Impax Asset Management Group plc
Results for the year ended 30 September 2018

Gathering momentum and successful US integration contribute to 'landmark year' and significant growth for Impax

London 6 December 2018 – Impax Asset Management Group plc ("Impax" or the "Company"), the specialist investor focused on a more sustainable global economy, today announces final audited results for the year ending 30 September 2018 (the "Period").

Business highlights

- Assets under management ("AUM") increased 72% to £12.5 billion
- Continued long-term out-performance of investment strategies relative to environmental indices
- Net inflows of £1.46 billion, predominantly from clients in continental Europe and North America
- Celebrating 20 years of success as pioneers of investing in the transition to a more sustainable economy
- Integration of Pax World Management LLC ("Impax NH") progressing well

Financial highlights

- Revenue: increased 101% to £65.7 million (2017: £32.7 million)
- Adjusted operating profit: increased 114% to £20.0 million (2017: £9.3 million)
- Profit before tax: increased 150% to £14.6 million (2017: £5.9 million)
- Shareholders' equity: increased 48% to £52.6 million (2017: £35.6 million)
- Proposed final dividend of 3.0 pence per share, resulting total dividend for the year of 6.7 pence per share inclusive of interim dividend of 1.1 pence per share and special dividend of 2.6 pence per share (2017: 2.9 pence per share)

Keith Falconer, Chairman, commented:
"2018 was a landmark year for Impax, and I'm very pleased to report strong progress against all of our key performance indicators. Our assets under management have significantly expanded as we've attracted high levels of inflows and successfully integrated Pax World Management LLC."

Ian Simm, Chief Executive, added:
"2018 has been a particularly exciting year for Impax. The Company has grown considerably, establishing Impax as one of the largest global investment managers focused on investing in the transition to a more sustainable economy. During the Period assets under management increased significantly to reach £12.5 billion.

"Positive net inflows have underpinned our expansion as asset owners around the world increasingly seek investment exposure to Impax's area of expertise. This momentum opens up new opportunities that we are ideally positioned to benefit from. The solid foundations we've laid down over the last twenty years should support significant further growth for the Company"

Enquiries:

Ian Simm, Chief Executive
+44 (0)20 7434 1122 (switchboard)

Karen Wagg, Head of Communications
+44(0)20 3912 3142 / k.wagg@impaxam.com

Nominated Adviser, Peel Hunt LLP
+44 (0)20 7418 8900
Guy Wiehahn, Rishi Shah

Montfort Communications
+44(0)20 3514 0897
Gay Collins, Toto Reissland-Burghart, Louis Supple

LEI number: 213800AJDNW4S2B7E680

CHAIRMAN'S INTRODUCTION

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

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

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

J Keith R Falconer
5 December 2018

CHIEF EXECUTIVE'S REPORT

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

STRONG GROWTH IN 2018

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

During the twelve months ending 30 September 2018 (the "Period"), Impax's assets under discretionary and advisory management ("AUM") increased by 72 per cent to reach £12.5 billion. For the third consecutive year we have achieved a significant increase against all our key performance indicators ("KPIs").

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

CELEBRATING 20 YEARS AND MAJOR MILESTONES

Since our inception in 1998 we have established a global brand and pioneered investing in the transition to a more sustainable global economy, with the objective to deliver superior, long-term investment returns. We see many compelling investment opportunities arising from disruptions through technology innovation and falling costs, regulation to incorporate the costs of social and environmental factors in business models and, not least, shifts in consumer preferences for more transparent, authentic and healthier products. Our expertise has given us insights across large swathes of private sector activity and our long performance record and large, specialist investment team have proved attractive for asset owners seeking exposure to these rapidly growing markets. Over the Period we took on a significant number of new client accounts.

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

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

Drivers and opportunities

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

Climate change is likely to be one of the most serious risks to the long-term value of investment portfolios. The five warmest years on record have all occurred in this decade[1] and the oceans also appear to be warming at an alarming rate. In 2018 we witnessed many more severe weather events around the world, with devastating forest fires in California and Australia, while the 2017–18 hurricane season was one of most catastrophic on record.

It is estimated that three billion people currently live in regions where water is scarce, a figure that is projected to rise to five billion by 2050[2]. There is an urgent need to conserve, treat and recycle limited and increasingly polluted water supplies. Meanwhile, we face a global public health crisis posed by obesity and diabetes.

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

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

1 National Oceanic & Atmospheric Administration

2United Nations

OUR DEDICATED TEAM

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

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

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

FUND FLOWS AND DISTRIBUTION

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

FIGURE 2: AUM and fund flows

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

1 Real Asset comprise Private Equity and Property funds
2 Avoidance of double count on Pax Global Environmental Markets Fund and Pax Global Opportunities Fund

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

In the UK we have seen renewed interest from investors in our Irish UCITS fund platform, with material growth in both our Asia and Leaders strategies. The growth of this Leaders Fund has enabled us to redeem the seed capital we allocated at launch less than three years ago. Towards the end of the Period, the share price of our UK investment trust, Impax Environmental Markets plc, returned to a premium to net asset value reflecting increasing demand from private wealth managers and retail investors. We continue to see strong flows into the funds we manage in Continental Europe for BNP Paribas Asset Management, particularly the Water strategy which had net inflows of over £740 million during the year and at Period end reported an AUM of some £3.3 billion. We have also taken on the sub-management of the Parvest Green Tigers fund, a BNP Paribas Asset Management sponsored SICAV targeting Asian environmental markets. In September, Impax was awarded a new mandate based on the Leaders strategy to advise on Better World, a new fund established by Absalon Capital in Denmark.

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

INVESTMENT PERFORMANCE

Listed Equity

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

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

During the Period, performance of the Pax World Funds, the mutual fund strategies managed by Impax NH, was mixed. For example, the Pax Large Cap Fund and Pax Ellevate Global Women's Leadership Fund outperformed their respective benchmarks, while the Small Cap and Mid Cap funds underperformed.

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

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

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

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

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

Increasingly, our clients are acknowledging the value of our work in engagement, impact reporting and thought leadership. This year we also have increased our funding for a small number of closely aligned environmental charities as we have seen how valuable this involvement can be, for both staff development opportunities and engagement.

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

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

OUTLOOK
Impax is well-positioned to continue to deliver long-term value to clients and shareholders. In the shorter-term we expect a somewhat softer global economy and steadily rising interest rates in many regions, a situation that may impact global equity markets. Over 20 years we have managed capital through two major downturns; we believe that many of our clients are taking a long-term view when investing with us, and we therefore expect our business to be resilient as asset allocators respond to new information about shorter-term trends.

Since Impax's inception in 1998, the transition to a more sustainable global economy has accelerated as demand for products and services that address the consequences of a more crowded planet has expanded dramatically. With over 20 years of experience, there is now compelling evidence that our investment philosophy can enhance the discovery of attractive investments. Against this backdrop, we are confident that Impax can continue to deliver excellent results for all our stakeholders over decades to come.

Ian R Simm
5 December 2018

FINANCIAL REVIEW

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

FIGURE 3: Financial highlights for financial year 2018 versus financial year 2017

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

[1] Diluted Adjusted

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

REVENUE

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

Our run rate[1] revenue at the end of the Period was £69.6 million, giving a weighted average run rate revenue margin of 56.4 basis points on the £12.5 billion of AUM.

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

OPERATING COSTS

Adjusted operating costs increased to £45.7 million of which £13.8 million related to Impax NH. Impax LN costs increased to £31.9 million mainly due to higher profit-related remuneration and staff headcount.

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

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

PROFITS

The IFRS operating profits of £15.5 million have more than doubled from £6.2 million.
The adjusted operating margin increased to 30.4%. This was despite Impax NH having a lower operating margin as its business model allows it to charge higher management fees in return for bearing various fund-related costs. Run-rate operating earnings were £18.4 million at the end of the Period, equivalent to a run rate operating margin of 26.0%.

TAX

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

DILUTED EARNINGS PER SHARE

The IFRS diluted earnings per share have increased 44% to 8.9p.
This is driven by the significant increase in operating earnings for Impax LN and the Impax NH acquisition. Impax NH's operating earnings at this stage are lower than we expected at the time of the acquisition as a result of a moderate level of aggregate net outflows from the funds it manages.

IMPAX NH ACQUISITION

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

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

As a result of the acquisition we have recognised £9.9 million of goodwill and £25.7 million of intangible assets. The intangible assets mainly relate to investment management contracts. As is normal for acquisitions of this size, the acquisition has put us into a capital deficit position. We have agreed a waiver with the Financial Conduct Authority which allows us a period of four years to make good the deficit.

FINANCIAL MANAGEMENT

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

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

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

SHARE MANAGEMENT

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

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

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

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

DIVIDENDS

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

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

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

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

GOING CONCERN

The Financial Reporting Council requires all companies to perform a rigorous assessment of all the factors affecting the business when deciding to adopt a "going concern" basis for the preparation of the accounts. The Board has reviewed the Group's financial plans, budget and stress testing. Impax has a strong balance sheet and a predicable operating cost profile. After taking these factors into consideration the Directors consider that the adoption of a "going concern" basis, covering a period of at least 12 months from the date of this report, is appropriate.

Charles D Ridge
5 December 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £000	2017 £000
Revenue	65,683	32,694
Operating costs	(50,200)	(26,461)
Fair value (losses)/gains on investments and other financial (expense)/income	(337)	(141)
Interest expense	(670)	–
Non-controlling interest	184	–
Change in third-party interests in consolidated funds	(40)	(239)
Profit before taxation	14,620	5,853
Taxation	(3,219)	1,814
Profit after taxation	11,401	7,667

Earnings per share		
Basic	9.0p	6.5p
Diluted	8.9p	6.2p

Dividends per share		
Special dividend paid	2.6p	–
Interim dividend paid and final dividend declared for the year	4.1p	2.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

*Total other comprehensive income for the year has been restated to exclude the tax credit on long-term incentive schemes which are now being recognised within equity attributable to owners of the company as required by IFRSs.

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

The statement has been prepared on the basis that all operations are continuing operations.

Adjusted results are provided in Note 5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 October 2016	1,277	4,093	(154)	(116)	21,645	26,745
Transactions with owners:						
Dividends paid	–	–	–	–	(2,672)	(2,672)
Acquisition of own shares	–	–	–	–	(950)	(950)
Cash received on option exercises	–	–	–	–	1,096	1,096
Tax credit on long-term incentive schemes (restated*)	-	-	-	-	2,540	2,540
Share based payment charge	–	–	–	–	1,130	1,130
Total transactions with owners (restated*)	–	–	–	–	(1,144)	(1,144)
Profit for the year	–	–	–	–	7,667	7,667
Other comprehensive income:						
Cash flow hedge net of tax	–	–	–	132	–	132
Exchange differences on translation of foreign operations	–	–	(44)	–	–	(44)
Total other comprehensive Income (restated*)	–	–	(44)	132	–	88
Balance at 30 September 2017	**1,277**	**4,093**	**(198)**	**16**	**30,456**	**35,644**
Transactions with owners:						
Shares issued	27	5,198	–	–	–	5,225
Dividends paid	–	–	–	–	(7,386)	(7,386)
Acquisition of own shares	–	–	–	–	(2,534)	(2,534)
Cash received on option exercises	–	–	–	–	4,477	4,477
Impax NH Management equity scheme – value assigned to pre-acquisition service	–	–	–	–	1,917	1,917
Tax credit on long-term incentive schemes	-	-	-	-	2,352	2,353
Fair value of put option over non-controlling interest	-	-	-	-	(1,451)	(1,452)
Share based payment charges	–	–	–	–	1,822	1,822
Total transactions with owners	**27**	**5,198**	**–**	**–**	**(803)**	**4,422**
Profit for the year	**–**	**–**	**–**	**–**	**11,401**	**11,401**
Other comprehensive income:						
Cash flow hedge net of tax	–	–	–	(60)	–	(60)
Exchange differences on translation of foreign operations	–	–	1,212	–	–	1,212
Total other comprehensive income	**–**	**–**	**1,212**	**(60)**	**–**	**1,152**
Balance at 30 September 2018	**1,304**	**9,291**	**1,014**	**(44)**	**41,054**	**52,619**

*See Consolidated Statement of Comprehensive Income for details of restatement

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

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

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

Movements on cash reserves are shown in the table below:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 REPORTING ENTITY

Impax Asset Management Group plc (the "Company") is incorporated and domiciled in the UK and is listed on the Alternative Investment Market ("AIM"). These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

2 BASIS OF PREPARATION

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

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

3 USE OF JUDGEMENTS AND ESTIMATES

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

A) Judgements

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

The Group invests in certain funds that it manages. In such case we have to determine whether these funds should be consolidated and therefore record the funds underlying investments on our balance sheet along with their cash and other assets and liabilities. The key judgements made in determining whether these funds are consolidated include whether returns received by the Group constitute an ownership interest and whether the Group controls the fund.

B) Estimates

– Determining the value of acquired management contracts and their useful economic life (see note 4)

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

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

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

– Determining the value of unlisted investments

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

– Determining the share-based payment charge

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

4 ACQUISITION OF PAX WORLD MANAGEMENT LLC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Minority interest
Impax NH owns 51% of Pax Ellevate Management LLC with the remaining shares being held by

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

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

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

Analysis of cash flows on acquisition:

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

5 ADJUSTED PROFITS AND EARNINGS

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

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

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

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

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

Mark to market charge on equity incentive awards

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

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

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

6 SEGMENTAL REPORTING

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

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

Year ended 30 September 2018

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

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

7 OPERATING COSTS

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

	2018 £000	**2017 £000**
Staff costs (note 8)	30,587	18,017
Direct fund expenses	4,024	-
Premises costs	2,002	1,171
Research costs	1,079	-
Professional fees	2,242	1,276
IT and communications	1,693	1,311
Depreciation and amortisation	1,997	167
Acquisition costs	526	999
Mark to market charges on share awards	2,137	2,097
Other costs	3,913	1,423
	50,200	26,461

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

The Group consolidates certain funds in which it invests and therefore include their operating costs in the table above. An analysis of the total cost between operating entities and consolidated funds is shown in the table below.

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

8 STAFF COSTS AND EMPLOYEES

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

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

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

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

Directors and key management personnel

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

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

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

9 SHARE-BASED PAYMENT CHARGES

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

Restricted Share Scheme
Restricted shares have been granted to employees in prior years under the 2014, 2015 and 2017 plans. Post year end the Board approved the grant of a further 478,250 restricted shares under the 2018 plan. Details of the awards granted along with their valuation and the inputs used in the valuation are described in the table below. The valuation was determined using the Black-Scholes-Merton model with an adjustment to reflect that dividends are received during the vesting period. Following grant, the shares are held by a nominee for employees - who are then immediately entitled to receive dividends. After a period of three years continuous employment the employees will receive unfettered access to one third of the shares,

after four years a further third and after five years the final third. The employees are not required to make any payment for the shares on grant or when the restrictions lapse.

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

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

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

Employee share option plan

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

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

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

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

The valuation was determined using the binomial model.

Options outstanding

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

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

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

Restricted stock units

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

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

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

Impax NH put and call arrangement

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

10 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 also charges relating to taxes that will be payable in future years due to income or expenses being recognised in different periods for tax and accounting periods (deferred tax).

(a) Analysis of charge for the year

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

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

(b) Factors affecting the tax charge for the year

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

	2018 £000	2017 £000
Profit before tax	14,620	5,853

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

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

(c) Deferred tax

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

	Income not yet taxable £000	**Other liabilities**	**Total liabilities**	**Share-based payment scheme £000**	**Other assets £000**	**Total assets £000**
As at 1 October 2016	(1,040)	(526)	(1,566)	661	148	809
Credit/(charge) to equity	–	–	–	2,540	(26)	2,514
Exchange differences on consolidation	(19)	–	(19)	–	–	-
Credit/(charge) to the income statement	(601)	(95)	(696)	386	519	905
As at 30 September 2017	(1,660)	(621)	(2,281)	3,587	641	4,228
Credit to equity	–	–	–	2,352	8	2,360
Exchange differences on consolidation	(11)	–	(11)	–	–	-
Credit/(charge) to the income statement	(1,180)	308	(872)	(2,326)	188	(2,138)
As at 30 September 2018	(2,852)	(313)	(3,165)	3,613	837	4,450

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

11 EARNINGS PER SHARE

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

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

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

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

	Earnings for the year £000	**Shares 000**	**Earnings per share**

2018			
Basic	10,663	118,758	9.0p
Diluted	10,663	119,581	8.9p
2017			
Basic	7,206	111,251	6.5p
Diluted	7,206	115,396	6.2p

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

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

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

12 DIVIDENDS

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

Dividends declared/proposed in respect of the year

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

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

Dividends paid in the year

	2018 £000	**2017 £000**
Prior year final dividend – 2.2p, 1.6p	2,752	1,856
Special dividend - 2.6p, 0p	3,256	–

Interim dividend – 1.1p, 0.7p	1,378	816
	7,386	2,672

13 GOODWILL

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

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

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

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

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

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

14 INTANGIBLE ASSETS

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

	Management contracts £000	Software £000	Total £000
Cost			
As at 1 October 2016	112	354	466
Additions	–	29	29
Disposals	–	(41)	(41)
As at 30 September 2017	112	342	454
Addition through Impax NH acquisition (see note 4)	25,669	–	25,669
Additions	–	76	76
Foreign exchange	1,600	–	1,600
As at 30 September 2018	27,381	418	27,799
Accumulated depreciation			
As at 1 October 2016	112	310	422

Charge for the year	–	37	37
Disposals	–	(22)	(22)
As at 30 September 2017	112	325	437
Charge for the year	1,722	19	1,741
Disposals	–	–	–
Foreign exchange	56	–	56
As at 30 September 2018	1,890	344	2,234
Net book value			
As at 30 September 2018	25,491	74	25,565
As at 30 September 2017	-	17	17
As at 30 September 2016	-	44	44

15 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 considered to be available to the Group so it is not included in cash reserves. Cash held in Research Payment Accounts ("RPAs") is collected from funds managed by the Group and can only be used towards the cost of researching stocks. A liability of an equal amount is included in trade and other payables. This cash is also excluded from cash reserves. A reconciliation is shown below:

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

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

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

16 LOANS

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

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

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

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

17 ORDINARY SHARES

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

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