

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 MARCH 2019

CELEBRATING

20
YEARS

INVESTING IN THE
TRANSITION TO A
MORE SUSTAINABLE
GLOBAL ECONOMY

IMPAX SPECIALISES IN INVESTING IN THE TRANSITION TO A MORE SUSTAINABLE GLOBAL ECONOMY

FOUNDED IN 1998, IMPAX IS THE SPECIALIST ASSET MANAGER INVESTING IN THE TRANSITION TO A MORE SUSTAINABLE GLOBAL ECONOMY.

We believe that capital markets will be shaped profoundly by global sustainability challenges, including climate change, pollution and essential investments in human capital, infrastructure and resource efficiency. These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.

We invest in higher quality companies with strong business models that demonstrate sound management of risk.

Impax offers a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long-term.

We were the recipient of the World Economic Forum's (WEF) Circulars Investor Award 2019, which recognised Impax as "leading the way in investment to support a transition to a more circular economy."

**20 YEARS AS
PIONEERS IN
OUR FIELD**

**ONE OF THE
LARGEST
INVESTMENT
MANAGERS
INVESTING IN THE
SUSTAINABLE
GLOBAL
ECONOMY**

**PROVIDING
ACCESS TO
A BROAD
RANGE OF
INVESTMENT
STRATEGIES**

**A STRONG
COMMITMENT TO
GOING BEYOND
INVESTMENT
RETURNS**

Naming of companies in this document

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

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

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

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

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PERFORMANCE AND KEY DEVELOPMENTS



Despite volatile market conditions, Impax has delivered strong results for the six months to 31 March 2019.”

Ian Simm
Chief Executive

BUSINESS HIGHLIGHTS

Despite volatile markets
ASSETS UNDER MANAGEMENT¹ (AUM) OVER THE PERIOD INCREASED 6%

POSITIVE NET INFLOWS for 14 consecutive quarters

STRONG ORGANIC GROWTH with £887m of net inflows

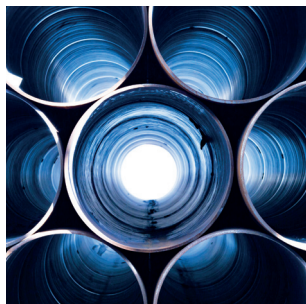
ROBUST INVESTMENT PERFORMANCE particularly the ‘Global Opportunities’ strategy

FINANCIAL HIGHLIGHTS

AUM¹

£13.3 BN

(H1 2018: £11.0bn)



REVENUE

£33.8 M

(H1 2018: £25.7m)

ADJUSTED OPERATING PROFIT²

£7.7 M

(H1 2018: £7.7m)

PROFIT BEFORE TAX

£9.3 M

(H1 2018: £5.5m)

ADJUSTED DILUTED EARNINGS PER SHARE²

4.4 P

(H1 2018: 4.8p)

SHAREHOLDER EQUITY

£54.6 M

(H1 2018: £46.9m)

INTERIM DIVIDEND PER SHARE

1.5 P

(2018: 1.1p)

	H1 2019	H1 2018	2018
Assets under management ¹	£13.3bn	£11.0bn	£12.5bn
Revenue	£33.8m	£25.7m	£65.7m
Adjusted operating profit ²	£7.7m	£7.7m	£20.0m
Profit before tax	£9.3m	£5.5m	£14.6m
Adjusted diluted earnings per share	4.4p	4.8p	12.4p
Shareholders' equity	£54.6m	£46.9m	£52.6m
Dividend	1.5p	1.1p	4.1p
Special dividend	–	–	2.6p

¹ Assets under management and advice. Assets under advice -3%.

² Adjusted operating profit and EPS is shown after removing the effects of non-recurring acquisition costs, ongoing amortisation of intangibles acquired, contingent consideration adjustments and mark-to-market effects of National Insurance on equity award schemes. A reconciliation of the International Financial Reporting Standards ('IFRS') and adjusted KPIs are provided in note 3 of the financial statements

CHIEF EXECUTIVE'S REPORT



Despite market volatility, momentum behind the transition to a more sustainable global economy is building. Developed over two decades, Impax's specialist expertise as investors in this transition is resonating with a range of asset owners around the world, and our strong AUM growth is attributable to new subscriptions from multiple channels."



I am pleased to report that, despite volatile market conditions, Impax Asset Management Group plc ('Impax' or the 'Company') has delivered strong results for the six months to 31 March 2019 (the 'Period'), reflecting rising demand among asset owners for exposure to companies leading the transition to a more sustainable economy.

During the Period global equity markets initially fell as investors were troubled by geopolitical uncertainty, the impact of tightening monetary policies, an escalating trade war between China and the USA and Brexit. At the start of calendar 2019, sentiment recovered strongly, and markets bounced.

At Period end the Company's assets under management and advice ('AUM') were £13.3 billion, representing an increase of 20% in the 12 months since 31 March 2018 and 6% over the Period. As of 30 April 2019, the Company's AUM had risen further to £13.7 billion.

MARKET DEVELOPMENTS

The transition to a more sustainable global economy is set to create enormous economic benefits and momentum is building. Impax has been investing in this transition for more than two decades and we continue to see many compelling new long-term investment opportunities, with rising interest from a wide range of asset owners around the world.

Although historically regulations have typically shaped demand in environmental markets, consumer interest is now an important contributor. For example, as the 'war on plastics' continues to gather pace, companies in the areas of recycling, reverse vending and alternative packaging are reporting strong prospects. In the food sector, many consumers in developed countries are moving away from established brands and favouring natural foods and lower levels of meat consumption. In the transport



Despite volatile market conditions, Impax Asset Management Group plc has delivered strong results for the six months to 31 March 2019."

sector we have observed a new wave of investment in electric vehicle (EV) manufacturing and supporting infrastructure, such as the Mayor of London's plan to invest £24m to help black cab drivers switch to EVs.

INVESTMENT PERFORMANCE

During the Period our London-managed listed equity strategies generally out-performed their generic benchmarks, typically the MSCI All Country World Index ('ACWI'). Our 'Global Opportunities' strategy, a broad-based global equity portfolio, which is now in its fifth year, was again the best-performing strategy. Performance of the Pax World Funds was mixed, with the actively managed funds moderately ahead of benchmark and the fixed income funds slightly behind.

REAL ASSETS

The sale of the remaining assets of our second renewable energy infrastructure fund, Impax New Energy Investors II ('NEF II') is nearly complete and we expect to return all outstanding proceeds to investors over the next eighteen months.

Our third fund, Impax New Energy Investors III ('NEF III') is continuing to make investments across Europe. These have included a large acquisition in France and a portfolio of hydropower assets in Norway. During the 2019 calendar year we expect to invest at least €100 million of the fund's capital.

ASSETS UNDER MANAGEMENT

£13.3_{BN}

(H1 2018: £11.0BN)



REVENUE

£33.8_M

(H1 2018: £25.7M)

FUND FLOWS AND DISTRIBUTION

Overall, we received £887 million of net inflows from clients during the Period. Interest in our London managed strategies has remained strong. In addition to attracting material flows into the collective funds that we manage, sub-manage or advise, we also launched three new segregated accounts for institutional investors and we expect to launch a number of significant new accounts

before the end of the calendar year. Although in aggregate the Pax World Funds experienced net outflows, there were net inflows into more differentiated products, particularly the Global Women's Leadership Fund. Looking ahead to 2020, as several of these funds reach their three-year track record, we expect investor interest to pick up.

AUM MOVEMENT FOR THE SIX MONTHS TO 31 MARCH 2019

	Impax LN		Impax NH		
	Thematic equity funds £m	Real asset* funds £m	Fixed income, smart beta, US equity funds £m	Reconciliation** £m	Total firm £m
Total AUM at 30 September 2018	9,024	450	3,644	(603)	12,515
Net flows	1,103	–	(216)	0	887
Market movement, foreign exchange and performance	(67)	(14)	(74)	6	(149)
Total AUM at 31 March 2019	10,060	436	3,354	(596)	13,253

* Real Assets comprise Private Equity and Property funds

**Avoidance of double count of Pax Global Environmental Markets Fund and Pax Global Opportunities Fund

FINANCIAL RESULTS FOR THE PERIOD

Revenue for the six months to 31 March 2019 was £33.8 million (H1 2018 £25.7 million, H2 2018 £40 million including £6.1 million of one-off private equity income). Excluding the one-off income in H2, Impax LN (the business excluding the Pax World Management business that we bought in January 2018) grew revenue by £1.0 million, thanks to continued strong inflows. Revenue from Impax NH (the Pax World Management business) fell by £0.9 million from H2 2018, reflecting outflows in a very weak US mutual fund market.

The Company's annualised run-rate revenue at the end of the Period was £72.4 million, giving a weighted average run rate revenue margin of 55

basis points on the £13.3 billion of AUM.

As previously noted, to facilitate comparison of performance with prior periods and to provide an appropriate comparison with peers, the Board encourages shareholders to focus on financial measures after adjustment for non-recurring acquisition costs, accounting charges or credits arising from the acquisition accounting for Impax NH and adjustments arising from the accounting treatment of National Insurance on share awards. Reconciliations of the adjusted amounts to the IFRS amounts are shown in Note 3 on page 11.

Adjusted operating costs for the period were £26.1 million (H1 2018 £18.0 million, H2 £27.7 million).

CHIEF EXECUTIVE'S REPORT



Impax continues to be a strongly cash generative business.”

Costs fell from H2 2018 due to the absence of costs associated with the one-off private equity income, but this was in part offset by planned increases in staff and other recurring costs.

Adjusted operating profits for the period were £7.7 million (H1 2018, £7.7 million, H2 2018 £12.3m). The fall from H2 2018 was largely due to the absence of one-off private equity income. Benefits from the inflows in Impax LN were largely offset by the impact of market falls and cost increases.

At the end of the Period annualised run-rate adjusted operating profits were £18.8 million, equivalent to a run-rate operating margin of 26%.

Each reporting period we are required to estimate the contingent consideration payable on the Impax NH acquisition and any adjustment to this liability must be recorded through IFRS operating profit. Given our estimates of Impax NH growth in funds under management we have adjusted our estimate down to £nil. IFRS operating profit benefited by £3.5 million from this adjustment and increased to £9.9 million (H1 2018 £5.7 million, H2 2018 £9.7 million).

Interest expense and non-operating costs totalled £0.5 million (H1 2018 £0.3 million, H2 2018 £0.4 million) giving adjusted profit before tax of £7.2 million (H1 2018 £7.4 million, H2 2018 £11.8 million). IFRS profit before tax was £9.3 million (H1 2018, £5.5 million, H2 2018 £9.1 million). Tax rates were in line with prior periods. Adjusted diluted earnings per share for the period was 4.4 pence (H1 2018 4.8 pence, H2 2018 7.6 pence).

Impax continues to be a strongly cash generative business and paid down £3.3 million of term debt in January 2019 leaving £6.6 million outstanding. Cash reserves at the period end stood at £14.9 million and we continue to have US\$13 million available to utilise under a revolving credit

facility. At the Period end the Company exited its seed investment in the successful UCITS investment based on the Global Opportunities strategy, realising £2 million.

DIVIDENDS

A final dividend for 2018 of 3.0 pence was paid in March 2019 following approval at the Annual General Meeting. This took the total dividend paid for 2018 to 4.1 pence plus a special dividend of 2.6 pence.

The Board is declaring an interim dividend for the Period of 1.5 pence per share (2018: 1.1 pence) reflecting the progress made by the business over the last year. This will be paid on 19 July 2019 to Ordinary Shareholders on the shareholder register at the close of business on 14 June 2019.

The Company operates a dividend reinvestment plan ('DRIP'). The final date for receipt of elections under the DRIP will be 28 June 2019. For further information and to register and elect for this facility, please visit www.signalshares.com and search for information related to the Company.

BUSINESS OPERATIONS

Given the scale of Impax's future potential, we are continuing our long-term programme to build out our capabilities, while minimising the need for large, one-off investments. Over the past 12 months we have focused on strengthening our IT platform, extending our risk and compliance functions and developing further the Company's human resources function.

We have made good progress in integrating the Pax World Management business, which we acquired in early 2018. We have fully integrated or established close co-operation across most support teams, for example finance, compliance, human resources, trading and back/middle office.

ADJUSTED OPERATING PROFITS

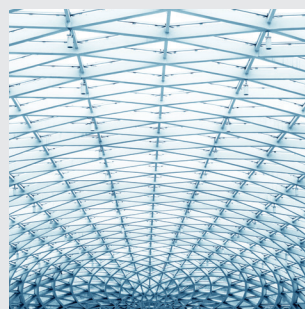
£7.7M

(H1 2018: £7.7M)

PROFIT BEFORE TAX

£9.3M

(H1 2018: £5.5M)



INTERIM DIVIDEND PER SHARE

1.5p

(2018: 1.1p)

The client service and business development teams, which are subject to different regulations in their respective jurisdictions, are deepening their collaboration, and the investment teams are now able to pool their research and analysis.

Clarity around the nature of the UK's departure from the European Union is still absent. There are a number of potential scenarios and Impax is well positioned to respond. In particular, we have established an Irish entity, Impax Asset Management Ireland Limited, which is now authorised by the Central Bank of Ireland as, amongst other things, a UCITS management company pursuant to the UCITS Regulations.

SHARE MANAGEMENT

The Company did not issue any new shares in the period and shares in issue stood at 130.4 million.

The Board intends to continue to buy-back the Company's shares from time to time after due consideration of alternative uses of the Company's cash resources. Shares may be used to satisfy obligations linked to share based payment awards for employees. Buy-backs are usually made by funding the Company's Employee Benefit Trusts ('EBTs') which will then settle option exercises or hold shares for Restricted Share awards until they vest.

During the Period the EBTs spent £2.5 million buying 1.2 million of the Company's shares at an average price of 212 pence. The EBTs delivered 1.8 million of shares to staff in respect of option exercises and Restricted Share vestings; in-line with the Company's policy, staff pay for these through deductions from the bonus paid. In December 2018 the EBTs allocated 0.5 million shares against awards of Restricted Shares made to staff and the Company awarded 0.5 million of share options to staff. At 31 March 2019 the EBTs held a total of 9.1 million shares of which



We are confident that Impax is well placed for further expansion."

7.2 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 buy-backs, and, in 2021, conversion into Impax shares of Impax NH management's remaining 16.7% interest in Impax NH.

OUTLOOK

At the time of writing, market sentiment is overshadowed by uncertainty over global trade, particularly the relationship between China and the United States. Elsewhere, economic and financial market signals are mixed, and investor sentiment is fragile. Nevertheless, as investor interest in exposure to the sustainable economy continues to build, we are confident that Impax is well placed for further expansion.

Ian Simm

4 June 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Note	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Revenue		33,794	25,680	65,683
Operating costs		(23,871)	(19,932)	(50,200)
Fair value (losses)/gains and other financial income/(expense)	5	(301)	28	(337)
Interest expense		(399)	(251)	(670)
Non-controlling interest		91	21	184
Change in third-party interests in consolidated funds	6	2	(30)	(40)
Profit before taxation		9,316	5,516	14,620
Taxation	7	(1,293)	(1,081)	(3,219)
Profit after taxation		8,023	4,435	11,401
Earnings per share				
Basic	8	6.2 p	3.6 p	9.0 p
Diluted	8	6.1 p	3.4 p	8.9 p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 Restated* £000	Year ended 30 September 2018 £000
Profit for the period	8,023	4,435	11,401
Change in value of cash flow hedges	232	24	(74)
Tax on change in value of cash flow hedges	(44)	(5)	14
Exchange differences on translation of foreign operations	(46)	60	1,212
Total other comprehensive income	142	79	1,152
Total comprehensive income for the period attributable to equity holders of the parent	8,165	4,514	12,553

* Total other comprehensive income for the six month period has been restated to exclude the tax credit on long-term incentive schemes which is now being recognised within the transactions with owners section within the consolidated changes of equity as required by IFRSs.

All profit for the period is derived from continuing operations.

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

The Notes on pages 10 to 23 are an integral part of the condensed consolidated financial statements.

Adjusted numbers are provided in Note 3.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	As at 31 March 2019 £000	As at 31 March 2018 £000	As at 30 September 2018 £000
Asset				
Non-current assets				
Goodwill	10	12,185	13,347	12,171
Intangible assets	10	24,343	24,775	25,565
Property, plant and equipment		1,784	1,849	1,836
Deferred tax assets		3,472	1,423	4,450
Total non-current assets		41,784	41,394	44,022
Current assets				
Trade and other receivables		19,823	15,288	15,858
Investments	11	3,020	8,329	4,349
Current tax asset		869	2,927	890
Cash invested in money market funds and long-term deposit accounts	12	10,233	4,204	11,211
Cash and cash equivalents	12	6,131	5,434	15,529
Total current assets		40,076	36,182	47,837
Total assets		81,860	77,576	91,859
Equity and liabilities				
Equity				
Ordinary shares		1,304	1,304	1,304
Share premium		9,291	9,291	9,291
Exchange translation reserve		968	(138)	1,014
Hedging reserve		144	35	(44)
Retained earnings		42,934	36,399	41,054
Equity attributable to owners of the company		54,641	46,891	52,619
Non-controlling interests		1,012	914	898
Total equity		55,653	47,805	53,517
Current liabilities				
Trade and other payables		15,755	17,971	24,755
Loans	13	3,316	3,078	3,326
Third-party interests in consolidated funds		-	77	87
Current tax liability		208	192	130
Total current liabilities		19,279	21,318	28,298
Non-current liabilities				
Accruals		280	347	228
Loans	13	3,316	8,083	6,652
Deferred tax liability		3,332	23	3,164
Total non-current liabilities		6,928	8,453	10,044
Total liabilities		26,207	29,771	38,342
Total equity and liabilities		81,860	77,576	91,859

The Notes on pages 10 to 23 are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
As at 1 October 2017	1,277	4,093	(198)	16	30,456	35,644
<i>Transactions with owners</i>						
Shares issued	27	5,198	-	-	-	5,225
Dividends paid	-	-	-	-	(2,752)	(2,752)
Cash received on option exercises	-	-	-	-	2,383	2,383
Impax NH Management equity scheme - value assigned to pre-acquisition service	-	-	-	-	2,009	2,009
Tax credit on long-term incentive schemes (restated*)	-	-	-	-	530	530
Fair value of put option over non-controlling interest	-	-	-	-	(1,379)	(1,379)
Share based payment charges	-	-	-	-	716	716
Total transactions with owners (restated*)	27	5,198	-	-	1,507	6,732
Profit for the period	-	-	-	-	4,435	4,435
<i>Other comprehensive income</i>						
Change in value of cashflow hedges	-	-	-	24	-	24
Tax on change in value of cashflow hedges	-	-	-	(5)	-	(5)
Exchange differences on translation of foreign operations	-	-	60	-	-	60
Total other comprehensive income (restated*)	-	-	60	19	-	79
As at 31 March 2018	1,304	9,291	(138)	35	36,399	46,891
<i>Transactions with owners</i>						
Dividends paid	-	-	-	-	(4,634)	(4,634)
Acquisition of own shares	-	-	-	-	(2,534)	(2,534)
Cash received on option exercises	-	-	-	-	2,093	2,093
Impax NH Management equity scheme - value assigned to pre-acquisition service	-	-	-	-	(92)	(92)
Tax credit on long-term incentive schemes	-	-	-	-	1,822	1,822
Fair value of put option over non-controlling interest	-	-	-	-	(72)	(72)
Share based payment charge	-	-	-	-	1,106	1,106
Total transactions with owners	-	-	-	-	(2,311)	(2,311)
Profit for the period	-	-	-	-	6,966	6,966
<i>Other comprehensive income</i>						
Cashflow hedge	-	-	-	(98)	-	(98)
Tax on cash flow hedge	-	-	-	19	-	19
Exchange differences on translation of foreign operations	-	-	1,152	-	-	1,152
Total other comprehensive income	-	-	1,152	(79)	-	1,073
As at 30 September 2018	1,304	9,291	1,014	(44)	41,054	52,619
<i>Transactions with owners</i>						
Dividends paid	-	-	-	-	(3,864)	(3,864)
Acquisition of own shares	-	-	-	-	(2,502)	(2,502)
Cash received on option exercises	-	-	-	-	100	100
Tax charge on long-term incentive schemes	-	-	-	-	(250)	(250)
Fair value of put option over non-controlling interest	-	-	-	-	(293)	(293)
Share based payment charge	-	-	-	-	666	666
Total transactions with owners	-	-	-	-	(6,143)	(6,143)
Profit for the period	-	-	-	-	8,023	8,023
<i>Other comprehensive income</i>						
Cashflow hedge	-	-	-	232	-	232
Tax on cashflow hedge	-	-	-	(44)	-	(44)
Exchange differences on translation of foreign operations	-	-	(46)	-	-	(46)
Total other comprehensive income	-	-	(46)	188	-	142
As at 31 March 2019	1,304	9,291	968	144	42,934	54,641

* See consolidated statement of comprehensive income on page 6 for details of the restatement

The Notes on pages 10 to 23 are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Note	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000 Restated*	Year ended 30 September 2018 £000
Operating activities				
Cash generated from operations	17	825	3,634	23,436
Corporation tax (paid)/refunded		(306)	(209)	1,583
Net cash generated from operating activities		519	3,425*	25,019
Investing activities:				
Acquisition of new subsidiary, net of cash acquired	15	–	(24,459)	(23,893)
Deconsolidation of investment fund		(67)	(255)	(255)
Net acquisition of property plant and equipment and intangible assets		(128)	(1,480)	(1,690)
Net (investments into)/redemptions made by Impax in unconsolidated investment funds		(1,041)	67	3,938
Net investments disposals from consolidated Impax funds		–	–	932
Settlement of investment related hedges		74	140	(987)
Decrease/(increase) in cash held by money market funds and long-term deposit accounts		1,045	3,576	(3,431)
Investment income received		151	154	279
Net cash generated from/(used by) investment activities		34	(22,257)	(25,107)
Financing activities:				
Proceeds from bank borrowings	13	–	17,616	17,616
Repayment of bank borrowings	13	(3,337)	(6,183)	(8,779)
Interest paid on bank borrowings		(310)	(71)	(464)
Dividends paid	9	(3,864)	(2,752)	(7,386)
Acquisition of own shares		(2,502)	–	(2,534)
Cash received on exercise of Impax share options		100	2,383	4,477
Redemptions/(Investments) by third party investors into consolidated funds		(39)	20	17
Net cash (used by)/generated from financing activities		(9,952)	11,013	2,947
Net (decrease)/increase in cash and cash equivalents		(9,399)	(7,819)*	2,859
Cash and cash equivalents at the beginning of the period		15,529	12,932	12,932
Effect of foreign exchange rate changes		1	321	(262)
Cash and cash equivalents at the end of the period	12	6,131	5,434	15,529

* £946,000 of cash received into RPA accounts (see note 12) previously shown as an increase in cash and cash equivalents at the foot of the cash flow statement has now been reclassified to an increase in cash generated from operations. There is no effect on the opening or closing cash for the period.

The Notes on pages 10 to 23 are an integral part of the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

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 2018.

The comparative figures for the financial year ended 30 September 2018 are not the Company’s statutory accounts for that financial year. Those accounts, prepared in accordance with IFRSs 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 30 Panton St, London, SW1Y 4AJ or at the Company’s website: www.impaxam.com.

The Group has considerable 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.

Accounting policies

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 2018. The Group has applied the following accounting standards for the first time for the reporting period beginning on 1 October 2018.

- IFRS 9 Financial instruments; and
- IFRS 15 Revenue from Contracts with Customers.

Neither of these standards has had a significant impact on the Group’s financial statements.

New and forthcoming accounting standards applicable to the Group

IFRS 16 Leases will become applicable from 1 October 2019 and the first annual report published in accordance with IFRS 16 will be the 30 September 2020 report. We are currently assessing the impact of adopting this standard.

No other new standards or interpretations issued or not yet effective are expected to have an impact on the Group’s condensed consolidated financial statements.

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 15) and in the determining 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 15); iii) judgements and estimates made in determining the valuation of unlisted current asset investments (see Note 11) and iv) estimating the size of share based payments.

3 ADJUSTED PROFITS AND EARNINGS

The reported operating profit, profit before tax and earnings per share in the current and prior periods presented 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 2019				
	Reported IFRS £000	Adjustments			Adjusted £000
		Non-recurring acquisition costs £000	Business combination effects £000	Other £000	
Revenue	33,794				33,794
Operating costs	(23,871)				(26,081)
Amortisation of intangibles arising on acquisition			1,247		
Credit from contingent consideration adjustment			(3,543)		
Acquisition equity incentive scheme charges			44		
Mark to market charge on equity awards				42	
Operating Profit	9,923		(2,252)	42	7,713
Fair value (losses)/gains on investments and other financial (expense)/income	(301)		208	(110)	(203)
Interest expense	(399)				(399)
Non controlling interest	91				91
Change in third-party consolidated funds	2				2
Profit before taxation	9,316		(2,044)	(68)	7,204
Taxation	(1,293)				(1,280)
Tax credit on adjustments				13	
Profit after taxation	8,023		(421)	(55)	5,924
Diluted earnings per share	6.13p		(1.65)p	(0.04)p	4.43p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

3 ADJUSTED PROFITS AND EARNINGS CONTINUED

	Six months ended 31 March 2018				
	Reported IFRS £000	Adjustments			Adjusted £000
		Non-recurring acquisition costs £000	Business combination effects £000	Other £000	
Revenue	25,680				25,680
Operating costs	(19,932)				(17,952)
Acquisition costs		847			
Amortisation of intangibles arising on acquisition			484		
Acquisition equity incentive scheme charges			97		
Mark to market charge on equity awards				552	
Operating profit	5,748	847	581	552	7,728
Fair value (losses)/gains on investments and other financial (expense)/income	28			(105)	(77)
Interest expense	(251)				(251)
Non-controlling interest	21				21
Change in third-party consolidated funds	(30)				(30)
Profit before taxation	5,516	847	581	447	7,391
Taxation	(1,081)				(1,286)
Tax credit on adjustments		(120)		(85)	
Profit after taxation	4,435	727	581	362	6,105
Diluted earnings per share	3.45p	0.60p	0.48p	0.30p	4.83p

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 £439,000 (see Note 8). The diluted number of shares is the same as used for the IFRS calculation of earnings per share (see Note 8).

The same adjustments have been made, where relevant, for the year ended 30 September 2018 to give adjusted operating profit of £19,987,000, adjusted profit before tax of £19,208,000 and adjusted diluted earnings per share of 12.4 pence.

Contingent consideration adjustment

We are required to review and adjust our estimate of the contingent consideration payable in respect of the Impax NH acquisition (see note 15). Any adjustment is recorded through income but is excluded from adjusted profit.

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 share based payments within equity. 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. The 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 schemes) and are not linked to the operating performance of the Group. They are therefore eliminated when reporting adjusted profit.

4 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 LN

Impax LN represent the Group's business prior to the acquisition of Impax Asset Management LLC. It manages and advises listed equity and real asset funds and accounts.

Impax NH

Following acquisition Impax Asset Management LLC has operated as a separate segment managing the Pax World Funds and is now referred to as Impax NH.

The following tables present revenue and profit information for the Group's operating segments.

Six months ended 31 March 2019

	Impax LN £000	Impax NH £000	Adjustments £000	Consolidated £000
Revenue				
External customers	22,282	11,512	-	33,794
Inter-segment	1,042	-	(1,042)	-
Total revenue	23,324	11,512	(1,042)	33,794
Segment profit - adjusted operating profit	6,929	784	-	7,713

Six months ended 31 March 2018

	Impax LN £000	Impax NH £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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

4 SEGMENT INFORMATION CONTINUED

Twelve months ended 30 September 2018

	Impax LN £000	Impax NH £000	Adjustments £000	Consolidated £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

Segment profit is stated at the adjusted operating profit level as shown in Note 3.

5 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.

6 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.

7 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 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Profit before tax	9,316	5,516	14,620
Tax charge at 19 per cent	1,770	1,048	2,778
Effects of:			
Non-deductible expenses and charges	54	6	248
Non-taxable income	(673)	-	(24)
Adjustment in respect of historical tax charges	-	(99)	98
Change in tax rates	-	60	-
Effect of higher tax rates in foreign jurisdictions	142	66	240
Tax deductibility of goodwill	-	-	(66)
Utilisation of tax losses brought forward and not recognised	-	-	(55)
Total income tax expense	1,293	1,081	3,219

8 EARNINGS PER SHARE

	Earnings for the period £'000	Shares '000	Earnings per share
Six months ended 31 March 2019			
Basic	7,584	122,680	6.2p
Diluted	7,584	123,745	6.1p
Six months ended 31 March 2018			
Basic	4,148	116,612	3.6p
Diluted	4,148	120,374	3.4p
Year ended 30 September 2018			
Basic	10,663	118,758	9.0p
Diluted	10,663	119,581	8.9p

Earnings are reduced by £439,000 for the six months ending 31 March 2019 (31 March 2018: £287,000, 30 September 2018: £738,000) 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 2019 '000	Six months ended 31 March 2018 '000	Year ended 30 September 2018 '000
Weighted average issued share capital	130,415	128,860	129,612
Less own shares held not allocated to vested LTIP options	(7,735)	(12,248)	(10,854)
Weighted average number of ordinary shares used in the calculation of basic EPS	122,680	116,612	118,758
Additional dilutive shares re share options	2,850	5,941	2,550
Adjustment to reflect option exercise proceeds and future service from employees receiving awards/shares	(1,785)	(2,179)	(1,727)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	123,745	120,374	119,581

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 15 the Group has an agreement with Management Shareholders of Impax NH under which it can acquire their shares in Impax NH in exchange for Group shares. This arrangement is not dilutive.

Restricted stock units were also issued to Impax NH 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 NH assets under management at the vesting date. These awards are currently out of the money and accordingly the scheme is not dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

9 DIVIDENDS

On 2 March 2019, at the Company's Annual General Meeting, payment of a 3.0 pence per share final dividend for the year ended 30 September 2018 (2017: 2.2 pence per share) was approved. Combined with an interim payment of 1.1 pence and the special dividend paid alongside the interim dividend of 2.6 pence this gave total dividends for the year ended 30 September 2018 of 6.7 pence. The Trustee of the Impax Employee Benefit Trusts waived the Trusts' rights to part of the final dividend, leading to a total final dividend payment of £3,863,544. This was paid on 15 March 2019.

The Board has declared an interim dividend for the period of 1.5 pence per ordinary share (2018: 1.1 pence). This dividend will be paid on 19 July 2019 to ordinary shareholders on the register at close of business on 14 June 2019.

The Board has not declared a special dividend for the period (2018: 2.6 pence for the year).

10 GOODWILL AND INTANGIBLE ASSETS

The goodwill and intangible assets held by the Group primarily relate to the acquisition of Impax NH, see Note 15 for further information.

Goodwill

	£000
Cost	
At 30 September 2017	1,681
Additions	11,876
Foreign exchange movement	(210)
At 31 March 2018	13,347
Adjustments	(1,945)
Impairment	(52)
Foreign exchange movement	821
At 30 September 2018	12,171
Foreign exchange movement	14
At 31 March 2019	12,185

There were no brought forward impairment losses at 30 September 2017 or impairment charges during the period.

Intangible assets

	Intangible assets - management contracts £000	Intangible assets - software £000	Total £000
Cost			
At 30 September 2017	112	342	454
Additions	25,669	35	25,704
Foreign exchange movement	(449)	-	(449)
At 31 March 2018	25,332	377	25,709
Additions	-	41	41
Foreign exchange movement	2,049	-	2,049
At 30 September 2018	27,381	418	27,799
Additions	-	36	36
Foreign exchange movement	(138)	-	(138)
At 31 March 2019	27,243	454	27,697
Accumulated amortisation and impairment			
At 30 September 2017	112	325	437
Amortisation	491	6	497
Foreign exchange movement	-	-	-
At 31 March 2018	603	331	934
Amortisation	1,231	13	1,244
Foreign exchange movement	56	-	56
At 30 September 2018	1,890	344	2,234
Amortisation	1,247	20	1,267
Foreign exchange movement	(147)	-	(147)
At 31 March 2019	2,990	364	3,354
Net book value			
At 31 March 2019	24,253	90	24,343
At 30 September 2018	25,491	74	25,565
At 31 March 2018	24,729	46	24,775

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

11 CURRENT ASSET INVESTMENTS

The Group will from time to time facilitate the establishment of funds for which it is the investment manager. The Group may invest seed capital in these funds in order to provide initial scale and to facilitate the marketing of the fund to third party investors. Where the Group has control of the fund it is consolidated and its underlying investments are shown in listed investments in the table below. Where the investments are not consolidated they are shown in unlisted investments in the table below. The Group also invests in private equity funds it manages, these investments are shown in unlisted investments in the table below.

	Unlisted investments £000	Listed investments £000	Total £000
At 30 September 2017	1,067	11,946	13,013
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	2,794	8,329
Additions	1,509	811	2,320
Fair value movements	502	321	823
Repayments/disposals	(5,380)	(1,743)	(7,123)
At 30 September 2018	2,166	2,183	4,349
Additions	1,041	-	1,041
Fair value movements	(187)	(60)	(247)
Deconsolidation of IGEO fund	2,073	(2,123)	(50)
Repayments/disposals	(2,073)	-	(2,073)
At 31 March 2019	3,020	-	3,020

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 £2.00 million into the fund. IGEO invests in listed equities using the Group's Global Opportunities strategy. The Group redeemed £0.93 million of its investment in the year ended 30 September 2018 and the balance of the investment being £2.07 million in March 2019. The Group's investment represented more than 50 per cent of IGEO's NAV up to the redemption date and has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

The investments held by IGEO were revalued to market value using quoted market prices.

Unlisted investments

Pax Global Opportunities Fund (not consolidated)

On 27 June 2018 the Group launched the Pax Global Opportunities Fund ('Pax GO') and invested US\$2.00 million from its own resources into the fund. Pax GO invests in listed equities using the Group's Global Opportunities Strategy. The level of the Group's investment has meant that consolidation is not required and accordingly the investment is recorded as an unlisted investment.

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

On 11 January 2016 the Group launched the Impax Environmental Leaders (Ireland) Fund ('IEL') and invested from its own resources £3.00 million in the fund. IEL invests in listed equities using the Group's Leaders Strategy. The Group consolidated this fund for the period from the date of its initial investment to 30 September 2017 with its underlying investments included in listed investment in the table above. During the prior period investments made by third parties meant that consolidation was no longer required and the fund was deconsolidated with the investment shown in Unlisted investments. The Group fully redeemed its investment in the Fund on 28 September 2018 for £4.87 million.

Private equity funds (not consolidated)

The Group has a 1.12 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 €0.99 million into the partnership. The Group has a commitment to invest up to a further €3.01 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 remaining investment is included at the Board's assessment of its fair value, being £0.11 million at 31 March 2019, which is determined by valuing the underlying investments. The principal valuation techniques used are price of recent investment and market bids. The Group has a commitment to invest up to a further €0.55 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.

12 CASH RESERVES

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 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 overleaf:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

12 CASH RESERVES CONTINUED

	31 March 2019 £000	31 March 2018 £000	30 September 2018 £000
Cash and cash equivalents	6,131	5,434	15,529
Cash held in money market funds and long-term deposit accounts	10,233	4,204	11,211
Less: cash held in RPAs	(1,426)	(946)	(2,074)
: cash and cash equivalents held by consolidated funds	–	(101)	(67)
Total cash reserves	14,938	8,591	24,599

13 LOANS

To part fund the acquisition of Impax NH the Group signed a debt facility with RBS. The facility consists of a US\$13.0 million term loan repayable annually over a 3 year term and a US\$13.0 million revolving credit facility ('RCF') with a 5 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\$12.0 million of the revolving credit facility. At 31 March 2019 the revolving credit facility was repaid in full and \$4.3 million of the term loan leaving US\$8.7 million of debt outstanding.

14 SHARE CAPITAL AND OWN SHARES

	31 March 2019	31 March 2018	30 September 2018
Issued and fully paid ordinary shares of 1 pence each			
Number	130,415,087	130,415,087	130,415,087
£000s	1,304	1,304	1,304
Own shares			
Number	9,075,766	13,672,081	9,742,146
£000s	6,793	4,339	5,420

Own shares represents a portion of those held in Impax's Employee Benefit Trusts. 1.2 million shares were acquired in the six months ended 31 March 2019, (period ended 31 March 2018: nil). 1.8 million shares were awarded to option holders on exercise of options or on lapse of restrictions on shares (period ended 31 March 2018: 5.3 million). As at 31 March 2019 there were a total of 4.6 million options outstanding of the Group's shares of which 2.8 million were exercisable. As at 31 March 2019 employees also held 7.2 million Restricted Shares over which the restrictions lapse from January 2020 through to December 2023. These shares are held in trust and are included in own shares above.

15 ACQUISITION OF PAX WORLD MANAGEMENT LLC

On 18 January 2018, the Group completed the acquisition of Pax World Management LLC ('Pax'). Pax is a recognised leader in the field of sustainable investing in the United States. Based in Portsmouth, New Hampshire, Pax manages eleven mutual funds and at the date of acquisition had assets under management of £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').

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 cash payable on the acquisition date of \$36.2 million, 2,665,989 Impax shares and up to \$31.3 million of contingent payments ('Contingent Consideration'). Impax NH 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 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 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 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 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 average AUM is \$8 billion or above. To the extent that Impax NH has achieved these performance targets, based on Impax NH 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 was estimated as \$4.2 million at the acquisition date (subsequently reduced – see below). As with the initial consideration, settlement of any Contingent Consideration payable to Impax NH 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 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 2020, when the employment restriction over the shares ends.

The acquisition has been accounted for using the acquisition method.

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
Valuation of management equity scheme assigned to pre-acquisition service	1,806
	36,279

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 31 MARCH 2019

15 ACQUISITION OF PAX WORLD MANAGEMENT LLC CONTINUED

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

We have reviewed the estimate of the contingent consideration payable at 31 March 2019 and concluded that it should be reduced to £nil. This adjustment is recorded through the income statement.

16 RELATED PARTY TRANSACTIONS

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

BNP Paribas Asset Management Holdings is a related party of the Group by virtue of owning a 24.5 per cent equity holding. The Group sub-manages certain funds for BNP for which it earns fees. Other funds managed by subsidiaries of the Group are also related parties by virtue of its management contracts.

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

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Revenue	33,624	25,610	65,513

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

	31 March 2019 £000	31 March 2018 £000	30 September 2018 £000
Current asset investments	1,139	5,535	97
Trade and other receivables	16,477	13,825	12,200

17 RECONCILIATION OF CASH GENERATED FROM OPERATIONS

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

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Profit before taxation	9,316	5,516	14,620
Adjustments for:			
Depreciation and amortisation	1,411	614	2,051
Fair value (losses)/gains and other financial income/expense	301	(28)	337
Contingent consideration adjustment	(3,543)	-	-
Share-based payment charges	666	716	1,822
Non controlling interest	(91)	(21)	(184)
Interest expense	399	251	670
Change in third party interests in consolidated funds	(2)	30	40
Operating cash flows before movement in working capital	8,457	7,078	19,356
(Increase) in receivables	(1,784)	(162)	(2,011)
(Decrease)/Increase in payables	(5,848)	(3,282)	6,091
Cash generated from operations	825	3,634	23,436

Certain adjustments and reclassifications have been made to the reconciliation shown for the period to 31 March 2018 to conform with the presentation for the current period.

18 GROUP RISKS

The Group's principal risks remain as detailed within the Directors' report of the Group's 2018 Strategic Report.

19 ACQUISITION OF MINORITY INTEREST IN PAX ELLEVATE MANAGEMENT LLC

Impax NH, the majority owner (51%) of Pax Ellevate Management LLC ('Pax Ellevate'), has agreed to purchase the minority (49%) currently held by Ellevate Asset Management LLC ('Ellevate') for consideration of £1.81 million (£0.75 million after settlement of amounts due to Impax by Ellevate). The acquisition, subject to approval by the shareholders of the fund managed by Pax Ellevate, is expected to close in August 2019.

INDEPENDENT REVIEW REPORT TO IMPAX ASSET MANAGEMENT GROUP PLC

CONCLUSION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2019 which comprises the Condensed Consolidated Income Statement and Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the AIM Rules.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE IMPACT OF UNCERTAINTIES DUE TO THE UK EXITING THE EUROPEAN UNION IN OUR REVIEW

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

DIRECTORS' RESPONSIBILITIES

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

THE PURPOSE OF OUR REVIEW WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Jatin Patel

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

4 JUNE 2019

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

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