# Impax Asset Management Group plc
# Results for the year ended 30 September 2021

**London, 2 December 2021 -** Impax Asset Management Group plc ("Impax" or the "Company"), the specialist investor focused on the transition to a more sustainable global economy, today announces final audited results for the year ending 30 September 2021 (the "Period").

## Business highlights

- Assets under management ("AUM") increased 84.4% to £37.2 billion (2020: £20.2 billion).
- Record net inflows of £10.7 billion (2020: £3.5 billion)
- Largest investment strategies have continued to outperform global and regional markets
- By 31 October 2021, AUM had risen further to £38.9 billion

## Financial highlights

- Revenue increased 63.5% to £143.1 million (2020: £87.5 million)
- Adjusted operating profit grew by 139.5% to £55.8 million (2020: £23.3 million)
- Profit before tax grew by 173.7% to £45.7 million (2020: £16.7 million)
- Adjusted operating margin grew to 39.0% (2020: 26.6%)
- Shareholders' equity increased 54.5% to £110.5 million (2020: £71.5 million)
- Adjusted diluted earnings per share grew to 33.9 pence (2020: 14.5 pence)
- Proposed final dividend of 17.0 pence per share bringing total for the year of 20.6 pence per share (2020: 8.6 pence) up 139.5%
- Cash reserves increased 87.4% to £70.1 million (2020: £37.4 million)

Sally Bridgeland, Chair, commented:

"Against any measure this has been an excellent year for the Company, and I have been inspired by the team's ongoing dedication and delivery to our clients. We have expanded to ensure that we have the necessary resources to match ever-increasing client demand. By the end of the Period the team had grown by 24%, with hires across the investment management, client services and corporate services teams. We are also delighted with the progress of the integration of our New Hampshire-based business, which has helped further establish Impax in the strategically-important North American market."

Ian Simm, Chief Executive, added:

"Impax has enjoyed a year of exceptional growth. During the 12 months ending 30 September 2021, the Company's assets under management increased by 84% which included a record £10.7 billion of net new inflows, up from £3.5 billion last year. This helped drive an increase in revenue to £143.1 million, up 64%. Overall, we performed very well against all key indicators of financial performance and our largest investment strategies maintained their record of outperformance versus global equity indices.

"Impax has a deeply held investment philosophy focused on the opportunities arising from the transition to a more sustainable economy. During the Period, this authentic and differentiated approach helped the Company to attract significant new mandates with asset owners and expand relationships with intermediaries and distribution partners globally.

"Impax continues to be well positioned to benefit from many regulatory, policy, market, and investor tailwinds. We believe that the focus on climate change at COP26 and the post-pandemic fiscal boost will help catalyse further investment in companies benefitting from the transition to a more sustainable economy."

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# CHAIR'S INTRODUCTION

The publication of this report marks a year since I succeeded Keith Falconer as Chair of the Board. Having served on the Board since 2015, I am honoured to have taken up the role at such an exciting point in Impax's history. I relish the opportunity to build on the legacy that Keith forged with Ian, the management team and the Directors, and would like to thank them all for their continuing support over the last year.

I would also like to acknowledge the dedication of my Impax colleagues. While we have benefitted from unprecedented growth in 2021, working mostly virtually has meant that we have had few opportunities to celebrate this success in person. I have been inspired by the team's ongoing dedication and delivery to our clients; this is a tribute to Ian and the management team for their leadership and the strong culture that they have built together.

Against any measure, this has been an excellent year for the Company. Assets under discretionary and advisory management ("AUM") grew by 84.4%, revenues by 63.5% and the majority of our investment strategies maintained their record of outperformance against global equity indices. We have expanded our team to ensure that we have the necessary resources to match increasing client demand. By the end of the Period the team had grown by 24%, with hires across the investment management, client services and corporate services teams. During the Period we also completed the acquisition of our New Hampshire-based business, acquiring the remaining 16.7% of the business held by management. We are delighted with the progress of the integration of the business, which has helped further establish Impax in the strategically-important North American market.

Impax's mission is to invest in the transition to a more sustainable economy; this informs how we create value for all our stakeholders and how we think about risk.

At a time when all businesses are assessing their response to climate change, our own approach draws on Impax's long heritage in backing the companies at the forefront of sustainable development. This encompasses our investment specialism; our policy and advocacy activity; and how we manage our own business operations. We are committed to reducing our operational emissions across Scope 1, 2 and 3, and will measure and report our results in this area in line with established practices. We have included additional reporting in this year's Strategic Report and will publish more detail in this area using the Taskforce for Climate-related Financial Disclosures ("TCFD") framework, in our 2022 Annual Report. Our approach is coordinated by the Environment Committee, for which Vince O'Brien acts as Sponsor on behalf of the Board.

As a Board we believe that diversity and inclusion is vital to performance of the business and a critical governance topic for a fast-growing firm where we are making new appointments at all levels and face new risks. I have a personal commitment to this topic, reflecting my own career experiences and my still rare position as a woman chairing an asset management company. Lindsey Brace Martinez acts as the Board Sponsor of our focus on equality, diversity & inclusion ("ED&I") and attends the meetings of the staff ED&I Group.

The Company has made some important progress in formalising its ED&I strategy this year. This has included a stated aim that by December 2025 our overall gender mix should be 48–52% women and that the representation of women and racial or ethnic minorities in key roles should be meaningfully ahead of the industry average. We believe that this focus will also reduce the senior management gender pay gap.

Following the retirement of Keith Falconer, we were pleased to welcome Simon O'Regan as a Director in December 2020. Simon is a highly knowledgeable investment industry Non-Executive Director and business leader, with a background as a CEO of the US business of the investment consultancy firm, Mercer. He adds considerable international expertise to the existing mix of skills and experience on the Board across relevant sectors and markets.

**Sally Bridgeland**

1 December 2021

# CHIEF EXECUTIVE'S REPORT

## BUSINESS UPDATE

Impax has enjoyed a year of exceptional growth. During the 12 months ending 30 September 2021 (the "Period"), the Company's assets under discretionary and advisory management ("AUM") increased by 84.4% to reach £37.2 billion, which included a record £10.7 billion of net new inflows.

We performed very well against all key indicators of financial performance and in particular our largest investment strategies maintained their record of outperformance versus global equity indices.

By 31 October 2021, our AUM had risen further to £38.9 billion.

Impax has a deeply held investment philosophy focused on the opportunities arising from the transition to a more sustainable economy. During the Period, this authentic and differentiated approach helped the Company to attract significant new mandates with asset owners and expand our relationships with intermediaries and distribution partners globally.

## SUPPORTIVE EXTERNAL ENVIRONMENT

Two events in early November 2020 helped to frame the Period, during which global equity markets posted strong returns.

The emergence of COVID-19 vaccines led to earnings upgrades, as businesses glimpsed a potential exit from months of protracted lockdowns. While rising rates of the Delta variant meant localised restrictions remained in place, economic data was largely positive. Meanwhile, efforts to "build back better" out of the crisis helped to attract capital towards markets that offer inherent resilience to environmental and social problems.

The victory of Joe Biden in the US presidential elections in November 2020 immediately brought fresh impetus globally towards tackling climate change. His announcement that the US would be brought back into the Paris climate agreement helped to accelerate a succession of "net-zero" commitments by corporates and policymakers in anticipation of the COP26 climate summit in Glasgow, which concluded last month.

While there were disappointments in the final text, the emergence at Glasgow of coalitions of key actors around single issues like coal power, deforestation and methane emissions was a standout success, with business and finance driving ambitious commitments alongside governments. The transition to a net-zero economy catalysed by COP26 should create considerable opportunities for investors. Although there will clearly be rapid market growth in renewable power generation and energy efficiency, we also expect to back innovative companies in less visible sectors, for example new materials and agriculture.

## INVESTMENT PERFORMANCE

Overall, our range of strategies, managed by our investment teams in the UK, US and Hong Kong, performed well over the Period. Longer term, eight out of the largest ten strategies, accounting for a combined 91% of AUM, have outperformed their benchmarks over three years. Of the eight that have five-year track records, seven have outperformed their benchmarks[1].

Five of our six thematic, Environmental Markets strategies outperformed their benchmark index over the Period, with the Specialists strategy delivering a gross total return of 40.5% in comparison to 22.2% from MSCI ACWI[2]. The overall outperformance was notwithstanding the headwind from the broad rotation into value stocks, to which these strategies have limited exposure.

Our Sustainability Lens products also performed well. Four of the five strategies outperformed their benchmarks over the Period, with the Global Opportunities strategy delivering a gross total return of 24.9%[3].

We continue to focus on managing our capacity and have significant headroom within our existing strategies.

### Private Markets

Our team investing in markets linked to renewable power generation made good progress with our third fund, Impax New Energy Investors III ("NEF III"), committing capital in Spain, Italy, Poland and the UK, as well as making two successful exits. In October 2021 the team held the first close of Impax New Energy Investors IV ("NEF IV"), with €238 million committed.

## CLIENT SERVICE AND BUSINESS DEVELOPMENT

Asset growth was well diversified across our direct sales and distribution partner channels, reflecting increased client demand across Europe, Asia-Pacific, and North America.

Inflows over the Period were directed particularly into our Global Opportunities and Leaders strategies (30.1% and 29.2% of net inflows respectively) with strong investor interest in our Climate and Asian Environmental strategies (10.0% and 8.7% of net inflows respectively).

In the UK, we extended our relationship with wealth manager St James's Place with a second mandate for our Global Opportunities strategy, and we also won new segregated accounts based on the same strategy.

Our FTSE 250 listed Environmental Markets investment trust continued to attract considerable inflows and, at the Period end, had approximately £1.4 billion in total net assets.

Our Ireland-domiciled UCITS funds enjoyed significant growth over the Period, with aggregate AUM reaching £2.1 billion, up from £806 million. Net inflows from European clients helped push the AUM of the Global Opportunities fund in this range past £500 million for the first time.

We also continued to build our Dublin-based team, which is now established post-Brexit as an important strategic centre for the Company to access EU markets.

In October 2020, we developed further our relationship with BNP Paribas Asset Management ("BNPP AM") by signing a new distribution agreement on similar terms to the Memorandum of Understanding that has been in place since 2007. This continues to be an important strategic relationship across Europe and Asia. Since the new agreement was signed we have won additional mandates and received significant flows into the BNPP AM funds that we sub-advise, including via global financial institutions.

In Japan, we worked with BNPP AM to secure the mandate for a significant new fund launch by Nomura. This feeds into an existing fund of the Leaders strategy.

In April we signed a new distribution agreement with Fidante Partners Limited as our exclusive distribution partner in Australia and New Zealand, markets that show strong potential. We also won two significant Australian superannuation funds mandates, including a segregated account using our Climate strategy. In the run-up to COP26 we have received strong investor interest globally in this strategy, which focuses on investing in companies providing solutions to the challenges linked to climate change.

In the US, we secured several new mandates, including with Jordan Park for the High Yield strategy, and saw notable flows into the Leaders strategy, particularly via intermediaries, including JP Morgan.

August 2021 marked 50 years since the launch of the Pax Sustainable Allocation Fund, the first public mutual fund in the US to use social and environmental criteria. And it was a significant year for the Pax World Funds as a whole. By the end of the Period, their aggregate AUM reached £6.1 billion, up from £4.1 billion.

In Canada, we secured a sub-advisory mandate for FÉRIQUE Fund Management, gained investments from two foundations for our Global Opportunities strategy, and launched new mandates through our distribution partners.

In January 2021, we completed the integration of our New Hampshire-based team, who joined us in 2018 following the acquisition of Pax World Management LLC.

Combining the two businesses has already underpinned significant growth for the Group, and we enjoyed continued momentum throughout the Period, taking our North American AUM to £9.4 billion.

| **AUM movement 12 months to 30 September 2021** | **Listed equities** | **Fixed income** | **Private markets** | **Total firm** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Total AUM at 30 September 2020** | **18,865** | **947** | **371** | **20,183** |
| Net flows | 10,387 | 322 | (34) | 10,676 |
| Market movement, FX and performance | 6,385 | (12) | (20) | 6,353 |
| **Total AUM at 30 September 2021** | **35,636** | **1,257** | **318** | **37,211** |

## BEYOND FINANCIAL RETURNS

Beyond delivering superior, risk-adjusted investment returns, we focus on four broader areas. First, our corporate engagement and stewardship activity aims to enhance our understanding of investment risk. In 2020 we took part in over 230 engagements. We were proud to be a successful applicant to be a signatory to the UK Stewardship Code in 2021.

Second, we disclose through our annual impact report the quantified environmental benefits linked to our clients' investments in our portfolio companies. This year we have evolved our reporting to include additional carbon emissions and water data.

Third, we strive to influence policy outcomes that support solutions to environmental and social challenges. We focused on three areas during the Period: financing the transition to net-zero emissions; greening the financial system, with a particular focus on biodiversity; and human capital, including the response to COVID-19. Through our policy and advocacy activities we collaborate closely with a broad network, including the scientific community, industry bodies, and not-for-profit organisations.

Finally, we publish thought leadership that provides value-added insights to our clients and partners. This has included a series of articles in the run-up to COP26, and, together with Swedish pension fund, AP7, producing a report on how to measure water impact effectively.

## DEVELOPING OUR TALENT

We grew our headcount by 24% over the Period. 56% of those new hires were women. Given this significant growth, we are acutely aware of the need to nurture the collegial culture that has driven our success over the last two decades.

Our People strategy seeks to future-proof our business with more resilient HR systems, whilst offering a stimulating, collaborative, and supportive workplace for our colleagues.

This year we launched a "behavioural competency" framework, which sets out the standards we expect from colleagues on a day-to-day basis. This has been woven into recruitment, development, promotion, and rewards, to help reinforce our culture, support our core values, and foster accountability.

As we began to emerge from lockdowns, we consulted with our colleagues before updating our HR policies. Following that consultation, we have decided to remain an office-based business, but are committed to providing extra flexibility, for example for those employees that wish to work from home more regularly.

We were pleased with the results of our employee engagement survey, which revealed an 88% engagement score, notwithstanding the challenges of working away from the office; this is 14 percentage points ahead of the industry benchmark.

We continue to find that our clear mission as a specialist focused on investing in the transition to a more sustainable economy is a clear differentiator as we seek to hire, and then retain, the very best talent in an increasingly competitive market.

## SYSTEMS AND INFRASTRUCTURE

As we grow, we are also investing in our corporate services functions, including risk, compliance and IT. We are focusing in particular on improving our data capabilities, managing cyber and climate risk, and increasing our operational resilience.

Following the completion of the integration of our New Hampshire-based team, we have sought to build global teams and functions. This has included launching a single trading desk, which serves our investment team across the US, the UK and Hong Kong.

## AWARDS AND INDUSTRY RECOGNITION

The Company's expertise and success has been acknowledged through numerous prestigious industry awards. After the Period end this included: "AIM Company of the Year" (Shares); "AIM Growth Business of the Year" (AIM Awards 2021), and Finncap's "Best Performer, Financials" award. Highlights during the Period included: Pensions Expert's "Active Equity Manager of the Year"; "Best Sustainability Reporting (large asset manager)" in Environmental Finance's Sustainable Investment Awards; and both the "Sustainable Reporting" and "Green Finance" categories at the Better Society Awards.

## OUTLOOK

We believe that the focus on climate change at COP26 and the post-pandemic fiscal boost will help catalyse further investment in companies benefitting from the transition to a more sustainable economy.

In particular, we believe that infrastructure investment is set to accelerate. Rapid expansion in decentralised renewable power generation, zero-emissions transportation, resilient water supply and climate resilience are positioned to provide significant investment opportunities.

We also anticipate a number of supportive regulatory drivers. The EU's wide-ranging Sustainable Finance Disclosure Regulation ("SFDR"), which attempts to counter "greenwashing", imposes mandatory ESG disclosure obligations for asset managers and has contributed to a marked increase in investment towards more sustainable companies and issuers. This, together with the equivalent UK green taxonomy, will contribute to a further shift in capital flows across Europe throughout the current decade.

In the US, the Department of Labor announced in October 2021 that it was proposing to reverse the Trump Administration's ban on considering ESG factors in retirement plans. This is also likely to be positive for the markets in which Impax invests.

Our investment teams continue to manage a broad array of risks. 2021 laid bare the vulnerability of global supply chains and has contributed to concerns about a potential looming energy crisis in Europe and Asia. Meanwhile, high valuations in some areas and the threat of persistent inflation continue to inform our portfolio construction and trading decisions.

We believe that Impax continues to be well positioned to benefit from the many regulatory, policy, market, and investor tailwinds. There is growing evidence that asset owners are increasingly attracted to our global reach, our authenticity, and our investment philosophy focused on the transition to a more sustainable economy. Against this backdrop, we are confident that Impax can continue to deliver excellent value for all of our stakeholders.

Ian Simm

1 December 2021

1 Gross of fees.
2 GBP, gross of fees.
3 GBP, gross of fees. Benchmark: MSCI ACWI returned 22.2%.

## FINANCIAL REVIEW

I am delighted to report another year of strong financial results including more than doubling our adjusted operating profit and profit before tax.

As in previous periods, in order to facilitate comparison of performance with previous time periods and to provide an appropriate comparison with our peers, the Board encourages shareholders to focus on financial measures after adjustment for accounting charges or credits arising from the acquisition accounting from Impax NH, adjustments arising from the accounting treatment of National Insurance costs on share-based payment awards and significant tax credits related to prior periods.

**Financial highlights for financial year 2021 versus financial year 2020**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| AUM | £37.2bn | £20.2bn |
| Revenue | £143.1m | £87.5m |
| Adjusted operating profit | £55.8m | £23.3m |
| Adjusted profit before tax | £54.0m | £22.2m |
| Adjusted diluted earnings per share | 33.9p | 14.5p |
| Cash reserves | £70.1m | £37.4m |
| Seed investments | £7.5m | £4.3m |
| Dividend per share | 3.6p interim + 17.0p final | 1.8p interim + 6.8p final |

| | 2021 | 2020 |
|---|---|---|
| IFRS operating profit | £47.4m | £17.6m |
| IFRS profit before tax | £45.7m | £16.7m |
| IFRS diluted earnings per share | 30.3p | 10.5p |

### REVENUE

Revenue for the Period grew by £55.6 million to £143.1 million (2020: £87.5 million). Growth was driven by the exceptionally strong net inflows across the business and very positive fund performance.

Our run-rate revenue at the end of the Period was £173.8 million (2020: £96.5 million), giving a weighted average run rate revenue margin1 of 47 basis points (2020: 48 basis points) on the £37.2 billion of AUM.

### OPERATING COSTS

Adjusted operating costs increased to £87.3 million (2020: £64.3 million), mainly reflecting increases in headcount required to service our significantly increased client base and higher profit-related pay due to rising profitability. We expect higher costs in the next financial year to reflect a full year of costs from hires made in 2021, further hires in 2022 to support continued growth opportunities and increased marketing and other costs as we return to travelling.

IFRS operating costs include additional charges and credits, principally the amortisation of intangible assets arising from the Impax NH acquisition, National Insurance charges on share options and restricted shares. Employer's National Insurance is payable based on the share price when an option is exercised or restricted shares vest, and accordingly the charge has increased significantly as our share price has risen over the year. This charge is offset by a tax credit which is recorded in equity.

## PROFITS

Adjusted operating profit increased to £55.8 million (2020: £23.3 million), driven by the revenue growth described above. Run-rate adjusted operating profits at the end of the Period grew further to £67.5 million (2020: £28.3 million), in line with business expansion. IFRS operating profit in 2021 increased to £47.4 million (2020: £17.6 million). Fair value gains and other non-operating income offset interest expense and non-operating costs to give adjusted profit before tax of £54.0 million (2020: £22.2 million).

## TAX

Tax rates were lower than the prior period as we benefited from a £2.8 million credit in relation to taxation of prior year private equity income (2020: £1.0 million).

## EARNINGS PER SHARE

Adjusted earnings per share grew to 33.9 pence (2020: 14.5 pence) as a result of the growth in profits, offset to a small extent by increases in shares in issue as a result of restricted share awards and option exercises. IFRS earnings per share increased to 30.3 pence (2020: 10.5 pence).

## FINANCIAL MANAGEMENT

At the Period end the Company held £70.1 million of cash resources, an increase of £32.8 million on 2020. The Company had no debt (2020: no debt) but retains access to a US$13 million revolving facility (the "RCF") (LIBOR plus 3.3%) which was put in place at the time of the Impax NH acquisition.

In January 2021 we completed the integration of our New Hampshire-based team ("Impax NH"), who joined us in 2018 following the acquisition of Pax World Management LLC. As agreed in the terms of the acquisition announced on 18 September 2017, we acquired the remaining 16.7% of the business held by management for a total consideration, net of loans, of US$3.0 million, paid in cash and shares. In addition, contingent consideration payments of US$270,000 were made in cash to the previous shareholders and management as relevant assets under management of the Pax World funds reached an average of US$5.5 billion over the final six months of the 2020 calendar year, growing to US$6.6 billion at 31 December 2020, up from US$4.9 billion in January 2018.

The Company continues to make seed investments and to invest in our private equity funds. These investments were valued at £7.5 million at the Period end. During the Period we invested into a segregated account investing in our new Asian Opportunities strategy and made further investments into our private equity funds.

## SHARE MANAGEMENT

During the Period the Company issued 2.0 million new ordinary shares to the Company's Employee Benefit Trust (the "EBT"). The EBT holds shares for Restricted Share awards until they vest or to satisfy share option exercises. The Company also issued a further 181,467 shares to part fund the acquisition of the remaining interest in Impax NH.

Going forward, the Board intends that the Company will satisfy obligations linked to share incentive awards for employees either through purchase of its own shares or if there are attractive alternatives for the use of the Company's cash resources, via issuance of new shares. Share purchases are usually made by funding the EBT which will then settle option exercises or hold shares for Restricted Share awards until they vest. No share purchases were made during the year.

## DIVIDENDS

The Company paid an interim dividend of 3.6 pence per share in July 2021. Our dividend policy is to pay, in normal circumstances, an annual dividend within a range of 55% and 80% of adjusted profit after tax. Impax has reported exceptionally strong growth in revenue and profits and is in good financial health. The Board has therefore decided to recommend a final dividend of 17.0 pence. This would be an increase in the total dividend for the year of 12.0 pence or 140%. The annual dividend for the year represents 60% of adjusted operating profit after tax which is still at the lower end of our stated range.

This dividend proposal will be submitted for formal approval by shareholders at the Annual General Meeting on 29 March 2022. If approved, the dividend will be paid on or around 31 March 2022. The record date for the payment of the proposed dividend will be 11 February 2022 and the ex-dividend date will be 10 February 2022.

The Company operates a dividend reinvestment plan ("DRIP"). The final date for receipt of elections under the DRIP will be 28 February 2022. For further information and to register and elect for this facility, please visit www.signalshares.com and search for information related to the Company.

## GOING CONCERN

The Financial Reporting Council requires all companies to perform a rigorous assessment of all the factors affecting the business when deciding to adopt a "going concern" basis for the preparation of the accounts.

The Board has made an assessment covering a period of at least 12 months from the date of approval of this report 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 evolving impacts 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 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 the financial statements.

Charles Ridge

1 December 2021

## Consolidated Income Statement

For the year ended 30 September 2021

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Revenue** | | 143,056 | 87,511 |
| Operating costs | 6 | (95,622) | (69,928) |
| Finance income | 9 | 286 | 1,020 |
| Finance expense | 10 | (1,971) | (1,921) |
| **Profit before taxation** | | 45,749 | 16,682 |
| Taxation | 11 | (5,504) | (2,944) |
| **Profit after taxation** | | 40,245 | 13,738 |
| | | | |
| **Earnings per share** | | | |
| Basic | 12 | 31.5p | 10.6p |
| Diluted | 12 | 30.3p | 10.5p |
| | | | |
| **Dividends per share** | | | |
| Interim dividend paid and final dividend declared for the year | 13 | 20.6p | 8.6p |

Adjusted results are provided in note 4.

## Consolidated Statement Of Comprehensive Income
For the year ended 30 September 2021

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Profit for the year** | | 40,245 | 13,738 |
| Change in value of cash flow hedges | | 137 | (70) |
| Tax on change in value of cash flow hedges | | (26) | 13 |
| Exchange differences on translation of foreign operations | | (1,075) | (487) |
| **Total other comprehensive income** | | (964) | (544) |
| Total comprehensive income for the year attributable to equity holders of the Parent | | 39,281 | 13,194 |

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

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

# Consolidated Statement of Financial Position

As at 30 September 2021

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | Notes | £000 | £000 | £000 | £000 |
| **Assets** | | | | | |
| Goodwill | 14 | 11,816 | | 12,306 | |
| Intangible assets | 15 | 17,473 | | 20,871 | |
| Property, plant and equipment | 16 | 9,435 | | 10,857 | |
| Deferred tax assets | 11 | 11,895 | | 5,492 | |
| **Total non-current assets** | | | 50,619 | | 49,526 |
| Trade and other receivables | 17 | 39,800 | | 20,735 | |
| Investments | 18 | 7,564 | | 4,387 | |
| Current tax asset | | 134 | | 224 | |
| Cash invested in money market funds and long-term deposit accounts | 19 | 38,066 | | 18,516 | |
| Cash and cash equivalents | 19 | 36,172 | | 20,245 | |
| **Total current assets** | | | 121,736 | | 64,107 |
| **Total assets** | | | 172,355 | | 113,633 |
| **Equity and liabilities** | | | | | |
| Ordinary shares | 22 | 1,326 | | 1,304 | |
| Share premium and merger reserve | | 10,824 | | 9,291 | |
| Exchange translation reserve | | 374 | | 1,449 | |
| Hedging reserve | | – | | (111) | |
| Retained earnings | | 97,998 | | 59,515 | |
| **Total equity** | | | 110,522 | | 71,448 |
| Trade and other payables | 20 | 50,107 | | 27,984 | |
| Lease liabilities | 16 | 1,330 | | 1,410 | |
| Current tax liability | | 1,923 | | 190 | |
| **Total current liabilities** | | | 53,360 | | 29,584 |
| Lease liabilities | 16 | 8,102 | | 9,261 | |
| Deferred tax liability | | 371 | | 3,340 | |
| **Total non-current liabilities** | | | 8,473 | | 12,601 |
| **Total equity and liabilities** | | | 172,355 | | 113,633 |

## Consolidated Statement of Changes In Equity

For the year ended 30 September 2021

| | Share capital £000 | Share premium and merger reserve* £000 | Exchange translation reserve £000 | Hedging reserve £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|---|---|
| **1 October 2019** | 1,304 | 9,291 | 1,936 | (54) | 50,504 | 62,981 |
| *Transactions with owners of the Company:* | | | | | | |
| Dividends paid | – | – | – | – | (7,442) | (7,442) |
| Acquisition of own shares | – | – | – | – | (4,223) | (4,223) |
| Cash received on option exercises | – | – | – | – | 489 | 489 |
| Tax credit on long-term incentive schemes | – | – | – | – | 4,636 | 4,636 |
| Share based payment charges | – | – | – | – | 1,813 | 1,813 |
| Total transactions with owners of the Company | – | – | – | – | (4,727) | (4,727) |
| Profit for the year | – | – | – | – | 13,738 | 13,738 |
| *Other comprehensive income:* | | | | | | |
| Change in value of cashflow hedge | – | – | – | (70) | – | (70) |
| Tax on change in value of cashflow hedges | – | – | – | 13 | – | 13 |
| Exchange differences on translation of foreign operations | – | – | (487) | – | – | (487) |
| Total other comprehensive Income | – | – | (487) | (57) | – | (544) |
| **30 September 2020** | 1,304 | 9,291 | 1,449 | (111) | 59,515 | 71,448 |
| *Transactions with owners of the Company:* | | | | | | |
| New shares issued | 22 | 1,533 | – | – | (20) | 1,535 |
| Dividends paid | – | – | – | – | (13,616) | (13,616) |
| Cash received on option exercises | – | – | – | – | 597 | 597 |
| Purchase of Impax NH shares | – | – | – | – | (2,239) | (2,239) |
| Tax credit on long-term incentive schemes | – | – | – | – | 8,634 | 8,634 |
| Share based payment charges | – | – | – | – | 4,882 | 4,882 |
| **Total transactions with owners of the Company** | 22 | 1,533 | – | – | (1,762) | (207) |
| **Profit for the year** | – | – | – | – | 40,245 | 40,245 |
| *Other comprehensive income:* | | | | | | |
| Change in value of cash flow hedge | – | – | – | 137 | – | 137 |
| Tax on change in value of cashflow hedges | – | – | – | (26) | – | (26) |
| Exchange differences on translation of foreign operations | – | – | (1,075) | – | – | (1,075) |
| **Total other comprehensive Income** | – | – | (1,075) | 111 | – | (964) |
| **30 September 2021** | 1,326 | 10,824 | 374 | – | 97,998 | 110,522 |

* Includes merger reserve of £1,533,000.

## Consolidated Cash Flow Statement

For the year ended 30 September 2021

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Cash generated from operations** | 25 | 59,812 | 24,382 |
| Corporation tax paid | | (4,445) | (607) |
| **Net cash generated from operating activities** | | 55,367 | 23,775 |
| **Investing activities** | | | |
| Net acquisition of property plant & equipment and intangible assets | | (257) | (182) |
| Net (investments into)/redemptions from unconsolidated Impax funds | | (2,529) | 1,191 |
| Settlement of investment related hedges | | (455) | (156) |
| Purchase of Impax NH shares | | (704) | – |
| Investment income received | | 93 | 222 |
| Increase in cash held in money market funds and long-term deposit accounts | | (19,550) | (3,281) |
| **Net cash used by investing activities** | | (23,402) | (2,206) |
| **Financing activities** | | | |
| Acquisition of non-controlling interest | | (191) | (201) |
| Interest paid on bank borrowings | | (129) | (136) |
| Payment of lease liabilities | | (1,691) | (1,699) |
| Acquisition of own shares | | – | (4,223) |
| Cash received on exercise of Impax staff share options | | 597 | 489 |
| Dividends paid | 13 | (13,616) | (7,442) |
| Net cash used by financing **activities** | | (15,030) | (13,212) |
| **Net increase in cash and cash equivalents** | | 16,935 | 8,357 |
| **Cash and cash equivalents at beginning of year** | | 20,245 | 11,939 |
| Effect of foreign exchange rate changes | | (1,008) | (51) |
| **Cash and cash equivalents at end of year** | 19 | 36,172 | 20,245 |

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

Movements on cash reserves are shown in the table below:

| | At the beginning of the year £000 | Cashflow £000 | Foreign exchange £000 | At the end of the year £000 |
|---|---|---|---|---|
| Cash and cash equivalents | 20,245 | 16,935 | (1,008) | 36,172 |
| Cash invested in money market funds and long-term deposit accounts | 18,516 | 19,550 | – | 38,066 |
| Cash in RPAs | (1,363) | (2,726) | – | (4,089) |
| **Total Group cash reserves** | 37,398 | 33,759 | (1,008) | 70,149 |

## 1 REPORTING ENTITY

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

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS") and applicable law.

The financial statements have been prepared under the historical cost convention, with the exception of the revaluation of certain investments and derivatives being measured at fair value.

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

### Going concern

The Board has made an assessment covering a period of 12 months from the date of approval of these financial statements which indicates that, taking account of reasonably possible downside assumptions in relation to asset inflows, market performance and costs, the Group will have sufficient funds to meet its liabilities as they fall due and regulatory capital requirements for that period. In making this assessment the Board has considered the potential ongoing impact of COVID-19. The Group has sufficient cash balances and no debt and, at the year-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 periods to date and expects to continue to do so. Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## 3 USE OF JUDGEMENTS AND ESTIMATES

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

The Group has not identified any significant judgements and estimates at the end of the reporting period.

4 ADJUSTED PROFITS AND EARNINGS

The reported operating earnings, profit before tax and earnings per share 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.

| | Year ended 30 September 2021 | | | |
|---|---|---|---|---|
| | | Adjustments | | |
| | Reported – IFRS £000 | Business combination effects £000 | Other £000 | Adjusted £000 |
| **Revenue** | 143,056 | | | 143,056 |
| Operating costs | (95,622) | | | (87,272) |
| Amortisation of intangibles arising on acquisition | | 2,358 | | |
| Credit from contingent consideration adjustment | | 1,649 | | |
| Acquisition equity incentive scheme charges | | 167 | | |
| Mark to market charge on equity awards | | | 4,176 | |
| **Operating profit** | 47,434 | 4,174 | 4,176 | 55,784 |
| Finance income | 286 | | (89) | 197 |
| Finance costs | (1,971) | | | (1,971) |
| **Profit before taxation** | 45,749 | 4,174 | 4,087 | 54,010 |
| Taxation | (5,504) | | | (9,084) |
| Adjustment re historical tax charges | | | (2,803) | |
| Tax credit on adjustments | | | (777) | |
| **Profit after taxation** | 40,245 | 4,174 | 507 | 44,926 |
| **Diluted earnings per share** | 30.3p | 3.2p | 0.4p | 33.9p |

* The charge is offset by £8,634,000 of tax credits shown in the statement of changes in equity.

| | Year ended 30 September 2020 | | | |
|---|---|---|---|---|
| | | Adjustments | | |
| | Reported – IFRS £000 | Business combination effects £000 | Other £000 | Adjusted £000 |
| **Revenue** | 87,511 | | | 87,511 |
| Operating costs | (69,928) | | | (64,261) |
| Amortisation of intangibles arising on acquisition | | 2,535 | | |
| Acquisition equity incentive scheme charges | | 135 | | |
| Mark to market charge on equity awards* | | | 2,997 | |
| **Operating profit** | 17,583 | 2,670 | 2,997 | 23,250 |
| Finance income | 1,020 | | (124) | 896 |
| Finance costs | (1,921) | | | (1,921) |
| **Profit before taxation** | 16,682 | 2,670 | 2,873 | 22,225 |
| Taxation | (2,944) | | | (3,490) |
| Tax credit on adjustments | | | (546) | |
| **Profit after taxation** | 13,738 | 2,670 | 2,327 | 18,735 |
| **Diluted earnings per share** | 10.5p | 2.1p | 1.8p | 14.5p |

* The charge is offset by £4,636,000 of tax credits shown in the statement of changes in equity.

The diluted number of shares is the same as used for the IFRS calculation of earnings per share.

### Amortisation of intangibles

Management contracts, which are classified as intangible assets, were acquired as part of the acquisition of Impax NH, the New Hampshire based company acquired in January 2018, and are amortised over their 11 year life. This charge is not linked to the operating performance of the Impax NH business so is excluded from adjusted profit.

### Acquisition equity incentive scheme charges

Impax NH staff have been awarded share-based payments in respect of the acquisition of Impax NH. Charges in respect of these relate to the acquisition rather than the operating performance of the Group and are therefore excluded from adjusted profit.

### Contingent consideration adjustment

Until the time it was settled, the Group was required to review and adjust our estimate of the contingent consideration payable in respect of the Impax NH acquisition. Adjustments were recorded through income but excluded from adjusted profit. These adjustments are not linked to the operating performance of the Impax NH business and are therefore eliminated from operating costs.

### Mark to market charge on equity incentive awards

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

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

### Taxation

The IFRS tax charge for 2021 includes a credit in respect of historical tax charges related to private equity income. This does not reflect the current year performance of the Group and is therefore excluded from adjusted profit.

## 5 SEGMENTAL REPORTING

### (a) Operating segments

For the year ended 30 September 2020 and prior years, the Group had two reportable segments being Impax LN, the primarily London based manager of listed equity and real asset funds and accounts, and Impax NH. For the current year the Group is managed on an integrated basis and there are no reportable segments. Financial information is therefore reported for Impax LN and Impax NH for the prior year only in the following table.

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

**Year ended 30 September 2020**

| | Impax LN £000 | Impax NH £000 | Adjustments £000 | Total £000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| External customers | 61,906 | 25,605 | – | 87,511 |
| Inter-segment | 3,147 | – | (3,147) | – |
| **Total revenue** | 65,053 | 25,605 | (3,147) | 87,511 |
| **Segment profit – adjusted operating profit** | 22,176 | 1,074 | – | 23,250 |

### (b) Geographical analysis

An analysis of revenue by the location of client is presented below:

| | Revenue | |
|---|---|---|
| | 2021 £000 | 2020 £000 |
| UK | 26,733 | 15,104 |
| North America | 50,608 | 34,705 |
| France | 12,680 | 9,478 |
| Luxembourg | 35,448 | 19,066 |
| Netherlands | 3,359 | 2,912 |
| Ireland | 9,412 | 3,553 |
| Other | 4,816 | 2,693 |
| | 143,056 | 87,511 |

The following non-current assets: property plant and equipment, goodwill and intangible assets, are located in the countries listed below:

| | Non-current assets | |
|---|---|---|
| | 2021 £000 | 2020 £000 |
| UK | 6,952 | 7,882 |
| United States | 31,594 | 36,131 |
| Hong Kong | 7 | 21 |
| Ireland | 171 | – |
| | 38,724 | 44,034 |

**(c) Non-cash items**

Operating expenses include the following non-cash items:

**Year ended 30 September 2020**

| | Impax LN £000 | Impax NH £000 | Total £000 |
|---|---|---|---|
| Share based payments | 1,678 | 135 | 1,813 |
| Depreciation and amortisation | 1,221 | 3,039 | 4,260 |
| | 2,899 | 3,174 | 6,073 |

## 6 OPERATING COSTS

The Group's largest operating cost is staff costs. Other significant costs include direct fund costs, premises costs (depreciation on office building leases, rates and service charge), amortisation of intangible assets, mark to market charges on share awards and IT and communication costs.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Staff costs (note 7) | 66,215 | 44,728 |
| Direct fund expenses | 5,542 | 5,570 |
| Premises costs | 1,015 | 1,062 |
| Research costs | 780 | 570 |
| Professional fees | 3,321 | 2,555 |
| IT and communications | 4,457 | 4,017 |
| Depreciation and amortisation | 4,057 | 4,260 |
| Mark to market charges on share awards | 4,176 | 3,243 |
| Other costs | 5,892 | 3,923 |
| Sub-total | 95,455 | 69,928 |
| Contingent Consideration | 167 | – |
| Total | 95,622 | 69,928 |

Operating costs include £898,000 (2020: £774,000) in respect of placing agent fees paid to related parties.

## 7 STAFF COSTS AND EMPLOYEES

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

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Salaries and variable bonuses | 51,510 | 34,081 |
| Social security costs | 5,181 | 3,702 |
| Pensions | 1,069 | 948 |
| Share-based payment charge (see note 8) | 4,882 | 1,813 |
| Other staff costs | 3,573 | 4,184 |
| | 66,215 | 44,728 |

### Employees

The average number of persons (excluding Non-Executive Directors and including temporary staff), employed during the year was 195 (2020: 171).

| | 2021 No. | 2020 No. |
|---|---|---|
| Portfolio Management | 69 | 57 |
| Private Equity | 12 | 12 |
| Client Service and Business Development | 63 | 53 |
| Group | 51 | 49 |
| | 195 | 171 |

## 8 SHARE-BASED PAYMENT CHARGES

The total expense recognised for the year arising from share-based payment transactions was £4,882,000 (2020: £1,813,000). The charges arose in respect of the Group's Restricted Share Scheme ("RSS") and the Group's Employee Share Option Plan ("ESOP") which are described below. Share based payment charges also arose in respect of the Put and Call arrangement made with Impax NH management to acquire their shares in Impax NH. Details of all outstanding options are provided at the end of this note. The charges for each scheme are:

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| RSS | 3,636 | 1,253 |
| ESOP | 1,003 | 426 |
| Put and Call | 243 | 134 |
| | 4,882 | 1,813 |

### Restricted Share Scheme

Restricted shares have been granted to employees in prior years which are not wholly vested.

During the Period 361,500 restricted shares were granted under the 2020 plan and post year end the Board approved the grant of a further 389,750 restricted shares under the 2021 plan. Following grant, the shares are held by a nominee for employees – who are then immediately entitled to receive dividends. After a period of three years' continuous employment, the employees will receive unfettered access to one third of the shares, after four years a further third and after five years the final third. The employees are not required to make any payment for the shares on grant or when the restrictions lapse.

A further 912,084 restricted shares were also granted to employees of Impax NH following the acquisition of the remaining shares held by management in that business. These have the same conditions as described above except that unfettered access is gained to all of the shares after a period of 3 years.

Full details of the awards granted along with their valuation and the inputs used in the valuation are described in the tables below. The valuation was determined using the Black-Scholes-Merton model with an adjustment to reflect that dividends are received during the vesting period.

| | 2015 RSS | 2017 RSS | 2018 RSS | 2019 RSS | 2020 RSS | 2021 RSS |
|---|---|---|---|---|---|---|
| Awards originally granted | 3,140,000/<br>1,000,000 | 2,550,000/<br>500,000/<br>675,000 | 478,250 | 67,250 | 361,500 | 912,084/<br>389,750 |
| In respect of services provided for period from | 1 Oct 2014/<br>9 Feb 2016 | 14 Dec 2016/<br>11 May 2017/<br>1 Oct 2016 | 1 Oct 2017 | 1 Oct 2018 | 1 Oct 2019 | 28 Oct 2020/<br>24 Nov 2020/<br>1 Oct 2020 |
| Award value | 42.1p/<br>41.5p | 52.2p/87.7p/<br>161.6p | 201.3p | 236.8p | 506.2p | 497.98p/<br>564.51p/<br>1,144.7p |
| Weighted average share price on grant | 41.4p | 77.4p | 202.8p | 239.0p | 510.0p | 709.1p |
| Expected volatility | 32%/31% | 29%/29%/29% | 30% | 31% | 32% | 32% |
| Weighted average award life on grant | 4.9yrs | 4.3yrs | 5.3yrs | 5.3yrs | 5.3yrs | 3.4yrs |
| Expected dividend rate | 3% | 4%/2%/2% | 1% | 2% | 1% | 1% |
| Risk free interest rate | 1.2%/0.8% | 0.6%/0.6%/0.7% | 1.2% | 0.3% | 0.0% | 0.35%/0.67% |

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

| Restricted shares outstanding | |
|---|---|
| Outstanding at 1 October 2020 | 4,747,722 |
| Granted during the year | 1,273,584 |
| Vested during the year | (2,683,473) |
| Forfeited during the year | (15,000) |
| Outstanding at 30 September 2021 | 3,322,833 |

**Employee share option plan ("ESOP")**

*Options granted in 2017*

The strike price of these options was set at a 10% premium to the average market price of the Company's shares for the five business days following the announcement of the results for the preceding financial year, which was £1.80. The 2017 options did not have performance conditions but did have a time vesting condition such that they vested subject to continued employment on 31 December 2020. Once vested, the options have an exercise period of three years.

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

*Options granted in 2018 and 2020*

The strike price of the 2018 and 2019 options was set at £1. The strike price of the 2020 options was set at £3. These options do not have performance conditions but do have a time vesting condition such that the options vest subject to continued employment for five years following grant. Vested shares are restricted from being sold until after a further five year period (other than to settle any resulting tax liability and the strike price).

Post year end the Board approved the grant of 378,475 options under the 2021 plan with a £9 strike price and with the other conditions the same as the 2018, 2019 and 2020 plans.

The valuation was determined using the binomial model.

Share options are equity settled.

**Options outstanding**

An analysis of the outstanding options arising from the Company's ESOP is provided below:

| | Number | Weighted average exercise price Pence |
|---|---|---|
| Options outstanding at 1 October 2020 | 2,450,000 | 140.7 |
| Options granted | 610,000 | 300.0 |
| Options exercised | (400,000) | 148.6 |
| Options outstanding at 30 September 2021 | 2,660,000 | 176.0 |
| Options exercisable at 30 September 2021 | 1,000,000 | 180.2 |

The weighted average remaining contractual life of options outstanding at the end of the period was 6.0 years.

## 9 FINANCE INCOME

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Fair value gains | 161 | 798 |
| Interest income | 36 | 98 |
| Other investment income | 89 | 124 |
| | 286 | 1,020 |

Fair value gains represent those arising on the revaluation of investments held by the Group and any gains or losses arising on related hedge instruments held by the Group.

The fair value gain comprises realised losses of £487,000 and unrealised gains of £648,000 (2020: £53,000 of realised losses and £851,000 of unrealised gains).

## 10 FINANCE EXPENSE

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Interest on lease liabilities | 468 | 514 |
| Finance costs on bank loans | 85 | 295 |
| Foreign exchange losses | 1,418 | 1,112 |
| | 1,971 | 1,921 |

Commitment fees are payable on the revolving credit facility which the Group retains. Foreign exchange losses mainly arise on the retranslation of intercompany loans.

## 11 TAXATION

The Group is subject to taxation in the countries in which it operates (the UK, the US, Hong Kong and Ireland) at the rates applicable in those countries. The total tax charge includes taxes payable for the reporting period (current tax) and also charges relating to taxes that will be payable in future years due to income or expenses being recognised in different periods for tax and accounting periods (deferred tax).

### (a) Analysis of charge for the year

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Current tax expense:** | | |
| UK corporation tax | 5,960 | 124 |
| Foreign taxes | 235 | 219 |
| Adjustment in respect of prior years | 73 | 342 |
| Total current tax | 6,268 | 685 |
| | | |
| **Deferred tax (credit)/expense:** | | |
| Charge for the year | 2,104 | 3,388 |
| Adjustment in respect of prior years | (2,868) | (1,129) |
| Total deferred tax | (764) | 2,259 |
| | | |
| Total income tax expense | 5,504 | 2,944 |

Tax credits of £8,634,000 are also recorded in equity in respect of tax deductions on share awards arising due to the share price increase (2020: £4,636,000). Tax credits of £26,000 on cash flow hedges have been reclassified from equity to the income statement during the year on maturity of the hedges (2020: tax credits recorded in equity of £13,000).

A tax credit of £713,000 has been recorded in respect of prior year tax losses that previously had not been recognised.

The deferred tax adjustment in respect of prior years in 2020 and 2021 mainly reflects reductions in the tax expected to be payable on private equity income, recorded in prior years, as result of transactions which took place in the year.

Adjustments in 2020 also include a credit of £175,000 to reflect the cancellation of the planned reduction in the UK tax from 19% to 17% that was due to come in to effect from 1 April 2020.

An increase in the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted in the Finance Act 2021. This rate increase has been taken into account in the calculation of the Group's UK deferred tax assets and liabilities as at 30 September 2021, to the extent that they are expected to reverse after the rate increase comes into effect.

**(b) Factors affecting the tax charge for the year**

The UK tax rate for the year is 19%. The tax assessment for the period is lower than this rate (2020: lower). The differences are explained below:

| | **2021 £000** | **2020 £000** |
|---|---|---|
| Profit before tax | 45,749 | 16,682 |
| Tax charge at 19% (2020: 19%) | 8,692 | 3,170 |
| Effects of: | | |
| Non-taxable income | (18) | – |
| Non-deductible expenses and charges | 316 | 13 |
| Adjustment in respect of historical tax charges | (2,795) | (787) |
| Effect of higher tax rates in foreign jurisdictions | 22 | 85 |
| Tax losses not recognised | - | 463 |
| Recognition of prior year tax losses | (713) | – |
| Total income tax expense | 5,504 | 2,944 |

**(c) Deferred tax**

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

| | Share-based payment scheme £000 | Other assets £000 | Total assets £000 | Income not yet taxable £000 | Other liabilities £000 | Total liabilities £000 |
|---|---|---|---|---|---|---|
| As at 1 October 2019 | 3,519 | 238 | 3,757 | (3,833) | (167) | (4,000) |
| Credit to equity | 4,636 | 13 | 4,649 | – | – | – |
| Exchange differences on consolidation | – | – | – | 6 | – | 6 |
| Credit/(charge) to the income statement | (2,953) | 40 | (2,913) | 697 | (43) | 654 |
| As at 30 September 2020 | 5,202 | 291 | 5,493 | (3,130) | (210) | (3,340) |
| Credit to equity | 8,634 | (26) | 8,608 | – | – | – |
| Exchange differences on consolidation | – | – | (1) | – | – | – |
| Credit/(charge) to the income statement | (3,243) | 1,038 | (2,205) | 2,969 | – | 2,969 |
| **As at 30 September 2021** | 10,593 | 1,303 | 11,895 | (161) | (210) | (371) |

Other assets include carried forward losses of £681,000 as at 30 September 2021 (2020: nil).

## 12 EARNINGS PER SHARE

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

Diluted EPS includes an adjustment to reflect the dilutive impact of share awards.

| | Earnings for the year £000 | Shares 000s | Earnings per share |
|---|---|---|---|
| **2021** | | | |
| Basic | 40,245 | 127,644 | 31.5p |
| Diluted | 40,245 | 132,669 | 30.3p |
| **2020** | | | |
| Basic | 13,235 | 124,572 | 10.6p |
| Diluted | 13,235 | 125,825 | 10.5p |

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

| | 2021 000's | 2020 000's |
|---|---|---|
| Weighted average issued share capital | 131,772 | 130,415 |
| Less own shares held | (4,128) | (5,843) |
| Weighted average number of ordinary shares used in the calculation of basic EPS | 127,644 | 124,572 |

| | | |
|---|---|---|
| Additional dilutive shares regarding share schemes | 5,983 | 2,451 |
| Adjustment to reflect option exercise proceeds and future service from employees receiving share awards | (958) | (1,198) |
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 132,669 | 125,825 |

## 13 DIVIDENDS

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

**Dividends declared/proposed in respect of the year**

| | 2021 pence | 2020 pence |
|---|---|---|
| Interim dividend declared per share | 3.6 | 1.8 |
| Final dividend proposed per share | 17.0 | 6.8 |
| Total | 20.6 | 8.6 |

The proposed final dividend of 17.0p will be submitted for formal approval at the Annual General Meeting to be held on 29 March 2022. Based on the number of shares in issue at the date of this report and excluding own shares held the total amount payable for the final dividend would be £22,409,000.

**Dividends paid in the year**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Prior year final dividend – 6.8p, 4.0p | 8,871 | 5,140 |
| Interim dividend – 3.6p, 1.8p | 4,745 | 2,302 |
| | 13,616 | 7,442 |

## 14 GOODWILL

The goodwill balance within the Group at 30 September 2021 arose from the acquisition of Impax Capital Limited on 18 June 2001 and the acquisition of Impax NH in January 2018.

| | Goodwill £000 |
|---|---|
| Cost | |
| At 1 October 2019 | 12,804 |
| Foreign exchange | (498) |
| At 30 September 2020 | 12,306 |
| Foreign exchange | (490) |
| At 30 September 2021 | 11,816 |

Impax NH consists of only one cash-generating unit ("CGU"). Goodwill is allocated between CGUs at 30 September 2021 as follows – £10,187,000 to Impax NH and £1,629,000 to the Listed Equity and Private Equity CGUs.

The Group has determined the recoverable amount of its CGUs by calculating their value in use using a discounted cash flow model. The cash flow forecasts were derived taking into account the budget for the year ended 30 September 2022, which was approved by the Directors in October 2021.

The goodwill on the Listed Equity and Private Equity CGUs arose over 15 years ago and the business has grown significantly in size and profitability since that date. There is accordingly significant headroom before an impairment is required. The main assumptions used to calculate the cash flows in the impairment test for these CGUs were that assets under management would continue at current levels and margins would continue at current levels, that fund performance for the Listed Equity business would be 5% per year (2020: 5%) and a discount rate of 12.5% (2020: 12.5%). The discount rate was derived from the Group's weighted average cost of capital. There has been no impairment of goodwill related to these segments to date and there would have to be significant asset outflows over a sustained period before any impairment was required. If the discount rate increased by 3% there would no impairment and if fund performance reduced to zero there would be no impairment (2020: 3% increase in discount rate, no impairment).

The impairment test for the Impax NH CGU showed no impairment (2020: no impairment) was required and used the following key assumptions – average fund inflows of $0.38 billion (2020: $0.57 billion), fund performance of 5% (2020: 5%), an average operating margin of 17% (2020: 20%) and a discount rate of 12.5% (2020: 12.5%). The following plausible changes in assumptions would individually not give rise to an impairment: a consistent 10% decrease in inflows (2020: 10% decrease); a 100 basis point annual reduction in performance each year (2020: 100 basis point reduction); a 1% annual reduction in operating margin (2020: 1% reduction), a 1% increase in discount rate (2020: 1% increase).

## 15 INTANGIBLE ASSETS

Intangible assets mainly represent the value of the management contracts acquired as part of the acquisition of Impax NH.

| | Management contracts £000 | Software £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 October 2019 | 29,016 | 515 | 29,531 |
| Additions | – | 14 | 14 |
| Foreign exchange | (1,309) | – | (1,309) |
| As at 30 September 2020 | 27,707 | 529 | 28,236 |
| Foreign exchange | (1,266) | – | (1,266) |
| **As at 30 September 2021** | 26,441 | 529 | 26,970 |
| **Accumulated amortisation** | | | |
| As at 1 October 2019 | 4,621 | 392 | 5,013 |
| Charge for the year | 2,535 | 66 | 2,601 |
| Foreign exchange | (249) | – | (249) |
| As at 30 September 2020 | 6,907 | 458 | 7,365 |
| Charge for the year | 2,358 | 51 | 2,409 |
| Foreign exchange | (277) | – | (277) |
| **As at 30 September 2021** | 8,988 | 509 | 9,497 |
| **Net book value** | | | |
| **As at 30 September 2021** | 17,453 | 20 | 17,473 |
| As at 30 September 2020 | 20,800 | 71 | 20,871 |
| As at 30 September 2019 | 24,395 | 123 | 24,518 |

The management contracts were acquired with the acquisition of Impax NH in January 2018 and are amortised over an 11 year life. An impairment test was completed on this asset for the year ended 30 September 2020 and showed no impairment was required. The test used the following key assumptions – inflows of new assets of $US0.34 billion per annum on average, future equity fund performance of 5%, an average operating margin of 20% and a discounted cost of capital of 13.5%.

The assumptions around fund performance, operating margin and discounted cost of capital that we would use in an impairment test performed at 30 September 2021 remain the same as at 30 September 2020. Future inflows would be greater. Actual asset inflows, fund performance and operating margin for the year ended 30 September 2021 have however been significantly in excess of those assumed and accordingly there are no indicators of impairment.

## 16 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly represents the costs of fitting out the Group's leased London office (leasehold improvements), office furniture and computers (fixtures, fitting and equipment) and the capitalised value of the Group's leases on its office buildings (right-of-use assets).

| | Right of use assets £000 | Leasehold improvements £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 October 2019 | 10,693 | 2,071 | 1,701 | 14,465 |
| Additions | 87 | 22 | 146 | 255 |
| Foreign exchange | (225) | – | – | (225) |
| As at 30 September 2020 | 10,555 | 2,093 | 1,847 | 14,495 |
| Additions | 194 | – | 257 | 451 |
| Disposals | – | (19) | – | (19) |
| Foreign exchange | (222) | – | (14) | (236) |
| **As at 30 September 2021** | **10,527** | **2,074** | **2,090** | **14,691** |
| **Accumulated depreciation** | | | | |
| As at 1 October 2019 | – | 970 | 1,023 | 1,993 |
| Charge for the year | 1,249 | 146 | 264 | 1,659 |
| Foreign exchange | (9) | 2 | (7) | (14) |
| As at 30 September 2020 | 1,240 | 1,118 | 1,280 | 3,638 |
| Charge for the year | 1,236 | 145 | 267 | 1,648 |
| Disposals | – | (10) | – | (10) |
| Foreign exchange | (14) | – | (6) | (20) |
| **As at 30 September 2021** | **2,462** | **1,253** | **1,541** | **5,256** |
| | | | | |
| **Net book value** | | | | |
| As at 30 September 2021 | **8,065** | **821** | **549** | **9,435** |
| As at 1 October 2020 | 9,315 | 975 | 567 | 10,857 |
| As at 30 September 2019 | 10,693 | 1,101 | 678 | 12,472 |

**Lease arrangements**

Property, plant and equipment includes right-of-use assets in relation to operating leases for the Group's office buildings.

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 £m | Lease liabilities £m |
|---|---|---|
| At 1 October 2020 | 9,315 | 10,671 |
| New leases | 194 | 202 |
| Lease payments | – | (1,691) |
| Interest expense | – | 468 |
| Depreciation charge | (1,236) | – |
| Foreign exchange movement | (208) | (218) |
| At 30 September 2021 | **8,065** | **9,432** |
| | Current | 1,330 |
| | Non-current | 8,102 |
| | | 9,432 |

The contractual maturities on the undiscounted minimum lease payments under lease liabilities are provided below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Within 1 year | 1,694 | 1,702 |
| Between 1 and 5 years | 6,452 | 6,461 |
| Later than 5 years | 3,110 | 4,862 |
| Total undiscounted lease liabilities | 11,256 | 13,025 |

The Company's London office lease has an extension option of a further five years from June 2027, subject to a rent review, which is not included in the above numbers on the basis that it is not yet reasonably certain that it will be exercised

## 17 TRADE AND OTHER RECEIVABLES

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Trade receivables | 8,679 | 3,512 |
| Other receivables | 1,717 | 685 |
| Prepayments and accrued income | 29,404 | 16,538 |
| | 39,800 | 20,735 |

Accrued income relates to accrued management fees and arises where invoices are raised in arrears.
An analysis of the aging of trade receivables is provided below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| 0-30 days | 6,865 | 2,317 |
| Past due but not impaired: | | |
| 31-60 days | 1,052 | – |
| 61-90 days | 762 | 1,195 |
| | 8,679 | 3,512 |

At the date of this report, substantially all of the trade receivables above have been received. As at 30 September 2021, the assessed provision under the IFRS 9 expected loss model for trade receivables and prepayments and accrued income was immaterial (2020: immaterial).

£34,685,000 of trade receivables and accrued income were due from related parties (2020: £16,302,700).

## 18 CURRENT ASSET INVESTMENTS

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

| | Total £000 |
|---|---|
| At 1 October 2019 | 4,626 |
| Additions | 758 |
| Fair value movements | 952 |
| Repayments/disposals | (1,949) |
| At 30 September 2020 | 4,387 |
| Additions | 2,832 |
| Fair value movements | 648 |
| Repayments/disposals | (303) |
| At 30 September 2021 | 7,564 |

## 19 CASH AND CASH EQUIVALENTS, CASH INVESTED IN MONEY MARKET FUNDS AND LONG-TERM DEPOSITS

Cash and cash equivalents under IFRS does not include deposits in money market funds or cash held in deposits with an original maturity of more than three months. However, the Group considers its total cash reserves to include these amounts. Cash held by consolidated funds is not considered to be available to the Group so it is not included in cash reserves. Cash held in Research Payment Accounts (“RPAs”) is collected from funds managed by the Group and can only be used towards the cost of researching stocks. A liability of an equal amount is included in trade and other payables. This cash is also excluded from cash reserves. A reconciliation is shown below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Cash and cash equivalents | 36,172 | 20,245 |
| Cash invested in money market funds and long-term deposit accounts | 38,066 | 18,516 |
| Less: cash held in RPAs | (4,089) | (1,363) |
| Cash reserves | 70,149 | 37,398 |

## 20 TRADE AND OTHER PAYABLES

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Trade payables | 852 | 305 |
| Taxation and other social security | 5,160 | 3,285 |
| Other payables | 4,655 | 4,550 |
| Accruals and deferred income | 39,440 | 19,844 |
| | 50,107 | 27,984 |

The most significant accrual at the year-end relates to variable staff remuneration.

## 21 LOANS

The Group retains a US$13 million revolving credit facility ("RCF") with RBS International which expires in January 2023. No amounts were drawn down or repaid in the current period or in the prior year.

## 22 ORDINARY SHARES

| Issued and fully paid | 2021 No of shares/000s | 2020 No of shares/000s | 2021 £000 | 2020 £000 |
|---|---|---|---|---|
| At 1 October and 30 September | 132,597 | 130,415 | 1,326 | 1,304 |

Ordinary shares have a par value of £0.01 per share. Each ordinary share carries the right to attend and vote at general meetings of the Company. Holders of these shares are entitled to dividends as declared from time to time. On 16 February 2021, 2,000,000 new shares were issued to the Impax Asset Management Group plc Employee Benefit Trust 2012 (the "EBT") and a further 181,467 shares were issued to management of Impax NH as part of the consideration for the acquisition of that business that occurred in 2018.

## 23 OWN SHARES

| | No of Shares/000s | £000 |
|---|---|---|
| At 1 October 2019 | 9,025,766 | 6,878 |
| Satisfaction of option exercises and RSS vesting | (5,105,507) | (3,891) |
| EBT 2012 purchases | 1,266,608 | 4,223 |
| At 30 September 2020 | 5,186,867 | 7,210 |
| Issuance of shares to EBT 2012 | 2,000,000 | – |
| Satisfaction of option exercises and RSS vesting | (3,083,472) | (3,093) |
| **At 30 September 2021** | 4,103,395 | 4,117 |

Included within Own Shares are 3,322,833 shares held in a nominee account in respect of the Restricted Share Scheme as described in note 8.

## 24 FINANCIAL COMMITMENTS

At 30 September 2021 the Group has outstanding commitments to invest up to the following amounts into private equity funds that it manages:

- €203,000 (2020: €203,000) into Impax New Energy Investors LP; this amount could be called on in the period to 31 December 2021;
- €113,000 (2020: €113,000) into Impax New Energy Investors II LP; this amount could be called on in the period to 22 March 2022;
- €1,567,000 (2020: €2,137,000) into Impax New Energy Investors III LP; this amount could be called on in the period to 31 December 2026; and
- €449,616 (2020: £nil) into Impax New Energy Investors IV SCSp; this amount could be called on in the period to 31 October 2031.

## 25 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

This note should be read in conjunction with the consolidated cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit before taxation | 45,749 | 16,682 |
| *Adjustments for income statement non-cash charges/income:* | | |
| Depreciation of property plant and equipment and amortisation of intangible assets | 4,057 | 4,260 |
| Finance income | (286) | (1,020) |
| Finance expense | 1,971 | 1,921 |
| Share-based payment charges | 4,882 | 1,813 |
| *Adjustments for statement of financial position movements:* | | |
| Increase in trade and other receivables | (19,021) | (3,995) |
| Increase in trade and other payables | 22,460 | 4,721 |
| **Cash generated from operations** | 59,812 | 24,382 |

## 26 COMPLETION OF ACQUISITION OF IMPAX NH

On 16 February 2021, the Company exercised its call option, issued as part of the acquisition of Impax NH in 2018, to acquire the remaining 16.7% of the shares held by Impax NH's management for total consideration, after repayment of loans made by Impax NH to the individuals, of $3,006,000, $979,000 (£704,000) was paid in cash and $2,027,000 was paid in the Company's shares with the number of shares being determined based on the average share price for the 20 trading days to 27 January 2021. The shares were however issued on 16 February 2021 and have been valued in these financial statements at a total of £1,535,000 using the share price on that date.

The award and subsequent purchase of the shares was treated as a share-based payment classified as equity settled as the Company had the option of settling in cash or shares. The completion of the acquisition is therefore accounted for as a reduction in equity of £2,239,000 being the sum of the cash paid of £704,000 and the £1,535,000 value of the shares issued.

The amount of contingent consideration due in respect of the acquisition was also finalised with $270,000 (£167,000) payable. This amount has been recorded as a charge to profit.