Impax Asset Management Group plc
Interim results to 31 March 2018

London, 7 June 2018 - Impax Asset Management Group plc ("Impax" or the "Company"), the specialist investor focused on a more sustainable global economy, today announces interim results for the six months to 31 March 2018 (the "Period").

Ian Simm, Chief Executive, commented:

"I am pleased to report on a successful first half of the year. Alongside robust investment performance and net inflows of £1 billion, we completed the acquisition of Pax World Management LLC ("Pax"), further extending our investment management capabilities and client base in North America.

The Company's strong financial results support a 57% increase in the interim dividend to 1.1 pence per share. In addition, following the realisation of carried interest proceeds from Impax's second private equity infrastructure fund, the board has declared a special dividend of 2.6 pence per share.

As asset owners around the world seek higher levels of exposure to the companies leading the transition to a more sustainable economy, Impax remains well placed for further profitable growth."

H1 business highlights

- *Completion of the acquisition of Pax[1]*
- *AUM[2] increased 51% to £11.0 billion; £2.9 billion attributable to Pax World Funds, increasing to £11.8 billion as at 31 May 2018*
- *Total net inflows of over £1 billion, predominantly from clients in continental Europe and North America*
- *Final close of Impax's third private equity infrastructure fund with assets of €357million*

H1 financial highlights

- *Interim dividend increased by 57% to 1.1 pence per share*
- *Special dividend of 2.6 pence per share payable as result of outstanding performance of second private equity infrastructure fund.*
- *Revenue: £25.7 million[3] (H1, 2017: £13.9m)*
- *Profit before tax: £5.5 million (H1, 2017: £2.4m)*
- *Adjusted earnings per share: 4.83p (H1, 2017: 1.94p)*

The presentation for shareholders and analysts will be available to view on the Company's website later this morning: https://www.impaxam.com/investor-relations/reports-and-presentations

The information communicated in this announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

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[1] Pax World Management LLC now renamed Impax Asset Management LLC.

[2] Assets under Management and Advice (assets under advice approximately 3% total AUM as at 31 March 2018).

[3] For details of Impax Asset Management LLC contribution see Note 5.

Chief Executive's statement

As we celebrate our twentieth anniversary year, I am pleased to report that Impax Asset Management Group plc ("Impax" or the "Company") has delivered strong results for the six months to 31 March 2018 (the "Period"), reflecting the receipt of over £1 billion of new client money and the successful closing on 18 January of the acquisition of Pax World Management LLC ("Pax" or "Impax LLC"), which is based in Portsmouth, New Hampshire.

During the Period, the volatility of global equity markets and currencies increased significantly, with political uncertainty in several regions exacerbating investor fears about trade wars and the negative consequences of rising interest rates. However, the companies in which Impax invests generally proved resilient and our investment strategies have delivered robust performance.

At Period end, the combined assets under management and advice ("Impax AUM") of the integrated Company was £11,035 million, comprising £8,116 million in the Impax business pre-acquisition ("Impax Ltd") and £2,919 million in Impax LLC. For comparison, the AUM of Impax Ltd was £5,711 million on 31 March 2017 and £7,261 million on 30 September 2017. On 31 May 2018, Impax AUM was £11.8 billion.

THE SHIFT TO A MORE SUSTAINABLE GLOBAL ECONOMY

We are observing an unmistakable shift towards a more sustainable global economy, driven by new technologies, stricter regulation, social factors and consumer preferences, which is producing many compelling, long-term investment opportunities. For example, environmental regulation to fight air pollution is accelerating the transition to hybrid and electric vehicles ("EVs"), with worldwide EV sales projected to rise from approximately one million vehicles in 2018 to over fifty million by 2025[1]. The food industry is also undergoing a significant shift as many companies innovate in response to consumer demand for more natural, better quality, nutritious ingredients. In healthcare the expansion of personalised medical care is underpinned by the development of sophisticated diagnostic tools, for example, to identify the onset and deliver the best treatment for type 2 diabetes, where by 2040[2] the number of sufferers worldwide is set to increase by more than 50 per cent.

Against a backdrop of a rapidly expanding set of investment opportunities, the acquisition of Pax extends our investment capability in new asset classes, including fixed income and smart beta. In time, we expect to launch one or more additional Pax World Funds based on London-managed strategies as well as new investment products for the European institutional and wealth management markets based on strategies managed in Portsmouth, New Hampshire.

As noted in our previous Annual Report, Impax was one of the first signatories to the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). In addition to helping our clients navigate the risks and opportunities linked to climate change, we are committed to deepening our dialogue with the companies in which we invest to encourage improved transparency. Over the long term we believe that better disclosure will enable investors to assess risk more effectively, make markets more efficient and the economy more stable and resilient. We are also following TCFD guidelines to enhance our own corporate reporting.

INVESTMENT PERFORMANCE

Over the Period, most of our thematic environmental and resource efficiency strategies outperformed their sector benchmarks while slightly lagging the MSCI All Country World Index (the "ACWI"). Our global equity strategy maintained its strong performance and has on average beaten the ACWI by 300 basis points (annualised) since inception in January 2015.

The Pax World Funds have, for the most part, delivered returns within a few basis points of peers and benchmark indices, with the best performers being Large Cap, ESG Beta Quality and the Global Women's Leadership funds.

[1] Bloomberg/BNEF
[2] World Health Organisation

REAL ASSETS

Our second renewable energy infrastructure fund, Impax New Energy Investors II ("NEF II") has recently signed or closed exits to realise over 95 per cent of the total value of the portfolio. Recent asset sales include an Italian solar photovoltaic business, another tranche of our French onshore wind development and an Irish wind farm. NEF II is on track to deliver strong overall returns to investors.

As a result of NEFII's strong returns and successful asset sales, Impax received £3.2 million (net of bonus and tax) of carried interest payments in May 2018, with the potential for additional payments over the next 18 months.

Our third fund, Impax New Energy Investors III ("NEFIII") held its final close on 31 May 2018, with total assets of €357 million[1]. The Fund has already made investments in Germany, France and Norway, for which we expect to draw down capital over the next two to three years.

FUND FLOWS AND DISTRIBUTION

The Company continues to see significant interest from investors around the world, particularly in Continental Europe and North America, where asset owners and their consultants are increasingly looking for authentic investment solutions to pursue opportunities and manage risks associated with the transition to a more sustainable economy. Over the Period the Company received in excess of £1 billion of net inflows, in addition to the assets managed by Impax LLC; Impax Ltd has now received net inflows over ten consecutive quarters. The breakdown of flows is detailed in the table on the next page.

FINANCIAL RESULTS FOR THE PERIOD

In our financial statements we consolidate the financial results of Impax LLC for the months from the date the acquisition completed (18 January 2018). Revenue for the six months to 31 March 2018 was £25.7 million (H1 2017: £13.9 million; H2 2017: £18.8 million) which for the first time included revenue from Impax LLC which contributed £4.5 million. Over the Period, Impax Ltd revenue increased by £2.5 million versus H2 2017, mainly due to higher AUM from strong inflows to the listed equity business.

Last year, in order to facilitate comparison of performance with previous time periods and to provide for an appropriate comparison with peers, the Board encouraged shareholders to focus on operating earnings, profit before tax and earnings per share after adjustment for the accounting treatment of National Insurance costs arising from historical share awards. For similar reasons, the Board recommends further adjustments, principally the elimination of the one-off acquisition costs of Impax LLC, and the amortization of the intangible asset arising from the acquisition. Reconciliation of the adjusted amounts to the IFRS reported amounts are shown in note 4.

Adjusted operating profit for the period was £7.7 million, (H1 2017: £3.6 million; H2 2017: £5.7 million), of which Impax LLC contributed £1.0 million. The Impax Ltd revenue increase was mainly offset by increased profit-related remuneration and increased operating costs to support the growth in the business.

Adjusted profit before tax of £7.4 million, (H1 2017: £3.0 million; H2 2017: £5.7 million) and adjusted diluted earnings per share of 4.83 pence (H1 2017 1.94 pence; H2 2017: 3.94 pence), benefited from the increased adjusted operating profit, offset by interest payable on the new debt facility. On an IFRS basis, profit before tax was £5.5 million (H1 2017: £2.4 million, H2 2017: £3.5 million) and diluted earnings per share was 3.45 pence (H1 2017: 2.11 pence, H2 2017: 4.13 pence).

DIVIDENDS

At the Annual General Meeting on 2 March 2018, shareholders approved payment of a dividend of 2.2 pence per share, taking the total dividend for the year ended 30 September 2017 to 2.9 pence per share (2016: 2.1 pence).

The Board is declaring an interim dividend for the Period of 1.1 pence per share (2017: 0.7 pence). This will be paid on 20 July 2018 to Ordinary Shareholders on the shareholder register at the close of business on 15 June 2018.

In addition, in the light of the carried interest received as a result of the strong performance of NEFII, the Board is declaring a special dividend of 2.6 pence per share. This will be paid at the same time as the interim dividend to ordinary shareholders on the shareholder register of the close of business on 15 June 2018.

The Company operates a dividend reinvestment plan ("DRIP"). The final date for receipt of elections under the DRIP will be 29 June 2018. For further information and to register and elect for this facility, please visit www.signalshares.com and search for information related to the Company.

[1] Includes amounts committed by co-investors

INTEGRATION AND STAFF

In line with plans agreed before completing the Pax acquisition, we have made good progress on the integration of the back and middle offices of the businesses and on the sharing of research and analytical information between the investment teams. We have also established management structures to ensure effective communication between, and collaboration across, the sales and marketing teams.

Following the acquisition, the Company now has a total of 141 staff, with 80 based in the UK, 59 in the US (of whom 52 work for Impax LLC) and two investment managers in Hong Kong. As the Company expands, we expect to make a small number of additional hires to support the business in an increasingly complex regulatory environment and to continue to deliver the highest standards of marketing, communications, client service and reporting.

AUM MOVEMENT FOR SIX MONTHS TO 31 MARCH 2018

	Impax Ltd		Impax LLC		
AUM movement to 31 March 2018	Thematic equity funds £m	Real asset[1] funds £m	Fixed income, smart, beta, US equity funds £m	Reconciliation[2] £m	Total firm £m
Total AUM at 30 September 2017	6,788	473	–	–	7,261
Impax LLC acquisition (AUM as at 19 January 2018)	–	–	3,474	(459)	3,015
Net flows	1,007	10	30	(44)	1,003
Market movement, foreign exchange and performance	(160)	(2)	(105)	24	(243)
Total AUM at 31 March 2018	**7,635**	**481**	**3,398**	**(479)**	**11,035**

[1] Real assets comprise private equity and property funds

[2] Avoidance of double count of Pax World Global Environmental Markets Fund

SHARE MANAGEMENT

As part of the initial consideration for the acquisition of Pax, the Company issued 2,665,989 Ordinary Shares to the selling shareholders at a price of 170.19 pence. Following this issuance, the Company has a total of 130,415,087 shares in issue.

The Board intends to continue to recommend that the Employee Benefit Trust ("EBT") buys the Company's shares from time to time in the open market. Shares purchased may be used to satisfy obligations to employees for share-based awards, thus reducing the requirement for the Company to issue new shares. During the Period the EBT did not buy any shares; however, in April 2018, after the end of the Period, the EBT purchased 950,000 shares, at an average price of 159.5 pence, in order to match awards with such purchases. The EBT is funded by the Company.

Also after the end of the Period, the Company announced the launch of an HMRC approved Share Incentive Plan ("SIP") for all eligible UK employees. This facility will allow staff to acquire Ordinary Shares in the Company in a tax-effective way, which will further align the interests of our staff and shareholders.

OUTLOOK

Since Impax was founded in 1998, the Company's distinctive investment philosophy has enabled us to develop a number of scalable investment strategies that have produced attractive levels of financial return to clients around the world.

As asset owners around the world become aware of the investment opportunities we have identified, our services are attracting increasing levels of attention, while our long track record and stable team provide us with a strong competitive edge. The Board is optimistic that the Company will continue to deliver good returns for our shareholders in the coming years.

Ian Simm
6 June 2018

Condensed consolidated income statement

For the six months ended 31 March 2018

	Note	**Six months ended 31 March 2018 £000**	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Revenue		**25,680**	13,948	32,694
Operating costs		**(19,932)**	(11,016)	(26,461)
Fair value gains/(losses) and other financial income/(expense)	6	**28**	(325)	(141)
Interest payable		**(251)**	–	–
Non-controlling interest		**21**	–	–
Change in third party interests in consolidated funds	7	**(30)**	(163)	(239)
Profit before taxation		**5,516**	2,444	5,853
Taxation	8	**(1,081)**	77	1,814
Profit after taxation		**4,435**	2,521	7,667
Basic earnings per share	9	**3.56p**	2.15p	6.48p
Diluted earnings per share	9	**3.45p**	2.11p	6.24p

Condensed consolidated statement of comprehensive income

For the six months ended 31 March 2018

	Six months ended 31 March 2018 £000	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Profit for the period	**4,435**	2,521	7,667
Change in value of cash flow hedges	**24**	115	157
Tax on change in value of cash flow hedges	**(5)**	(22)	(25)
Tax credit on long-term incentive schemes	**530**	348	2,540
Exchange differences on translation of foreign operations	**60**	58	(44)
Total other comprehensive income	**609**	499	2,628
Total comprehensive income for the period attributable to equity holders of the parent	**5,044**	3,020	10,295

All profit for the period is derived from continuing operations.

Adjusted numbers are provided in note 4.

Condensed consolidated statement of financial position

As at 31 March 2018

	Note	**Six months ended 31 March 2018 £000**	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Assets				
Non-current assets				
Goodwill	3	**13,347**	1,681	1,681
Intangible assets	3	**24,775**	31	17
Property, plant and equipment		**1,849**	115	461
Investments		**3**	13	3
Deferred tax asset		**1,423**	–	1,947
		41,397	1,840	4,109
Current assets				
Trade and other receivables		**15,288**	7,641	11,732
Investments	11	**8,326**	15,550	13,010
Current tax asset		**2,927**	–	2,720
Cash invested in money market funds and long-term deposit accounts	12	**4,204**	10,623	7,780
Cash and cash equivalents	12	**5,434**	2,664	12,932
		36,179	36,478	48,174
Total assets		**77,576**	38,318	52,283
Equity and liabilities				
Equity				
Ordinary shares		**1,304**	1,277	1,277
Share premium		**9,291**	4,093	4,093
Exchange translation reserve		**(138)**	(96)	(198)
Hedging reserve		**35**	(23)	16
Retained earnings		**36,399**	23,114	30,456
Equity attributable to owners of the Company		**46,891**	28,365	35,644
Non-controlling interests		**914**	–	–
Total equity		**47,805**	28,365	35,644
Current liabilities				
Trade and other payables		**17,971**	4,230	11,282
Loans	13	**3,078**	–	–
Third party interests in consolidated funds		**77**	4,321	4,846
Current tax liability		**192**	977	180
		21,318	9,528	16,308
Non-current liabilities				
Accruals		**347**	264	331
Loans	13	**8,083**	–	–
Deferred tax liability		**23**	161	–
		8,453	425	331
Total liabilities		**29,771**	9,953	16,639
Total equity and liabilities		**77,576**	38,318	52,283

Condensed consolidated statement of changes in equity

For the six months ended 31 March 2018

	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
As at 1 October 2016	1,277	4,093	(154)	(116)	21,645	26,745
Transactions with owners						
Dividends paid	–	–	–	–	(1,856)	(1,856)
Cash received on option exercises	–	–	–	–	(948)	(948)
Award of shares on option exercises	–	–	–	–	1,041	1,041
Long-term incentive scheme charge	–	–	–	–	363	363
	–	–	–	–	(1,400)	(1,400)
Profit for the period	–	–	–	–	2,521	2,521
Other comprehensive income						
Cash flow hedge	–	–	–	115	–	115
Tax on cash flow hedge	–	–	–	(22)	–	(22)
Tax credit on long-term incentive schemes					348	348
Exchange differences on translation of foreign operations	–	–	58	–		58
	–	–	58	93	348	499
As at 31 March 2017	1,277	4,093	(96)	(23)	23,114	28,365
Transactions with owners						
Dividends paid	–	–	–	–	(816)	(816)
Cash received on option exercises	–	–	–	–	(2)	(2)
Award of shares on option exercises	–	–	–	–	55	55
Long-term incentive scheme charge	–	–	–	–	767	767
	–	–	–	–	4	4
Profit for the period	–	–	–	–	5,146	5,146
Other comprehensive income						
Cash flow hedge	–	–	–	42	–	42
Tax on cash flow hedge	–	–	–	(3)		(3)
Tax credit on long-term incentive schemes					2,192	2,192
Exchange differences on translation of foreign operations	–	–	(102)	–	–	(102)
	–	–	(102)	39	2,192	2,129
As at 30 September 2017	1,277	4,093	(198)	16	30,456	35,644
Transactions with owners						
Shares issued	27	5,198	–	–	–	5,225
Dividends paid	–	–	–	–	(2,752)	(2,752)
Cash received on option exercises	–	–	–	–	2,383	2,383
Management equity scheme – value assigned to pre-acquisition service	–	–	–	–	2,009	2,009
Long-term incentive scheme charge	–	–	–	–	716	716
	27	5,198	–	–	2,356	7,581
Profit for the period	–	–	–	–	4,435	4,435
Other comprehensive income						
Fair value of put option over non-controlling interest	–	–	–	–	(1,379)	(1,379)
Cash flow hedge	–	–	–	24	–	24
Tax on cash flow hedge	–	–	–	(5)	–	(5)
Tax credit on long-term incentive schemes	–	–	–	–	530	530
Exchange differences on translation of foreign operations	–	–	60	–	–	60
	–	–	60	19	(849)	(770)
As at 31 March 2018	**1,304**	**9,291**	**(138)**	**35**	**36,399**	**46,891**

Condensed consolidated statement of cash flows

For the six months ended 31 March 2018

	Note	**Six months ended 31 March 2018 £000**	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Cash flows from operating activities:				
Profit before taxation		**5,516**	2,444	5,853
Adjustments for:				
Investment income		**(154)**	(213)	(464)
Interest paid		**251**	–	–
Depreciation and amortisation		**614**	80	167
Fair value (gains)/losses		**(158)**	317	52
Share-based payment charges		**716**	363	1,130
Charges related to legacy long-term incentive schemes		**553**	242	653
Change in third party interests in consolidated funds		**30**	163	239
Operating cash flows before movement in working capital		**7,368**	3,396	7,630
(Increase) in receivables		**(105)**	(217)	(4,271)
(Increase)/decrease in margin account		**(57)**	(17)	75
(Decrease)/Increase in payables		**(4,518)**	(1,372)	4,950
Cash generated from operations		**2,688**	1,790	8,384
Corporation tax paid		**(209)**	(1,351)	(3,070)
Net cash generated from operating activities		**2,479**	439	5,314
Investing activities:				
Acquisition of new subsidiary, net of cash acquired	3	**(24,459)**	–	–
Deconsolidation of investment fund		**(255)**	–	–
Investment income received		**154**	213	639
Settlement of investment related hedges		**140**	(1,274)	(1,460)
Net redemptions made to Impax by unconsolidated investment funds		**67**	–	455
Net investments made by consolidated funds		**–**	(2,002)	658
Decrease/(increase) in cash held by money market funds and long-term deposit accounts		**3,576**	2,268	5,111
Acquisition of property plant and equipment and intangible assets		**(1,480)**	(57)	(367)
Net cash used by investment activities		**(22,257)**	(852)	5,036
Financing activities:				
Proceeds from bank borrowings	13	**17,616**	–	–
Repayment of bank borrowings	13	**(6,183)**	–	–
Interest paid on bank borrowings		**(71)**	–	–
Dividends paid	10	**(2,752)**	(1,856)	(2,672)
Acquisition of own shares		**–**	(948)	(950)
Cash received on exercise of Impax share options		**2,383**	1,041	1,096
Investments by third parties into consolidated funds		**20**	2,034	2,482
Net cash generated from/(used by) financing activities		**11,013**	271	(44)
Net (decrease)/increase in cash and cash equivalents		**(8,765)**	(142)	10,306
Cash and cash equivalents at the beginning of the period		**12,932**	2,804	2,804
Cash received into RPA accounts		**946**	–	–
Effect of foreign exchange rate changes		**321**	2	(178)
Cash and cash equivalents at the end of the period	12	**5,434**	2,664	12,932

Notes to the condensed consolidated interim financial statements

For the six months ended 31 March 2018

1 BASIS OF PREPARATION

This interim report is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and the AIM rules. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017.

The comparative figures for the financial year ended 30 September 2017 are not the Company's statutory accounts for that financial year. Those accounts, prepared in accordance with IFRS as adopted by the EU, have been reported on by the Company's auditors and delivered to Companies House. The report of the auditors was (i) unqualified; (ii) did not include a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. Copies of these accounts are available upon request from the Company's registered office at Seventh floor, 30 Panton St, London SW1Y 4AJ or at the Company's website: www.impaxam.com.

The Group has appropriate financial resources and a broad range of products. As a consequence the Directors believe the Group is well placed to manage its business risks in the context of the current economic outlook. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing these interim financial statements.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2017. Accounting policies in respect of the acquisition made in the Period are described in note 3.

2 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were: (i) judgements and estimates made in the valuation of acquired management contracts (see note 3) and in the determination of their useful economic lives; (ii) estimating the amount of contingent consideration that will be paid for the acquisition of Pax World Management LLC (see note 3) (iii) judgements and estimates made in determining the valuation of unlisted current asset investments (see note 11); (iv) determining tax payable on fees received from private equity funds; and (v) estimating the size of share- based payment charges.

3 ACQUISITION OF PAX WORLD MANAGEMENT LLC

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

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

From the date of acquisition, Impax LLC has contributed £4,840,000 of revenue and £964,000 of the adjusted operating profit of the Group. If the acquisition had taken place at the beginning of the year, revenue for the Group would have been £32,686,000 and the adjusted operating profit would have been £8,372,000.

The Group has initially acquired a 83.3 per cent interest of Pax's membership interests from the selling shareholders (the "Selling Shareholders") in exchange for cash payable on the acquisition date of US$37.1 million, 2,665,989 Impax shares and up to US$31.3m of contingent payments ("Contingent Consideration"). Pax's management and staff shareholders (the "Management Shareholders"), representing the remaining 16.7 per cent of Pax's membership interests 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 US$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$1.0 million of balance sheet adjustments for working capital and transaction costs. 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 ($5.2 million) was determined to be 196 pence, using the Group's mid‑ market closing share price on 17 January 2018.

The Contingent Consideration will be determined based on Impax LLC's average AUM as at 30 June 2020, 30 September 2020 and 31 December 2020 and will rise linearly from zero, if Impax LLC's average AUM is not more than US$5.5 billion, to US$37.5 million for the entire share capital of Impax LLC, if Impax LLC's average AUM is US$8 billion or above. To the extent that Impax LLC has achieved these performance targets, based on Impax LLC's average AUM as at 31 December 2018, 31 March 2019 and 30 June 2019, up to US$8.3 million of Contingent Consideration will become payable to the Selling Shareholders within 45 days of 30 June 2019. The fair value of the Contingent Consideration payable to the Selling Shareholders has been estimated as US$5.8 million at the acquisition date. As with the initial consideration, settlement of any Contingent Consideration payable to Impax LLC's Management Shareholders is expected to be made in 2021 in the Group's Ordinary Shares at the share price prevailing at the time and or in cash if the Group so elects.

Prior to the acquisition, Management Shareholders acquired their stake in Impax LLC using loans provided by Impax LLC, with part of the distributions made by Impax LLC being used to repay the loan and interest. The shares were subject to certain restrictions 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 is included as part of the consideration on acquisition and a charge for the 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.

The acquisition has been accounted for using the acquisition method. These interim condensed consolidated financial statements include the results of Impax LLC for the 2.5‑ month period from the acquisition date.

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

Consideration	£000
Cash and cash equivalents	26,775
Amounts receivable in respect of post-closing adjustments	(552)
Group shares –2,665,989 shares	5,225
Contingent Consideration	4,202
Valuation of management equity scheme assigned to pre-acquisition service	2,009
	37,659

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	(4,329)
Total liabilities	(4,329)
Total identifiable net assets at fair value	26,764
Non-controlling interest	(981)
Goodwill arising on acquisition (provisional)	11,876
Total	37,659

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 LLC with those of the Group and has been determined on a provisional basis.

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.

A reconciliation of the carrying amount of goodwill and intangible assets at the beginning and end of the reporting period is presented below:

	Intangible assets £000	Goodwill £000
At 1 October 2017	17	1,681
Additions	29	–
Acquisition of Impax LLC	25,669	11,876
Amortisation	(491)	–
Foreign exchange movement	(449)	(210)
At 31 March 2018	24,775	13,347

There were no brought forward impairment losses at 1 October 2017 or impairment charges during the period.

Minority interest

Impax LLC owns 51 per cent of Pax Ellevate Management LLC with the remaining shares being held by Ellevate Asset Management LLC ("EAM"). EAM has a put right to sell its Pax Ellevate units to Impax LLC at any time. A liability is recorded for the value of this put within trade and other payables with a corresponding charge to equity.

Transaction costs

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

Analysis of cash flows on acquisition	£000
Net cash acquired with the subsidiary	2,316
Cash paid	(26,775)
Net cash flow on acquisition	(24,459)

4 ADJUSTED PROFITS AND EARNINGS

The reported operating profit, 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.

	Six months ended 31 March 2018					Six months ended 31 March 2017		
		Adjustments					Adjustments	
	Reported – IFRS £000	Non-recurring acquisition costs £000	Business combination effects £000	Other £000	Adjusted £000	Reported - IFRS £000	Other £000	Adjusted £000
Income statement								
Revenue	25,680				25,680	13,948		13,948
Operating costs	(19,932)				(17,952)	(11,016)		(10,312)
Acquisition costs		847						
Amortisation of intangibles arising on acquisition (see note 3)			484					
Acquisition equity incentive scheme charges (see note 3)			97					
Mark-to-market charge on equity awards				552			704	
Operating profit	5,748	847	581	552	7,728	2,932	704	3,636
Fair value (losses)/gains on investments and other financial (expense)/income	28			(105)	(77)	(325)	(112)	(437)
Interest expense	(251)				(251)			
Non-controlling interest	21				21			
Change in third party consolidated funds	(30)				(30)	(163)		(163)
Profit before taxation	5,516	847	581	447	7,391	2,444	592	3,036
Taxation	(1,081)				(1,286)	77		(701)
Tax credit on adjustments		(120)		(85)			(778)	
Profit after taxation	4,435	727	581	362	6,105	2,521	(186)	2,335
Statement of comprehensive income								
Profit for the year	4,435	727	581	362	6,105	2,521	(186)	2,335
Change in valuation of cash flow hedges net of tax	19				19	93		93
Tax credit on long-term incentive schemes	530			(530)	–	348	(348)	–
Exchange differences on translation of foreign operations	60				60	58		58
Total comprehensive income	5,044	727	581	(168)	6,184	3,020	(534)	2,486
Diluted earnings per share	3.45p	0.60p	0.48p	0.30p	4.83p	2.11p	(0.17p)	1.94p

The adjusted diluted earnings per share is calculated using the adjusted profit after taxation shown above with a further adjustment for profit attributable to owners of restricted shares of £287,000 (see note 9). The diluted number of shares is the same as used for the IFRS calculation of earnings per share (see note 9).

The same adjustments, where relevant, and an adjustment to eliminate one- off tax credits for private equity income has been made for the year ended 30 September 2017 to give adjusted operating profit of £9,329,000, adjusted profit before tax of £8,735,000 and adjusted earnings per share of 5.88 pence.

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. Employer's 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 the IFRS tax charge and where the corporation tax credit is larger than the associated share‑based payment charge within other comprehensive income.

Additional retention payments are made to holders of vested legacy LTIP awards ("LTIP") when they are exercised. 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 charges vary based on the Group's share price (together referred to as mark‑to‑market charge on equity awards) and are not linked to the operating performance of the Group. They are therefore eliminated when reporting adjusted profit.

5 SEGMENT INFORMATION

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed. IFRS 8 "Operating Segments" requires that the information presented in the financial statements is based on information provided to the "Chief Operating Decision Maker". The Chief Operating Decision Maker for the Group is the Chief Executive.

The Group's reportable segments are as follows:

Impax Ltd

Impax Ltd represent the Group's business prior to the acquisition of Impax LLC. It manages and advises listed equity and private equity funds and accounts.

Impax LLC

Following acquisition Impax LLC has operated as a separate segment managing the Pax World Funds.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 31 March 2018.

Six months ended 31 March 2018

	Impax Ltd £000	Impax LLC £000	Adjustments £000	Consolidated £000
Revenue				
External customers	20,840	4,840	–	25,680
Inter-segment	376	–	(376)	–
Total revenue	21,216	4,840	(376)	25,680
Segment profit – adjusted operating profit	6,764	964	–	7,728

For the six months ended 31 March 2017 there was only one segment being Impax Ltd. Segment

profit is stated at the adjusted operating profit level as shown in note 4.

6 FAIR VALUE GAINS/(LOSSES) AND OTHER FINANCIAL INCOME/EXPENSE

Fair value gains/(losses) include those arising on revaluation of listed and unlisted investments held by the Group including those held by the Group's consolidated funds (see note 11) and any gains or losses arising on related hedge instruments held by the Group. Other financial income includes foreign exchange gains or losses and investment income.

7 CHANGE IN THIRD PARTY INTEREST IN CONSOLIDATED FUNDS

This charge removes the fair value gains or losses, other operating costs and investment income recorded in the Group's consolidated funds (see note 11) which are attributable to third party investors in the funds.

8 TAXATION

The tax rate for the period is higher than the standard rate of corporation tax in the UK for the period (19 per cent). The differences are explained below:

	Six months ended 31 March 2018 £000	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Profit before tax	**5,516**	2,444	5,853
Tax charge at 19 per cent, 19.5 per cent, 19.5 per cent	**1,048**	477	1,141
Effects of:			
Non-deductible expenses and charges	**62**	2	200
Decrease/(increase) in value of deductions re share awards from share price decreases/increases	**–**	(663)	(462)
Non-taxable income	**–**	-	(475)
Adjustment in respect of prior years	**(99)**	41	(2,413)
Change in tax rates	**–**	-	12
Effect of higher tax rates in foreign jurisdictions	**70**	66	183
Total income tax expense	**1,081**	(77)	(1,814)

9 EARNINGS PER SHARE

	Earnings for the period £'000	Shares '000	Earnings per share
Six months ended 31 March 2018			
Basic	**4,148**	**116,612**	**3.56p**
Diluted	**4,148**	**120,374**	**3.45p**
Six months ended 31 March 2017			
Basic	2,380	110,904	2.15p
Diluted	2,380	113,048	2.11p
Year ended 30 September 2017			
Basic	7,206	111,251	6.48p
Diluted	7,206	115,397	6.24p

Earnings are reduced by £287,000 for the six months ending 31 March 2018 (31 March 2017: £141,000; 30 September 2017: £461,000) for basic and diluted earnings per shares 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.

	Six months ended 31 March 2018 £000	**Six months ended 31 March 2017 £000**	**Year ended 30 Sept 2017 £000**
Issued share capital	**130,415**	127,749	127,749
Less own shares held	**(13,803)**	(16,845)	(16,498)
Weighted average number of Ordinary Shares used in the calculation of basic EPS	**116,612**	110,904	111,251
Additional dilutive shares re share options	**5,941**	10,630	10,495
Adjustment to reflect option exercise proceeds and future service from employees receiving awards/shares	**(2,179)**	(8,486)	(6,349)
Weighted average number of Ordinary Shares used in the calculation of diluted earnings per share	**120,374**	113,048	115,397

The basic earnings per share for all periods shown includes vested LTIP options on the basis that these have an inconsequential exercise price (1 pence or 0 pence). As described in note 3 the Group has an agreement with Management Shareholders of Impax LLC under which it can acquire their shares in Impax LLC in exchange for Group shares. This arrangement is not currently dilutive.

Restricted stock units were also issued to Impax LLC staff and management which have a three‑year vesting period from the date of acquisition and a further two‑year restriction on the holders' ability to sell the vested awards. The value of the Impax shares received is determined by reference to the Impax LLC assets under management at the vesting date. These awards are currently out of the money and accordingly the scheme is not dilutive.

10 DIVIDENDS

On 2 March 2018, at the Company's Annual General Meeting, payment of a 2.2 pence per share final dividend for the year ended 30 September 2017 (2016: 1.6 pence per share) was approved. Combined with an interim payment of 0.7 pence this gave total dividends for the year ended 30 September 2017 of 2.9 pence. The Trustee of the Impax Employee Benefit Trusts waived the Trusts' rights to part of this dividend, leading to a total dividend payment of £2,752,107. This was paid on 17 March 2018.

The Board has declared an interim dividend for the period of 1.1 pence per Ordinary Share (2017: 0.7 pence). This dividend will be paid on 20 July 2018 to Ordinary Shareholders on the register at close of business on 15 June 2018.

The Directors have also declared a special dividend of 2.6 pence per Ordinary Share in respect of income earned post the balance sheet date, in May 2018, for carried interest earned on the Group's second private equity fund. This dividend will also be paid on 20 July 2018 to shareholders on the register at close of business on 15 June 2018.

11 CURRENT ASSET INVESTMENTS

	Unlisted investments £000	Listed investments £000	Total £000
At 1 October 2016	1,568	11,243	12,811
Additions	–	3,457	3,457
Fair value movements	6	731	737
Repayments/disposals	–	(1,455)	(1,455)
At 31 March 2017	1,574	13,976	15,550
Additions	14	1,520	1,534
Fair value movements	(63)	627	564
Repayments/disposals	(458)	(4,180)	(4,638)
At 30 September 2017	1,067	11,943	13,010
Additions	16	–	16
Fair value movements	(135)	119	(16)
Deconsolidation of IEL fund	4,670	(9,271)	(4,601)
Repayments/disposals	(83)	–	(83)
At 31 March 2018	**5,535**	**2,791**	**8,326**

Listed investments

Impax Global Equity Opportunities fund ("IGEO") (consolidated)

On 23 January 2015 the Group launched the IGEO Fund and invested from its own resources £2 million into the Fund. IGEO invests in listed equities using the Group's Global Equities strategy. The Group's investment represented more than 50 per cent of IGEO's NAV from the date of launch to 31 March 2018 and has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

The investments held by IGEO are revalued to market value using quoted market prices that are available at the date of these financial statements. The quoted market price is the current bid price.

Unlisted investments

Private equity funds (not consolidated)

The Group has a 1.68 per cent partnership share in Impax New Energy Investors III LP, a private equity partnership managed by the Group. To date the Group has invested a total of €28,000 into the partnership. The Group has a commitment to invest up to a further €3.97 million into this partnership.

The Group has a 1.14 per cent partnership share in Impax New Energy Investors II LP, a private equity partnership managed by the Group. To date the Group has invested a total of €2.20 million into the partnership and received distributions of €2.96 million following sales of investments by the partnership. The investment is included at the Board's assessment of its fair value, being £544,000 at 31 March 2018, which is determined by valuing the underlying investments. The principal valuation techniques used are the prices of recent investment and market bids. Post the balance sheet date the Group received distributions of £423,000 following further successful sales of investments by this partnership. The Group also received £3.2 million (net of bonus and tax) of carried interest payments from this fund at the same time. The Group has a commitment to invest up to a further €1.1 million into this partnership.

The Group has a 3.76 per cent partnership share of Impax New Energy Investors LP, a private equity partnership managed by the Group. At the balance sheet date the partnership had fully divested of its investments and the carrying value of the Group's investment in the partnership was nil. The partnership is however part of a group of investors who have claimed compensation from the Spanish Government, for losses on investments it previously owned, incurred following significant retroactive reforms to the Spanish energy markets. The claim is currently being heard by the European Court of Arbitration. In the event that the claim is successful the Group will receive its share of the compensation.

Impax Environmental Leaders fund ("IEL") (not consolidated)

On 12 January 2016 the Group launched the IEL Fund and invested, from its own resources, £3 million into the fund. IEL invests in listed equities using the Group's Leaders strategy. The Group's investment represented more than 50 per cent at 30 September 2017, however at 31 March 2018 the Group's investment represented just 23.4 per cent of IEL and has therefore been deconsolidated in the Period. Accordingly at 31 March 2018 the investment is recorded in unlisted investments.

12 CASH RESERVES

In order to mitigate bank default risk and to access favourable interest rates, the Group invests part of its surplus cash in money market funds and long-term deposit accounts. Amounts held in money market funds and long-term deposit accounts are as shown below.

The Group collects a portion of commissions paid when funds it manages trade fund holdings and beginning this period holds the cash in Group bank accounts ("RPAs") for payment to research providers, supplemented by payments contributed by the Group itself. These cash amounts are held on the balance sheet but a matching liability is recorded in trade and other payables.

The Group considers the total of its cash and cash equivalents held by operating entities of the Group and cash invested in money market funds and in long-term deposit accounts less amounts held in commission accounts to be its cash reserves.

	Six months ended 31 March 2018 £000	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Cash and cash equivalents	**5,434**	2,664	12,932
Cash held in money market funds and long-term deposit accounts	**4,204**	10,623	7,780
Less: cash held in RPAs	**(946)**	-	-
cash and cash equivalents held by consolidated funds	**(101)**	(307)	(348)
Total cash reserves	**8,591**	12,980	20,364

13 LOANS

To part fund the acquisition of Impax LLC the Group signed a debt facility with RBS. The facility consists of a US$13 million term loan repayable annually over a three year term and a US$13 million revolving credit facility ("RCF") with a five year tenor. The term loan incurs interest at US LIBOR plus 2.9 per cent and the revolving credit facility at US LIBOR plus 3.3 per cent.
On completion of the acquisition the Group drew down the term loan in full and US$12 million of the revolving credit facility. At 31 March US$8.75 million of the revolving credit facility had been repaid leaving US$16.25 million of debt outstanding.

14 SHARE CAPITAL AND OWN SHARES

	31 March 2018	31 March 2017	30 September 2017
Issued and fully paid Ordinary Shares of 1 pence each			
Number	130,415,087	127,749,098	127,749,098
£000s	1,304	1,277	1,277

	31 March 2018	31 March 2017	30 September 2017
Own shares			
Number	13,672,081	19,144,332	19,009,332
£000s	4,339	6,631	6,633

Own shares represents a portion of those held in Impax's Employee Benefit Trusts. No shares were acquired in the six months ended 31 March 2018, (period ended 31 March 2017: 1,466,493). 5,337,251 shares were awarded to option holders on exercise of options (period ended 31 March 2017: 3,710,000). As at 31 March 2018 there were a total of 9,677,500 options outstanding of the Group's shares of which 8,377,500 were exercisable. As at 31 March 2018 employees also held 8,364,749 Restricted Shares over which the restrictions lapse from January 2019 through to December 2022. These shares are held in trust and are included in own shares above.

15 RELATED PARTY TRANSACTIONS

Impax New Energy Investors LP, Impax New Energy Investors Sarl, Impax New Energy Investors II and II‑B LP, Impax New Energy Investors III and III‑B LP, INEI III Co‑Investment LP, Impax New Energy Investors III (Feeder) SLP, INEI III Team Co‑Investment LP, Impax New Energy Investors SCA, Impax Global Resource Optimization Fund LP, Impax Carried Interest Partners LP, Impax Carried Interest Partners II LP, INEI III CIP LP, Impax Climate Property Fund LP, New Energy Investors III LP and entities controlled by them are related parties of the Group by virtue of subsidiaries being the General Partners to these funds. BNP Paribas Asset Management Holding is a related party of the Group by virtue of owning a 24.48 per cent equity holding in the Group. Other funds managed by subsidiaries of the Company are also related parties by virtue of their management contracts.

Revenue earnt from related parties of the Group is shown in the table below.

	Six months ended 31 March 2018 £000	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Revenue	25,610	13,785	32,654

Investments in related parties of the Group and trade and other receivables due from related parties are shown in the table below.

	Six months ended 31 March 2018 £000	Six months ended 31 March 2017 £000	Year ended 30 Sept 2017 £000
Non-current asset investments	13	13	3
Current asset investments	5,535	1,574	628
Trade and other receivables	13,825	6,545	9,517

16 GROUP RISKS

The Group's principal risks remain as detailed within the Group's 2017 Strategic Report. As noted in that report additional risks have arisen as a result of the acquisition of Impax LLC, as the Group has taken on all of the inherent risk associated with that business and introduced integration risk. Additional liquidity risk also arises as a result of taking on debt.