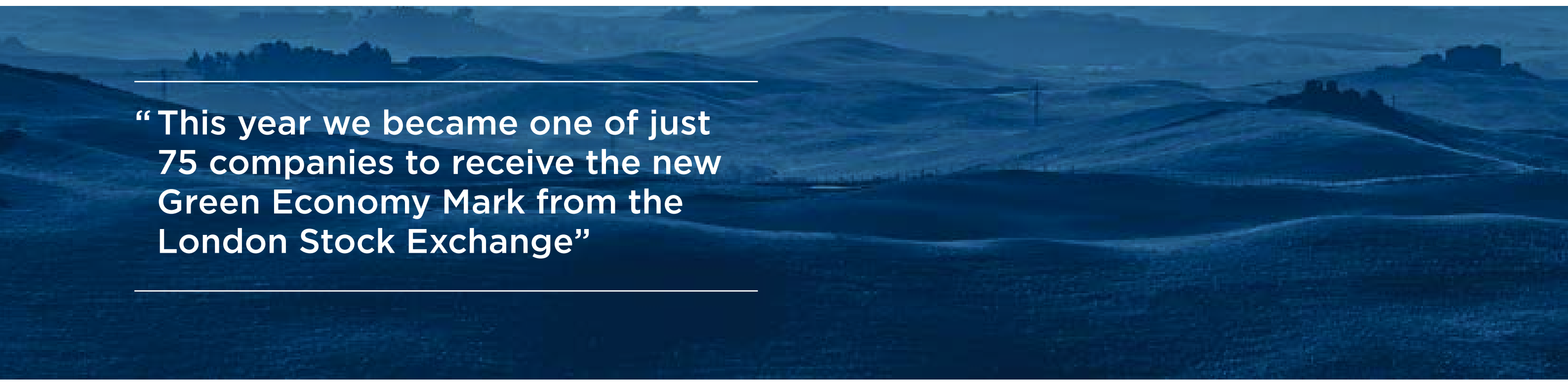
The Board is assisted by two committees, Remuneration and Audit and Risk, which have clearly defined terms of reference. Further details on the membership and role of these committees are provided on page 6. Other tasks, such as nominations, succession planning, environmental performance and the review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

The Board held eight formal meetings during the Period, with significant time devoted to strategic discussion. The Non-Executive Directors also attended an annual strategy day with the Executive Team; this year the agenda was principally to review progress against the business plan, discuss HR strategy including results from the Group staff engagement survey, consider integration matters and product positioning, and reflect on shaping and responding to societal trends including initiatives relating to diversity, the environment and policy advocacy.

### OUR GOVERNANCE FOCUS

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

The Board has chosen to follow The Quoted Company Alliance ("QCA") Code, which was developed by the QCA in consultation with a number of significant institutional investors focused on smaller companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer-term". To see how Impax addresses the key governance principles defined in the QCA Code, please refer to the detailed table on our website. In the few instances where our practices depart from the expectations of the QCA Code, we have clearly highlighted these and given an explanation.



**"This year we became one of just 75 companies to receive the new Green Economy Mark from the London Stock Exchange"**

Impax strives for strong governance and stewardship best practice across the business. We aim to demonstrate the same levels of commitment and disclosure here as we look for in the companies in which we invest.

This year the Board's governance focus was on enhancing our environmental management and human capital. For example, we have reviewed and updated our environmental policy, strengthening our analysis and setting performance targets (pages 32 and 33 of the Strategic Report). Another important advance during the Period was the publication of our first Gender Pay Gap Report and it is pleasing to note the very positive feedback from our biennial staff engagement survey, which included Impax NH staff for the first time, (pages 28 of the Strategic Report).

This year we submitted a combined Impax LN and Impax NH report for the first time to the United Nations Principles for Responsible Investment ("UNPRI"). This rating reflects the quality of our commitment to responsible investment, and we were once again awarded the highest A+ rating, together with an A+ for Environmental, Social and Governance ("ESG") activities, Engagement and Private Equity. In the UK we retain our highest Tier I ranking under the UK Stewardship Code Statement.

As a Board, we make decisions for the long-term success of the Company, and our aim is to uphold the highest standards of conduct. We recognise our duty to promote the success of Impax for all our stakeholders. Engagement and full and transparent disclosure are fundamental to our beliefs and the way we conduct business. In doing so we must have regard for the interests of our colleagues, for the success of our relationships with staff, clients, partners, suppliers, the impact of our operations on the community, as well as our shareholders, and of the desirability of maintaining a reputation for the highest standards of business conduct. Our Directors are engaged in the oversight of the integration of responsible business practices throughout our operations.

For example, Vince O'Brien is the Director responsible for our environmental impact and policies and regularly attends the management team's quarterly Environmental Committee meetings as an observer. We are expanding our activities to strengthen further engagement with our stakeholders and our Strategic Report provides an overview of some of the ways in which we do this. Further details on our commitments to human capital, inclusivity and diversity, and environmental activities are outlined on pages 27 and 33 respectively of the Strategic Report.

## SHAREHOLDER COMMUNICATIONS AND OUR AGM

We have always welcomed open communications and dialogue with all shareholders. We see all our largest shareholders who wish to meet with senior management on a regular basis and, over the last couple of years, we have also expanded our activities that are tailored specifically for private investors with evening seminars and presentations with the Chief Executive and Chief Financial Officer in London and around the country. The liquidity of our shares has improved, and our shareholder register has diversified.

Once again, our AGM will be held at our offices at 7th Floor, 30 Panton Street, London SW1Y 4AJ on 19 March 2020. I encourage shareholders to attend. In addition to the formal part of the meeting, the Chief Executive will give a brief update on recent progress and there will be the opportunity to meet the Directors and many of the senior managers. Details of the AGM, and the proposed resolutions, are contained in the separate Notice of Meeting.

**J Keith R Falconer**

3 December 2019

# Board of Directors



| | KEITH FALCONER<br>Chairman | IAN SIMM<br>Chief Executive | LINDSEY BRACE MARTINEZ<br>Non-Executive Director |
|---|---|---|---|
| | Joined the board<br>2004 | Joined the board<br>2001 | Joined the board<br>2015 |
| **Previous roles and experience** | Keith joined Martin Currie, the independent Edinburgh-based investment firm in 1979. The first part of his career was spent managing portfolios on behalf of institutional clients. Subsequently, he became the managing director of sales and marketing. Keith retired from Martin Currie in 2003. | Ian has been responsible for building the Company since its launch in 1998.<br><br>Prior to joining Impax Ian was an engagement manager at McKinsey & Company advising clients on resource efficiency issues. | Lindsey served as a member of the Executive Team and was a Managing Director at Cambridge Associates. She held multiple roles during her 15-year tenure including, Global Head of Consulting Services and External Relations.<br><br>Prior to this, Lindsey was a portfolio analyst and manager for the Hancock Natural Resource Group and a senior consultant at Booz Allen. |
| **External appointments** | Director of Baillie Gifford Japan Trust and the Adelphi Distillery. | Member of the UK government's Energy Innovation Board.<br><br>In November 2019 Ian was appointed to the board of the Institutional Investors Group on Climate Change ("IIGCC").<br><br>Between 2013 and 2018 he was a board member of the Natural Environment Research Council (NERC), the UK's leading funding agency for environmental science. | Founder and CEO, StarPoint Advisors, LLC. Member of the Advisory Board for the Yale Center for Business and the Environment. Member of the Investment Committee for the National Geographic Society. Chair of the Board, Novatus Energy, LLC. Trustee of Pax World Funds Series Trust I and III, Board member of Seven Islands Land Company. |
| **Qualifications and experience** | Qualified as a chartered accountant in 1979.<br><br>Portfolio management and institutional sales and marketing. | First class honours degree in physics from Cambridge University and a Master's in Public Administration from Harvard University. | MBA and Master of Environmental Studies from Yale University. Over 25 years' experience in investment advisory, natural resources portfolio management, institutional marketing and sales, and management consulting. |

**Committee membership** Remuneration Audit & Risk

### SALLY BRIDGELAND
C
**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 served as Chair of the Management Board of the Institute and Faculty of Actuaries.

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

Fellow of the Institute of Actuaries.

30 years' experience in the UK pensions and actuarial sector.

### ARNAUD DE SERVIGNY
**Non-Executive Director**

Joined the board
2018

Arnaud was previously a Managing Director at Deutsche Bank Asset and Wealth Management, where he was the CIO for the Multi Asset Group. Prior to this he was a Managing Director at Barclays Wealth, heading the Global Investment Committee and before that at Standard & Poor's where he ran the global quantitative group.

Non-executive directorships of BNP Paribas Asset Management France, Bramham Gardens sarl and Bramham Gardens Investments Limited.

Arnaud has been a Visiting and then Adjunct Professor at Imperial Business School since 2005. He has written five books on monetary policy, credit, structured finance and money management.

### VINCE O'BRIEN
C
**Non-Executive Director**

Joined the board
2009

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

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

He is a past chairman of the British Venture Capital Association.

Chair of Quest Fund Placement LLP.

Board advisory positions with the private equity firms Core Capital and Montana Capital Partners and the London branch of a leading Swiss private bank.

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.

## COMPLIANCE WITH QUOTED COMPANIES ALLIANCE CODE

The Directors recognise the importance of good corporate governance and have chosen to apply the QCA Code.

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

## THE BOARD OF DIRECTORS

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

### Board composition

The Board consists of a Non-Executive Chairman, four Non-Executive Directors and the Chief Executive. Details of the current Board members are given on pages 4 and 5 of this report. Throughout the year the position of Chairman and Chief Executive were held by separate individuals. There is a clear division of responsibilities between the Chairman and Chief Executive.

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

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

### Board Committees

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

The Audit and Risk Committee is responsible for overseeing financial reporting, risk management and internal controls and external audit. Sally Bridgeland chairs this committee. The Committee's report is provided on page 12.

The purpose of the Remuneration Committee is to ensure that the Chief Executive and other senior employees are fairly rewarded for their individual contribution to the overall performance of the Group and that remuneration packages provided do not promote undue risk taking. Vince O'Brien chairs this Committee. The Committee's report is provided on page 14.

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

These committees report to the Board on a regular basis. They have clearly defined Terms of Reference which are published on the Company's website.

### Meetings

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

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

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

| Meeting Attendance | Board | Audit & Risk Committee | Remuneration Committee |
|---|---|---|---|
| Total Number of meetings | 8 | 4 | 3 |
| Keith Falconer | 7 | | |
| Ian Simm | 7 | | |
| Vince O'Brien | 7 | 4 | 3 |
| Sally Bridgeland | 6 | 4 | 3 |
| Lindsey Brace Martinez | 6 | 4 | 3 |
| Arnaud de Servigny | 6 | 4 | 2 |

## Appointment of new Directors

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

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

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

## Performance evaluation

The Board carries out an evaluation of its performance annually.

Formal evaluations are carried out to assess the performance of the Board and the individual Directors which is led by the Chairman. The Board also completes an evaluation of the Chairman's performance which is led by the Senior Independent Director.

For the process this year the Company updated the evaluation questionnaires to take account of feedback from an external consultant and made the submission and review process available to Directors through our digital Board portal. This platform enabled more detailed analysis of the feedback enabling the Chairman to address specific matters in the one to one follow-up meetings.

The steps in the process this year followed the same format as the prior year. Directors completed questionnaires which were followed up with one to one meetings and a summary report of overall findings from the Chairman. The evaluations confirmed a high rating for performance.

Areas of focus for the one to one conversations included:

- verifying the Board's understanding of the competitive landscape including the rise of passive mandates;
- appropriate use of historical data at Board meetings and using it to focus on discussion regarding the future direction of the Company;
- whether or not the Board have correctly identified the challenges and opportunities faced by the Company and how the Board can assist the Executive to address them; and
- whether or not individual Board members consider that they provide sufficient challenge when appropriate.

Progress on last year's recommendations was notable, with diversification of the Group's client base continuing and integration initiatives with Impax NH progressing in key areas such as risk management and compliance, middle office and finance. In September 2019, the Board visited the Group's office in New Hampshire to meet with senior management and also the Pax World Fund Board.

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

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

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

### Resources

The Board uses external advisors where necessary to enhance knowledge or to gain access to particular skills or capabilities. Accountants and lawyers are used for diligence work on acquisitions. Specialist advisors have also been used by the Board to ensure compliance in specific areas such as internal audit and regulatory compliance.

### Indemnity

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

## INTERNAL CONTROL

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

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

Details of the key risks facing the Group and internal controls acting to control or mitigate the risks are set out on pages 34 to 36 of the Strategic Report.

## DIALOGUE WITH SHAREHOLDERS

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

## CULTURE

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

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

In 2019 the Group carried out a comprehensive staff engagement survey, the results of which are considered in the Strategic Report.

## DIVIDENDS

The Directors propose a final dividend of 4.0 pence per share (2018: 3.0 pence) which together with the interim dividend of 1.5 pence per share (2018: 1.1 pence) gives a total for the year ended 30 September 2019 of 5.5 pence per share (2018: 4.1 pence, 6.7 pence including the special dividend). 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 2020.

The final dividend for the year ended 30 September 2018 was paid on 15 March 2019, being 3.0 pence per share. The trustees of the Impax Employee Benefit Trusts waived their rights to part of these dividends, leading to a total dividend payment of £3,863,544. The interim dividend of 1.5 pence for the year ended 30 September 2019 was paid on 19 July 2019 and totalled £1,928,772 after the EBT waiver. These payments are reflected in the statements of changes in equity.

## SHARES

The Impax Asset Management Group plc Employee Benefit Trust 2012 and the Impax Group plc Employee Benefit Trust 2004 (together the "EBTs") made market purchases of 1,181,390 of the Company's shares during the year, satisfied option exercises in respect of 250,000 shares and allocated 478,250 of shares it held to cover Restricted Share Awards made. The Directors continue to plan that future options exercises will primarily be satisfied by the EBTs.

## 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 2019 and 30 September 2018 were:

| | 30 September 2019 | 30 September 2018 |
|---|---|---|
| Keith Falconer[1] | 6,637,775 | 6,637,775 |
| Ian Simm[1] | 9,575,880 | 9,545,919 |
| Vince O'Brien | 110,000 | 110,000 |
| Sally Bridgeland | – | – |
| Lindsey Brace Martinez | – | – |
| Arnaud de Servigny | – | – |

[1] Includes vested shares within sub-funds of the Impax Group Employee Benefit Trust 2004 ("EBT 2004") from which the individual and their families may benefit and Restricted Shares held in the Impax Group Employee Benefit Trust 2012

There have been no changes to the above holdings since 30 September 2019.

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

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

| Year granted | Options held | Exercise price | Earliest to exercise date | Latest to exercise date |
|---|---|---|---|---|
| 2013 | 100,000 | 47.9p | 01/01/17 | 31/12/19 |
| 2014 | 100,000 | 56.9p | 01/01/18 | 31/12/20 |

Ian Simm has been granted 60,000 Restricted Share Awards which vest in three equal tranches between December 2020 and 2022 and a further 30,000 which vest in three equal tranches between February 2022 and February 2024.

## SUBSTANTIAL SHARE INTERESTS

The following interests in 3% or more of the issued Ordinary Share capital have been notified to the Company as at 3 December 2019:

| | Number | Percentage |
|---|---|---|
| BNP Paribas Asset Management Holding | 31,920,000 | 24.5 |
| Ian R Simm[1] | 9,575,880 | 7.3 |
| Impax Asset Management Group plc Employee Benefit Trust 2012 | 8,110,493 | 6.2 |
| Hargreave Hale Limited | 7,302,500 | 5.6 |
| Blackrock Investment Management | 7,031,271 | 5.4 |
| J Keith R Falconer[1] | 6,637,775 | 5.1 |
| Hargreaves Lansdown Asset Management | 5,199,133 | 4.0 |
| Rathbone Investment Managers | 5,129,149 | 3.9 |
| Bruce Jenkyn-Jones[2] | 4,906,864 | 3.8 |

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

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

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

## RISK

A description of the key risks facing the Group and policies and procedures in place to monitor or mitigate the risk is provided on pages 34 to 36 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 2019 were 24 (2018: 29).

## CHARITABLE DONATIONS

During the year the Group has made donations to charities totalling £155,933 (2018: £63,993).

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Governance 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 European Union ("IFRS as adopted by the EU") and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

## AUDITOR

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

By order of the Board

**Zack Wilson**

Company Secretary
3 December 2019

**Registered office:**

7th floor, 30 Panton St
London SW1Y 4AJ

Chairman

SALLY BRIDGELAND

## FOCUS FOR THE YEAR

- Oversaw enhancements to the Group's risk management process
- Conducted an audit tender
- Reviewed the controls in place over vendor management
- Financial reporting for the Impax NH acquisition

## MEETINGS HELD

4

## COMMITTEE MEMBERS

The Audit and Risk Committee is comprised of the following Non-Executive Directors: Sally Bridgeland (Chairman), Vince O'Brien, Lindsey Brace-Martinez and Arnaud de Servigny. The qualifications of these members are shown on pages 4 and 5.

## MEETINGS

During the year the Committee met four times. Details of attendance at the meeting are shown on page 7.

## ROLE AND RESPONSIBILITIES

The Committee's responsibilities include:

### Financial reporting

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

### Risk management and internal control

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

### External auditor

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

## FINANCIAL REPORTING

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

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

The key accounting estimates and judgements considered by the Committee during the period were in relation to the impairment of intangible assets and goodwill. The Company was required to consider if intangible assets acquired as part of the acquisition of Impax NH and goodwill arising on this acquisition were impaired. The Committee considered reports from the Finance function which described the assumptions used in determining whether impairment was required and was satisfied that it was not.



Audit and Risk Committee members

**LINDSEY BRACE MARTINEZ**

**ARNAUD DE SERVIGNY**

**VINCE O'BRIEN**

## RISK MANAGEMENT AND INTERNAL CONTROL

The Company's risk management process and the risks which are considered to be the key risks facing the Group are described on pages 34 to 36. The Committee has received and considered a report from the Chief Risk Officer at each of its meetings and reviewed the Group risk assessment. The Committee also received a specific presentation from management on vendor management and reviewed and approved the Group's ICAAP.

## EXTERNAL AUDITOR

KPMG LLP has acted as the auditor of the Group since 2010 when it was appointed following a competitive tender. Jatin Patel is the current audit partner and this is the second year that he has signed the audit report. Ethical standards would require him to rotate off following the audit of the year ended 30 September 2022. The Committee considered the auditor's effectiveness during the Period prior to re-appointing them and concluded it was satisfactory. This process consisted of a review of their performance against set criteria and consideration of the reports prepared by the FRC's Audit Quality Review Team on KPMG along with KPMG's plans to implement the recommended improvements.

The Committee has also undertaken a competitive audit tender for the audit of the year ended 30 September 2020. Four firms, including KPMG, were invited to tender and following a detailed evaluation process KPMG was reappointed. The Committee would now expect to tender the audit every ten years and to limit an auditor's tenure to 20 years.

Details of fees paid to the Company's auditor are shown in note 7 to the financial statements. The Committee considered and agreed the audit fee during the Period. Total fees paid for non-audit services were £87,000. Other non-audit work included tax advice and non-audit fees as a percentage of total fees paid were 30%. In the opinion of the Board, none of the non-audit services provided caused any concern as to the auditor's independence or objectivity. The Committee also considered if there were any other factors impacting the auditors independence and objectivity and concluded that there were none. As part of this assessment the Committee received and considered a report from KPMG which confirmed that in their view they were independent.

## INTERNAL AUDIT

The Group uses Grant Thornton to provide Internal Audit Services suggested by management and approved by the Committee.

**Sally Bridgeland**

Chairman of the Audit and Risk Committee

3 December 2019

FOCUS FOR THE YEAR

- Enhancement of processes and procedures around remuneration decisions

MEETINGS HELD

3

Chairman

VINCE O'BRIEN

## COMMITTEE MEMBERS

The Remuneration Committee is comprised of the following Non-Executive Directors: Vince O'Brien (Chairman), Sally Bridgeland and Arnaud de Servigny.

## REMUNERATION ACTIVITIES DURING THE YEAR

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

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

## POLICY ON DIRECTOR AND SENIOR EMPLOYEES REMUNERATION

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

For the year ended 30 September 2019 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 awards. For Impax LN variable remuneration will typically be capped at 45% of relevant operating earnings before variable remuneration, interest and taxes. Impax NH employees receive a cash bonus or commissions.

*(A) Cash bonus*

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

*(B) Share-based awards*

The Group has approved the award of 75,000 restricted shares to Impax LN employees under the Group Restricted Share Scheme ('RSS') and 650,000 options under the Group's Employee Share Ownership Plan ("ESOP") in respect of services during the Period. The award of these shares and options will be communicated to the relevant employees following announcement of the Group's results for the year ended 30 September 2019.

### Remuneration Committee members

**LINDSEY BRACE MARTINEZ** **ARNAUD DE SERVIGNY** **SALLY BRIDGELAND**

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

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

The Chief Executive and other Impax LN employees continue to benefit from share-based payment awards made under the previous share-based incentive plans (the LTIP, ESOP 2011-18 and RSS 2014-2015, 2017, 2018) as more fully described in note 9 to the financial statements. Impax NH senior employees benefit from the award of Restricted Share Units that were made at the time of the acquisition. Certain senior managers hold shares in Impax NH. These shares were originally acquired using loans from Impax NH which in part remain outstanding and the shares remain subject to employment restrictions (see note 27 of the financial statements for further information).

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

### (iii) Pensions

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

Pension contribution rates for Executive Directors are aligned with those available to the wider workforce, in accordance with the Group Remuneration Policy.

## DIRECTORS' REMUNERATION DURING THE YEAR

Details of each Director's remuneration are shown below:

| | Fees/ salary £ | Benefits in kind £ | Bonus £ | 2019 Total £ | 2018 Total £ |
|---|---|---|---|---|---|
| Keith Falconer | 70,000 | – | – | 70,000 | 70,000 |
| Ian Simm | 262,929 | 7,898 | 820,000 | 1,090,827 | 953,604 |
| Arnaud de Sevigny | 30,000 | – | – | 30,000 | 10,000 |
| Vince O'Brien | 40,000 | – | – | 40,000 | 40,000 |
| Sally Bridgeland | 40,000 | – | – | 40,000 | 40,000 |
| Lindsey Brace Martinez | 39,164 | – | – | 39,164 | 37,276 |
| | 482,093 | 7,898 | 820,000 | 1,309,991 | 1,171,688 |

The Company paid £76,750 to Lindsey Brace Martinez in 2018 for consultancy services provided (2019: £nil). Lindsey Brace Martinez is also a Director of Board of Pax World Funds acting as the Group's representative on this Board. The Company paid her £47,443 for this service (2018, £36,237).

Ian Simm exercised options over a total of 100,000 shares during the Period generating a profit of £194,410.

Ian Simm received a distribution of €61,479 from Impax Carried Interest Partner II LP during the Period being his share of the carried interest paid by the Group's second private equity fund.

Ian Simm was granted 30,000 Restricted Share Awards in February 2019, which vest in thee annual tranches between February 2022 and February 2024.

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

**Vince O'Brien**

Chairman, Remuneration Committee

3 December 2019

### 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 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and Company statement of financial position, consolidated and Company statement of changes in equity, consolidated and Company cash flow statements and the related notes, including the accounting policies in note 34.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical

responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

| Overview | | |
|---|---|---|
| **Materiality:** | £762k (2018: £731k) | |
| Group financial statements as a whole | 5% (2018: 5%) of normalised group profit before tax | |
| **Coverage** | 100 % (2018: 100%) of normalised group profit before tax | |
| **Risks of material misstatements:** | | **vs 2018** |
| **New Group risks** | Impairment of intangible asset | ▲ |
| | Impairment of goodwill | ▲ |
| **Recurring Parent Company risks** | Investment in subsidiary undertakings | ◀▶ |

Our audit continues to be impacted by the acquisition of Impax LLC in 2018. However, the key audit matters identified in the prior year: the fair value of intangibles asset and contingent consideration and IFRS 2 charges have not been identified as significant in the current year. Therefore, they have not been separately identified in our report this year.

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

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

| | The risk | Our response |
|---|---|---|
| **Impairment of intangible asset**<br><br>(£24.4 million, 2018: £25.5 million)<br><br>Refer to page 12 (Audit and Risk Committee Report), page 58 (accounting policy) and page 27 and page 41 (financial disclosures). | **Forecast-based valuation**<br><br>The Group's acquisition of Impax Asset Management LLC in the prior year resulted in the recognition of an intangible asset relating to investment management contracts acquired. There is a risk of impairment to the carrying value of this intangible assets.<br><br>The valuation of an intangible asset's recoverable amount is subjective and requires the use of assumptions relating to future cash flows and the use of a valuation model. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.<br><br>As part of our risk assessment, we determined that the recoverable amount of these assets has a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements Note 3 disclose the sensitivity estimated by the Group. | **Our procedures included:**<br><br>— **Assessing methodology:** We assessed the principles and integrity of the value-in-use discounted cash flow;<br><br>— **Benchmarking assumptions:** Where indicators of impairment were identified, we challenged the key assumptions made by management in calculating the recoverable amounts of the intangible asset. In particular, these included forecast net flows and operating margin. Our challenge was based on historical experience, sector experience and market comparable data obtained publicly or through management's and KPMG's internally derived data;<br><br>— **Sensitivity analysis:** We considered the sensitivity of reasonable changes in key assumptions to evaluate the impact on the carrying value of the intangible asset;<br><br>— **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of the recoverable amount. |

| | The risk | Our response |
|---|---|---|
| **Impairment of goodwill**<br><br>(£11.2 million; 2018: £10.5 million)<br><br>Refer to page 12 (Audit and Risk Committee Report), page 58 (accounting policy) and page 27 and page 40 (financial disclosures). | **Forecast-based valuation**<br><br>The Group's acquisition of Impax LLC in the prior year resulted in the recognition of goodwill. The estimated recoverable amount of goodwill is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.<br><br>As part of our risk assessment, we determined that the recoverable amount of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.<br><br>The financial statements Note 3 disclose the sensitivity estimated by the Group. | **Our procedures included:**<br><br>— **Assessing methodology:** We assessed the principles and integrity of the value-in-use discounted cash flow;<br><br>— **Benchmarking assumptions:** We challenged Group's key assumptions used. In particular, these included forecast net flows and operating margin. Our challenge was based on historical experience, sector experience and market comparable data obtained publicly or through internally derived data;<br><br>— **Sensitivity Analysis:** We considered the sensitivity of reasonable changes in key assumptions to evaluate the impact on the value of goodwill;<br><br>— **Assessing Transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. |
| **Recoverability of parent company's investment in subsidiaries:**<br><br>(£34.6 million; 2018: £34.4 million)<br><br>Refer to page 65 (accounting policy) and page 65 and page 66 (financial disclosures). | **Low risk, high value**<br><br>The carrying amount of the parent company's investments in subsidiaries represents 51% (2018: 48%) of the Company's total assets. The recoverability is not considered to contain a high risk of significant misstatement or be subject to significant judgement. However, given the size of the balance in the context of the parent company financial statements this is considered to be the area that had the greatest effect on our overall parent company audit. | — **Test of detail:** We compared the carrying amount of 100% of the investment balances to net assets in the respective subsidiary to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and inspected that the subsidiaries had historically been profit making. |

## 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 £762k (2018: £731k), determined with reference to a benchmark of Group profit before taxation, normalised to exclude the one – off amounts in relation to the release of contingent consideration as disclosed in note 27 of which it represents 5% (2018: 5%). The group team performed procedures on the items excluded from normalised profit before tax.

Materiality for the parent company financial statements as a whole was set at £723k (2018: £701k), determined with reference to a benchmark of Total Assets (of which it represents 1%) (2018: 1% of Total Assets).

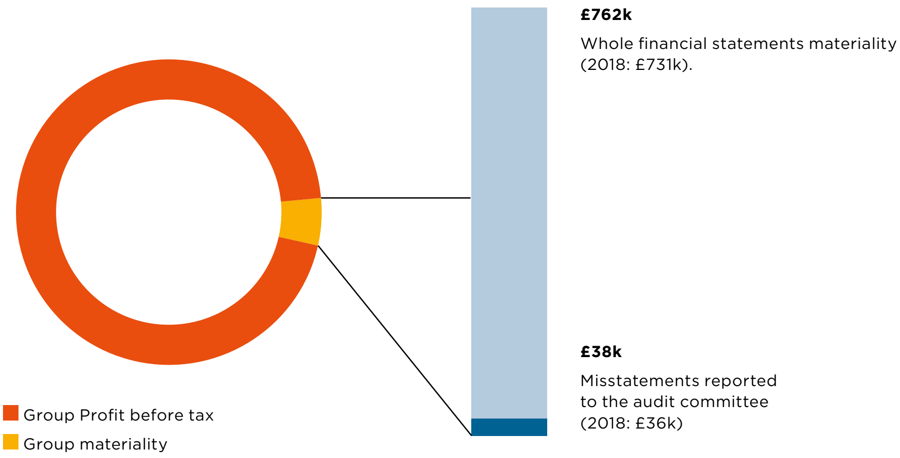
We agreed to report to the Audit and Risk Committee any corrected and uncorrected identified misstatements exceeding £38k (2018: £36k) in addition to other identified misstatements that warranted reporting on qualitative grounds. The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above.

**Normalised Group Profit before tax**

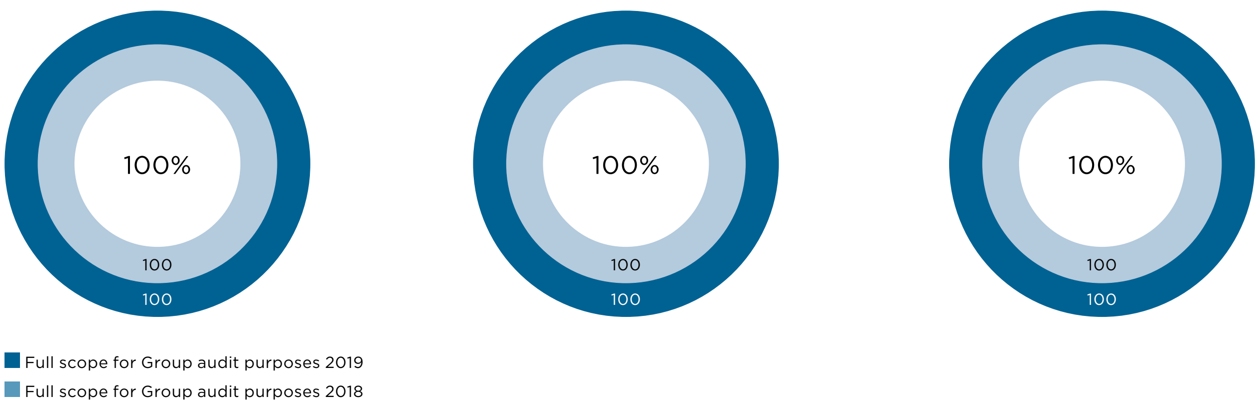
£15.2m (2018: £14.6m)

**Group Materiality**

£762k (2018: £731k)




**Group revenue** | **Group profit before tax** | **Group total assets**



## 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The impact of changes in flows of assets under management;
- The impact of market movements on assets under management.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

### Strategic Report and Directors' report

Based solely on our work on the other information:

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

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

## 7. RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on pages 10 and 11, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Jatin Patel (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

15 Canada Square, London

3 December 2019

# Consolidated Income Statement

For the year ended 30 September 2019

| | Notes | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Revenue** | 6 | 73,695 | 65,683 |
| Operating costs | 7 | (54,883) | (50,200) |
| Fair value gains/(losses) on investments and other financial income/(expense) | 10 | 842 | (337) |
| Interest expense | 11 | (912) | (670) |
| Non-controlling interest | 28 | 156 | 184 |
| Change in third-party interests in consolidated funds | 12 | – | (40) |
| **Profit before taxation** | | 18,898 | 14,620 |
| Taxation | 13 | (3,028) | (3,219) |
| **Profit after taxation** | | 15,870 | 11,401 |
| **Earnings per share** | | | |
| Basic | 14 | 12.2p | 9.0p |
| Diluted | 14 | 12.1p | 8.9p |
| **Dividends per share** | | | |
| Special dividend paid | 15 | - | 2.6p |
| Interim dividend paid and final dividend declared for the year | 15 | 5.5p | 4.1p |

Adjusted results are provided in Note 4

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Profit for the year** | 15,870 | 11,401 |
| Change in value of cash flow hedges | (12) | (74) |
| Tax on change in value of cash flow hedges | 2 | 14 |
| Exchange differences on translation of foreign operations | 922 | 1,212 |
| **Total other comprehensive income** | 912 | 1,152 |
| **Total comprehensive income for the year attributable to equity holders of the parent** | 16,782 | 12,553 |

All amounts in other comprehensive income may be reclassified to income in the future.

The statements have been prepared on the basis that all operations are continuing operations.

The notes on pages 27 to 60 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 September 2019

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Notes | £000 | £000 | £000 | £000 |
| **Assets** | | | | | |
| Goodwill | 16 | 12,804 | | 12,171 | |
| Intangible assets | 17 | 24,518 | | 25,565 | |
| Property, plant and equipment | 18 | 1,779 | | 1,836 | |
| Deferred tax assets | 13 | 3,757 | | 4,450 | |
| **Total non-current assets** | | | 42,858 | | 44,022 |
| Trade and other receivables | 19 | 16,740 | | 15,858 | |
| Investments | 20 | 4,626 | | 4,349 | |
| Current tax asset | | 239 | | 890 | |
| Cash invested in money market funds and long-term deposit accounts | 22 | 15,235 | | 11,211 | |
| Cash and cash equivalents | 22 | 11,939 | | 15,529 | |
| **Total current assets** | | | 48,779 | | 47,837 |
| **Total assets** | | | 91,637 | | 91,859 |
| **Equity and liabilities** | | | | | |
| Ordinary shares | 25 | 1,304 | | 1,304 | |
| Share premium | | 9,291 | | 9,291 | |
| Exchange translation reserve | | 1,936 | | 1,014 | |
| Hedging reserve | | (54) | | (44) | |
| Retained earnings | | 50,751 | | 41,054 | |
| Equity attributable to owners of the Company | | | 63,228 | | 52,619 |
| Non-controlling interests | 28 | | – | | 898 |
| **Total equity** | | | 63,228 | | 53,517 |
| Trade and other payables | 23 | 23,581 | | 24,755 | |
| Loans | 24 | – | | 3,326 | |
| Third-party interest in consolidated funds | | – | | 87 | |
| Current tax liability | | 124 | | 130 | |
| **Total current liabilities** | | | 23,705 | | 28,298 |
| Trade and other payables | | 704 | | 228 | |
| Loans | 24 | – | | 6,652 | |
| Deferred tax liability | 13 | 4,000 | | 3,164 | |
| **Total non-current liabilities** | | | 4,704 | | 10,044 |
| **Total equity and liabilities** | | | 91,637 | | 91,859 |

Authorised for issue and approved by the Board on 3 December 2019. The notes on pages 27 to 60 form part of these financial statements.

Ian R Simm
Chief Executive

# Consolidated Statement of Changes In Equity

For the year ended 30 September 2019

| | Note | Share capital £000 | Share premium £000 | Exchange translation reserve £000 | Hedging reserve £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2017** | | 1,277 | 4,093 | (198) | 16 | 30,456 | 35,644 |
| *Transactions with owners of the Company:* | | | | | | | |
| Shares issued | | 27 | 5,198 | – | – | – | 5,225 |
| Dividends paid | 15 | – | – | – | – | (7,386) | (7,386) |
| Acquisition of own shares | 26 | – | – | – | – | (2,534) | (2,534) |
| Cash received on option exercises | | – | – | – | – | 4,477 | 4,477 |
| Impax NH management equity scheme – value assigned to pre-acquisition service | 27 | – | – | – | – | 1,917 | 1,917 |
| Tax credit on long-term incentive schemes | 13 | – | – | – | – | 2,352 | 2,352 |
| Fair value of put option over non-controlling interest | | – | – | – | – | (1,451) | (1,451) |
| Share based payment charges | 9 | – | – | – | – | 1,822 | 1,822 |
| Total transactions with owners of the Company | | 27 | 5,198 | – | – | (803) | 4,422 |
| Profit for the year | | – | – | – | – | 11,401 | 11,401 |
| *Other comprehensive income:* | | | | | | | |
| Change in value of cashflow hedges | | – | – | – | (74) | | (74) |
| Tax on change in value of cashflow hedges | | – | – | – | 14 | – | 14 |
| Exchange differences on translation of foreign operations | | – | – | 1,212 | – | – | 1,212 |
| Total other comprehensive Income | | – | – | 1,212 | (60) | | 1,152 |
| **Balance at 30 September 2018** | | **1,304** | **9,291** | **1,014** | **(44)** | **41,054** | **52,619** |
| *Transactions with owners of the Company:* | | | | | | | |
| Dividends paid | 15 | – | – | – | – | (5,792) | (5,792) |
| Acquisition of own shares | 26 | – | – | – | – | (2,505) | (2,505) |
| Cash received on option exercises | | – | – | – | – | 111 | 111 |
| Tax credit on long-term incentive schemes | 13 | – | – | – | – | 251 | 251 |
| Share based payment charges | 9 | – | – | – | – | 1,160 | 1,160 |
| Fair value of put option over non-controlling interest | | – | – | – | – | (328) | (328) |
| Acquisition of NCI without a change in control | 28 | – | – | – | – | 930 | 930 |
| **Total transactions with owners of the Company** | | – | – | – | – | (6,173) | (6,173) |
| **Profit for the year** | | – | – | – | – | 15,870 | 15,870 |
| *Other comprehensive income:* | | | | | | | |
| Change in value of cash flow hedge | | – | – | – | (12) | – | (12) |
| Tax on change in value of cashflow hedges | | – | – | – | 2 | – | 2 |
| Exchange differences on translation of foreign operations | | – | – | 922 | – | – | 922 |
| **Total other comprehensive Income** | | – | – | 922 | (10) | – | 912 |
| **Balance at 30 September 2019** | | **1,304** | **9,291** | **1,936** | **(54)** | **50,751** | **63,228** |

The notes on pages 27 to 60 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 30 September 2019

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Cash generated from operations** | 30 | 20,848 | 23,436 |
| Corporation tax (payment)/refund | | (580) | 1,583 |
| **Net cash generated from operating activities** | | 20,268 | 25,019 |
| **Investing activities** | | | |
| Acquisition of subsidiary (Impax NH), net of cash acquired | | – | (23,893) |
| Deconsolidation of investment fund | | (67) | (255) |
| Net acquisition of property plant & equipment and intangible assets | | (402) | (1,690) |
| Net (investments into)/redemptions from unconsolidated Impax funds | | (485) | 3,938 |
| Net investment disposals from consolidated Impax funds* | | – | 932 |
| Settlement of investment related hedges | | 258 | (987) |
| Investment income received | | 236 | 279 |
| Increase in cash held in money market funds and long-term deposit accounts | | (4,024) | (3,431) |
| **Net cash used by investing activities** | | (4,484) | (25,107) |
| **Financing activities** | | | |
| Acquisition of non-controlling interest | | (201) | – |
| Proceeds from bank borrowings | | – | 17,616 |
| Repayment of bank borrowings | 24 | (10,371) | (8,779) |
| Interest paid on bank borrowings | | (670) | (464) |
| Acquisition of own shares | | (2,505) | (2,534) |
| Cash received on exercise of Impax staff share options | | 111 | 4,477 |
| Investments made by third-party investors into consolidated funds* | | – | 17 |
| Dividends paid | | (5,792) | (7,386) |
| **Net cash used in financing activities** | | (19,428) | 2,947 |
| **Net (decrease)/increase in cash and cash equivalents** | | (3,644) | 2,859 |
| **Cash and cash equivalents at beginning of year** | | 15,529 | 12,932 |
| Effect of foreign exchange rate changes | | 54 | (262) |
| **Cash and cash equivalents at end of year** | 22 | 11,939 | 15,529 |

* The Group consolidates certain funds which it manages and includes the funds cash flows in the above statement

Cash and cash equivalents under IFRS does not include deposits in money market funds and cash held in deposits with more than an original maturity of three months. The Group however considers its total cash reserves to include these amounts. Cash held by consolidated funds or in RPAs are not included in cash reserves (see note 22)

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 | 15,529 | (3,644) | 54 | 11,939 |
| Cash invested in money market funds and long-term deposit accounts | 11,211 | 4,024 | – | 15,235 |
| Cash in RPAs | (2,074) | 1,106 | – | (968) |
| Cash held by consolidated funds | (67) | 67 | – | – |
| Total Group cash reserves | 24,599 | 1,553 | 54 | 26,206 |

The notes on pages 27 to 60 form part of these financial statements.

## 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 61 to 70.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted for use by the European Union. At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements of the Group.

The financial statements have been prepared under the historical cost convention, with the exception of the revaluation of certain investments and derivatives being measured at fair value.

Details of the significant accounting policies adopted by the Group are shown in note 34. The Group has applied IFRS 15 and 9 for the first time in these Financial Statements, see note 33 for details.

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 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 significant estimates are described below.

*– Intangible assets impairment testing (see note 17)*

The intangible assets acquired on acquisition of Impax NH represents investment management contracts. These are amortised over an 11 year life which is considered reasonable given the nature of the investors into these Funds. If there are any indications of impairment are tested for impairment at each reporting date. The fair value at the date of acquisition was calculated using the discounted cash flow methodology and represented the valuation of the profits expected to be earned from the management contracts in place at the date of acquisition. The impairment test completed this year showed no impairment was required and used the following key assumptions – future subscription of new assets of US$0.34bn per annum on average (2018: USD$0.22bn), future equity fund performance of 5% (2018: 5%), an average operating margin of 23% (2018: 20%) and a discounted cost of capital of 13.5% (2018: 13.5%). The increase in the inflows assumption reflect an improvement in performance and marketability of certain funds.

Changes in the assumptions would reduce the fair value of the intangible asset as follows: a consistent ten per cent decrease in inflows – reduction of £4.1 million; a 100 basis point annual reduction in performance each year – reduction of £4.8 million; a one per cent annual reduction in operating margin – reduction of £2.1 million.

*– Goodwill impairment testing (see note 16)*

As detailed in note 16 Goodwill arose on the acquisition of Impax NH in 2018. An impairment test on this goodwill is completed each year. In performing the impairment test, a calculation of the recoverable amount of the goodwill is prepared, using the value in use approach, and compared to the carrying value. The recoverable amount was based on the net present value of future earnings. Key assumptions used were long-term equity AUM growth rates of 5% an average operating margin of 23% and a discount rate of 12.5%. The recoverable value of Goodwill is in excess of the carrying value. Management do not believe there is a reasonable possibility of an impairment over the next 12 months and do not expect goodwill to be a significant estimate in future periods.

## 4 ADJUSTED PROFITS AND EARNINGS

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

| | Year ended 30 September 2019 | | | |
|---|---|---|---|---|
| | | Adjustments | | |
| | Reported –IFRS £000 | Business combination effects £000 | Other £000 | Adjusted £000 |
| **Income statement** | | | | |
| **Revenue** | 73,695 | | | 73,695 |
| Operating costs | (54,883) | | | (55,717) |
| Amortisation of intangibles arising on acquisition (see Note 27) | | 2,528 | | |
| Credit from contingent consideration adjustment | | (3,543) | | |
| Acquisition equity incentive scheme charges (see Note 27) | | (21) | | |
| Mark to market charge on equity awards* | | | 202 | |
| **Operating Profit** | 18,812 | (1,036) | 202 | 17,978 |
| Fair value gains/(losses) on investments and other financial income/(expense) | 842 | 209 | (154) | 897 |
| Interest Payable | (912) | | | (912) |
| Non controlling interest | 156 | | | 156 |
| Change in third-party consolidated funds | – | | | – |
| **Profit before taxation** | 18,898 | (827) | 48 | 18,119 |
| Taxation | (3,028) | | | (3,037) |
| Tax credit on adjustments | | | (9) | |
| **Profit after taxation** | 15,870 | (827) | 39 | 15,082 |
| Diluted earnings per share | 12.1p | (0.6p) | 0.0p | 11.5p |

* The charge is offset by £251,000 of tax credits shown in the statement of changes in equity

| Income statement | Year ended 30 September 2018<br>Reported – IFRS £000 | Adjustments<br>Non-recurring acquisition costs £000 | Business combination effects £000 | Other £000 | Adjusted £000 |
|---|---|---|---|---|---|
| **Revenue** | 65,683 | | | | 65,683 |
| Operating costs | (50,200) | | | | (45,696) |
| Acquisition costs | | 866 | | | |
| Amortisation of intangibles arising on acquisition (see Note 27) | | | 1,676 | | |
| Credit from contingent consideration adjustment | | | (170) | | |
| Acquisition equity incentive scheme charges (see Note 27) | | | 236 | | |
| Mark to market charge on equity awards | | | | 1,896 | |
| **Operating Profit** | 15,483 | 866 | 1,742 | 1,896 | 19,987 |
| Fair value (losses)/gains on investments and other financial (expense)/income | (337) | | 254 | (170) | (253) |
| Interest Payable | (670) | | | | (670) |
| Non controlling interest | 184 | | | | 184 |
| Change in third-party consolidated funds | (40) | | | | (40) |
| **Profit before taxation** | 14,620 | 866 | 1,996 | 1,726 | 19,208 |
| Taxation | (3,219) | | | | (3,667) |
| Tax credit on adjustments | | (120) | | (328) | |
| **Profit after taxation** | 11,401 | 746 | 1,996 | 1,398 | 15,541 |
| **Diluted earnings per share** | 8.9p | 0.6p | 1.7p | 1.2p | 12.4p |

The adjusted diluted earnings per share is calculated using the adjusted profit after taxation shown above including the IFRS adjustment for profit attributable to owners of restricted shares of £867,000 (2018: £733,000) (see Note 14). The diluted number of shares is the same as used for the IFRS calculation of earnings per share (see Note 14).

### Mark to market charge on equity incentive awards

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

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

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

## 4 ADJUSTED PROFITS AND EARNINGS CONTINUED

### Contingent consideration

We are required to review and adjust our estimate of the contingent consideration payable in respect of the Impax NH acquisition (see note 27). Any adjustment is recorded through income but is excluded from adjusted profit.

### Amortisation of intangibles

Intangible management contracts were acquired as part of the Impax NH acquisition (see note 27) and are amortised over their 11 year life. This is not reflective of the operating performance of the Impax NH business and is therefore eliminated from operating costs.

### Fair value losses/gains on investments and other financial income/expense

The adjustments represent the removal of charges in respect of unwinding the discount of the contingent consideration payable (see above) and of legacy royalty income

## 5 SEGMENTAL REPORTING

### (a) Operating segments

In January 2018, Pax World Management LLC was acquired by Impax and has been re-named Impax Asset Management LLC. This company is based in Portsmouth, New Hampshire and we refer to it as "Impax NH". Impax NH is the manager of the Pax World Funds. Impax Asset Management Ltd and Impax Asset Management (AIFM) Ltd manage or advise listed equity funds and accounts, and the Real Assets division. The majority of this business is based in London so we refer to it as "Impax LN". Impax LN itself has two operating segments: "Listed Equity" and "Private Equity". The results of these segments have been aggregated into a single reportable segment for the purposes of these financial statements because they have characteristics so similar that they can be expected to have essentially the same future prospects. These segments have common investors, operate under the same regulatory regimes and their distribution channels are substantially the same. Additionally management allocates the resources of Impax LN as though there is one operating unit.

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

*Year ended 30 September 2019*

| | Impax LN £000 | Impax NH £000 | Adjustments £000 | Total £000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| External customers | 50,030 | 23,665 | – | 73,695 |
| Inter-segment | 2,349 | – | (2,349) | – |
| **Total revenue** | 52,379 | 23,665 | (2,349) | 73,695 |
| Segment profit – adjusted operating profit | 16,630 | 1,348 | – | 17,978 |

*Year ended 30 September 2018*

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

For the year ended 30 September 2018 Impax NH was only an operating segment for a eight and half months from the date of acquisition.

### (b) Geographical analysis

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

| | Revenue | |
|---|---|---|
| | 2019 £000 | 2018 £000 |
| UK | 13,221 | 18,781 |
| North America | 30,007 | 22,638 |
| France | 8,523 | 7,436 |
| Luxembourg | 14,580 | 11,104 |
| Netherlands | 3,087 | 2,752 |
| Ireland | 2,478 | 2,045 |
| Other | 1,799 | 927 |
| | 73,695 | 65,683 |

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

| | Non-current assets | |
|---|---|---|
| | 2019 £000 | 2018 £000 |
| UK | 3,368 | 3,397 |
| United States | 35,705 | 36,153 |
| Hong Kong | 28 | 22 |
| | 39,101 | 39,572 |

### (c ) Non-cash items

Operating expenses include the following non-cash items.

*Year ended 30 September 2019*

| | Impax LN £000 | Impax NH £000 | Total £000 |
|---|---|---|---|
| Share based payments | 1,222 | (62) | 1,160 |
| Depreciation and amortisation | 371 | 2,581 | 2,952 |
| | 1,593 | 2,519 | 4,112 |

*Year ended 30 September 2018*

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

## 6 REVENUE

*See accounting policy at note 34 (D)*

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

The Group consider the investment management and advisory fees to be a single revenue stream as they are all determined through a consistent performance obligation. Should AUM reduce as result of equity market downturns or allocation of capital away from equity markets then the revenue would reduce.

None of the Group's Funds individually represented more than 10% of Group revenue in the current or prior year.

Revenue includes £73,120,049 (2018: £65,512,903) from related parties.

## 7 OPERATING COSTS

The Group's largest operating cost is staff costs. Other significant costs include direct fund expenses, premises costs (rent payable on office building leases, rates and service charge), amortisation of intangible assets, mark-to-market charges on share awards and acquisition costs.

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

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Staff costs (note 8) | 36,657 | 31,543 |
| Direct fund expenses | 5,488 | 4,024 |
| Premises costs | 2,496 | 2,002 |
| Research costs | 322 | 259 |
| Professional fees | 2,596 | 2,242 |
| IT and communications | 3,458 | 2,513 |
| Depreciation and amortisation | 2,952 | 1,997 |
| Acquisition costs | – | 526 |
| Mark to market charges on share awards | 202 | 2,137 |
| Other costs | 4,255 | 2,957 |
| Sub-total | 58,426 | 50,200 |
| Contingent consideration (see note 29) | (3,543) | – |
| **Total** | 54,883 | 50,200 |

Operating costs includes £791,000 (2018: £312,000) in respect of placing agent fees paid to affiliates of BNP Paribas Asset Management Holdings, a related party.

Other costs includes £284,000 (2018: £284,000) paid to the Group's auditors which is analysed below:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Audit of the Group's Parent Company and consolidated financial statements | 69 | 91 |
| Audit of subsidiary undertakings | 128 | 107 |
| Tax compliance | 23 | 22 |
| Other non-audit services | 64 | 64 |
| | 284 | 284 |

## 8 STAFF COSTS AND EMPLOYEES

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Salaries and variable bonuses | 29,290 | 23,672 |
| Social security costs | 1,661 | 2,443 |
| Pensions | 834 | 633 |
| Share-based payment charge (see note 9) | 1,160 | 1,822 |
| Other staff costs | 3,712 | 2,973 |
| | 36,657 | 31,543 |

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

*See accounting policy for pensions in note 34 (G).*

The Group contributes to private pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to these funds. Contributions totalling £48,000 (2018:£12,137) 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 under the "Directors' Remuneration During The Year" heading on page 15.

Key management personnel are related parties and are defined as members of the Board and/or the Executive Committee. The remuneration of key management personnel during the year was £6,692,904 with £577,724 of share-based payments (2018: £6,886,184 plus £580,387 of share-based payments).

### Employees

The average number of persons (excluding Non-Executive Directors and including temporary staff), employed during the year was 151 (2018: 137).

| | 2019 No. | 2018 No. |
|---|---|---|
| Listed Equity | 55 | 51 |
| Private Equity | 11 | 12 |
| Client Service and Business Development | 43 | 36 |
| Group | 42 | 38 |
| | 151 | 137 |

## 9 SHARE-BASED PAYMENT CHARGES

*See accounting policy at note 34 (H)*

The total expense recognised for the year arising from share-based payment transactions was £1,160,259 (2018: £1,822,000). The charges arose in respect of the Group's Restricted Share Scheme ("RSS"), the Group's Employee Share Option Plan ("ESOP") and the Group's Restricted Stock Units scheme ("RSU") which are described below. Share based payment charges also arose in respect of the Put and Call arrangement made with Impax NH Management to acquire their shares in Impax NH. These are described in note 27. 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. The charges for each scheme are:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| RSS | 1,099 | 1,333 |
| ESOP | 123 | 213 |
| RSU | (41) | 41 |
| Put and Call | (21) | 235 |
| | 1,160 | 1,822 |

### Restricted Share Scheme

Restricted shares have been granted to employees in prior years under the 2014, 2015, 2017 and 2018 plans. Post year end the Board approved the grant of a further 75,000 restricted shares under the 2019 plan. Details of the awards granted along with their valuation and the inputs used in the valuation are described in the table below. The valuation was determined using the Black-Scholes-Merton model with an adjustment to reflect that dividends are received during the vesting period. Following grant, the shares are held by a nominee for employees - who are then immediately entitled to receive dividends. After a period of three years continuous employment the employees will receive unfettered access to one third of the shares, after four years a further third and after five years the final third. The employees are not required to make any payment for the shares on grant or when the restrictions lapse.

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

| | 2014 RSS | 2015 RSS | 2017 RSS | 2018 RSS | 2019 RSS |
|---|---|---|---|---|---|
| Awards originally granted | 1,250,000 | 3,140,000/<br>1,000,000 | 2,550,000/<br>500,000/<br>675,000 | 478,250 | 75,000 |
| In respect of services provided for period from | 1 Oct 2013 | 1 Oct 2014/<br>9 Feb 2016 | 14 Dec 2016/<br>11 May 2017/<br>1 Oct 2016 | 1 Oct 2017 | 1 Oct 2018 |
| Option award value | 49.9p | 42.1p/41.5p | 52.2p/87.7p/161.6p | 201.3p | 236.8p |
| Weighted average share price on grant | 52.5p | 41.4p | 77.4p | 202.8p | 239.0p |
| Expected volatility | 32% | 32%/31% | 29%/29%/29% | 30% | 31% |
| Weighted average option life on grant | 5.3yrs | 4.9yrs | 4.3yrs | 5.3yrs | 5.3yrs |
| Expected dividend rate | 3% | 3% | 4%/2%/2% | 1% | 2% |
| Risk free interest rate | 1.2% | 1.2%/0.8% | 0.6%/0.6%/0.7% | 1.2% | 0.3% |

| Restricted shares outstanding | 2019 |
|---|---|
| Outstanding at 1 October 2018 | 8,364,749 |
| Granted during the year | 478,250 |
| Vested during the year | (1,629,770) |
| Forfeited during the year | (27,750) |
| Outstanding at 30 September 2019 | 7,185,479 |

### Employee share option plan

*Options granted between 2012 and 2017*

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

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

*Options granted in 2018 and 2019*

In December 2018 500,000 options were granted under the 2018 plan. The strike price of these options was set at £1. The options do not have performance conditions but do have a time vesting condition such that the options vest subject to continued employment five years following grant. Vested shares are restricted from being sold for a further 5 year period (other than to settle any resulting tax liability).

Post year end the Board approved the grant of 650,000 options under the 2019 plan with the same conditions as the 2018 plan.

The valuation was determined using the binomial model.

### Options outstanding

An analysis of the outstanding options arising from Company's ESOP and LTIP plans is provided below:

| | Number | Weighted average exercise price p |
|---|---|---|
| Options outstanding at 1 October 2018 | 4,275,500 | 69.6 |
| Options granted | 500,000 | 100.0 |
| Options exercised | (250,000) | 42.8 |
| Options outstanding at 30 September 2019 | 4,525,500 | 74.4 |
| Options exercisable at 30 September 2019 | 2,725,500 | 19.3 |

Exercise prices for the options outstanding at the end of the period were 1p for the LTIPs, 47.9p for the ESOP 2013, 56.9p for the ESOP 2014, 45.4p for the ESOP 2015, 180.2p for the ESOP 2017 and 100.0p for the ESOP 2018. The weighted average remaining contractual life was 2.96 years.

The Group purchases Shares to cover the exercise of LTIP, ESOP and the granting of RSS awards. See note 26 for a breakdown of own shares held.

## 9 SHARE-BASED PAYMENT CHARGES CONTINUED

### Restricted stock units

The Group awarded RSUs to Impax NH staff and management on 18 January 2018. The RSUs entitle holders to receive Impax shares with a total value equal to 10% of the Contingent Consideration paid for the Impax NH acquisition (see note 27). The number of shares that each individual will receive under the RSUs is determined on 15 January 2021 after the amount of Contingent Consideration payable is finalised using the average Impax share price for the 20 consecutive trading days ending 15 January 2021. There is a further two-year restriction on the holders' ability to sell the shares. The shares are forfeited if the individual leaves at any time before the restricted period ends.

The charge to the income statement for these awards is determined each year by estimating the total value of shares that will be awarded (using the estimate of Contingent consideration – see Note 27) and spreading this over the five year period until the restrictions cease. The estimates are updated each year and the charge adjusted accordingly.

Based on the current estimate of contingent consideration no shares will be issued.

### Impax NH put and call arrangement

As detailed in note 27 the schemes put in place whereby Impax NH management acquired their holding in Impax NH and the put and call options which will require Impax to purchase those stakes using Impax shares represent a share based payment. The charge is spread over a three year period from the date of acquisition.

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Fair value gains/(losses) | 103 | (233) |
| Interest income | 82 | 109 |
| Other investment income | 154 | 170 |
| Unwinding of discount on contingent consideration | (213) | (254) |
| Foreign exchange gains/(losses) | 716 | (129) |
| | 842 | (337) |

Fair value losses represent those arising on the revaluation of listed and unlisted investments held by the Group including those held by the Group's consolidated funds (see note 20) and any gains or losses arising on related hedge instruments held by the Group.

The fair value gain comprises realised losses of £149,000 and unrealised gains of £252,000 (2018:£576,000 of unrealised gains and £809,000 of unrealised losses).

## 11 INTEREST EXPENSE

Interest is payable on the loans from RBS which were used to fund the acquisition of Impax NH (see note 24).

*See accounting policy at note 34 (J)*

## 12 THIRD-PARTY INVESTOR'S SHARE OF CONSOLIDATED FUNDS

*See accounting policy regarding consolidation at note 34 (A)*

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

## 13 TAXATION

*See accounting policy at note 34 (K)*

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

### (a) Analysis of charge for the year

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Current tax expense:** | | |
| UK corporation tax | 831 | – |
| Foreign taxes | 227 | 325 |
| Adjustment in respect of prior years | 185 | (116) |
| Total current tax | 1,243 | 209 |
| **Deferred tax expense/(credit):** | | |
| Charge for the year | 2,165 | 2,792 |
| Adjustment in respect of prior years | (380) | 218 |
| Total deferred tax | 1,785 | 3,010 |
| **Total income tax expense** | 3,028 | 3,219 |

A tax credit of £251,000 (2018: £2,352,000) is also recorded in equity in relation to tax deductions on share awards arising due to the share price increase.

### (b) Factors affecting the tax charge for the year

The UK tax rate for the year is 19%. The tax assessment for the period is lower than this rate (2018: higher). The differences are explained below:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Profit before tax | 18,898 | 14,620 |
| Tax charge at 19% (2018: 19%) | 3,591 | 2,778 |
| **Effects of:** | | |
| Increase in tax deductions re share awards from share price increases | – | – |
| Non-taxable income | (863) | (24) |
| Non-deductible expenses and charges | 20 | 248 |
| Adjustment in respect of historical tax charges | (195) | 98 |
| Effect of higher tax rates in foreign jurisdictions | 95 | 240 |
| Tax deductibility of goodwill | – | (66) |
| Tax losses not recognised | 380 | – |
| Utilisation of tax losses brought forward and not recognised | – | (55) |
| **Total income tax expense** | 3,028 | 3,219 |

## 13 TAXATION CONTINUED

### (c) Deferred tax

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

| | Share-based payment scheme £000 | Other assets £000 | Total assets £000 | Income not yet taxable £000 | Other liabilities £000 | Total liabilities £000 |
|---|---|---|---|---|---|---|
| As at 1 October 2017 | 3,587 | 641 | 4,228 | (1,660) | (621) | (2,281) |
| Credit/charge to equity | 2,352 | 8 | 2,360 | – | – | – |
| Exchange differences on consolidation | – | – | – | (12) | – | (12) |
| Credit/(charge) to the income statement | (2,326) | 188 | (2,138) | (1,179) | 308 | (871) |
| As at 30 September 2018 | 3,613 | 837 | 4,450 | (2,851) | (313) | (3,164) |
| Credit to equity | 251 | 2 | 253 | – | – | – |
| Exchange differences on consolidation | – | 2 | 2 | 1 | – | 1 |
| Credit/(charge) to the income statement | (345) | (603) | (948) | (983) | 146 | (837) |
| **As at 30 September 2019** | 3,519 | 238 | 3,757 | (3,833) | (167) | (4,000) |

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at 30 September 2019 has been calculated using these rates.

## 14 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.

The number of share to be issued under the Restricted Share Units is based on the Impax NH assets under management at the vesting date. Assets under management are currently below the threshold for shares to be issued so the RSUs are currently not dilutive. The put and call arrangement to acquire Impax NH management shares (see note 27) is also currently not dilutive.

| | Earnings for the year £000 | Shares 000s | Earnings per share |
|---|---|---|---|
| **2019** | | | |
| Basic | 15,003 | 122,887 | 12.2p |
| Diluted | 15,003 | 124,056 | 12.1p |
| 2018 | | | |
| Basic | 10,663 | 118,758 | 9.0p |
| Diluted | 10,663 | 119,581 | 8.9p |

Earnings are reduced by £867,000 for the year ended 30 September 2019 (2018: £738,000) to reflect that holders of restricted shares receive dividends during the vesting period, see note 9.

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

| | 2019 000s | 2018 000s |
|---|---|---|
| Weighted average issued share capital | 130,415 | 129,612 |
| Less own shares held not allocated to vested LTIP options | (7,528) | (10,854) |
| Weighted average number of ordinary shares used in the calculation of basic EPS | 122,887 | 118,758 |
| Additional dilutive shares regarding share schemes | 2,800 | 2,550 |
| Adjustment to reflect option exercise proceeds and future service from employees receiving awards | (1,631) | (1,728) |
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 124,056 | 119,580 |

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

## 15 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 and special dividend.

### Dividends declared/proposed in respect of the year

| | 2019 pence | 2018 pence |
|---|---|---|
| Interim dividend declared per share | 1.5 | 1.1 |
| Special dividend | – | 2.6 |
| Final dividend proposed per share | 4.0 | 3.0 |
| **Total** | 5.5 | 6.7 |

The proposed final dividend of 4.0p will be submitted for formal approval at the Annual General Meeting to be held on 19 March 2020. Based on the number of shares in issue at the date of this report and excluding own shares held the total amount payable for the final dividend would be £5,142,000.

### Dividends paid in the year

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Prior year final dividend – 3.0p, 2.2p | 3,864 | 2,752 |
| Special dividend – 0p, 2.6p | – | 3,256 |
| Interim dividend – 1.5p, 1.1p | 1,928 | 1,378 |
| | 5,792 | 7,386 |

## 16 GOODWILL

*See accounting policy at note 34 (L)*

| | Goodwill £000 |
|---|---|
| **Cost** | |
| At 1 October 2017 | 1,681 |
| Acquisition of Impax NH | 9,931 |
| Impairment | (52) |
| Foreign exchange | 611 |
| At 30 September 2018 | 12,171 |
| Foreign exchange | 633 |
| At 30 September 2019 | 12,804 |

The goodwill balance within the Group at 30 September 2019 arose from the acquisition of Impax Capital Limited on 18 June 2001 (Listed Equity and Private Equity operating segment) and the acquisition of Impax NH in January 2018.

Impax NH consists of only one cash-generating unit ("CGU"). Goodwill is allocated between CGUs at 30 September 2019 as follows – £11,175,000 to Impax NH and £1,629,000 to the combined Listed Equity and Private Equity CGUs.

The Group has determined the recoverable amount of its 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 2020, which was approved by the Directors in September 2019. The key assumptions used to calculate the cash flows in the budget were expected fund flows for each CGU (based on an aggregation of flows by product) and a discount rate of 12.5 per cent. The discount rate was derived from the Group's weighted average cost of capital adjusted to reflect the specific risks associated with US cashflows which we consider is reflective of a market participant's discount rate. See note 3 for sensitivities of assumptions.

There has been no impairment of goodwill related to the Listed Equity and Private Equity segment to date and there is significant headroom before an impairment would be required. As an indication, if the discount rate was increased by 3% there would be no impairment charge.

## 17 INTANGIBLE ASSETS

*See accounting policy at note 34 (M)*

Intangible assets mainly represents the management contracts acquired as part of the acquisition of Impax NH (see note 29).

| | Management contracts £000 | Software £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 October 2017 | 112 | 342 | 454 |
| Addition through Impax NH acquisition (see note 27) | 25,669 | 0 | 25,669 |
| Additions | – | 76 | 76 |
| Foreign exchange | 1,600 | – | 1,600 |
| As at 30 September 2018 | 27,381 | 418 | 27,799 |
| Additions | – | 97 | 97 |
| Foreign exchange | 1,635 | – | 1,635 |
| **As at 30 September 2019** | 29,016 | 515 | 29,531 |
| **Accumulated amortisation** | | | |
| As at 1 October 2017 | 112 | 325 | 437 |
| Charge for the year | 1,722 | 19 | 1,741 |
| Foreign exchange | 56 | – | 56 |
| As at 30 September 2018 | 1,890 | 344 | 2,234 |
| Charge for the year | 2,528 | 48 | 2,576 |
| Foreign exchange | 203 | – | 203 |
| **As at 30 September 2019** | 4,621 | 392 | 5,013 |
| **Net book value** | | | |
| As at 30 September 2019 | 24,395 | 123 | 24,518 |
| As at 30 September 2018 | 25,491 | 74 | 25,565 |
| As at 30 September 2017 | – | 17 | 17 |

## 18 PROPERTY, PLANT AND EQUIPMENT

*See accounting policy at note 34 (N)*

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

| | Leasehold improvements £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 October 2017 | 904 | 904 | 1,808 |
| Addition through Impax NH acquisition (see note 28) | 5 | 62 | 67 |
| Additions | 1,150 | 462 | 1,612 |
| Disposals | – | (46) | (46) |
| Foreign exchange | – | 5 | 5 |
| As at 30 September 2018 | 2,059 | 1,387 | 3,446 |
| Additions | 11 | 294 | 305 |
| Disposals | – | – | – |
| Foreign exchange | 1 | 20 | 21 |
| **As at 30 September 2019** | 2,071 | 1,701 | 3,772 |
| **Accumulated depreciation** | | | |
| As at 1 October 2017 | 712 | 635 | 1,347 |
| Charge for the year | 115 | 168 | 283 |
| Disposals | – | (19) | (19) |
| Foreign exchange | – | (1) | (1) |
| As at 30 September 2018 | 827 | 783 | 1,610 |
| Charge for the year | 143 | 231 | 374 |
| Disposals | – | – | - |
| Foreign exchange | – | 9 | 9 |
| **As at 30 September 2019** | 970 | 1,023 | 1,993 |
| **Net book value** | | | |
| As at 30 September 2019 | 1,101 | 678 | 1,779 |
| As at 30 September 2018 | 1,232 | 604 | 1,836 |
| As at 30 September 2017 | 192 | 269 | 461 |

## 19 TRADE AND OTHER RECEIVABLES

*See accounting policy at note 34 (O)*

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Trade receivables | 2,412 | 3,432 |
| Other receivables | 1,479 | 1,799 |
| Prepayments and accrued income | 12,849 | 10,627 |
| | 16,740 | 15,858 |

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:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| 0–30 days | 2,170 | 2,576 |
| Past due but not impaired: | | |
| 31–60 days | 241 | 363 |
| 61–90 days | 1 | 493 |
| | 2,412 | 3,432 |

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.

£13,100,852 of trade and other receivables and accrued income were due from related parties (2018: £12,200,789). £nil included in other receivables was due from non-consolidated sub funds of the EBT 2004 (2018: £407,000).

## 20 CURRENT ASSET INVESTMENTS

*See accounting policy at note 34 (P)*

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 also included. Further details of when funds are consolidated are described in note 34 (A).

| | Total<br>£000 |
|---|---|
| At 1 October 2017 | 13,013 |
| Additions | 2,336 |
| Fair value movements | 806 |
| IEL Deconsolidation | (4,600) |
| Repayments/disposals | (7,206) |
| At 30 September 2018 | 4,349 |
| Additions | 2,522 |
| Fair value movements | (155) |
| IGEO Deconsolidation | (53) |
| Repayments/disposals | (2,037) |
| **At 30 September 2019** | 4,626 |

*Pax Global Opportunities Fund (not consolidated)*

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

*Global Women's Select Strategy*

On 31 May 2019 the Group launched a segregated account for a new strategy; the Global Women's Select Strategy and invested US$2,000,000 of its own resources. The segregated account is traded from the Group's balance sheet and the equities held are included in the table above. There are currently no external investors into this strategy.

## 20 CURRENT ASSET INVESTMENTS CONTINUED

*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%, 1.14% and 1.12% respectively of these funds. The valuation of these level 3 investments is based on the value of the underlying investments in the Funds. The valuation technique used for the material investments is the price of recent transaction. Further details of the Group's commitments to these partnerships are disclosed in note 29.

*Impax Global Equity Opportunities Fund (not consolidated)*

On 23 December 2014 the Group launched the Impax Global Equity Opportunities Fund ("IGEO") and invested from its own resources £2,000,000 in the fund. IGEO invests in listed equities using the Group's Global Equity Strategy. During the prior Period the Group redeemed £930,000 of its investment. During March 2019 the Group redeemed its remaining investment for £2,034,000. The Group's investment was not consolidated as it represented less than 50 per cent of IGEO's Net Asset Value ("NAV") throughout the current financial year until redemption. The investment was consolidated in previous periods when the investment represented more than 50% of the Fund's NAV.

The unlisted investments include £747,000 in related parties of the Group (2018: £97,582).

### 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 2018 | 2,183 | 1,619 | 547 | 4,349 |
| Additions | 1,672 | – | 850 | 2,522 |
| Fair value movements | (77) | 216 | (294) | (155) |
| Deconsolidation | (2,184) | 2,131 | – | (53) |
| Repayments/disposals | – | (1,981) | (56) | (2,037) |
| **At 30 September 2019** | 1,594 | 1,985 | 1,047 | 4,626 |

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

### Market risk and investment hedges

*See accounting policy for derivatives at note 34 (Q)*

The investment in the Pax GO fund and Global Women's Select Strategy at 30 September 2019 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.

## 21 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

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

At 30 September 2019 AUM managed within unconsolidated structured entities was £15.05 billion (2018: £12.51 billion) and within consolidated structured entities was nil (2018: £2.21 million).

£73,695,258 (2018: £65,286,420) in revenue was earned from unconsolidated structured entities.

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Management fees receivable (including accrued income) | 10,549 | 8,680 |
| Investments | 4,626 | 2,166 |
| | 15,175 | 10,846 |

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 31.

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

*See accounting policy for cash at note 34 (R)*

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Cash and cash equivalents | 11,939 | 15,529 |
| Cash invested in money market funds and long-term deposit accounts | 15,235 | 11,211 |
| Less: cash and cash equivalents held by consolidated funds | - | (67) |
| : cash held in RPAs | (968) | (2,074) |
| Cash reserves | 26,206 | 24,599 |

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 0.3% (2018: 0.5%). A 0.5% increase in interest rates would have increased Group profit after tax by £101,000 (2018: £139,000). An equal change in the opposite direction would have decreased profit after tax by £82,000 (2018: £139,000).

The credit risk regarding cash balances of the operating entities of the Group is spread by holding parts of the balance with RBS, Lloyds, Citizens and the Bank of New Hampshire (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 AAA).

## 23 TRADE AND OTHER PAYABLES

*See accounting policy at note 34 (S)*

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Trade payables | 2,231 | 914 |
| Taxation and other social security | 2,454 | 2,404 |
| Other payables | 4,050 | 7,063 |
| Accruals and deferred income | 14,846 | 14,374 |
| | 23,581 | 24,755 |

The most significant accrual at the year end relates to staff bonuses. Other payables included estimated amounts payable for contingent consideration in 2018 which is estimated as nil for the current period (see Note 27). This is measured at fair value and is classified as Level 3 for the hierarchical classification purposes of IFRS 13.

## 24 LOANS

*See accounting policy at note 34 (T)*

To part fund the acquisition of Impax NH the Group signed a debt facility with RBS. The facility consisted of a US$13 million term loan repayable annually over a 3 year term and a US$13 million revolving credit facility (“RCF”) with a 5 year tenor. The term loan incurs interest at US LIBOR plus 2.9% and the revolving credit facility at US LIBOR plus 3.3%. On completion of the acquisition the Group drew down the term loan in full and US$12 million of the revolving credit facility. During 2018 the RCF was repaid in full and during the Period the term loan was repaid in full.

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Amounts due within one year | – | 3,326 |
| Amounts due after more than one year | – | 6,652 |
| | – | 9,978 |

A reconciliation of the movement on the loan is provided below:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| At 1 October | 9,978 | – |
| Proceeds from bank borrowing | – | 18,080 |
| Repayments of bank borrowing | (10,371) | (8,779) |
| Foreign exchange | 393 | 677 |
| At 30 September | – | 9,978 |

## 25 ORDINARY SHARES

*See accounting policy at note 34 (U)*

| Issued and fully paid | 2019 No of shares/000s | 2018 No of shares/000s | 2019 £000 | 2018 £000 |
|---|---|---|---|---|
| At 1 October | 130,415 | 127,749 | 1,304 | 1,277 |
| Shares issued/1p | – | 2,666 | – | 27 |
| At 30 September | 130,415 | 130,415 | 1,304 | 1,304 |

## 26 OWN SHARES

*See accounting policy at note 34 (V)*

| | No of shares/000s | £000 |
|---|---|---|
| At 1 October 2017 | 19,009,332 | 6,633 |
| Satisfaction of option exercises and RSS vesting | (10,739,251) | (3,747) |
| EBT 2012 purchases | 1,454,065 | 2,534 |
| At 30 September 2018 | 9,724,146 | 5,420 |
| Satisfaction of option exercises and RSS vesting | (1,879,770) | (1,047) |
| EBT 2012 purchases | 1,181,390 | 2,505 |
| **At 30 September 2019** | 9,025,766 | 6,878 |

Included within own shares are 7,185,479 shares held in a nominee account in respect of the Restricted Share Scheme as described in note 9.

## 27 ACQUISITION OF PAX WORLD MANAGEMENT LLC

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

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

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

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

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

## 27 ACQUISITION OF PAX WORLD MANAGEMENT LLC CONTINUED

The contingent consideration will be determined based on Impax NH's average AUM as at 30 June 2020, 30 September 2020 and 31 December 2020 and will rise linearly from zero, if Impax NH's average AUM is not more than US$5.5 billion, to US$37.5 million for the entire share capital of Impax NH, if Impax NH's average AUM is $8 billion or above. The fair value of the Contingent Consideration payable to the Selling Shareholders was estimated as $4.2 million at the acquisition date. As with the initial consideration, settlement of any Contingent Consideration payable to Impax NH's Management Shareholders is expected to be made in 2021 in the Group's ordinary shares at the share price prevailing at the time and or/cash as the Group elects.

The Groups estimate of the contingent consideration payable has been revised to nil based on the latest estimate of Impax NH's AUM.

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

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

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

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

### Goodwill and intangible assets

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Impax NH with those of the Group. Impax NH consists of only one cash generating unit so no allocation of goodwill between CGUs was required.

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

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

### Non controlling interest

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

During the period the Put was exercised and the Group acquired the remaining 49% of shares, see note 28.

### Transaction Costs

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

### Pre-existing relationships

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

| **Analysis of cash flows on acquisition:** | **£000** |
|---|---|
| Net cash acquired with the subsidiary | 2,316 |
| Cash paid | (26,209) |
| Net cash flow on acquisition | (23,893) |

## 28 NON-CONTROLLING INTERESTS

During the year a Put option was exercised by the non-controlling interest ("NCI") holder of the Group's subsidiary Pax Ellevate Management. As a result the Group acquired the 49% stake owned by the third party for consideration of £1.81 million (£0.75 million after settlement of amounts due to Impax by Ellevate).

In the prior year a liability was recorded within payables for the cost of acquiring the non-controlling interest and changes in the liability were recorded in equity. On acquisition the carrying amount of the NCI acquired has been recognised as an increase in equity attributable to owners of the Company.

## 28 NON-CONTROLLING INTERESTS CONTINUED

| | 2019 £000 | 2018 £000 |
|---|---|---|
| NCI percentage | 0% | 49% |
| Non-current assets | – | 2,087 |
| Current assets | – | 138 |
| Non-current liabilities | – | – |
| Current liabilities | – | (392) |
| Net assets | – | 1,833 |
| Net assets attributable to NCI | – | 898 |
| Revenue | 1,175 | 729 |
| Profit/(Loss) | (319) | (376) |
| Total comprehensive income | (319) | (376) |
| Profit/(Loss) allocated to NCI | (156) | (184) |
| Cash flows from operating activities | (38) | (45) |
| Cash flows from investment activities | – | – |
| Cash flows from financing activities (dividends to NCI: nil) | – | – |
| Net increase (decrease) in cash and cash equivalents | (38) | (45) |

## 29 FINANCIAL COMMITMENTS

At 30 September 2019 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages:

- €203,000 (2018: €203,000) into INEI; this amount could be called on in the period to 31 December 2019;
- €113,000 (2018: €672,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €2,994,000 into INEI III (2018: €3,981,000); this amount could be called on in the period to 31 December 2026.

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

| | Offices | | Other | |
|---|---|---|---|---|
| | 2019 £000 | 2018 £000 | 2019 £000 | 2018 £000 |
| Within one year | 1,694 | 1,110 | 16 | 16 |
| Between one and five years | 6,674 | 6,496 | – | 16 |
| Later than five years | 6,655 | 8,295 | – | – |
| | 15,023 | 15,901 | 16 | 32 |

The material operating leases for 2019 are for office space at 7th Floor, 30 Panton Street, London and for office space in Portsmouth, New Hampshire, USA. The London lease is for ten years expiring 30 June 2027. The New Hampshire lease is for 12.5 years expiring 31 March 2031.

## 30 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Profit before taxation | 18,898 | 14,620 |
| *Adjustments for income statement non-cash charges/income* | | |
| Depreciation of property plant and equipment and amortisation of intangible assets | 2,952 | 2,051 |
| Fair value gains/(losses) and other financial income/(expense) | (606) | 616 |
| Share-based payment charges | 1,160 | 1,822 |
| Non controlling interest | (156) | (184) |
| Contingent Consideration credit | (3,543) | (170) |
| *Adjustments for which the cash effects are investing or financing activities* | | |
| Investment income | (236) | (279) |
| Interest payable | 912 | 670 |
| Changes in third party interests in consolidated funds | – | 40 |
| *Adjustment for statement of financial position movements* | | |
| Increase in trade and other receivables | (1,135) | (2,011) |
| Increase in trade and other payables | 2,602 | 6,261 |
| | 20,848 | 23,436 |

## 31 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 risks 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 22). 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 19.

The Group makes no provision for credit loss as all receivable counterparties are Funds managed by the Group. All Funds have sufficient resource to satisfy their position.

### Foreign exchange risk

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

## 31 FINANCIAL RISK MANAGEMENT CONTINUED

### Foreign exchange risk continued

The strategy for Impax LN for the year ended 30 September 2019 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 2019, and January, April, July and October 2020. The fair value of these instruments at 30 September 2019 was £(66,000) which is recognised in equity. £13,000 was reclassified from equity to the income statement during the year on maturity of the hedges.

The Group's exposure to foreign exchange rate risk, including that arising from consolidated funds, at 30 September 2019 was:

| | EUR/GBP £000 | USD/GBP £000 | Other/GBP £000 |
|---|---|---|---|
| **Assets** | | | |
| Current asset investments | 777 | 3,847 | – |
| Trade and other receivables | 437 | 23,980 | 397 |
| Cash and cash equivalents | 107 | 3,309 | 704 |
| | 1,321 | 31,136 | 1,101 |
| **Liabilities** | | | |
| Trade and other payables | 5,192 | 8,325 | 213 |
| Loans | – | – | – |
| Third-party interest in consolidated funds | – | – | – |
| | 5,192 | 8,325 | 213 |
| **Net exposure** | (3,871) | 22,811 | 888 |

The Group's exposure to foreign exchange rate risk at 30 September 2018 was:

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

The following table demonstrates the estimated impact on Group post-tax profit and net assets caused by a 5% 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 | |
|---|---|---|
| | 2019 £000 | 2018 £000 |
| **Translation of significant foreign assets and liabilities** | | |
| GBP strengthens against the USD, up 5% | 1,057 | 452 |
| GBP weakens against the USD, down 5% | (1,057) | (452) |
| GBP strengthens against the EUR, up 5% | 197 | 70 |
| GBP weakens against the EUR, down 5% | (197) | (70) |

## 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 29) and the cash required to meet the Group's investment plans and its regulatory capital requirements.

The Group considers its share capital, share premium and retained earnings to constitute its total capital. These are shown in the Statement Of Changes In Equity. Certain companies of the Group are regulated and must maintain capital or liquid capital resources to comply with the capital requirements of the Financial Conduct Authority (the "FCA"). As a result of the acquisition of Impax NH the Group moved into a capital deficit position and agreed a waiver under which the Group is required to build capital to a surplus position over a 4 year period. The Group is well on track to achieve this.

At 30 September 2019, the Group had cash and cash equivalents and cash in money market funds and long-term deposit accounts of £27,174,000. This is £3,593,000 in excess of trade and other payables. The Group in addition had other current assets of £21,605,000. The Group has access to a revolving credit facility it can draw on to finance any shortfalls in cash, see note 24.

## Interest rate risk

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

## Market risk

The significant holdings that are exposed to equity market price risk is the Group's investments in its managed funds. See note 20 for further information.

## Fair value 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.

## 31 FINANCIAL RISK MANAGEMENT CONTINUED

### Financial assets and liabilities by category

| 30 September 2019 | Financial assets measured at fair value £000 | Financial assets/liabilities measured at amortised cost £000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | – | 11,939 |
| Cash held in money market funds and long-term deposits | 15,235 | – |
| Trade and other receivables | – | 3,891 |
| Investments | 4,626 | – |
| **Total financial assets** | 19,861 | 15,830 |
| **Financial liabilities** | | |
| Trade and other payables | – | 6,281 |
| **Total financial liabilities** | – | 6,281 |

| 30 September 2018 | Financial assets/liabilities measured at fair value £000 | Financial assets/liabilities measured at amortised cost £000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | – | 15,529 |
| Cash held in money market funds and long-term deposits | 11,211 | – |
| Trade and other receivables | – | 5,231 |
| Investments | 4,349 | – |
| **Total financial assets** | 15,560 | 20,760 |
| **Financial liabilities** | | |
| Trade and other payables | 3,313 | 4,664 |
| Loans | – | 9,978 |
| Third-party interest in consolidated funds | 87 | – |
| **Total financial liabilities** | 3,400 | 14,642 |

## 32 RELATED PARTY TRANSACTIONS

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

BNP Paribas Asset Management Holdings is a related party of the Group by virtue of owning a 24.5% equity holding. The Group sub-manages certain funds for BNP for which it earns fees and BNP acts as a placing agent for the Group.

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 6 and amounts receivable are disclosed in note 19. The Group also invests in certain funds that it manages which is disclosed in note 20.

The transactions with the EBT 2004 described in note 19 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 €100,000 each at the reporting date.

## 33 NEW ACCOUNTING STANDARDS

### New standards, interpretations and amendments adopted during the year

*IFRS 9 Financial Instruments*

IFRS 9 replaces the classification and measurement requirements previously contained in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. In accordance with IFRS 9, the Group's financial assets and liabilities included in Loans and receivables have been reclassified into amortised cost. Financial assets previously classified as fair value through profit or loss ("FVTPL") remain as FVTPL (see note 31).

The Group holds non–controlling interests in unconsolidated funds at fair value, designated at FVTPL. Under the new standard, this designation has not changed. Contingent Consideration is designated as FVTPL consistent with previous classification. Trade and other payables principally comprise short–term settlement accounts, none of which are held for trading or meet the definition of items that could be carried at fair value. Such instruments have remained at amortised cost.

IFRS 9 requires hedge accounting relationships to be aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Under the new standard the assessment of effective hedges and the accounting policy has not changed.

The adoption of IFRS 9 has not had a significant impact on the Group.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

In considering the requirements of IFRS 15, the Group has reviewed its customer contracts to determine the performance obligations and the associated timing of income recognition in accordance with IFRS 15. In doing so, the Group has determined that the requirements of IFRS 15 in respect of these revenue sources are consistent with the Group's accounting policies under IAS 18, such that the adoption of IFRS 15 has not resulted in any significant impact to the Group.

## 34 ACCOUNTING POLICIES

### (A) Basis of consolidation

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

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

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

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

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

## 34 ACCOUNTING POLICIES CONTINUED

### 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.

### Investment funds and structured entities continued

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

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

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

Details of funds that are recorded as a financial asset are provided in note 20.

### (B) Business combinations

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

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

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

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

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

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

### (C) Foreign currency

*(i) Functional and presentational currency*

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

*(ii) Transactions and balances*

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

*(iii) Consolidation*

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

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

### (D) Revenue

Management fee 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.

### (E) Leases

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

### (F) Placement fees

Placement fees incurred that are directly attributable to securing an investment management contract are deferred and amortised over the investment period of the related fund. Such charges are included in other costs in note 7 - Operating costs.

### (G) Pensions

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

### (H) Share-based payments

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

## 34 ACCOUNTING POLICIES CONTINUED

### (I) Investment income

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

### (J) Interest expense

Interest expense is recognised using the effective interest method

### (K) Taxation

Current tax is based on taxable profits for the year after all potential reliefs available have been utilised. Taxable profits may differ from "profit before tax" as reported in the income statement due to timing differences of when expenditure or income are included or due to disallowing certain expenditure or income. 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.

### (L) Goodwill

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

Where the cost of acquisition includes contingent consideration this is initially estimated and discounted. Any changes to this estimate within on year of acquisition are recorded in goodwil. Changes after one year are recorded through the income statement. The unwinding of the discount is recorded through other financial expense in the income statement.

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

### (M) Intangible assets

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

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

| | |
|---|---|
| Management contracts | 11 years |
| Other items | four years |

### (N) Property, plant and equipment

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

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

| | |
|---|---|
| Leasehold improvements | life of the lease |
| Fixtures, fittings and equipment | three years |

## (O) Trade and other 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 estimated credit losses. The Group has not had credit losses in the past, any estimated credit losses would take into account the nature of any dispute and the financial resources of the client.

## (P) Current asset investments

Current asset investments are categorised as financial assets at fair value through profit or loss. All gains or losses together with transaction costs are recognised in the income statement. 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 interests in unlisted funds whose net asset values are referenced to the fair values of the listed or exchange traded securities held by those funds are deemed to be to be level 2.

The fair value of the unlisted investments (deemed to be Level 3) 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. When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

## (Q) Derivatives

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

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

## (R) Cash and cash equivalents

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

## (S) Trade and other payables

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

## (T) Loans

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

## (U) Ordinary shares

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

## (V) Own shares

Company shares held by the Group's Employee Benefit Trusts are deducted from shareholder's funds and classified as Own shares.

### (W) Impairment of assets

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

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

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

### (X) Interests in unconsolidated structured entities

The Group classifies the following investment funds as unconsolidated structured entities:

- Segregated mandates and pooled funds managed where the Group does not hold any direct interest. In this case, the Group considers that its aggregate economic exposure is insignificant, and, in relation to segregated mandates and certain pooled funds, the third-party investor has the practical ability to remove the Group from acting as fund manager, without cause. As a result the Group concludes that it acts as an agent for third-party investors.
- Pooled funds managed by the Group where the Group holds a direct interest, for example seed capital investments, and the Group's aggregate economic exposure in the fund relative to third-party investors is less than 20% (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 21.

## 35 NEW ACCOUNTING STANDARDS

### 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 16 | Leases | 1 January 2019 |

– IFRS 16 Leases will become applicable from 1 October 2019 and the first annual report published in accordance with IFRS 16 will be the 30 September 2020 report. The Group plans to adopt the modified retrospective approach from 1 October 2019 and comparative information will not be restated. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 October 2019.

Based on a review of operating leases in place on 1 October 2019, the Group has estimated that approximately £10,693,000 will be recognised as a right-of-use asset and with a corresponding lease liability of £11,991,000 under IFRS 16. The accrual of £1,051,000 at 30 September 2019 to reflect the straightlining of operating lease expense under the existing lease standard will no longer be required. The impact represent 12% of consolidated total asset and 38% of consolidated total liabilities. Group will recognise a depreciation charge for the right of use assets and interest expenses on lease liabilities. Currently the Group recognises operating lease expense on a straight line basis over the term of the lease.

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 2019

**Company No: 03262305**

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | Notes | £000 | £000 | £000 | £000 |
| **Assets** | | | | | |
| Property, plant and equipment | 37 | 1,504 | | 1,695 | |
| Investments | 38 | 34,583 | | 34,375 | |
| Deferred tax assets | 42 | 242 | | 183 | |
| **Total non-current assets** | | | 36,329 | | 36,253 |
| Trade and other receivables | 39 | 21,877 | | 25,974 | |
| Investments | 40 | 4,351 | | 1,714 | |
| Cash invested in money market funds and long term deposit accounts | | 4,573 | | 233 | |
| Cash and cash equivalents | | 1,341 | | 6,917 | |
| **Total current assets** | | | 32,142 | | 34,838 |
| **Total assets** | | | 68,471 | | 71,091 |
| **Equity and Liabilities** | | | | | |
| Ordinary shares | 25 | 1,304 | | 1,304 | |
| Share premium | | 9,291 | | 9,291 | |
| Retained earnings | | 28,081 | | 31,967 | |
| **Total equity** | | | 38,676 | | 42,562 |
| Trade and other payables | 41 | 29,795 | | 18,551 | |
| Loans | 24 | – | | 3,326 | |
| **Total current liabilities** | | | 29,795 | | 21,877 |
| Loans | 24 | – | | 6,652 | |
| **Total non-current liabilities** | | | – | | 6,652 |
| **Total equity and liabilities** | | | 68,471 | | 71,091 |

Authorised for issue and approved by the Board on 3 December 2019. The notes on pages 64 to 70 form part of these financial statements.

**Ian R Simm**
Chief Executive

# Company Statement of Changes in Equity

For the year ended 30 September 2019

| | Note | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| **As at 1 October 2017** | | 1,277 | 4,093 | 14,160 | 19,530 |
| Profit for the year | | – | – | 18,967 | 18,967 |
| *Transactions with owners* | | | | | |
| Shares issued | | 27 | 5,198 | – | 5,225 |
| Dividends paid | 15 | – | – | (7,386) | (7,386) |
| Acquisition of own shares | | – | – | (2,534) | (2,534) |
| Management equity scheme - value assigned to pre-acquisition service | | | | 1,917 | 1,917 |
| Tax credit on long-term incentive schemes | | – | – | 544 | 544 |
| Cash received on option exercises | | – | – | 4,477 | 4,477 |
| Long-term incentive scheme charge | | – | – | 1,822 | 1,822 |
| Total transactions with owners | | 27 | 5,198 | (1,160) | 4,065 |
| **As at 30 September 2018** | | 1,304 | 9,291 | 31,967 | 42,562 |
| Profit for the year | | – | – | 3,127 | 3,127 |
| *Transactions with owners* | | | | | |
| Dividends paid | 15 | – | – | (5,792) | (5,792) |
| Acquisition of own shares | | – | – | (2,505) | (2,505) |
| Tax credit on long-term incentive schemes | | – | – | 13 | 13 |
| Cash received on option exercises | | – | – | 111 | 111 |
| Long-term incentive scheme charge | | – | – | 1,160 | 1,160 |
| Total transactions with owners | | – | – | (7,014) | (7,014) |
| **As at 30 September 2019** | | 1,304 | 9,291 | 28,081 | 38,676 |

The notes on pages 64 to 70 form part of these financial statements.

# Company Statement of Cash Flows

For the year ended 30 September 2019

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| **Operating activities:** | | |
| Profit before taxation | 3,194 | 20,094 |
| *Adjustments for:* | | |
| Investment income (Dividends received) | – | (13,000) |
| Depreciation of property, plant & equipment | 300 | 242 |
| Fair value losses other financial expenses | (649) | (3) |
| Interest payable | 912 | 670 |
| Share-based payment | (23) | 229 |
| **Operating cash flows before movement in working capital** | 3,734 | 8,232 |
| Decrease/(increase) in receivables | 3,856 | (4,147) |
| Increase in margin account | (2) | (144) |
| Increase in payables | 11,131 | 4,200 |
| **Cash used generated from operations** | 18,719 | 8,141 |
| Corporation tax | – | - |
| **Net cash generated from operating activities** | 18,719 | 8,141 |
| **Investing activities:** | | |
| Dividend received | – | 13,000 |
| Investments in new subsidiaries | (392) | (8,095) |
| Loans to new subsidiaries | – | (19,232) |
| Repayments from on sale of investments | 2,090 | 6,011 |
| Investments made into Impax managed funds | (2,523) | (1,526) |
| Settlement of investment related hedges | 206 | (987) |
| Decrease in cash held in money market funds | (4,340) | - |
| Purchase of property, plant & equipment | (109) | (1,492) |
| **Net cash used by investing activities** | (5,068) | (12,321) |
| **Financing activities:** | | |
| Proceeds from bank borrowings | – | 17,616 |
| Repayment of bank borrowings | (10,371) | (8,779) |
| Interest paid on bank borrowings | (671) | (464) |
| Dividends paid | (5,791) | (7,386) |
| Acquisition of own shares | (2,505) | (2,534) |
| Cash received on exercise of Impax share options | 111 | 4,477 |
| **Net cash (used)/generated by financing activities** | (19,227) | 2,930 |
| **Net decrease in cash and cash equivalents** | (5,576) | (1,250) |
| **Cash and cash equivalents at beginning of year** | 6,917 | 8,429 |
| **Effect of foreign exchange rate changes** | – | (262) |
| **Cash and cash equivalents at end of year** | 1,341 | 6,917 |

The notes on pages 64 to 70 form part of these financial statements.

### 36 SIGNIFICANT ACCOUNTING POLICIES

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

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company's net profit for the year amounted to £3,127,000, (2018: £18,967,000).

### 37 PROPERTY PLANT AND EQUIPMENT

| | Leasehold improvements £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 October 2017 | 898 | 856 | 1,754 |
| Additions | 1,131 | 387 | 1,518 |
| Disposals | – | (46) | (46) |
| As at 30 September 2018 | 2,029 | 1,197 | 3,226 |
| Additions | 9 | 100 | 109 |
| Disposals | – | – | – |
| **As at 30 September 2019** | 2,038 | 1,297 | 3,335 |
| **Depreciation** | | | |
| As at 1 October 2017 | 706 | 603 | 1,309 |
| Charge for the year | 113 | 129 | 242 |
| Disposals | – | (20) | (20) |
| As at 30 September 2018 | 819 | 712 | 1,531 |
| Charge for the year | 135 | 165 | 300 |
| Disposals | – | – | – |
| **As at 30 September 2019** | 954 | 877 | 1,831 |
| **Net book value** | | | |
| As at 30 September 2019 | 1,084 | 420 | 1,504 |
| As at 30 September 2018 | 1,210 | 485 | 1,695 |
| As at 30 September 2017 | 192 | 253 | 445 |

## 38 NON-CURRENT INVESTMENTS

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

| | Other investments £000 | Subsidiary undertakings £000 | Total £000 |
|---|---|---|---|
| At 1 October 2017 | 3 | 21,178 | 21,181 |
| Additions | – | 15,237 | 15,237 |
| Capital contribution | – | 1,593 | 1,593 |
| Transfer to current asset investments | – | (3,000) | (3,000) |
| Disposals/repayment of invested capital | (3) | (633) | (636) |
| At 30 September 2018 | – | 34,375 | 34,375 |
| Additions | – | 392 | 392 |
| Capital contribution | – | 1,183 | 1,183 |
| Transfer to current asset investments | – | (1,367) | (1,367) |
| **At 30 September 2019** | – | 34,583 | 34,583 |

The subsidiary undertakings are:

| | Country of incorporation | Proportion of ordinary capital held | Nature of business |
|---|---|---|---|
| Impax Asset Management Limited* | UK | 100% | Fund management |
| Impax Asset Management (AIFM) Limited* | UK | 100% | Fund management |
| Impax Asset Management LLC*** | USA | 83.3% | Fund management |
| Pax Ellevate Management LLC*** | USA | 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 Holdings Limited | UK | 100% | Holding company |
| Impax New Energy Investors (GP) Limited | UK | 100% | Holding company |
| Impax New Energy Investors II (GP) Limited | UK | 100% | Holding company |
| Impax Capital Limited | UK | 100% | Dormant |
| Impax New Energy Investors Management SARL | Luxembourg | 100% | General partner to private equity fund |
| Kern USA Inc | USA | 100% | Holding company for US assets |
| Impax Asset Management (Hong Kong) Ltd** | Hong Kong | 100% | Fund management |
| Impax Asset Management (US) LLC | USA | 100% | Fund management |
| IAM US Holdco, Inc. | USA | 100% | Holding company |
| Impax Asset Management Ireland Limited**** | Ireland | 100% | Fund management |
| INEI III Team Co-Investment LP | UK | 80% | Investment Partnership |

* FCA and SEC regulated

** Hong Kong SFC regulated

*** SEC regulated

**** CBI regulated

## 38 NON-CURRENT INVESTMENTS CONTINUED

Companies incorporated in the UK are registered at 7th Floor, 30 Panton Street, London. The entity incorporated in Hong Kong is registered at United Centre, 95 Queensway, Hong Kong. The entity incorporated in Luxembourg has the address 15 Boulevard F. W. Raiffeisen – L-2411 Luxembourg, BP 2501, L-1025 Luxembourg. Impax Asset Management LLC and Pax Ellevate Management LLC have the address 30 Penhallow St, Suite 400, Portsmouth, NH 03801. Impax Asset Management (US) LLC has the registered address 1209 Orange Street, Delaware, USA and IAM US Holdco, Inc. has the registered address 251 Little Falls Drive, New Castle County, Delaware, USA. Impax Asset Management Ireland Limited has the registered office Riverside One, Sir John Rogerson's Quay, Dublin 2.

Charges relating to options or other share awards 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:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Interest in shares | 20,010 | 20,985 |
| Capital contribution | 14,573 | 13,390 |
| | 34,583 | 34,375 |

## 39 TRADE AND OTHER RECEIVABLES

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Due within one year:** | | |
| Amounts owed by Group undertakings | 19,748 | 23,924 |
| Taxation and other social security | 751 | 855 |
| Other receivables | 449 | 521 |
| Prepayments and accrued income | 929 | 674 |
| | 21,877 | 25,974 |

## 40 CURRENT ASSET INVESTMENTS

| | Investments £000 |
|---|---|
| At 1 October 2017 | 629 |
| Additions | 1,526 |
| Transfer from non-current investments | 3,000 |
| Fair value movements | 1,933 |
| Repayments/disposals | (5,374) |
| At 30 September 2018 | 1,714 |
| Additions | 2,523 |
| Transfer from non-current investments | 1,367 |
| Fair value movements | 837 |
| Repayments/disposals | (2,090) |
| **At 30 September 2019** | 4,351 |

## 41 TRADE AND OTHER PAYABLES

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Trade payables | – | – |
| Amounts owed to Group undertakings | 24,411 | 14,416 |
| Taxation and other social security | 252 | 239 |
| Other payables | 940 | 214 |
| Accruals and deferred income | 4,192 | 3,682 |
| | 29,795 | 18,551 |

## 42 DEFERRED TAX

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

| | Accelerated capital allowances £000 | Other temporary differences £000 | Share-based payments £000 | Total £000 |
|---|---|---|---|---|
| As at 30 September 2018 | (41) | (182) | 406 | 183 |
| Credit/(charge) to the income statement | (6) | 114 | (49) | 59 |
| **As at 30 September 2019** | (47) | (68) | 357 | 242 |

Reductions in the UK corporation tax rate to 17% (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 2019 has been calculated based on these rates.

## 43 FINANCIAL COMMITMENTS

At 30 September 2019 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages:

- €203,000 (2018: €203,000) into INEI; this amount could be called on in the period to 31 December 2019;
- €113,000 (2018: €672,000) into INEI II; this amount could be called on in the period to 22 March 2020; and
- €2,994,000 into INEI III (2018: €3,981,000); this amount could be called on in the period to 31 December 2026.

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

| | Offices | | Other | |
|---|---|---|---|---|
| | 2019 £000 | 2018 £000 | 2019 £000 | 2018 £000 |
| Within one year | 1,059 | 606 | 16 | 16 |
| Between one and five years | 4,235 | 4,235 | 31 | 31 |
| Later than five years | 2,647 | 3,971 | – | – |
| | 7,941 | 8,812 | 47 | 47 |

The material operating lease for 2019 and 2018 is for office space at 7th Floor, 30 Panton Street, London. The lease is for ten years expiring 30 June 2027.

## 44 FINANCIAL RISK MANAGEMENT

The risk management processes of the Company are aligned to those of the Group as a whole. The Company's specific risk exposures are explained below.

### Credit risk

The Company's primary exposure to credit risk relates to cash and deposits that are placed with regulated financial institutions and amounts due from subsidiaries.

At the statement of financial position date, the credit risk regarding cash and cash equivalent balances of the business was spread by holding part of the balance with RBS (Standard & Poor's credit rating A–2) and the remainder in a money market funds managed by BlackRock and Goldman Sachs which both have a Standard & Poor's credit rating of AAA. The risk of default is considered minimal.

### Foreign exchange risk

The amount of the Company's expenses denominated in foreign currencies is minimal.

The Company activities are principally conducted in Sterling, Euro, and US dollars. Foreign exchange risk arises from income received in these currencies together with a limited amount of exposure to costs payable and from assets and liabilities denominated in Euros and US dollars.

The Company's exposure to foreign exchange rate risk at 30 September 2019 was:

| | EUR/ GBP £000 | USD/GBP £000 | Other/GBP £000 |
|---|---|---|---|
| **Assets** | | | |
| Current asset investments | 777 | 3,574 | – |
| Trade and other receivables | 45 | 18,740 | – |
| Cash and cash equivalents | – | 2,038 | – |
| | 822 | 24,352 | – |
| **Liabilities** | | | |
| Trade and other payables | 626 | 7,535 | 6 |
| | 626 | 7,535 | 6 |
| **Net exposure** | 196 | 16,817 | (6) |

The Company's exposure to foreign currency exchange rate risk at 30 September 2018 was:

| | EUR/GBP £000 | USD/GBP £000 | Other/GBP £000 |
|---|---|---|---|
| **Assets** | | | |
| Current asset investments | 98 | – | – |
| Trade and other receivables | – | 19,715 | – |
| Cash and cash equivalents | – | 270 | – |
| | 98 | 19,985 | – |
| **Liabilities** | | | |
| Trade and other payables | 286 | 779 | – |
| Loans | – | 9,978 | |
| | 286 | 10,757 | – |
| **Net exposure** | (188) | 9,228 | – |

The following table demonstrates the estimated impact on Group post-tax profit and net assets and Company post-tax profit and net assets caused by a 5% 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 2019 £000 | Post-tax profit 2018 £000 |
|---|---|---|
| **Translation of significant foreign assets and liabilities** | | |
| GBP strengthens against the USD, up 5% | (677) | (369) |
| GBP weakens against the USD, down 5% | 677 | 369 |
| GBP strengthens against the EUR, up 5% | 8 | 8 |
| GBP weakens against the EUR, down 5% | (8) | (8) |

## Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meets it 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 £5,914,000 (2018: £7,150,000) were its only financial instruments subject to variable interest rate risk. The impact of 0.5% 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 current investments measured at fair value are as follows:

| | Level 1 £000 | Level 2 £000 | Level 3 £000 |
|---|---|---|---|
| At 1 October 2018 | – | 1,616 | 98 |
| Additions | 1,672 | – | 851 |
| Transfer from non-current asset investment | 1,367 | – | – |
| Fair value | 738 | 215 | (116) |
| Disposals | (2,034) | – | (56) |
| At 30 September 2019 | 1,743 | 1,831 | 777 |

There were no movements between any of the levels in the year (2018: £nil).

The Company had no financial liabilities measured at fair value for 2019 (2018: £nil).

## 44 FINANCIAL RISK MANAGEMENT CONTINUED

### Fair values of financial assets and liabilities continued

Financial assets and liabilities by category:

| 30 September 2019 | Financial assets/ liabilities measured at fair value £000 | Financial assets/ liabilities measured at amortised cost £000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | | 1,341 |
| Cash held in money market funds | 4,573 | |
| Trade and other receivables | | 20,197 |
| Investments | 4,351 | |
| **Total financial assets** | 8,924 | 21,538 |
| **Financial liabilities** | | |
| Trade and other payables | – | 25,351 |
| **Total financial liabilities** | – | 25,351 |

| 30 September 2018 | Financial assets/ liabilities measured at fair value £000 | Financial assets/ liabilities measured at amortised cost £000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | – | 6,917 |
| Cash held in money market funds | 233 | – |
| Trade and other receivables | – | 24,445 |
| Investments | 1,615 | – |
| **Total financial assets** | 1,848 | 31,362 |
| **Financial liabilities** | | |
| Trade and other payables | – | 14,630 |
| Loans | – | 9,978 |
| **Total financial liabilities** | – | 24,608 |

* FVPTL = Fair value through profit and loss

# Officers and Advisers

### DIRECTORS

J Keith R Falconer (Chairman)

Ian R Simm (Chief Executive)

Arnaud de Servigny (Non-Executive)

Vincent O'Brien (Non-Executive)

Sally Bridgeland (Non-Executive)

Lindsey Brace Martinez (Non-Executive)

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Zack Wilson

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