IMPAX Asset Management

Interim Report

For the half-year ended 31 March 2020

Impax Asset Management Group plc

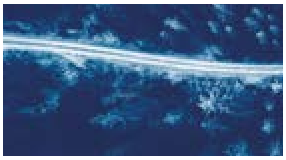
Specialists in the transition to a more sustainable economy

Impax Asset Management

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

Why are we different

Acknowledged global brand leader

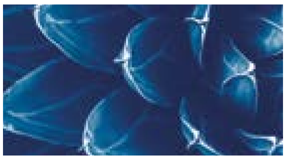


Founded in 1998

AUM of £14.4 bn[1]

55 members of our specialist investment team[2]

Scalable business

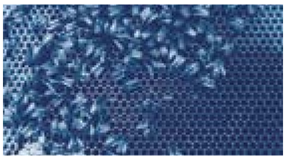


16 scalable investment strategies

Scope to evolve and for significant expansion

Developing new opportunities

Partnership with our clients delivers more than superior investment returns

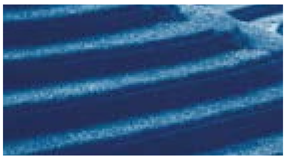


Outstanding client service

Commitment to thought leadership

Collaborative stewardship, engagement and impact reporting

Building value for our stakeholders



Growth of global client base

Strong results measured against our Key Performance Indicators

Very high levels of staff engagement

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Naming of companies in this document

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

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

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

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

[1] Assets under management and advice as at 31 March 2020

[2] This figure includes five members of the Senior Management team

"Over the past six months Impax's financial performance has been strong with high levels of net inflows. Despite market volatility arising from the unfolding COVID-19 crisis, investor interest in our funds has remained robust and therefore we're increasing our interim dividend by 20%."

Ian Simm Chief Executive

Highlights

Business Highlights

Business resilience and exceptional staff and client engagement since COVID-19 restrictions imposed

Strong net inflows into the thematic Listed Equity strategies, and promising mandate pipeline

Robust investment performance across the major equity strategies

Received the Queen's Award for Enterprise: Sustainable Development for the second time

Financial Highlights

AUM[1]

£14.4BN

H1 2019: £13.3BN

Revenue

£41.2M

H1 2019: £33.8M

Adjusted operating profit[2]

£10.5M

H1 2019: £7.7M

Profit before tax

£8.0M

H1 2019: £9.3M

Adjusted diluted earnings per share[2]

6.3P

H1 2019: 4.4p

Shareholders' equity

£63.2M

H1 2019: £54.6M

Interim dividend per share

1.8P

H1 2019: 1.5p

	H1 2020	H1 2019	2019
Assets under management[1]	£14.4bn	£13.3bn	£15.1bn
Revenue	£41.2m	£33.8m	£73.7m
Adjusted operating profit[2]	£10.5m	£7.7m	£18.0m
Profit before tax	£8.0m	£9.3m	£18.9m
Adjusted earnings per share	6.3p	4.4p	11.5p
Shareholders' equity	£63.2m	£54.6m	£63.2m
Dividend per share	1.8p	1.5p	5.5p

1 Assets under management and advice. Assets under advice - 2.5% as at 31 March 2020

2 Adjusted operating profit and EPS is shown after removing the effects of 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

"Sustainable development continues to appeal to asset owners looking for attractive investment returns, resilient portfolios and the prospect of positive environmental and social impact."

BUSINESS UPDATE

The end of the first half of Impax's financial year, i.e., the six months to 31 March 2020 ("the Period") seems a long time ago. Much has changed since this date and the world now looks very different. In response to the COVID-19 crisis, Impax implemented robust business continuity plans during February, and staff are working from home in order to maintain business as usual.

At the heart of Impax's investment philosophy lies a search for resilient businesses that are well placed to thrive in the transition to a more sustainable economy. The portfolios that we manage are populated by well established companies with experienced management teams, and the overwhelming majority of these have to date demonstrated that they are well placed to withstand the current economic shock.

We have also consciously targeted as clients those asset owners or managers that have a medium to long-term investment horizon; during the current crisis we have seen only limited redemptions, and net flows have been positive in every month during the Period and since Period end.

Positive market sentiment prevailed for most of the Period, and Impax secured £1.8 billion of net inflows in six months, the highest level on record (H1 2019: £887 million). However, the COVID-19 crisis had a marked impact on markets during the last few weeks of the Period, and at Period end the Company's assets under management and advice ("AUM") were £14.4 billion, representing a decrease of 4% since 1 October 2019 but an increase of 9% in the 12 months since 31 March 2019. Net inflows in April were nearly £300 million and as of 30 April 2020, the Company's AUM was £15.8 billion, 4.6% higher than the level at 1 October 2019.

MARKET UPDATE

The Period started with nearly four months of buoyant market sentiment followed by a decline in February and a sharp fall in March as investors realised the scale of the impact of COVID-19 on the economy.

Many companies in the transportation, tourism, hospitality, and consumer discretionary sectors were badly hit by a sudden drop in demand, while in energy markets, fears about a collapse in oil demand were stoked by a stand-off between major suppliers over cuts in production, leading to a collapse in prices to levels last seen (in absolute terms) in 2002[1]. At the time of writing investor sentiment in affected stocks has only partially recovered.

Companies leading the transition to a more sustainable economy, in which Impax's investments are focused, had a mixed time. Businesses in healthcare, telecoms and consumer staples sectors have generally fared well in the crisis, while those in sectors exposed to industrial demand underperformed given a drop in expectations for short-term earnings.

The precipitous decline in economic activity has led to a fall in pollution levels, particularly from vehicle emissions. However, emission levels are expected to rise swiftly once restrictions are lifted. With the crucial COP26 climate change conference postponed until 2021, the global response to the pandemic may point the way to new methods of cooperation to tackle climate change.

INVESTMENT PERFORMANCE

Against this market backdrop, Impax's investment strategies[2] focused on listed securities generally performed in line with the broader market. A notable exception was the Global Opportunities strategy, which was materially ahead of its benchmark, falling by 9.8% over the Period, while the MSCI All Country Index[3] dropped by 14.9%. By contrast, the environmental markets (thematic equities) strategies have slightly lagged the market; for example, Specialists and Sustainable Food underperformed the MSCI All Country World Index ("ACWI") by approximately 2% and 4% respectively, while our Asia Strategy outperformed the MSCI Asia Composite Index[4] by 1%. Our thematic equity strategies have been in line or ahead of the ACWI over the last three years, and significantly ahead over five years, with the exception of Sustainable Food.

[1] Brent Crude (US$20 a barrel)

[2] In line with market standards, the strategy returns are calculated including the dividends reinvested, net of withholding taxes gross of management fee and are represented in sterling

[3] MSCI indices are total net return (dividend reinvested)

[4] MSCI Asia Composite Index is a custom benchmark comprising 80% MSCI AC Asia Pacific ex Japan and 20% MSCI Japan, rebalanced monthly

"In April, Impax was honoured to receive the Queen's Award for Enterprise in the Sustainable Development category for the second time. This prestigious award recognises the Company's specialist focus, deep expertise and important role since 1998 in supporting the expansion of companies and projects that are contributing to the development of a more sustainable society."

Our flagship UK investment trust, Impax Environmental Markets plc reached a landmark in late March when it joined the FTSE 250 index, with a market capitalisation of £626 million. This trust has an 18-year performance record and has been managed by the same team since inception.

Over the Period the majority of Pax World Funds managed by Impax NH reported strong performance relative to their respective peers with the Active Equity and Fixed Income funds ranked in the top quartile. Over the three years to 31 March 2020, seven out of the ten funds are ranked in the top quartile of their peer groups, while a higher percentage of funds were in the top quartile over five years.

We continue to make good progress with investment into privately held renewable energy infrastructure businesses and related assets. During the Period, we deployed further capital from our Impax New Energy Investors III ("NEF III") fund into the German wind sector and commenced construction of the largest solar power project in the Netherlands.

With regard to Impax New Energy Investors I ("NEFI"), the first real assets fund we managed in this sector, the arbitration panel assessing our claim for compensation from the Spanish government over retrospective tariff changes ruled in our favour. Although the fund's award is significant, we do not expect to receive payment for some time.

Net inflows over the Period were directed in particular into the thematic (environmental markets) listed equity strategies (55% of net inflows) and into Global Opportunities (45% of net inflows), which attracted £856 million of net inflows and reached total assets of £1.3 billion by 31 March 2020.

In Europe, we continued to see strong sales through our intermediated channels, particularly in Denmark, the Benelux and France, while we also made progress with direct sales of non-thematic strategies, attracting new investors from Sweden and Germany. The UK was a particular success, with increased flows into our Ireland-domiciled funds, a material expansion of our investment trust, further inflows into the account we run for St James's Place, and a new segregated account with West Midlands Pension Fund.

FUND FLOWS AND DISTRIBUTION

AUM movement for the six months to 31 March 2020

	Impax LN		Impax NH		
AUM movement to 31 March 2020	**Listed equities £m**	**Infrastructure (Real Assets) £m**	**Fixed income, smart beta, US equities £m**	**Reconciliation* £m**	**Total firm £m**
Total AUM at 30 September 2019	11,656	445	3,659	(709)	15,052
Net flows	1,903	(79)	134	(115)	1,843
Market movement, foreign exchange and performance	(2,125)	(3)	(487)	128	(2,487)
Total AUM at 31 March 2020	11,435	363	3,306	(696)	14,408

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

"As the global recession triggered by COVID-19 unfolds, there is mounting evidence that future consumer preferences and government regulation will align more closely with the requirements of sustainable development."

In North America, our client base of institutional investors expanded with additional commitments from endowments and family offices, and we secured a new sub-management mandate in Canada. After experiencing net outflows in 2018 and early 2019, the Pax World Funds recorded net inflows of $167 million during the Period, with significant allocations to the Pax Global Environmental Markets Fund and the Pax Global Women's Leadership Fund. We are seeing increased interest across our broader fund range as more of our funds can now report strong three-year investment performance.

FINANCIAL RESULTS FOR THE PERIOD

Revenue for the six months to 31 March 2020 grew to £41.2 million (H1 2019: £33.8 million, H2 2019: £39.9 million) driven by the strong inflows across the business, offset to some extent by the market falls in the final few weeks of the Period. At the end of the Period the weighted average run rate revenue margin was 53 basis points (30 September 2019: 52 basis points) on the £14.4 billion of AUM.

Adjusted operating costs for the Period were £30.7 million (H1 2019: £26.1 million, H2 £29.6 million), reflecting primarily increases in headcount and other staff-related costs. IFRS operating costs include additional charges, principally a charge for the amortisation of intangible assets arising on the Impax NH acquisition and National Insurance charges on share options and restricted shares and, in H1 2019, a credit for the release of a contingent consideration provision related to the Impax NH acquisition. A reconciliation of adjusted to IFRS measures is provided in Note 3.

Adjusted operating profit increased to £10.5 million (H1 2019: £7.7 million, H2 2019: £10.3 million) and run rate annualised operating profit at the end of the Period was £17.3 million.

Interest charges and other non-operating charges totalled £0.4 million (H1 2019: £0.5 million, H2 2019: credits of £0.7 million), giving adjusted profit before tax of £10.1 million (H1 2019: £7.2 million, H2 2019: £10.9 million). IFRS profit before tax for the Period was £8.0 million (H1 2019: £9.3 million, H2 2019: £9.6 million). Tax rates were in line with prior periods.

Adjusted earnings per share for the period were 6.3 pence (H1 2019: 4.4p, H2 2019: 7.1p). IFRS earnings per share were 4.8 pence (H1 2019: 6.1 pence, H2 2019: 6.0 pence).

FINANCIAL RESOURCES

The Company continues to be a strongly cash generative business with high levels of cash and no debt. Our cash reserves were £19.9 million at the Period end (H1 2019: £14.9 million). We paid down the remaining debt taken on as part of the Impax NH acquisition in the year ended 30 September 2019 but retain access to a $13 million revolving credit facility. We continue to hold two seed investments and to invest in our private equity funds, and these investments were in total valued at £5.0 million at the Period end.

We adopted the new accounting standard IFRS 16 which covers accounting for leases during the Period. This has required us to recognise new assets, representing the leases on our office buildings, and a corresponding lease liability.

DIVIDENDS

A final dividend for 2019 of 4.0 pence per share was paid in March 2020, following approval at the Annual General Meeting. This took the total dividend paid for 2019 to 5.5 pence per share.

Last year we announced a new policy of paying, in normal circumstances, an annual dividend within a range of 55% and 80% of adjusted profit after tax. Despite COVID-19, Impax is in good financial health and therefore the Board has decided to proceed with an interim dividend, albeit at the lower end of the range. The interim dividend of 1.8 pence per share (2019: 1.5 pence per share), will be paid on 17 July 2020 to Ordinary Shareholders on the shareholder register at the close of business on 12 June 2020.

The Company operates a dividend reinvestment plan ("DRIP"). The final date for receipt of elections under the DRIP will be 26 June 2020. For further information and to register and elect for this facility, please visit www.signalshares.com and search for information related to the Company.

> “Well managed companies that are set to benefit from the transition to a more sustainable global economy have generally out-performed wider equity markets in this severe downturn. We believe fundamentals remain strong and we are seeing compelling investment opportunities.”

From 2021, shareholders will no longer be sent a paper proxy form but will instead be encouraged to vote electronically via www.signalshares.com or via CREST.

SHARE MANAGEMENT

The Board intends to continue to purchase the Company’s shares from time to time after due consideration of alternative uses of the Company’s cash resources. Shares purchased may be used to satisfy obligations linked to share incentive awards for employees.

Share purchases are usually made by the Company’s Employee Benefit Trusts (“EBTs”) (subject to the trustees’ discretion), using funding provided by the Company. The EBTs will settle the option exercise or hold shares for Restricted share awards until they vest.

During the Period the EBTs spent £3.2 million buying 1.0 million of the Company’s shares at an average price of 324 pence per share. At the Period end the EBTs held a total of 7.3 million shares, 4.8 million of which were held for Restricted Share awards leaving up to 2.5 million available for option exercises and future share awards. There were 5.0 million options outstanding at the Period of which 2.5 million were exercisable.

The Company did not issue any equity in the Period. 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

The potential for equity markets to begin their recovery from this unprecedented shock depends primarily on how effectively the virus is contained. In the short term we will inevitably see many businesses collapse and high levels of unemployment that can only be partly mitigated by rapid fiscal intervention. The medium-term outlook for the global economy is currently difficult to predict, with large variations in the forecasts from respected experts. Current market levels appear to be pricing in a global recession for at least the next year. In the short-term it is inevitable that we will see widespread dividend cuts and cash calls from many companies.

However, dealing with risk is what investment managers are paid to do and we believe that this continued disruption will lead to opportunities for Impax’s funds. We remain focused on resilient, well-managed companies, and the majority of our holdings have low levels of debt, redundancy in supply chains, diversified customer bases and effective business continuity plans. We also see that companies with well-developed government relations, connections to community groups and other NGOs and proactive social media policies have an advantage.

In the longer term, when this crisis eventually lifts, investors around the world will continue to be increasingly attracted to investment portfolios focused on resilient companies, which are at the heart of Impax’s investment processes.

While the daily COVID-19 updates have eclipsed all other news in recent months, we are still mindful of the significant potential impact of both Brexit and the resurfacing of global trade wars on global markets. From a corporate perspective, we continue to plan to move a small part of our business to our Dublin office.

In these uncertain times we continue to leverage Impax’s strong brand and financial position, and to invest in the business to support the generation of long-term, sustainable benefits for all our stakeholders.

Ian Simm

3 June 2020

Condensed Consolidated Income Statement

For the six months ended 31 March 2020

	Note	Unaudited Six months ended 31 March 2020 £000	Unaudited Six months ended 31 March 2019 £000	Audited Year ended 30 September 2019 £000
Revenue		41,191	33,794	73,695
Operating costs		(32,851)	(23,871)	(54,883)
Fair value gains/(losses) and other financial income/(expense)	5	105	(301)	842
Interest expense		(400)	(399)	(912)
Non-controlling interest		–	91	156
Change in third-party interests in consolidated funds		–	2	–
Profit before taxation		8,045	9,316	18,898
Taxation	6	(1,718)	(1,293)	(3,028)
Profit after taxation		6,327	8,023	15,870
Earnings per share				
Basic	7	4.8p	6.2p	12.2p
Diluted	7	4.8p	6.1p	12.1p

Adjusted results are provided in Note 3.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2020

	Unaudited Six months ended 31 March 2020 £000	Unaudited Six months ended 31 March 2019 £000	Audited Year ended 30 September 2019 £000
Profit for the period	6,327	8,023	15,870
Change in value of cash flow hedges	7	232	(12)
Tax on change in value of cash flow hedges	(1)	(44)	2
Exchange differences on translation of foreign operations	(67)	(46)	922
Total other comprehensive income	(61)	142	912
Total comprehensive income for the period attributable to equity holders of the parent	6,266	8,165	16,782

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

All profit for the period is derived from continuing operations.

The notes on pages 11 to 21 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 March 2020

	Note	Unaudited As at 31 March 2020 £000	Unaudited As at 31 March 2019 £000	Audited As at 30 September 2019 £000
Asset				
Non-current assets				
Goodwill	9	12,732	12,185	12,804
Intangible assets	9	23,005	24,343	24,518
Property, plant and equipment	10	11,777	1,784	1,779
Deferred tax assets		3,599	3,472	3,757
Total non-current assets		51,113	41,784	42,858
Current assets				
Trade and other receivables		18,096	19,823	16,740
Investments	11	4,950	3,020	4,626
Current tax asset		311	869	239
Cash invested in money market funds and long-term deposit accounts	12	11,268	10,233	15,235
Cash and cash equivalents	12	9,363	6,131	11,939
Total current assets		43,988	40,076	48,779
Total assets		95,101	81,860	91,637
Equity and liabilities				
Equity				
Ordinary shares		1,304	1,304	1,304
Share premium		9,291	9,291	9,291
Exchange translation reserve		1,869	968	1,936
Hedging reserve		(48)	144	(54)
Retained earnings		50,830	42,934	50,751
Equity attributable to owners of the company		63,246	54,641	63,228
Non-controlling interests		–	1,012	–
Total equity		63,246	55,653	63,228
Current liabilities				
Trade and other payables		15,394	15,755	23,581
Lease liabilities	10	1,421	–	–
Loans	13	–	3,316	–
Current tax liability		89	208	124
Total current liabilities		16,904	19,279	23,705
Non-current liabilities				
Trade and other payables		748	280	704
Lease liabilities	10	9,975	–	–
Loans	13	–	3,316	–
Deferred tax liability		4,228	3,332	4,000
Total non-current liabilities		14,951	6,928	4,704
Total liabilities		31,855	26,207	28,409
Total equity and liabilities		95,101	81,860	91,637

The notes on pages 11 to 21 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2020

	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
As at 1 October 2018	1,304	9,291	1,014	(44)	41,054	52,619
Transactions with owners of the Company						
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
Other comprehensive income						
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
Transactions with owners of the Company						
Dividends paid	–	–	–	–	(1,928)	(1,928)
Acquisition of own shares	–	–	–	–	(3)	(3)
Cash received on option exercises	–	–	–	–	11	11
Tax charge on long-term incentive schemes	–	–	–	–	501	501
Fair value of put option over non-controlling interest	–	–	–	–	(35)	(35)
Share based payment charge	–	–	–	–	494	494
Acquisition of NCI without a change in control	–	–	–	–	930	930
Total transactions with owners	–	–	–	–	(30)	(30)
Profit for the period	–	–	–	–	7,847	7,847
Other comprehensive income						
Cashflow hedge	–	–	–	(244)	–	(244)
Tax on cashflow hedge	–	–	–	46	–	46
Exchange differences on translation of foreign operations	–	–	968	–	–	968
Total other comprehensive income	–	–	968	(198)	–	770
As at 30 September 2019	1,304	9,291	1,936	(54)	50,751	63,228

For the six months ended 31 March 2020

	Share capital £000	Share premium £000	Exchange translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Restatement on adoption of IFRS 16	–	–	–	–	(247)	(247)
As at 30 September 2019 (restated)	1,304	9,291	1,936	(54)	50,504	62,981
Transactions with owners of the Company						
Dividends paid	–	–	–	–	(5,140)	(5,140)
Acquisition of own shares	–	–	–	–	(3,184)	(3,184)
Cash received on option exercises	–	–	–	–	97	97
Tax credit on long-term incentive schemes	–	–	–	–	1,288	1,288
Share based payment charge	–	–	–	–	938	938
Total transactions with owners	–	–	–	–	(6,001)	(6,001)
Profit for the period	–	–	–	–	6,327	6,327
Other comprehensive income						
Cashflow hedge	–	–	–	7	–	7
Tax on cashflow hedge	–	–	–	(1)	–	(1)
Exchange differences on translation of foreign operations	–	–	(67)	–	–	(67)
Total other comprehensive income	–	–	(67)	6	–	(61)
As at 31 March 2020	1,304	9,291	1,869	(48)	50,830	63,246

The notes on pages 11 to 21 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2020

	Note	Unaudited Six months ended 31 March 2020 £000	Unaudited Six months ended 31 March 2019 £000	Audited Year ended 30 September 2019 £000
Operating activities:				
Cash generated from operations	16	3,044	825	20,848
Corporation tax paid		(152)	(306)	(580)
Net cash generated from operating activities		2,892	519	20,268
Investing activities:				
Deconsolidation of investment fund		–	(67)	(67)
Net acquisition of property plant and equipment and intangible assets		(147)	(128)	(402)
Net investments into unconsolidated investment funds		(702)	(1,041)	(485)
Settlement of investment related hedges		469	74	258
Decrease/(increase) in cash held by money market funds and long-term deposit accounts		3,967	1,045	(4,024)
Investment income received		48	151	236
Net cash generated from/(used by) investment activities		3,635	34	(4,484)
Financing activities:				
Acquisition of non-controlling interest		–	–	(201)
Repayment of bank borrowings	13	–	(3,337)	(10,371)
Interest paid on bank borrowings		(38)	(310)	(670)
Payment of lease liabilities		(839)	–	–
Dividends paid	8	(5,140)	(3,864)	(5,792)
Acquisition of own shares		(3,186)	(2,502)	(2,505)
Cash received on exercise of Impax share options		97	100	111
Redemptions by third party investors into consolidated funds		–	(39)	–
Net cash used by financing activities		(9,106)	(9,952)	(19,428)
Net (decrease)/increase in cash and cash equivalents		(2,579)	(9,399)	(3,644)
Cash and cash equivalents at the beginning of the period		11,939	15,529	15,529
Effect of foreign exchange rate changes		3	1	54
Cash and cash equivalents at the end of the period	12	9,363	6,131	11,939

The notes on pages 11 to 21 are an integral part of the condensed consolidated financial statements.

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 2019.

The comparative figures for the financial year ended 30 September 2019 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 7th floor, 30 Panton St, London, SW1Y 4AJ or at the Company's website: www.impaxam.com.

Going concern

The Board has made an assessment covering a period of at least 12 months from the date of approval of these interim financial statements which indicates that, taking account of a reasonably possible downside in relation to asset inflows, market performance and costs, the Group will have sufficient funds, to meet its liabilities as they fall due for that period. In making this assessment the Board has considered the potential impact of Covid-19. The Group has high cash balances and no debt and, at the Period end market levels, is profitable. A significant part of the Group's cost basis is variable as bonuses are linked to profitability. The Group can also preserve cash through dividend reduction and through issuance of shares to cover share option exercises/restricted share awards (rather than purchasing shares). The Group has operated without disruption during the lockdown period to date and expects to continue to do so. 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 2019 except for the adoption of the new International Financial Reporting Standard 16 ("IFRS 16") which considers leases.

IFRS 16

The Group has applied IFRS 16 for the first time for its annual reporting period commencing on 1 October 2019. IFRS 16 replaces IAS 17 Leases and is effective for reporting periods beginning on or after 1 January 2019.

Where the Group is a lessee, IFRS 16 requires operating leases to be recorded in the Group's statement of financial position, reflecting a lease liability and an associated right-of-use ("ROU") asset. The lease liability is initially measured at the present value of the future contractual cash flows remaining under the lease term, discounted using the Group's incremental borrowing rate. Interest is subsequently accrued on the lease liability and presented as a component of finance costs, and calculated using the effective interest method to give a constant rate of return over the life of the lease whilst the liability is reduced by the lease payments. The ROU asset is initially measured at the amount of the lease liability plus initial direct costs incurred by the lessee, adjusted for any lease incentives and the estimated cost of restoration obligations. The ROU asset is presented within property, plant and equipment and depreciated over the lease term as the benefit of the lease is consumed. The Group applies judgement in assessing whether to include options to extend or cancel the lease. All relevant factors that could create an economic incentive to exercise the option are considered and the option is included if it is reasonably certain to be exercised. After the lease commencement date, the Group reassesses the lease term if there is a significant change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option.

1 BASIS OF PREPARATION CONTINUED

IFRS 16 continued

The Group has measured the IFRS 16 ROU assets and lease liabilities as if the standard had always been applied but based on an incremental borrowing rate at the date of initial adoption, 1 October 2019. Comparative information has not been restated as the Group has applied the modified retrospective approach with the cumulative effect of initially applying the standard recognised as an adjustment to the opening retained earnings at 1 October 2019. The Group has applied the optional exemption in the standard which permits the cost of short-term (less than 12 months) leases to be expensed evenly over the lease term. These lease arrangements are not material to the Group.

As a result of applying IFRS 16, the Group has recognised lease liabilities and ROU assets at 1 October 2019 of £11,991k and £10,693k respectively in respect of leases over its office buildings.

The Group has also eliminated the accrual of £1,051k previously required to expense the lease charges evenly over the lease term. These adjustments have reduced the Group's net assets by £247k which is recorded as a reduction in retained earnings at 1 October 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 4.76%. Additional disclosure on the impact of IFRS 16 to the Group's ROU assets and lease liabilities is provided in Note 10.

New and forthcoming accounting standards applicable to the Group

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 key source of estimation uncertainty were estimates made in determining if intangible assets were impaired (see Note 9).

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 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 2020			
	Reported IFRS £000	Business combination effects £000	Other £000	Adjusted £000
Income statement				
Revenue	41,191			41,191
Operating costs	(32,851)			(30,699)
Amortisation of intangibles arising on acquisition		1,257		
Acquisition equity incentive scheme charges		67		
Mark to market charge on equity awards			828	
Operating Profit	8,340	1,324	828	10,492
Fair value gains/(losses) on investments and other financial (expense)/income	105		(134)	(29)
Interest expense	(400)			(400)
Profit before taxation	8,045	1,324	694	10,063
Taxation	(1,718)			
Tax credit on adjustments			(132)	(1,850)
Profit after taxation	6,327	1,324	562	8,213
Diluted earnings per share	4.8p	1.1p	0.4p	6.3p

	Six months ended 31 March 2019			
	Reported IFRS £000	Business combination effects £000	Other £000	Adjusted £000
Income statement				
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)			
Tax credit on adjustments			13	(1,280)
Profit after taxation	8,023	(2,044)	(55)	5,924
Diluted earnings per share	6.1p	(1.7)p	(0.0)p	4.4p

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 £313,000 (see Note 7). The diluted number of shares is the same as used for the IFRS calculation of earnings per share (see Note 7).

3 ADJUSTED PROFITS AND EARNINGS CONTINUED

The same adjustments have been made, where relevant, for the year ended 30 September 2019 to give adjusted operating profit of £17,978,000, adjusted profit before tax of £18,119,000 and adjusted diluted earnings per share of 11.5 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. Any adjustments 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") a significant portion 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.

The Group's reportable segments are as follows:

Impax LN - Impax LN is predominantly based in London and manages and advises listed equity and private equity funds and accounts.

Impax NH - Impax NH is based in Portsmouth, New Hampshire and manages the Pax World US mutual funds.

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

Six months ended 31 March 2020

	Impax LN £000	Impax NH £000	Adjustments £000	Consolidated £000
Revenue				
External customers	28,645	12,546	–	41,191
Inter-segment	1,466	–	(1,466)	–
Total revenue	30,111	12,546	(1,466)	41,191
Segment profit – adjusted operating profit	9,572	920	–	10,492

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

Twelve months ended 30 September 2019

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

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 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 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Profit before tax	8,045	9,316	18,898
Tax charge at 19 per cent	1,529	1,770	3,591
Effects of:			
Non-deductible expenses and charges	1	54	20
Non-taxable income	–	(673)	(863)
Adjustment in respect of historical tax charges	(27)	–	(195)
Effect of higher tax rates in foreign jurisdictions	36	142	95
Tax losses not recognised	179	–	380
Total corporation tax expense	1,718	1,293	3,028

7 EARNINGS PER SHARE

	Earnings for the period £'000	Shares '000	Earnings per share
Six months ended 31 March 2020			
Basic	6,014	124,255	4.8p
Diluted	6,014	125,965	4.8p
Six months ended 31 March 2019			
Basic	7,584	122,680	6.2p
Diluted	7,584	123,745	6.1p
Year ended 30 September 2019			
Basic	15,003	122,887	12.2p
Diluted	15,003	124,056	12.1p

Earnings are reduced by £313,000 for the six months ending 31 March 2020 (31 March 2019: £439,000, 30 September 2019: £867,000) for basic and diluted earnings per share 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 2020 '000	Six months ended 31 March 2019 '000	Year ended 30 September 2019 '000
Weighted average issued share capital	130,415	130,415	130,415
Less own shares held not allocated to vested LTIP options	(6,160)	(7,735)	(7,528)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	124,255	122,680	122,887
Additional dilutive shares re share awards	3,250	2,850	2,800
Adjustment to reflect option exercise proceeds and future service from employees receiving awards/shares	(1,540)	(1,785)	(1,631)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	125,965	123,745	124,056

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

Restricted stock units have been 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.

8 DIVIDENDS

On 19 March 2020, at the Company's Annual General Meeting, payment of a 4.0 pence per share final dividend for the year ended 30 September 2019 (2018: 3.0 pence per share) was approved. Combined with an interim payment of 1.5 pence this gave total dividends for the year ended 30 September 2019 of 5.5 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 £5,140,418 which was paid on 27 March 2020.

The Board has declared an interim dividend for the period of 1.8 pence per ordinary share (2019: 1.5 pence). This dividend will be paid on 17 July 2020 to ordinary shareholders on the register at close of business on 12 June 2020.

9 GOODWILL AND INTANGIBLE ASSETS

The goodwill and intangible assets held by the Group primarily relate to the acquisition of Impax NH in January 2018.

Goodwill

	£000
Cost	
At 30 September 2018	12,171
Foreign exchange movement	14
At 31 March 2019	12,185
Foreign exchange movement	619
At 30 September 2019	12,804
Foreign exchange movement	(72)
At 31 March 2020	12,732

There were no brought forward impairment losses at 30 September 2018 or impairment charges during the period.

Intangible assets

	Intangible assets – management contracts £000	Intangible assets – software £000	Total £000
Cost			
At 1 October 2018	27,381	418	27,799
Additions	–	36	36
Foreign exchange movement	(138)	–	(138)
At 31 March 2019	27,243	454	27,697
Additions	–	61	61
Foreign exchange movement	1,773	–	1,773
At 30 September 2019	29,016	515	29,531
Additions	–	15	15
Foreign exchange movement	(207)	–	(207)
At 31 March 2020	28,809	530	29,339
Accumulated amortisation and impairment			
At 1 October 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
Amortisation	1,281	28	1,309
Foreign exchange movement	350	–	350
At 30 September 2019	4,621	392	5,013
Amortisation	1,257	34	1,291
Foreign exchange movement	30	–	30
At 31 March 2020	5,908	426	6,334
Net book value			
At 31 March 2020	22,901	104	23,005
At 30 September 2019	24,395	123	24,518
At 31 March 2019	24,253	90	24,343

9 GOODWILL AND INTANGIBLE ASSETS CONTINUED

Intangible assets continued

The management contracts were acquired with the acquisition of Impax NH in January 2018 and are amortised over an 11 year life.

The impairment test completed this period showed no impairment was required and used the following key assumptions - future subscription of new assets of US$0.35bn per annum on average (Sept 2019: USD$0.34bn), future equity fund performance of 15% for the year to 31 March 2021, 10% for the year to 31 March 2022 and 5% per year thereafter (September 2019: 5% for all periods) and a discounted cost of capital of 13.5% (September 2019: 13.5%). The increase in the performance assumption reflects the market falls in March 2020 which we assume will recover over a 2 year period.

Changes in the assumptions would give rise to impairments as follows: a consistent ten per cent decrease in inflows – impairment of £1.6 million; a fall to 5% performance for all periods – impairment of £6.5 million and a one per cent annual reduction in operating margin – impairment of £1 million.

10 LEASES

As described in Note 1 the Group has adopted IFRS 16 for the first time in these financial statements. Property, plant and equipment therefore includes right-of-use assets in relation to operating leases for the Group's office buildings.

Property plant and equipment

	31 March 2020 £000	31 March 2019 £000	30 September 2019 £000
Right-of-use assets	10,068	–	–
Property, plant and equipment owned by the Group	1,709	1,784	1,779
	11,777	1,784	1,779

The carrying value of the Group's right of use assets, associated lease liabilities and the movements during the period are set out below.

	Right of use asset £000	Lease liabilities £000
At 1 October 2019	10,693	11,991
Lease payments	–	(839)
Interest expense	–	251
Depreciation charge	(622)	–
Foreign exchange movement	(3)	(7)
At 31 March 2020	10,068	11,396

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 included in investments in the table below. Where the investments are not consolidated the investment itself is included in the table below. The Group also invests in private equity funds it manages. These investments are recorded at fair value.

11 CURRENT ASSET INVESTMENTS CONTINUED

	£000
At 30 September 2018	4,349
Additions	1,041
Fair value movements	(247)
Deconsolidation of IGEO fund	(50)
Repayments/disposals	(2,073)
At 31 March 2019	3,020
Additions	1,481
Fair value movements	125
Repayments/disposals	–
At 30 September 2019	4,626
Additions	702
Fair value movements	(378)
At 31 March 2020	4,950

An analysis of the investment by valuation technique hierarchy is disclosed below

	31 March 2020 £000	31 March 2019 £000	30 September 2019 £000
Level 1	1,527	–	1,594
Level 2	1,641	1,621	1,985
Level 3	1,782	1,399	1,047
	4,950	3,020	4,626

Level 1 means that valuation is made by reference to quoted prices in active markets for the relevant securities.

Level 2 assets do not have regular market pricing but can be given a fair value based on quoted prices in active markets.

Level 3 assets are those where there is no readily available market information to value them and the asset value are based on models. For 2020 they represent investments in our private equity funds.

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 below:

	31 March 2020 £000	31 March 2019 £000	30 September 2019 £000
Cash and cash equivalents	9,363	6,131	11,939
Cash held in money market funds and long-term deposit accounts	11,268	10,233	15,235
Less: cash held in RPAs	(743)	(1,426)	(968)
Total cash reserves	19,888	14,938	26,206

13 LOANS

To part fund the acquisition of Impax NH the Group signed a debt facility with RBS. The facility consisted of a US$13 million term loan repayable annually over a 3 year term and a US$13 million revolving credit facility ("RCF") with a 5 year tenor. The term loan incurred 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. The term loan was repaid in full and early in the year ended 30 September 2019. The revolving credit facility was repaid in full in 2018 but remains available to the Group.

14 SHARE CAPITAL AND OWN SHARES

	31 March 2020	31 March 2019	30 September 2019
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

	31 March 2020	31 March 2019	30 September 2019
Own shares			
Number	7,332,367	9,075,766	9,025,766
£000s	8,020	6,793	6,878

Own shares represents a portion of those held in Impax's Employee Benefit Trusts. 1.0 million shares were acquired in the six months ended 31 March 2020, (period ended 31 March 2019: 1.2 million). 2.7 million shares were awarded to option holders on exercise of options or on lapse of restrictions on shares (period ended 31 March 2019: 1.8 million). As at 31 March 2020 there were a total of 5.0 million options outstanding over the Group's shares of which 2.5 million were exercisable. As at 31 March 2020 employees also held 4.8 million Restricted Shares over which the restrictions lapse from January 2021 through to December 2024. These shares are held in trust and are included in own shares above.

15 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 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Revenue	40,720	33,624	73,120

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 2020 £000	31 March 2019 £000	30 September 2019 £000
Current asset investments	1,782	1,139	747
Trade and other receivables	14,450	16,477	13,101

16 CASH GENERATED FROM OPERATIONS

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

	31 March 2020 £000	31 March 2019 £000	30 September 2019 £000
Profit before taxation	8,045	9,316	18,898
Adjustments for:			
Depreciation and amortisation	2,117	1,411	2,952
Fair value (gains)/losses and other financial income/expense	(105)	301	(842)
Contingent consideration adjustment	–	(3,543)	(3,543)
Share-based payment charges	938	666	1,160
Non-controlling interest	–	(91)	(156)
Interest payable	400	399	912
Change in third party interests in consolidated funds	–	(2)	–
Operating cash flows before movement in working capital	11,395	8,457	19,381
Increase in receivables	(1,356)	(1,784)	(1,135)
(Decrease)/Increase in payables	(6,995)	(5,848)	2,602
Cash generated from operations	3,044	825	20,848

17 GROUP RISKS

The Group's principal risks remain as detailed within the Directors' report of the Group's 2019 Strategic Report. The global economy is being severely impacted by the Covid-19 pandemic. This may have an adverse impact on the magnitude and likelihood of the risks disclosed, particularly in relation to operational and finance risks.

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 2020 which comprise 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 2020 is not prepared, in all material respects, in accordance with IAS 34 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 have read the other information contained in the half-yearly report and considered 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 Ireland) 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.

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 IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 "Interim Financial Reporting" 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 RESPONSIBILITY

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

3 June 2020

15 Canada Square
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Ian R Simm (Chief Executive)

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