Impax Asset Management Group plc - Results for the year ended 30 September 2017

London, 29 November 2017 - Impax Asset Management Group plc ("Impax" or the "Company"), the AIM quoted investment manager focused on investments that are set to benefit from the transition to a more sustainable global economy, today reports final audited results for the year ending 30 September 2017 (the "Period").

Business update for the Period

- Assets under management and advice ("AUM") increased 61% to a new peak of £7.3 billion (2016: £4.5 billion), rising further to £7.6 billion by 31 October 2017
- Record net inflows of £2.1 billion across several strategies and geographies
- Principal Listed Equity strategies continue to extend their strong performance record, outperforming the global benchmark (MSCI All Country World Index) over one, three and five years
- Strong progress with fundraising and first investments for third renewable energy private equity fund
- Acquisition of Pax World Management LLC ("Pax"), announced 18 September 2017, and expected to complete in the first quarter of 2018. The acquisition should extend Impax's position as a leading specialist investment manager focused on the transition to a more sustainable global economy.

Financial performance

- Revenue: £32.7 million (2016: £21.1 million)
- Operating Earnings: £7.9 million (2016: £4.2 million)
- Profit before tax: £5.9 million (2016: £5.2 million)
- Shareholders' equity: £35.6 million (2016: £26.7 million)
- Proposed final dividend: 2.2 pence per share, if approved, total dividend for the year would be 2.9 pence per share (2016 full year: 2.1 pence per share).

Keith Falconer, Chairman, commented:

"During the Period, Impax saw the strongest growth since its inception in 1998. We can celebrate many successes across the business, and I am pleased to report excellent progress against all our Key Performance Indicators, including significant increases in profitability, earnings per share and dividend for the year."

Ian Simm, Chief Executive added:

"Impax has had an outstanding year. Over the Period we extended our strong track record of investment outperformance for our three largest listed equity strategies and secured a four-fold increase in net inflows compared to financial year 2016. Our acquisition of Pax World Management will diversify our global business and should enhance Impax's earnings per share significantly in 2018 and beyond."

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Notes to Editors - About Impax Asset Management

Impax Asset Management is a leading investment management firm, managing approximately £7.6bn* primarily for institutional clients through both listed and private equity strategies.

The Company's investments are based on a strong conviction that population dynamics, resource scarcity, inadequate infrastructure and environmental constraints will profoundly shape global markets, creating investment risks and opportunities. These trends, reflecting the transition towards a more sustainable global economy, are likely to drive earnings growth for well-positioned companies. Impax's proprietary investment framework identifies and calibrates the rising risks and expanding opportunities from this transition, and guides the search for investments that are well placed to deliver long term outperformance.

*Assets under management and advice as of 31 October 2017

Issued in the UK by Impax Asset Management Group plc, whose shares are quoted on AIM. Impax Asset Management Group plc is registered in England & Wales, number 03262305. AUM relates to Impax Asset Management Limited and Impax Asset Management (AIFM) Limited. Both companies are authorised and regulated by the Financial Conduct Authority and are wholly owned subsidiaries of Impax Asset Management Group plc. Please note that the information provided and links from it should not be relied upon for investment purposes. For further information please visit www.impaxam.com.

Chairman’s introduction

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

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

On 18 September 2017, Impax announced the agreement to acquire Pax World Management LLC (“Pax”). The strategic rationale for combining the two companies is compelling and will create the leading investment manager focused on the transition to a more sustainable global economy.

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

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

J Keith R Falconer

28 November, 2017

Chief Executive's report

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

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

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

Developments in the investment management sector

The investment management sector is undergoing a period of significant external scrutiny and as a result is having to evolve rapidly. Generalist investment managers are under pressure to justify or lower fees as cheap investment vehicles wrapping passively managed strategies continue to gain market share. In parallel, the unprecedented volume of complex regulatory change is increasing the cost of doing business and highlighting the importance of having the necessary expertise to respond appropriately.

Against this backdrop, Impax remains well positioned, with significant scale and a differentiated product range. Over the past 12 months we have made a number of investments in systems and taken expert advice in readiness for compliance with the requirements of MiFID II. Looking ahead to 2018, we will be conducting a formal review of our governance framework and oversight model to ensure we comply with the Financial Conduct Authority's Senior Managers & Certification Regime.

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

Our investment opportunity

In previous reports I have written extensively about the evolution of the markets in which Impax seeks investment. During 2017, the drivers behind the companies in which we have taken a financial stake have strengthened further, and future prospects remain excellent.

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

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

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

Fund flows and distribution

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

AUM and advice and fund flows

AUM movement 12 months to 30 September 2017	Listed Equity funds £m	Private Equity funds £m	Property funds £m	Total £m
Total AUM at 1 October 2016	**4,195**	**285**	**22**	**4,502**
Net flows	1,948	155	-	2,103
Market movement, FX and performance	645	11	-	655
Total AUM at 30 September 2017	**6,788**	**451**	**22**	**7,261**

Assets under management from North American clients grew by 62%, driven by rising investor interest in environmental markets and sustainable development. The funds we sub-advise for Pax in the United States and for NEI Investments and Desjardins in Canada continued to attract commitments, and we also extended our institutional client base. In addition, we received materially higher inflows from BNP Paribas Asset Management in Asia compared to the previous year.

Investment performance

Listed Equity

We continue to build on the strong, long-term investment performance of our Listed Equity strategies. Our three largest Listed Equity strategies (which together accounted for over 90% of our listed assets under management at Period end), all out-performed the MSCI All Country World

Index ("ACWI") last year, extending their impressive three and five-year track records. Further details on the performance of these strategies is provided in the Strategic Report.

In previous reports I have mentioned our Global Opportunities strategy which we launched in January 2015 with Impax seed capital. This strategy is an evolution of our thematic environmental strategies and broadens the investment universe to encompass a wider set of opportunities arising from the transition to a more sustainable global economy. With a three year track record next January, we will soon start marketing the strategy proactively to investors. As of 31 October 2017, the strategy has returned 45.9% since launch, versus the ACWI which has delivered 43.5% for the same period.

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

Real Assets

Our Private Equity team investing in the renewable power sector had a particularly busy year, raising additional capital for our latest fund, Impax New Energy Investors III ("NEF III") and also realising successful exits from earlier funds. We continue to engage with additional investment prospects for the Fund, which will close to investors early in 2018. NEF III currently has capital commitments of €303 million and has already made its first investments in France and Germany.

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

Planning for the future

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

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

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

Separately, we have further developed our analysis of the investment risk associated with climate change. Our scenario-based model has been operating for three years and has attracted widespread interest. Recently, we were proud to be one of the first corporate signatories to endorse the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), a major global initiative launched by Michael Bloomberg and Mark Carney. The TCFD focuses on the key themes of governance, corporate strategy, risk management and metrics and targets, and represents a crucial milestone in the international financial system's internalisation of the emerging systemic risks of climate change.

We have continued to invest further in our staff, whose collective efforts continue to deliver excellent returns for clients and shareholders. During the Period we progressed several important initiatives around diversity, team building, coaching and personal development, and completed a comprehensive staff survey, with encouraging results plus suggestions for further improvement in some areas.

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

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

Outlook

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

As we implement plans to expand our offering to clients, we are particularly excited about the imminent integration with Pax. The combined group will be one of the world's most experienced investment managers focused on opportunities arising from the transition to a more sustainable global economy, and our brand, which is recognised around the world, should continue to be attractive to those seeking to allocate capital.

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

Ian R Simm

28 November, 2017

Financial review

Summary of financial performance

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

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

Financial highlights for financial year 2017 versus financial year 2016

	2017	2016	% increase
AUM	£7.3 billion	£4.5 billion	61
Revenue	£32.7m	£21.1m	55
Operating earnings[1]	£7.9m	£4.2m	90
Profit before tax	£5.9m	£ 5.2m	13
Diluted earnings per share	6.24p	3.62p	72
Shareholders' equity	£35.6m	£26.7m	33
Cash reserves	£20.4m	£15.4m	32
Seed investments	£8.1m	£10.5m	(23)
Dividend per share	2.9p[2]	2.1p	38

[1] Revenue less operating costs. [2]Proposed

Revenues

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

Operating costs

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

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

Profits

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

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

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

Tax

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

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

Earnings per Share

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

Pax acquisition

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

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

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

Financial management

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

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

Share management

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

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

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

Dividends

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

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

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

Going concern

The Financial Reporting Council requires all companies to perform a rigorous assessment of all factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts. The Board has reviewed the Company's financial plans, budgets and stress testing required by the Internal Capital Adequacy Assessment Process ("ICAAP"). Impax has a strong balance sheet and a predictable operating cost profile; therefore, the Directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

Charles D Ridge

28 November, 2017

IMPAX ASSET MANAGEMENT GROUP PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

IMPAX ASSET MANAGEMENT GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

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

IMPAX ASSET MANAGEMENT GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

IMPAX ASSET MANAGEMENT GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

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

IMPAX ASSET MANAGEMENT GROUP PLC
NOTES

1. REVENUE

The Group's main source of revenue is investment management and advisory fees. No performance fees were earned in the current or prior year. Management and advisory fees are generally based on an agreed percentage of the valuation of AUM for listed equity funds. For private equity and property funds they are generally based on an agreed percentage of commitments made to the fund by investors during the fund's investment period and thereafter on the cost price of investments made and not exited.

Analysis of revenue by type of service:

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

Analysis of revenue by the location of customers:

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

Analysis of “rest of world” customer location:

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

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

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

2. OPERATING COSTS

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

	2017 £000	2016 £000
Staff costs (note 3)	**19,441**	12,640
Premises costs	**1,171**	1,061
IT and communications	**1,311**	1,008
Depreciation and amortisation	**167**	198
Other costs	**2,719**	2,008
	24,809	16,915

3. STAFF COSTS AND EMPLOYEES

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

Staff costs include salaries, a variable bonus and the associated social security cost (principally UK Employers' National Insurance ("NIC")), 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. Charges in respect of share-based payments are offset against the total cash bonus pool paid to employees.

The Group contributes to private pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds. Contributions totalling £34,000 (2016: £37,000) were payable to the funds at the year end and are included in trade and other payables.

Employees

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

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

4. SHARE-BASED PAYMENT CHARGES

The total expense recognised for the year arising from share-based payment transactions was £1,130,000 (2016: £552,000). The charges arose in respect of the Group's Restricted Share Scheme ("RSS") and the Group's Employee Share Option Plan ("ESOP") which are described below. Options are also outstanding in respect of the Group's Long-Term Incentive Plan ("LTIP") which fully vested on 30 September 2012. Details of all outstanding options are provided at the end of this note.

Restricted share scheme

Restricted shares have been granted to employees in prior years under the 2014 and 2015 plans and in the current year under the 2017 plans. In November 2017, the Board also approved the grant of a further 675,000 restricted shares under the 2017 plan. Details of the awards granted along with their valuation and the inputs used in the valuation are described in the table below. The valuation was determined using the Black-Scholes-Merton model with an adjustment to reflect that dividends are received during the vesting period. Following grant, the shares are held by a nominee for employees - who are then immediately entitled to receive dividends. After a period of three years continuous employment the employees will receive unfettered access to one third of the shares, after four years a further third and after five years the final third. The employees are not required to make any payment for the shares on grant or when the restrictions lapse.

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

	2014 RSS	2015 RSS	2017 RSS
Award originally granted	1,250,000	3,140,000/ 1,000,000	2,550,000/ 500,000/ 675,000
In respect of services provided for period from	1 Oct 2013	1 Oct 2014/ 9 Feb 2016	14 Dec 2016/ 11 May 2017/ 1 Oct 2016
Option award value	49.9p	42.1p/41.5p	52.2p/87.7p/ 142.3p
Weighted average share price on grant	52.5p	41.4p	74.0p
Expected volatility	32%	32%/31%	29%/29%/29%
Weighted average option life	5.3yrs	4.9yrs	4.1yrs
Expected dividend rate	3%	3%/4%	4%/2%/2%
Risk free interest rate	1.2%	1.2%/0.8%	0.6%/0.6%/0.6%

Restricted shares outstanding

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

Employee share option plan
Under this Plan options over the Company's shares were granted to employees between 2011 and 2015. Details of the options granted along with their valuation and the inputs used in the valuation are described below.

The strike price of these options was set at a 10 per cent premium to the average market price of the Company's shares for the 30 business days (2015 ESOP: five days) following the announcement of the results for each of the respective preceding financial years. The 2011 - 2013 ESOP options have vested. The 2014 and 2015 options do not have performance conditions but do have a time vesting condition such that they vest subject to continued employment on 31 December 2017.

In November 2017, the Board also approved the grant of a further 1,300,000 options under the 2017 plan. The strike price of these options will be set at a 10 per cent premium to the average market price of the Company's shares for the five business days following the announcement of results for the current year. The options do not have performance conditions but do have a time vesting condition such that the options vest subject to continued employment on 31 December 2020.

Options outstanding

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

	Number	Weighted average exercise price pence
Options outstanding at 1 October 2016	17,409,500	35.5
Options granted	100,000	45.4
Options forfeited	(200,000)	49.6
Options exercised	(3,845,000)	28.1
Options expired	-	-
Options outstanding at 30 September 2017	**13,464,500**	**37.5**
Options exercisable at 30 September 2017	**9,210,500**	**31.0**

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

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

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

LTIP NIC CHARGE

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

LTIP ADDITIONAL PAYMENTS

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

6. TAXATION

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 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

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

A tax credit of £2,540,000 is also recorded in equity in relation to tax deductions on share awards arising due to the share price increase.

(b) Factors affecting the tax charge for the year

The weighted average tax rate for the year is 19.5%. The tax assessment for the period is lower than this rate (2016: lower). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	5,853	5,199
Tax charge at 19.5% (2016: 20%)	1,141	1,040
Effects of:		
Increase in tax deductions re: share awards from share price increases	(462)	-
Non-taxable income	(472)	-
Non-deductible expenses and charges	200	24
Adjustment in respect of prior years	(2,416)	(59)
Effect of higher tax rates in foreign jurisdictions	183	59
Change in UK tax rates	12	(42)
Total income tax (credit)/expense	(1,814)	1,022

(c) Deferred tax

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

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

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at 30 September 2017 has been calculated using these rates.

7. EARNINGS PER SHARE

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

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

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

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

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

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

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

8. DIVIDENDS

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

Dividends declared/proposed in respect of the year

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

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

Dividends paid in the year

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

9. CURRENT ASSET INVESTMENTS

The Group makes seed investments into its own Listed Equity funds and invests in its Private Equity funds. Where the funds are consolidated the underlying investments are shown in the table below as part of Listed Investments. Investments made in unconsolidated funds are shown as part of Unlisted investments.

	Unlisted investments £000	Listed investments £000	Total £000
At 1 October 2015	3,329	4,090	7,419
Additions	116	7,216	7,332
Fair value movements	566	2,604	3,170
Repayments/disposals	(2,443)	(2,667)	(5,110)
At 30 September 2016	1,568	11,243	12,811
Additions	14	4,977	4,991
Fair value movements	(57)	1,358	1,301
Repayments/disposals	(458)	(5,635)	(6,093)
At 30 September 2017	**1,067**	**11,943**	**13,010**

Listed investments

Impax Environmental Leaders Fund (consolidated)

On 11 January 2016, the Group launched the Impax Environmental Leaders (Ireland) Fund ("IEL") and invested from its own resources £3,000,000 in the fund. IEL invests in listed equities using the Group's Leaders Strategy. The Group has consolidated this fund throughout this period with its underlying investments included in listed investment in the table above.

Impax Global Equity Opportunities Fund (consolidated)

On 23 December 2014, the Group launched the Impax Global Equity Opportunities Fund ("IGEO") and invested from its own resources £2,000,000 in the fund. IGEO invests in listed equities using the Group's Global Equity Strategy. The Group's investment represented more than 50 per cent of IGEO's Net Asset Value from the date of launch to 30 September 2017 and the fund has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

Impax Food and Agriculture Fund (consolidated)

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

Unlisted investments

Private equity funds (not consolidated)

The Group has invested in its private equity funds, Impax New Energy Investors LP, Impax New Energy Investors II LP and Impax New Energy Investors III LP ("INEI", "INEI II" and "INEI III"). The investments represent 3.76 per cent, 1.14 per cent and 1.83 per cent respectively of these funds.

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

The carrying value of the investments in INEI II is recorded at a fair value of £614,000. The majority of these investments held by this fund are subject to sales processes. The fair value is set at a discount to the bids received as part of these processes.

The Group has a 1.83 per cent partnership share in Impax New Energy Investors III LP, a private equity partnership managed by the Group. The Group has made an investment of £14,000 at the reporting date. The Group has a commitment to invest up to €4,000,000 into this partnership.

Ensyn Corporation (not consolidated)

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

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

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

Cash and cash equivalents under IFRS does not include deposits in money market funds or cash held in deposits with an original maturity of more than three months. However, the Group considers its total cash reserves to include these amounts. Cash held by consolidated funds is not available to the Group so is not included in cash reserves. A reconciliation is shown below:

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

11. ORDINARY SHARES

	2017 £000	2016 £000
Issued and fully paid		
127,749,098 ordinary shares of 1p each	**1,277**	1,277
	1,277	1,277

12. OWN SHARES

	Own shares Number	**Own shares £000**
At 1 October 2015	18,292,620	5,791
Satisfaction of option exercises	(503,000)	(207)
EBT 2012 purchases	3,598,219	1,547
At 30 September 2016	21,387,839	7,131
Satisfaction of option exercises	(3,845,000)	(1,448)
EBT 2012 purchases	1,466,493	950
At 30 September 2017	**19,009,332**	**6,633**

13. ACQUISITION OF PAX WORLD MANAGEMENT LLC

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

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

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

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

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

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

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

14. ACCOUNTING POLICIES

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.

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