



The **environmental**  
investment specialist

**Impax Asset Management Group plc**  
Annual Report and Accounts 2010

**IMPAX**

**Impax Asset Management Group plc**  
is a leading investment manager  
dedicated to the rapidly expanding  
environmental markets sector,  
focusing on alternative energy,  
water and waste.

In a world of increasingly scarce natural resources, inadequate infrastructure and unacceptable pollution, we believe that companies active in environmental markets will continue to offer investors excellent risk-adjusted returns. We have over a decade of investment experience, a seasoned, stable team and a compelling track record.

We focus on a small number of carefully chosen investment strategies, and manage or advise pooled vehicles and segregated accounts for institutional investors in multiple countries. Our business is scalable, with a strong distribution network, has an efficient capital structure and generates significant free cash flow.

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# Highlights 2010

- > **Increase in AUM\* (44%) to £1,823 million**  
Subsequent to year end, further increase to £2,251 million (31 December 2010)
- > **Strong financial performance**  
Revenue up 48% to £15.3 million  
Profit before tax up 109% to £5.2 million  
Adjusted earnings per share up 33% to 3.50p  
Operating cash flow up 57% to £4.2 million
- > **Sustained investment performance**  
Long only strategies returned > double MSCI World Index over 5 years
- > **Significant mandate wins**  
Skandia Ethical Fund: £74 million  
Local Government Super, Australia: A\$50 million  
LD Pension Fund, Denmark: €75 million (subsequent to year end)
- > **Successful fund raising**  
Impax Asian Environmental Markets plc: £272 million (of which £131 million subsequent to year end)  
Impax New Energy Investors II LP: €275 million in first 3 closings (of which €134 million subsequent to year end)
- > **International expansion**  
Incorporation of Hong Kong subsidiary (subsequent to year end)

\* Assets under discretionary and advisory management

## Impax long only strategies versus MSCI World Index over five years in GBP



# Impax – Key Facts

Impax has an excellent investment track record, powerful distribution partners and a highly qualified team

01

Attractive target markets

**>US\$500bn**

Annual revenue in environmental markets

**10-20%**

Compound annual growth rate

02

**12+ years**

Since Impax team established

**15 years**

Average experience of investment team members

03

Focused approach

**6** Investment strategies across two divisions



04

Comprehensive product range

**24** Funds and accounts

“Impax-Label” funds

Third party funds

Segregated accounts

05

Extensive distribution

**20** Countries actively targeted



Strategies endorsed by leading global consultants

06

Stable investor base

**95%**

Investors in “Impax-Label” funds are institutional

07

Strong performance

Long only strategies returned

**69%** Over 5 years versus

**24%** MSCI World Index

08

Impressive asset growth

**£1bn** increase in AUM  
(between 1 October 2009 and 31 December 2010)

# Chairman's Statement

## For the Year Ended 30 September 2010

### Impax has sustained its strong track record and once again delivered substantial growth for shareholders

Since my statement for the year ended September 2009, the world economy and financial markets have continued to recover and the investment management sector has emerged leaner and, I hope, in a more sober frame of mind. Against this backdrop, I am pleased to report that Impax has sustained its strong track record and once again delivered healthy growth for shareholders.

Over Impax's financial year (the "Period") from 1 October 2009 to 30 September 2010, assets under discretionary and advisory management ("AUM") expanded from £1,263 million to £1,823 million, an increase of 44 per cent. Since the end of the Period we have assumed responsibility for management of an additional £131 million of assets raised by our investment trust focused on the Asia-Pacific region and €134 million of further capital commitments to our second private equity fund. On 31 December 2010, inclusive of these amounts, AUM was £2,251 million.

Over the past twelve months, the backdrop to environmental investing has continued to strengthen. Weather analysts expect that 2010 will turn out to be one of the hottest years on record, while extreme weather events in Pakistan (floods), Russia (heat waves and drought), China (floods) and elsewhere reinforced fears that significant climate change is already upon us. The trend of

increasingly unpredictable weather has motivated voters and policy makers in the European Union, Australia and California to press ahead with policy to reduce greenhouse gas emissions and helped to create a sense of urgency at December's climate conference in Cancún, Mexico. Similarly, during 2010 governments in several emerging market economies declared ambitious policies to reduce pollution, improve energy security and stimulate the growth of domestic clean technology sectors.

#### Results for the year end and proposed dividend

Turnover for the year was £15,339,000 (2009: £10,391,000), a 48 per cent increase over the year.

Profit before tax was £5,177,000 (2009: £2,473,000, including a charge in respect of the Group's long-term, share-based incentive scheme of £552,000). The profit included £1,002,000 arising from full repayment at face value of a loan note issued to the Company in 2004 when Impax exited from a legacy oil business.

The effective tax rate for the Period was 27 per cent; for the financial year ending 30 September 2009 the tax rate was substantially lower (8 per cent) as a result of credits arising from the recognition of deferred tax assets.

The Board regards the most relevant measure of the year's earnings to be earnings per share ("EPS") as adjusted to exclude the charges for our long-term incentive scheme settled from the issuance of primary shares. On this basis, EPS were 3.50 pence (adjusted), a 33 per cent increase compared to last year (2.63 pence (adjusted)). The 2010 EPS result included 0.79 pence attributable to the uplift in value of the loan note; the 2009 EPS result included 0.65 pence attributable to one off tax benefits.

The Group's balance sheet also strengthened during the Period and cash generation has increased significantly. At the end of the financial year, shareholders' equity had increased to £16,903,000 (2009: £13,850,000) and cash reserves available to shareholders were £8,339,000 (2009: £6,694,000). The Group remained debt free during the Period.

In view of the Group's strong financial position, I am pleased to report that the Board recommends an increased dividend of 0.60 pence per share (2009: 0.40 pence per share). The dividend proposal will be submitted for formal approval by shareholders at the forthcoming Annual General Meeting on 2 March 2011. If approved, the dividend will be paid on or around 11 March 2011. The Board does not currently intend to recommend the payment of interim dividends.

# Chairman's Statement continued

## Revenue

£ million

06	3.84
07	7.11
08	11.39
09	10.39
10	15.34

## Profit before tax

£ million

06	0.50
07	1.82
08	3.52
09	2.47
10	5.18

## Earnings per share (basic adjusted)

pence

06	1.59
07	1.20
08	3.36
09	2.63
10	3.50

## Dividend

pence

06	0.00
07	0.00
08	0.35
09	0.40
10	0.60

## AUM

£ billion

06	0.43
07	0.98
08	1.09
09	1.26
10	1.82

## Prospects

Over recent years institutional investors have generally been disappointed by investment returns from mainstream products, which have fallen well behind levels required to deliver on stated objectives. As a consequence, many are revisiting their asset allocation models and examining whether new strategies and asset classes can improve expected risk-adjusted returns. In this context, it is encouraging that many are reviewing in detail the credentials of investment portfolios in the environmental sector, Impax's chosen area of focus. Evidence continues to build that this sector is growing more rapidly than the overall economy, and I anticipate that allocations to strategies such as those run by Impax will grow considerably.



**J Keith R Falconer**

7 January 2011

# Chief Executive's Report

## For the Year Ended 30 September 2010

### Impax has continued to make significant progress in developing its status as a leading investment manager in the environmental sector

After a year of considerable uncertainty in the global economy and financial markets, it is encouraging to report that equity markets appear to have stabilised and are positioned for expansion. As described below, Impax has continued to make significant progress in developing its status as a leading investment manager in the environmental sector and has further demonstrated the attractions of its business model.

#### Sector developments

Just over a year ago, the international community was riveted by the prospects for an agreement in Copenhagen on limiting greenhouse gas emissions. Risk appetite was starting to return to equity markets, and many investors were betting on a strong year ahead for the environmental sector. However, the actual performance during 2010 of Impax's chosen sector was largely driven by a number of unconnected factors. Between January and June, concerns about the health of European economies undermined valuations of all stocks with regional exposure, and environmental markets, with their relatively high dependence on public sector expenditure, were particularly badly affected. In addition, the rapid adoption by power generators in the United States of low cost shale gas reduced power prices significantly, undermining the prospects for companies in the domestic renewable power generation and energy efficiency sectors.

Over the same timescale, Asian environmental markets continued to develop rapidly, particularly on the back of positive policy statements from governments in the region. China reconfirmed its commitment to securing 15 per cent of its electric power from renewable energy sources by 2020, a target that is expected to require at least US\$180 billion of capital expenditure. Meanwhile, India announced a similar target of 10 per cent of power from renewables by 2015, and Japan introduced tariff support as part of its policy to source 10 per cent of primary energy from renewables by 2020.

Notwithstanding weakness earlier in the year, environmental sector stocks have again out-performed general equity markets: during calendar year 2010 the FTSE Environmental Opportunities All Share Index grew 22 per cent, while the MSCI World Index expanded by 15 per cent (both priced in Sterling). Stocks exposed to the Asia Pacific region, stocks of larger companies and stocks in the water sector were typically strong contributors, while small cap stocks and those in the renewable energy sector tended to under-perform.

#### Assets under management and fund flows

The Company's principal divisions Listed Equity and Private Equity, have made substantial contributions to Impax's increase in AUM since 1 October 2009.

During the Period, Listed Equity funds that we manage or advise secured net inflows of £401 million, comprising £151 million into "Impax-Label" funds, which we typically manage for UK investors, and £250 million into Third Party Funds/Accounts.

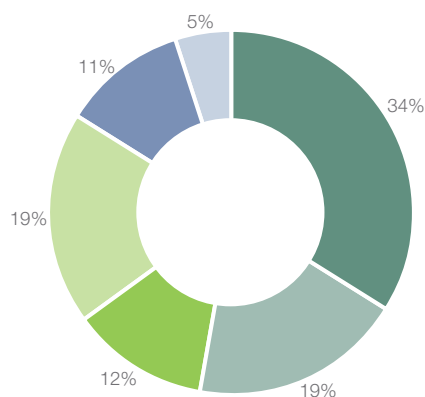
In the former category, our second investment trust, Impax Asian Environmental Markets plc ("IAEM"), launched in October 2009 with £104.5 million of assets. IAEM subsequently attracted £131 million additional capital in a C Share completed on 22 October 2010, i.e. after the Period end.

In the latter category, the development of our Institutional and Segregated Accounts business has been particularly encouraging. In October 2009 we commenced management of a second account for Russell Investments, a further endorsement of our reputation among international investors. In April 2010 we received the final tranche of funding for a €150 million mandate from a European institutional investor, and in August 2010 we began to manage a A\$50 million account for Local Government Super, our first major client in Australia. In November 2010 i.e., after the end of the Period, we announced that Lønmodtagernes Dyrtdisfond Pension Fund of Denmark had appointed us to manage €75 million in a segregated account following our Environmental Leaders strategy; we expect this mandate to commence later this month.

# Chief Executive's Report continued

## Stable, diverse client base

"Impax-Label" funds  
(as at 30 September 2010)



- Private Client Managers
- Pension Funds
- Insurance Companies
- Other Institutions
- Multi Managers
- Others

Our Third Party Funds business has also made progress. In June, Skandia Investment Group appointed us as manager of the £74 million Skandia Ethical Fund, which was refocused on our Environmental Leaders strategy, albeit with an additional ethical screen. In view of Skandia's powerful distribution capabilities in the UK retail market, we decided to wind up the IFSL Impax Environmental Leaders Fund, which had attracted ca. £7 million of capital.

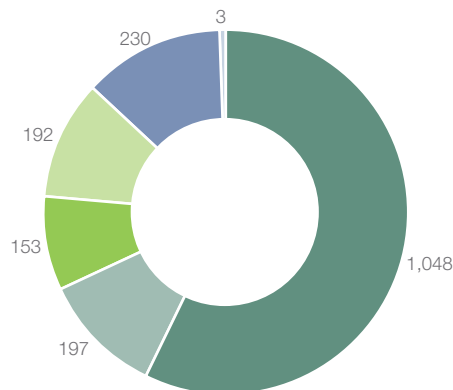
Our Private Equity division has also had a very successful year. In March we held a first closing of Impax New Energy Investors II LP ("Fund II") with €141 million of capital from ten limited partners, the majority of whom had invested in Fund I. Fund II has a similar objective to Fund I, i.e., to provide strong capital growth by investing in renewable energy power generation and related assets in Europe. Subsequently, we have raised additional capital for Fund II, taking total commitments to €275 million and we expect to expand this fund further before its final closing, which is scheduled for March 2011. As described further below, we made the first investment for Fund II in December.

## Cash flow

Operating cash flow before movements in working capital increased over the

## Range of investment strategies

"Impax-Label" funds AUM (£m)  
(as at 30 September 2010)



- Environmental Specialists
- Environmental Leaders
- Asia-Pacific
- Water
- Private Equity
- Hedge

Period to £4.3 million (2009: £2.7 million), which was equivalent to £354,000 per month on average (2009: £225,000). Given the recent increase in AUM, monthly operating cash flow has improved further.

As reported in the Interim results for the six month period ended 31 March 2010, the Group disbursed additional funds to Impax New Energy Investors LP, and to date has paid in €2,750,000 out of its total commitment of €3,756,000.

The closure of the IFSL Impax Environmental Leaders Fund released £1.4 million of seed capital to the Group.

Final redemption proceeds of \$3,695,000 were received after the period end in respect of a secured loan note from All American Oil and Gas Incorporated ("AAOG"). The note, which was payable in full on or before 31 July 2011, was issued to Impax by AAOG in July 2004 as part of AAOG's purchase of Impax's legacy oil operations. The proceeds represent £1,241,000 more than the previous book value of the note on Impax's balance sheet; in accordance with IFRS, £1,002,000 has been included in profit before tax for the year ended 30 September 2010.

## Investment performance

### Listed equities

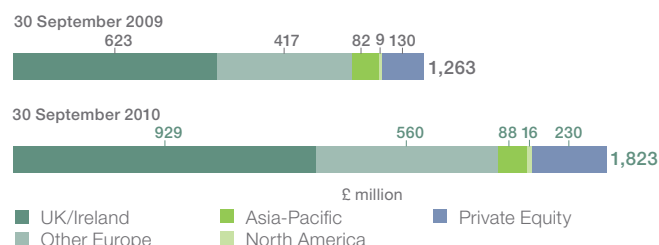
We continue to see strong investment performance as a top priority, and I am pleased to report that our track record of long-term out-performance has continued. During the Period, we completed our adoption of Global Investment Performance Standards ("GIPS"), which enhances considerably our ability to report investment performance with a methodology that is accepted worldwide by institutional investors.

Over the past few years we have widened our range of listed equity strategies to capitalise on new investment opportunities and respond to demand from clients. We now have four distinct long-only investment strategies: Environmental Specialists, which focuses on companies that have a majority of their business in the environmental sector; Environmental Leaders, which comprises specialists plus more diversified companies; Asia-Pacific, with stocks based in the region; and Water.

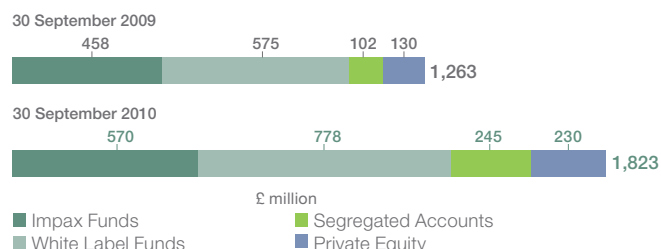
As shown in Table 1, we remain very encouraged by the investment performance of the portfolios that we manage. Over five years, our Environmental Specialists strategy has delivered an annualised performance, measured in Sterling, of 10.6 per cent, significantly ahead of the MSCI World Index, which has returned 4.3 per cent (annualised).

In order to prepare for future growth, we have also been working hard to generate out-performance in more recently established long-only strategies. As discussed in previous statements, our Environmental Leaders strategy is designed to capture the upside from our full investment universe of stocks; the resulting portfolio typically has a lower volatility and tracking error against global equity indices than the Environmental Specialists strategy, and is therefore suitable for an investor seeking broad exposure to environmental markets. The Environmental Leaders strategy has an annualised performance of 18.4 per cent over two years which is ahead of the MSCI World Index, up 15.5 per cent over

### AUM by geographic region (source of funding)



### AUM growth across business channels



the same period, with a very similar measure of risk (as measured by volatility). The strategy will have a three year track record in March 2011, after which we expect it to be of interest to a wider group of investors.

#### Private equity

During the Period, we completed the investment programme for Impax New Energy Investors ("Fund I"), our first private equity fund, which has €125 million of commitments, by allocating capital to a multi-project solar investment programme in Italy. During August, Fund I acquired an Italian project company with the right to build 9MW in the Lazio region, while in November, the Fund invested in a company developing 10.9MW in Puglia. These commitments have provided the portfolio with further diversification.

In parallel, during calendar 2010 Fund I's portfolio of Spanish solar projects again beat its budget and produced

an attractive cash yield. At the time of writing, we are analysing the implications for Fund I of a new Royal Decree passed unexpectedly in Spain on 23 December 2010, which, if formally ratified by the Spanish parliament later in January 2011, will cap the subsidies to solar power generators. Meanwhile, we expect to complete Final Acceptance Testing for these assets during the first half of 2011.

In December we completed the first investment for Fund II through the purchase from the German company Conergy AG, of 23MW of operating wind farms as well as a development pipeline of 93MW in Germany and 285MW in France, some of which we expect to be ready target for construction in 2011. We expect to use the business as a platform for growth in these markets.

#### Distribution

During the Period, our external distribution network has developed significantly in line with our policy of

focusing internal resources on our core skill of investment management. The merger of BNP Paribas Investment Partners ("BNPP IP") with Fortis Investment Management, which was completed in April 2010, has extended the sales team that is able to promote Impax's products. For example, the expanded BNPP IP now has much stronger coverage in the Scandinavian and Benelux regions, both of which have historically shown a willingness to commit capital to environmental markets. BNPP IP is now able to represent Impax in most parts of continental Europe and the Asia-Pacific region. At the end of the Period, funds raised by or managed for BNPP IP represented 21 per cent of our total AUM.

In the United States, we have continued to support Titanium Asset Management, who have been acting as our non-exclusive distributor since January 2010. In recognition of the structure of the

**Table 1: Performance of investment strategies versus benchmark and peers (Sterling)**

	2006	2007	2008	2009	2010	5 year annualised	5 year volatility
Impax Environmental Specialists strategy	22.2%	17.4%	-20.3%	29.1%	12.0%	10.6%	22.0%
Impax Environmental Leaders strategy			-9.0%*	21.9%	15.1%		
Impax Water strategy				24.9%	20.3%		
MSCI World Index	5.3%	7.2%	-17.9%	15.7%	15.3%	4.3%	16.8%
MSCI Small Cap Index	2.8%	-0.9%	-19.5%	28.3%	30.1%	6.5%	20.3%
Impax Asia-Pacific strategy				10.9%**	26.4%		
MSCI AC Asia-Pacific ex Japan Index				8.7%**	21.8%		
Custom ecology peer group average	23.2%	12.3%	-30.0%	21.1%	5.9%	5.8%	19.9%
Custom alternative energy peer group average	14.7%	56.9%	-40.7%	26.9%	-8.2%	3.3%	28.2%

\* Represents partial year 3 March 2008 to 31 December 2008

\*\* Represents partial year 1 November 2009 to 31 December 2009

# Chief Executive's Report continued

## International distribution network



US investment management sector, we have been focusing on educating leading investment consultants in the characteristics of and potential for the environmental sector, logging our credentials and track record on key databases and engaging with receptive asset owners. We expect this systematic approach to produce results during 2011. Meanwhile, the fund that we sub-advise for Pax World, which currently has ca. US\$31 million of assets, has sustained its strong investment performance. Once this fund reaches its third anniversary in March 2011, we expect it to pick up positive independent ratings and to attract additional capital.

In the United Kingdom we have continued our long and successful partnership with Collins Stewart's closed ended companies team. Collins Stewart helped us to launch IAEM in October 2009, and then, as described above, to expand the same trust in October 2010. Separately, since May 2010, we have been directly promoting an open ended version of IAEM to UK investors (through our funds platform in Ireland).

In parallel, we are continuing to engage with representatives of the major investment consultants around the world. After many years of dialogue, we believe we are well regarded by many of these "gatekeepers", and several of them actively recommend one or more of our investment strategies to their clients. In particular, we have secured all of our Segregated Account clients after positive endorsement by consultants.

### Infrastructure and support

Behind any successful investment management team is an experienced and well resourced support team. As our business has expanded, we have continued to invest in this key area. During the Period, we hired additional staff into our compliance, operations, marketing, and finance teams, taking the headcount in this area from 17 to 20.

In consultation with some of our larger clients, we decided during summer 2010 to seek external validation of the internal controls for our listed equities investment activity using the widely recognised SAS 70 format. KPMG are currently finalising their reports, and we expect to be able to share the results with investors and prospective investors in the near future.

At the end of the Period, our total headcount was 40 permanent and four temporary staff, up from 34 permanent and four temporary staff at the start of the Period.

### Hong Kong subsidiary

In recognition of the rapidly growing demand for our investment expertise in the Asia-Pacific region, during summer 2010, we decided, in consultation with our local partner Ajia Partners Asset Management ("APAM"), to incorporate a subsidiary in Hong Kong. Impax Asset Management (Hong Kong) Limited ("Impax Hong Kong"), which was incorporated in October and is 100 per cent owned by Impax Asset Management Group plc, is currently

applying to the Hong Kong Securities and Futures Commission for a licence as an asset manager. Subject to regulatory approval, we expect that, for the foreseeable future, Impax Hong Kong will employ a small number of investment analysts and will share an office with APAM, who will continue to provide regional expertise and oversight.

### Outlook

After a volatile year for equity markets, expectations for 2011 are positive, although there is significant downside risk, particularly over financial stress in the Euro area, stagflation in developed countries and over-heating in China. Against this backdrop, although a handful of sub-sectors, particularly renewable energy, are struggling to recover, environmental markets, in general, are well positioned for sustained growth.

I am delighted to be able to report on such a strong year for Impax. With over a decade of experience and a robust investment process, we are confident of being able to generate compelling returns for clients, and with our scalable structure and network of distribution partners we are in an excellent position to create significant further value for shareholders.

**Ian R Simm**  
7 January 2011

# Directors' Profiles

## **Keith Falconer** **Chairman**

Keith Falconer, aged 55, is Chairman of Impax Asset Management Group plc. He joined the Group in January 2004. After qualifying as a Chartered Accountant in 1979, he joined Martin Currie, the independent Edinburgh-based investment firm. The first part of his career was spent managing portfolios on behalf of institutional clients. Subsequently, he became the Managing Director of sales and marketing. He retired from Martin Currie at the end of 2003 and is now also Chairman of Aberdeen New Thai Investment Trust plc and a number of other companies.

## **Ian Simm** **Chief Executive**

Ian Simm, aged 44, is Chief Executive of Impax Asset Management Group plc and Managing Director of Impax Asset Management Limited ("IAM"). Prior to joining Impax in 1996 he was a project manager at McKinsey & Co. in the Netherlands, where he advised clients on strategies in environmentally sensitive industries, including energy, waste management and the automotive sector. Ian established Impax's asset management business in 1998. He graduated with a first class physics degree from Cambridge University and has a Master's in Public Administration from Harvard University.

## **Peter Gibbs** **Non-Executive Director**

Peter Gibbs, aged 52, is a Non-Executive Director of Impax Asset Management Group plc. Having begun his career at Brown Shipley, he joined Bankers Trust in 1985 as a Senior Portfolio Manager. In 1989 he joined Mercury Asset Management ("MAM") where he rose to become Head of the International Equities Division. Following the acquisition of MAM by Merrill Lynch, he was appointed co-Head of Equity Assets worldwide. In 2003 he became Chief Investment Officer and Head of Region for Merrill Lynch's Investment Management activities outside the US. Peter was a Non-Executive Director of Bridgewell Group plc between June 2006 and August 2007 and Chairman of Turquoise Services Limited until 2010. He is currently a Director of Evolution Group plc, UK Financial Investments Ltd ("UKFI"), Intermediate Capital Group plc and Merrill Lynch (UK) Pension Plan Trustees Limited.

## **Mark White** **Non-Executive Director**

Mark White, aged 55, is a Non-Executive Director of Impax Asset Management Group plc. He is the General Manager of LGT Capital Partners (UK) Ltd following LGT Capital Partners' acquisition of KGR Capital. From 2001 to 2005, he was Chief Executive Officer ("CEO") of JPMorgan Fleming Asset Management (UK) Ltd and was responsible for their institutional business internationally. Prior to that, he was CEO of Jardine Fleming Asset Management in Hong Kong and CEO of Chase Fleming Asset Management (UK) Ltd in London. He is a past Chairman of the Hong Kong Investment Funds Association and the HK SFC Advisory Committee on Unit Trusts. He is also a Non-Executive Director of Ellis Brady Absolute Return Fund and F&C Global Smaller Companies plc.

## **Guy de Froment** **Non-Executive Director**

Guy de Froment, aged 60, is a Non-Executive Director of Impax Asset Management Group plc. He was previously Vice Chairman of BNP Paribas Asset Management and joint CEO responsible for Sales and Marketing. From 1997 to 2000, he held the position of Chairman and CEO of Paribas Asset Management. Prior to that he worked for Barclays as Head of Continental European Asset Management, having previously spent 24 years in the Indosuez Group during which time he was Chief Executive of W. I. Carr and CEO of Indosuez Asset Management. Guy is a graduate of the Ecole des Hautes Etudes Commerciales (HEC Paris).

## **Vince O'Brien** **Non-Executive Director**

Vince O'Brien, aged 52, is a Non-Executive Director of Impax Asset Management Group plc. He is currently a Director of Montagu Private Equity and has worked in the private equity industry for over 20 years. Originally qualifying as a Chartered Accountant with Coopers and Lybrand he joined Montagu Private Equity in 1993. Vince is a former Chairman of the BVCA and served on its Council for seven years.

# Senior Personnel

## **Bruce Jenkyn-Jones**

Bruce Jenkyn-Jones, aged 45, is a Director of Impax Asset Management Ltd (“IAM”) and Managing Director for the Listed Equity business. He has 19 years’ experience working in environmental markets. Prior to joining Impax in 1999 he was a utilities analyst with BT Alex Brown and before that a Senior Consultant at Environmental Resources Management Ltd. Bruce is a graduate of Oxford University and has a Master’s in Environmental Technology from Imperial College and an MBA from IESE (Barcelona).

## **Peter Rossbach**

Peter Rossbach, aged 52, is a Director of IAM and Managing Director for the Private Equity team that manages Impax New Energy Investors and Impax New Energy Investors II. From 1997 to 2000, he was Senior Investment Officer at AMI Asset Management, a private equity investment fund specialising in the utility sector. Before AMI, he held positions as senior investment adviser to EBRD, Vice President of Project Finance at Mitsui Bank in New York, and within the energy project finance teams at Catalyst Energy, Lowrey Lazard and at Standard and Poor’s utility debt ratings services in New York. Peter holds both a Bachelor’s degree and a Master’s in Public Policy from Harvard University.

## **Nigel Taunt**

Nigel Taunt, aged 57, is a Director of IAM and Managing Director for Impax’s venture capital activities. Nigel qualified as a Chartered Accountant in 1977 and, before moving into corporate finance and investment management, joined the group as Finance Director in January 2002. From 1992 to 1998 he was Finance Director of Yorkshire Environmental (“YE”) and was a Director of several other water and renewable energy businesses within Kelda Group plc. During this period he led many successful acquisition and divestment projects as YE grew substantially in key sectors, particularly waste management, environmental laboratories and renewable energy.

## **Charlie Ridge**

Charlie Ridge, aged 46, is a Director of IAM and Chief Financial Officer of Impax Asset Management Group plc. Charlie has worked across financial services for more than 20 years, holding senior management positions with a number of international blue chip investment banks. Charlie joined Impax from Deutsche Bank, where he was a Managing Director within the Finance Division. He most recently served as UK Asset and Wealth Management Chief Financial Officer, having previously used his technical expertise in various financial and market risk related roles for the Global Markets Division. Charlie has a degree in Engineering Science from Durham University and qualified as a Chartered Accountant at Ernst & Young.

# Officers and Advisers

<b>Directors</b>	J Keith R Falconer (Chairman) Ian R Simm (Chief Executive) Guy de Froment (Non-Executive) Peter J Gibbs (Non-Executive) Vincent O'Brien (Non-Executive) Mark B E White (Non-Executive)
<b>Secretary</b>	Michael B Knight
<b>Registered Office</b>	Mezzanine Floor Pegasus House 37-43 Sackville Street London W1S 3EH
<b>Auditors</b>	KPMG Audit Plc 15 Canada Square London E14 5GL
<b>Bankers</b>	The Royal Bank of Scotland Group plc 3rd Floor 280 Bishopsgate London EC2M 4RB
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
<b>Nominated Adviser and Broker</b>	Execution Noble 10 Paternoster Square London EC4M 7AL
<b>Solicitors</b>	Stephenson Harwood One St Paul's Churchyard London EC4M 8SH

# Directors' Report

## For the Year Ended 30 September 2010

The Directors present their Report and the financial statements for the year ended 30 September 2010.

### Principal activities

The principal activity of the Group during the year was the provision of investment services to funds specialising in the environmental markets sector. The Group's activities are both authorised and regulated by the Financial Services Authority.

The principal activity of the Company was that of a holding company.

### Review of business

The review of business is contained in the Chairman's Statement and Chief Executive's Report.

The Directors consider assets under management ("AUM"), revenue and profitability to be the key performance indicators of the Group. Revenue for the year was £15,339,000 (2009: £10,391,000) and profit before tax was £5,177,000 (2009 restated: £2,473,000). AUM grew from £1,263 million at 30 September 2009 to £1,823 million at 30 September 2010.

### Results and dividends

The profit for the year after taxation was £3,799,000 (2009: restated £2,281,000).

The Directors propose a dividend of 0.60p per share for the year ended 30 September 2010 (2009: 0.40p per share, totalling £435,000). The dividend will be submitted for formal approval at the Annual General Meeting to be held on 2 March 2011. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 30 September 2011.

The dividend for the year ended 30 September 2009 was paid on 11 February 2010, being 0.40p per share. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total dividend payment of £435,000. This payment is reflected in the Statements of Changes in Equity.

### Risk assessment

The principal risks that the Group faces are described below. Further information on financial risk is given in note 24 to the financial statements.

### Liquidity and cash flow risk

The Group's approach to managing this risk is to ensure that it has sufficient liquidity to meet liabilities when due under both normal and stressed conditions and to meet commitments to the private equity funds and regulatory requirements. The Group produces cash flow forecasts covering a twelve month period. The Group's management and Board review these forecasts.

### Interest rate risk

The Group has interest bearing assets including cash balances that earn interest at a floating rate and a loan note earning interest at a fixed rate. Interest rate fluctuations do not have a significant impact on the Group.

### Currency risk

A significant amount of the Group's income is denominated in foreign currencies. The strategy of the Group for the year ended 30 September 2010 has been to convert earned income back to Sterling whilst future income streams have been left unhedged. Going forward the Group's strategy is to put in place hedges where there is sufficient predictability over inflows to allow for an effective and efficient hedge. The amount of the Group's expenses denominated in foreign currencies is minimal.

A proportion of the Group's assets and liabilities are denominated in foreign currency. The Group also owns a small number of minor subsidiaries denominated in foreign currency. Exchange differences that arise on consolidation are taken to the exchange translation reserve.

### Market risk

The Group's Listed Equity business charges management fees based on assets under management and is therefore exposed to market risk. The Group has chosen not to hedge this risk.

The Group seeds investments in its own listed equity funds in order to build a track record to market those funds more effectively and is therefore directly exposed to the market performance of the funds. The Group attempts to mitigate this risk through the use of hedging instruments where appropriate and intends to divest these investments as commercial and market conditions allow.

The Group also invests in its own private equity funds and is therefore exposed to the performance of these funds.

### Financial regulations

The Group's operations are subject to financial regulations including minimum capital requirements and compliance procedures in each of the jurisdictions in which it operates. The Group seeks to manage the risks associated with these regulations by ensuring close monitoring of compliance with the regulations and by tracking proposed changes and reacting immediately when changes are required. The Group has a dedicated Compliance Officer.

### Key employees

The success of the Group depends on the support and experience of its key employees and in particular senior managers and fund managers. The loss of key employees could have a material adverse effect on its result or operations. The Group seeks to manage this risk by offering competitive remuneration packages, including share schemes and share of carry in private equity funds, and by creating a supportive and enjoyable working environment.

### Operational risks

The Group has established a control framework so that the risk of financial loss to the Group through operational failure is minimised. As part of this the Group is currently undergoing an exercise to achieve "SAS 70" certification of its Listed Equity business.

Furthermore the Group has put in place measures to minimise and manage possible risks of disruption to its business and to ensure the safety of its staff. This plan has been put in place to manage its strategic and operational business risks during emergencies and is aimed at bringing together particular responses such as IT disaster recovery, contingency plans, off-site storage of records, data back-up and recovery procedures, evacuation procedures and customer/staff communications.

The Group's insurance policies are reviewed each year prior to policy renewal.

### Creditor payment policy

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 30 September 2010 were 12 (2009: 14).

### Directors and their interest in shares

The Directors of the Company during the year and at the date of this report are set out below. The Directors' interests and those of their connected persons in the ordinary shares of the Company, all of which are beneficial, at 30 September 2010 and 30 September 2009 were:

	Ordinary shares	
	30 September 2010	30 September 2009
J Keith R Falconer*	10,489,290	10,489,290
Ian R Simm*	5,486,261	5,486,261
Peter J Gibbs	200,000	200,000
Mark B E White	300,000	200,000
Vince O'Brien	10,000	–
Guy de Froment	–	–

\* Includes vested shares granted by the Impax Group Employee Benefit Trust.

There have been no changes to the above holdings since 30 September 2010.

Ian Simm has a 5.88 per cent interest in the capital of Impax Carried Interest Partner LP, and a 5 per cent interest in the capital of Impax Carried Interest Partner II LP, entities in which the Company holds an investment.

The Directors and their families are potential beneficiaries of the Impax Group Employee Benefit Trust ("EBT"), which is described in further detail in note 26. At 30 September 2010 the Impax EBT held 16,018,781 shares that have vested and as

a result have transferred to sub funds of the Trust (2009: 16,320,746 shares).

### Substantial share interests

The following interests in three per cent or more of the issued ordinary share capital have been notified to the Company as at 7 January 2011:

	Number	Percentage
BNP Paribas Investment Partners	32,220,000	28.2%
J Keith R Falconer*	10,489,290	9.2%
Rathbone Investment Managers	7,453,150	6.5%
Impax Group Employee Benefit Trust**	5,888,273	5.1%
Ian R Simm*	5,486,261	4.8%
DIAM Company	5,474,955	4.8%
UBS Wealth Management UK	5,035,850	4.4%
Bruce Jenkyn-Jones*	4,159,420	3.6%

\* Includes shares within sub-funds of the Employee Benefit Trust from which the individual may benefit.

\*\* In addition to the interest disclosed above, the EBT has a legal interest in a further 16,018,781 shares which have transferred to sub funds from which the individuals may benefit.

### Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements and the Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss in the case of both the Company and all the undertakings included within the consolidation. In preparing these financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for

# Directors' Report continued

safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As permitted by the Company's Articles of Association, the Company has maintained Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors throughout the period.

## Corporate governance

The Group is committed to maintaining good standards of Corporate Governance. As an AIM quoted company, compliance with the Finance Reporting Council's UK Corporate Governance Code ("the Code") is not mandatory. However the Board seeks to comply with the principles of the Code in so far as appropriate to the Group's size and complexity. This report describes how the Company has applied the principles throughout the year.

## Directors

The Board of Directors ("the Board") has overall responsibility for the Group.

The Board has consisted of a Non-Executive Chairman, four Non-Executive Directors and the Chief Executive during the year. Details of the current Board members are given on page 9 of this report. Throughout the year the positions of Chairman and Chief Executive were held by separate individuals. There is a clear division of responsibilities between the Chairman and Chief Executive. The Board has appointed one of the Non-Executive Directors (Peter Gibbs) to act as the Senior Independent Director. The Board considers that three of the Non-Executive Directors (Peter Gibbs, Mark White and Vince O'Brien) are independent as envisaged by the Code. Guy de Froment is not considered to be independent as he represents a significant shareholder. The Chairman is also not considered to be independent by nature of his significant shareholding and past service to the Group. The Non-Executive Directors and Chairman all have or have had senior executive experience and offer insightful judgement on Board matters. The Non-Executive Directors do not participate in any bonus schemes or share ownership schemes and their appointments are non-pensionable.

There is a rigorous procedure to appoint new Directors to the Board which is led by the Chairman.

The Board met six times in the year to consider strategic development and to review trading results and operational and business issues.

All Directors receive detailed Board papers and reports one week prior to each Board meeting. There is provision for Board members to solicit professional advice on Board matters at the Company's expense.

The Board has carried out a formal evaluation of its own performance and individual Directors which was led by the Chairman. The Board also completed an evaluation of the Chairman's performance which was led by the Senior Independent Director. The evaluations confirmed a high rating for performance.

All Directors are subject to reappointment by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years.

## Internal control

The Board has overall responsibility for the Group's system of internal controls including financial, operational, compliance and risk management controls.

The Group's fund management activities are regulated by the Financial Services Authority and the Board has adopted procedures and controls designed to ensure its obligations are met.

## Audit Committee and auditors

The Audit Committee provides a link between the Board and the Company's auditors on matters falling within the scope of the Group's audit. The Audit Committee is comprised of the following Non-Executive Directors: Mark White (Chairman), Peter Gibbs, Guy de Froment and Vince O'Brien. The Audit Committee meets at least twice a year and more frequently as and when appropriate.

The Audit Committee's responsibilities include:

- > the implementation of new accounting standards and policies;
- > monitoring the integrity of the financial statements and formal announcements relating to the Company's and Group's financial performance;
- > monitoring of the internal financial control procedures;
- > making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- > reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process and;
- > ensuring the objectivity and independence of the external auditor by acting as primary contact with the external auditors, meeting the external auditors without the presence of management where considered necessary and receiving all reports directly from the external auditors.

Details of fees paid to the Company's auditors are shown in note 3 to the financial statements. In the opinion of the Board, none of the non-audit services provided caused any concern as to the auditors' independence or objectivity. To ensure that the independence and objectivity of the auditors is maintained, the Audit Committee monitors the scope of all work performed.

#### Dialogue with institutional shareholders

The Company reports formally to shareholders twice a year, when its half-year and full-year results are announced and an Interim Statement and Annual Report are sent to shareholders. The Annual Report includes notice of the Annual General Meeting of the Company at which a presentation is given and Directors are available to take questions, both formally during the meeting and informally after the meeting. The Chairman, Chief Executive and Senior Independent Director are available for dialogue with major shareholders on the Company's plans and objectives and from time to time will meet with them.

#### Environmental policy

The Group attaches great importance to its environmental performance. In addition to ensuring that it is making the most of commercial opportunities within the environmental markets sector, the Group is committed to maintaining and improving the sustainability of its working practices.

The Group is focused on minimising environmental impact in three areas of its operations:

- > Energy consumption: the Group has an energy efficiency policy covering inter alia lighting, heating and computers;
- > Travel: the Group encourages staff to minimise travel and to select public transport where appropriate, and to utilise the Group's cycle scheme; and
- > Paper and materials usage: the Group has a system to recover office paper and encourages staff to avoid wastage of other materials.

#### Remuneration report

The Remuneration Committee is comprised of the four Non-Executive Directors: Peter Gibbs (Chairman), Mark White, Guy de Froment and Vince O'Brien. The Remuneration Committee meets at least four times each year and more frequently as and when appropriate.

The purpose of the Remuneration Committee is to ensure that the Chief Executive and other senior employees are fairly rewarded for their individual contribution to the overall performance of the Group and will respond to this requirement in the way that meets the best interest of shareholders.

#### Emoluments

Total Directors' emoluments for the year were £811,457 (2009: £635,205) and details of each Director's remuneration are shown in note 21 to the financial statements.

#### Policy on Chief Executive and senior employees' remuneration

The remuneration and terms and conditions of service of the Directors are determined by the Board, based on recommendations made by the Remuneration Committee. The Board's policy is to pay competitive salaries having regard to the Directors' experience, the size and complexity of the job and any special factors which may arise from time to time.

There are potentially four main elements of the remuneration packages for the Chief Executive and senior employees.

##### (i) Basic salary and benefits in kind

Basic salaries are recommended to the Board by the Remuneration Committee taking into account the performance of the individual and the rate for similar positions in comparable companies. Benefits in kind include income protection, critical illness cover/insurance, life assurance and private medical insurance.

##### (ii) Discretionary bonus

The Group operates a discretionary bonus scheme. The bonus is determined based on the Group's profitability and thereafter on the profitability of the relevant area where the employee works and on the individual's personal performance.

##### (iii) Share-based payment

The Group has a share-based payment scheme operated via an Employee Benefit Trust. The current scheme has a share price and a total return condition. If the conditions are met, shares can be granted to Group employees including the Chief Executive. The allocation of the shares to individuals will be recommended to the Board by the Remuneration Committee based on the performance of the individual and their contribution to the Group. The shares will vest on 30 September 2012 subject to continued employment of the individual. Further details of the scheme are provided in note 26 to the financial statements.

The Group has a further share scheme under which zero strike price options were awarded to certain senior employees during the year. Further details are provided in note 26 to the financial statements.

##### (iv) Pensions

The Group pays a defined contribution to the pension scheme of the Chief Executive and other employees. The individual pension schemes are private and their assets are held separately from those of the Group.

In addition the Chief Executive and certain senior employees have been awarded interests in the Impax Carried Interest Partner LP and Impax Carried Interest Partner II LP. These partnerships will receive payments from the Group's private equity funds depending on the fund's performance.

# Directors' Report continued

## Service contracts

The Chief Executive is employed under a contract requiring one year's notice from either party. The Chairman and Non-Executive Directors each receive payments under appointment letters which are terminable by up to six months' notice from either party.

## Policy on Non-Executive Directors' remuneration

The Chairman and Non-Executive Directors each receive a fee for their services. The fee is approved by the Board, mindful of the individuals time commitment and responsibilities and of current market rates for comparable organisations and appointments. The Non-Executive Directors and the Chairman are reimbursed for their travelling and other minor expenses incurred.

## Going concern

After making appropriate enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

## Statement of disclosure to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- (b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

During the year the Directors appointed KPMG Audit Plc as auditors to replace Mazars LLP following a thorough selection process.

In accordance with section 489 (2) of the Companies Act 2006, a resolution proposing that the Company's auditors, KPMG Audit Plc, be re-appointed will be put to the Annual General Meeting.

By order of the Board



## Michael B Knight

Company Secretary  
7 January 2011

## Registered office:

Mezzanine Floor  
Pegasus House  
37-43 Sackville Street  
London  
W1S 3EH

# Independent Auditors' Report to the Members of Impax Asset Management Group plc

We have audited the financial statements of Impax Asset Management Group plc for the year ended 30 September 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Financial Position and the Consolidated and Company Statements of Cash Flows and the related notes set out on pages 18–52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ 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 and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As explained more fully in the Directors’ Responsibilities Statement set out on pages 13–14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (“APB’s”) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB’s website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## Opinion on the financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2010 and of the Group’s profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company financial statements are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors’ remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.



## JM Mills (Senior Statutory Auditor)

for and on behalf of:

## KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

7 January 2011

# Consolidated Statement of Comprehensive Income

For the Year Ended 30 September 2010

	Notes	2010 £'000	2009 (restated*) £'000
<b>Revenue</b>	2	<b>15,339</b>	10,391
Operating costs:			
Long-term incentive scheme charges	26	<b>(141)</b>	(552)
Other operating costs	3	<b>(11,371)</b>	(7,842)
Fair value gains on investments		<b>3</b>	326
Change in third party interest in consolidated funds		<b>152</b>	(112)
<b>Profit from operations</b>		<b>3,982</b>	2,211
Investment income	4	<b>1,195</b>	262
<b>Profit before taxation</b>		<b>5,177</b>	2,473
Taxation	5	<b>(1,378)</b>	(192)
<b>Profit for the year</b>		<b>3,799</b>	2,281
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<b>1</b>	(3)
<b>Total other comprehensive income</b>		<b>1</b>	(3)
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>3,800</b>	2,278
Basic earnings per share	7	<b>3.50p</b>	2.12p
Diluted earnings per share (restated)	7	<b>3.49p</b>	2.08p

\* See note 1

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

The notes on pages 25 to 52 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 September 2010

	Notes	2010		2009	
		£'000	£'000	£'000	(restated*) £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	9	1,629		1,629	
Intangible assets	10	76		143	
Property, plant and equipment	11	297		422	
Other financial assets	12	–		792	
Investments	13	16		14	
Trade and other receivables	14	–		65	
Deferred tax asset	5	–		364	
			2,018		3,429
<b>Current assets</b>					
Trade and other receivables	14	3,919		2,716	
Other financial assets	12	2,242		452	
Investments	15	7,007		3,927	
Current tax asset		217		22	
Cash and cash equivalents	29	11,729		10,284	
			25,114		17,401
<b>TOTAL ASSETS</b>			<b>27,132</b>		<b>20,830</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares	18	1,156		1,156	
Share premium	19	78		78	
Exchange translation reserve		(156)		(157)	
Own shares	19	(59)		(59)	
Treasury shares	19	(453)		–	
Retained earnings		16,337		12,832	
<b>TOTAL EQUITY</b>			<b>16,903</b>		<b>13,850</b>
<b>Current liabilities</b>					
Trade and other payables	16	7,128		4,610	
Third party interest in consolidated funds	17	1,506		1,686	
Short-term borrowings	29	648		684	
Current tax liability		142		–	
Deferred tax liability	5	805		–	
<b>TOTAL LIABILITIES</b>			<b>10,229</b>		<b>6,980</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>27,132</b>		<b>20,830</b>

\* See note 1

Authorised for issue and approved by the Board on 7 January 2011. The notes on pages 25 to 52 form part of these financial statements.



**Ian R Simm**  
Chief Executive

# Company Statement of Financial Position

As at 30 September 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	297		422	
Investments	13	6,036		6,181	
Trade and other receivables	14	1,537		1,083	
Deferred tax asset	5	207		306	
			8,077		7,992
<b>Current assets</b>					
Trade and other receivables	14	404		296	
Investments	15	2,655		1,793	
Cash and cash equivalents	29	3,466		2,721	
			6,525		4,810
<b>TOTAL ASSETS</b>			<b>14,602</b>		<b>12,802</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares	18	1,156		1,156	
Share premium	19	78		78	
Own shares	19	(59)		(59)	
Treasury shares	19	(453)		–	
Retained earnings		6,257		6,661	
<b>TOTAL EQUITY</b>			<b>6,979</b>		<b>7,836</b>
<b>Current liabilities</b>					
Trade and other payables	16	7,623		4,966	
<b>TOTAL LIABILITIES</b>			<b>7,623</b>		<b>4,966</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>14,602</b>		<b>12,802</b>

Authorised for issue and approved by the board on 7 January 2011. The notes on pages 25 to 52 form part of these financial statements.



**Ian R Simm**  
Chief Executive

# Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2010

	Note	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Own shares £'000	Treasury shares £'000	Retained earnings £'000	Minority interest £'000	Total £'000
<b>Balance at 1 October 2008 as previously reported</b>		1,156	78	(154)	(78)	–	10,395	1,165	<b>12,562</b>
Prior year adjustment		–	–	–	–	–	–	(1,165)	<b>(1,165)</b>
<b>As at 1 October 2008 as restated</b>		1,156	78	(154)	(78)	–	10,395	–	<b>11,397</b>
Dividends paid		–	–	–	–	–	(377)	–	<b>(377)</b>
Long-term incentive scheme charge	26	–	–	–	–	–	552	–	<b>552</b>
Exchange differences on consolidation		–	–	(3)	–	–	–	–	<b>(3)</b>
Profit for the year		–	–	–	–	–	2,281	–	<b>2,281</b>
Shares vested to employees from Employee Benefit Trust		–	–	–	19	–	(19)	–	<b>–</b>
<b>As at 30 September 2009</b>		1,156	78	(157)	(59)	–	12,832	–	<b>13,850</b>
Dividends paid	8	–	–	–	–	–	(435)	–	<b>(435)</b>
Share buyback	19	–	–	–	–	(453)	–	–	<b>(453)</b>
Long-term incentive scheme charge	26	–	–	–	–	–	141	–	<b>141</b>
Exchange differences on consolidation		–	–	1	–	–	–	–	<b>1</b>
Profit for the year		–	–	–	–	–	3,799	–	<b>3,799</b>
<b>As at 30 September 2010</b>		1,156	78	(156)	(59)	(453)	16,337	–	<b>16,903</b>

The notes on pages 25 to 52 form part of these financial statements.

Own shares relate to the holding of 5,888,273 (2009: 5,886,308) unallocated and unvested ordinary shares in the Company by the EBT, representing 5.1 per cent (2009: 5.1 per cent) of the ordinary shares in issue at 30 September 2010.

During the period the Company purchased 1,240,000 of its own shares and transferred them to Treasury.

# Company Statement of Changes in Equity

For the Year Ended 30 September 2010

	Note	Share capital £'000	Share premium £'000	Own shares £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
<b>As at 1 October 2008</b>		1,156	78	(78)	–	5,104	<b>6,260</b>
Long-term incentive scheme charge	26	–	–	–	–	552	<b>552</b>
Profit for the year		–	–	–	–	1,401	<b>1,401</b>
Dividends paid		–	–	–	–	(377)	<b>(377)</b>
Shares vested to employees from Employee Benefit Trust		–	–	19	–	(19)	<b>–</b>
<b>As at 30 September 2009</b>		1,156	78	(59)	–	6,661	<b>7,836</b>
Long-term incentive scheme charge	26	–	–	–	–	141	<b>141</b>
Loss for the year		–	–	–	–	(110)	<b>(110)</b>
Dividends paid	8	–	–	–	–	(435)	<b>(435)</b>
Share buyback	19	–	–	–	(453)	–	<b>(453)</b>
<b>As at 30 September 2010</b>		1,156	78	(59)	(453)	6,257	<b>6,979</b>

The notes on pages 25 to 52 form part of these financial statements.

Own shares relate to the holding of 5,888,273 (2009: 5,886,308) unallocated and unvested ordinary shares in the Company by the EBT, representing 5.1 per cent (2009: 5.1 per cent) of the ordinary shares in issue at 30 September 2010.

During the period the Company purchased 1,240,000 of its own shares and transferred them to Treasury.

# Consolidated Statement of Cash Flows

For the Year Ended 30 September 2010

	Note	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
Profit from operations		3,982	2,211
Adjustments for:			
Depreciation of property, plant and equipment		206	185
Amortisation of intangible assets		75	51
Fair value movements in investments		(3)	(326)
Long-term incentive scheme charge		141	552
Change in third party interest in consolidated fund		(152)	112
Translation differences		-	(87)
<b>Operating cash flows before movement in working capital</b>		<b>4,249</b>	<b>2,698</b>
Increase in receivables		(1,115)	(726)
Increase/(decrease) in payables		2,559	(848)
<b>Cash generated from operations</b>		<b>5,693</b>	<b>1,124</b>
Corporation tax paid		(261)	(835)
<b>Net cash generated from operating activities</b>		<b>5,432</b>	<b>289</b>
<b>Investing activities:</b>			
Interest received		56	149
Cash acquired on consolidation of investment	15	-	2,906
Proceeds on sale of investments		1,195	-
Proceeds on sale of investments – Hedge Fund		16,935	-
Purchase of investments		(2,134)	(289)
Purchase of investments – Hedge Fund		(19,042)	-
Purchase of intangible assets		(8)	(121)
Purchase of property, plant and equipment		(82)	(70)
<b>Net cash (used by)/generated from investment activities</b>		<b>(3,080)</b>	<b>2,575</b>
<b>Financing activities:</b>			
Dividends paid		(435)	(377)
Share buy back		(453)	-
Preference share buy back – Hedge Fund		(1,885)	-
Preference shares issued – Hedge Fund		1,854	-
<b>Net cash used by financing activities</b>		<b>(919)</b>	<b>(377)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,433</b>	<b>2,487</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9,600</b>	<b>7,029</b>
Effect of foreign exchange rate changes		48	84
<b>Cash and cash equivalents at end of year</b>	29	<b>11,081</b>	<b>9,600</b>

# Company Statement of Cash Flows

For the Year Ended 30 September 2010

	Note	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
Profit from operations		251	1,077
Adjustments for:			
Depreciation of property, plant and equipment		206	185
Fair value movements in investments		38	(326)
Long-term incentive scheme charge		–	144
<b>Operating cash flows before movement in working capital</b>		<b>495</b>	<b>1,080</b>
Increase in receivables		(562)	(8)
Increase in payables		2,696	2,354
<b>Net cash generated from operating activities</b>		<b>2,629</b>	<b>3,426</b>
<b>Investing activities:</b>			
Interest received		23	17
Proceeds on sale of investments		1,195	–
Purchase of investments		(2,132)	(289)
Purchase of property, plant and equipment		(82)	(70)
<b>Net cash used by investment activities</b>		<b>(996)</b>	<b>(342)</b>
<b>Financing activities:</b>			
Dividends paid		(435)	(377)
Share buy back		(453)	–
<b>Net cash used by financing activities</b>		<b>(888)</b>	<b>(377)</b>
<b>Net increase in cash and cash equivalents</b>		<b>745</b>	<b>2,707</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,721</b>	<b>14</b>
<b>Cash and cash equivalents at end of year</b>	29	<b>3,466</b>	<b>2,721</b>

# Notes to the Financial Statements

For the Year Ended 30 September 2010

## 1 Accounting policies

### Presentation of financial statements

Impax Asset Management Group plc is a public limited company that is incorporated and domiciled in the UK, and is listed on the Alternative Investment Market (“AIM”). The nature of the Group’s operations and its principal activities are set out in the Directors’ Report on pages 12 to 16.

### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use by the European Union.

The financial statements have been prepared on a going concern basis under the historical cost convention, with the exception of the revaluation of certain investments.

The Group and Company adopted the following new standards in the year:

IAS 1 (revised) – Presentation of Financial Statements. IAS 1 (revised) has resulted in some of the titles of the financial statements changing. The “balance sheet” is now referred to as a “statement of financial position” and the “cash flow statement” is now a “statement of cash flows”. The Income Statement has been replaced by a “statement of comprehensive income”.

IFRS 8 – Operating Segments. The Group has two operating segments: “Listed equities” and “Private equity”. The results of these segments have been aggregated into a single reportable operating segment for the purposes of these financial statements because they have characteristics so similar that they can be expected to have essentially the same future prospects. These segments have common investors, operate under the same regulatory regimes and their distribution channels are substantially the same. Additionally, management allocates the resources of the Group as though there is one operating unit.

IFRS 3 – Business Combinations (2008) and IAS 27 – Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year commencing 1 October 2009. All business combinations occurring on or after 1 October 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IFRS 7 Amended – Financial Instruments: Disclosures. The amended standard requires enhanced disclosures about fair value measurements and liquidity risk. Amongst other things, the new disclosures:

- > add disclosure of any change in the method for determining fair value and the reasons for the change;
- > establish a three level hierarchy for making fair value measurements:
  - Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
  - Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs);
- > add disclosure for each fair value measurement in the Statement of Financial Position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever Level 3 is used including a measure of sensitivity to change in input data; and
- > add disclosure of a maturity analysis for derivative financial liabilities.

The adoption of this standard has not had a material impact on the financial performance or position of the Group.

IFRS 2 Amended Share-based payments: This standard has been amended to clarify the definition of vesting conditions. The amended standard also requires a cancellation of a share-based award, whether by the entity or other parties, to be accounted for as an acceleration or modification of the vesting period. The adoption of this amendment has not had a material impact on the financial performance or position of the Group.

# Notes to the Financial Statements continued

## For the Year Ended 30 September 2010

### 1 Accounting policies continued

IAS 27 Amended – Consolidated and Separate Financial Statements: Changes to IAS 27 and IFRS 3 work together such that a business combination leading to acquisition accounting applies only at the point where control is achieved. The amended standard also identified that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. Adoption of this amended standard has had no impact on the financial performance or position of the Group.

The Standards which have been issued but are not yet required to be adopted are not expected to have a material impact on the financial performance and position of the Group.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

Subsidiaries are accounted for using the acquisition method of accounting whereby the Group's results include the results of the acquired business from the date of acquisition.

All intra-Group transactions and balances are eliminated on consolidation.

Investments in funds in which the Group has more than 50 per cent of the share of the net assets are consolidated from the date that control is gained until the date that control is lost due to dilution or sale of the fund holding. The Group's investment holding instrument in its consolidated fund is classified as a liability in the fund's own financial statements. This is on the basis that the instruments may be redeemed by the Investor at any time, or subject to a notice period, such that the fund is required to utilise its assets to buy out the Investor's share and thereby reduce the net assets of the fund; such an investment is classified as a puttable interest under IFRS and recorded as a liability (equal to the fair value of the fund's assets and other liabilities). Upon consolidation the proportion of the fund attributable to the non-controlling interest is classified as a current liability and shown as "Third party interest in consolidated funds" in the Statement of Financial Position and the corresponding profit/loss attributable to the non-controlling interest as a "Change in third party interest in consolidated funds".

The non-controlling interest was previously classified as minority; accordingly a prior year adjustment has been made.

In instances where the Group acts as the Manager and General Partner of a fund in a Limited Partner structure the Group only receives compensation for its performance as Manager which is on market terms. Accordingly the Group does not consolidate these funds as it receives no ownership benefits.

The Company includes the assets and liabilities of the Employee Benefit Trust ("EBT") within its Statement of Financial Position. In the event of the winding up of the Company, neither the shareholders nor the creditors would be entitled to the assets of the EBT.

#### Investments in associates

The Group, in common with industry standard practice, seeds new funds with its own resources in order to establish a track record so that the funds may then be marketed to external investors. As new investors join the fund the Group's interest will dilute and ultimately the Group may divest entirely as commercial considerations allow. Investments in associates that are held by the Group are carried in the Statement of Financial Position at fair value even though the Group may have significant influence over those entities. This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital and similar organisations to be excluded from the scope of IAS 28, provided that those investments upon initial recognition are designated as fair value through profit or loss or held for trading and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised in profit or loss in the period of change.

## 1 Accounting policies *continued*

### Revenue recognition

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes. Revenue is recognised in the Statement of Comprehensive Income as follows:

- (a) Investment management, administration and advisory fees contractually receivable are recognised in the period in which the work is performed and the respective fees are earned. Performance fees arising upon the achievement of specified targets are recognised at the respective fund's period end, when such performance fees are confirmed as receivable.
- (b) Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.
- (c) Other investment income, including dividends, is recognised when the right to receive payment is established.

### Leases

All leases are operating leases. Rentals payable are charged to the Income Statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into operating leases are also spread on a straight-line basis over the lease term.

### Long-term incentive scheme charge

The fair value of employee services received in exchange for the grant of shares or share options is recognised as an expense. The total amount to be expensed over the performance period, from grant date to vesting date, is determined by reference to the fair value of the shares determined at the date the employee is deemed to be fully aware of their potential entitlement and all conditions of vesting.

### Pensions

The Group and Company operate defined contribution personal pension schemes for employees. The assets of the schemes are held separately from those of the Group and Company in independently administered funds. Payments made in relation to the schemes are charged as an employee benefit expense to the Income Statement when they are due.

### Taxation

Current tax is based on taxable profits for the year after all potential reliefs available have been utilised. Taxable profits differ from net profit as reported in the Income Statement because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible in the current year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are not recognised to the extent that their recoverability is uncertain.

The carrying amounts of deferred tax assets are reviewed at each Statement of Financial Position date and regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that its value might be impaired.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Positive goodwill arising on acquisitions before the date of the transition to IFRS has been retained at the previous UK GAAP amount and is tested for impairment annually.

### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

# Notes to the Financial Statements continued

## For the Year Ended 30 September 2010

### 1 Accounting policies continued

Depreciation is provided on a straight-line basis over the estimated useful lives shown below.

Leasehold improvements	life of the lease
Fixtures, fittings and equipment	three years

#### Intangible fixed assets – software licences

Purchased licences are stated at cost less accumulated depreciation and any accumulated impairment losses.

Amortisation is provided on a straight-line basis over the life of the licence up to a maximum of three years.

#### Non-current asset investments

Group non-current asset investments are categorised as available-for-sale financial assets as they relate to trade investments held, are non-derivatives and are not classified in any of the other categories.

Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and interest calculated using the effective interest rate method, which are measured directly in profit or loss, or where it is considered not possible to reliably determine a fair value in which case the investments are held at cost less any impairment losses.

Dividends on investments are recognised in the Statement of Comprehensive Income when the Group's right to receive the dividends are established.

#### Investment in subsidiaries

Investments held by the Company in subsidiary undertakings are held at cost less any provision for impairment.

#### Impairment of assets (excluding goodwill and financial assets)

At the Statement of Financial Position date the Group reviews the carrying amount of assets to determine whether there is any indication that those assets have suffered an impairment loss or if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.

#### Current asset investments

Current asset investments are categorised as financial assets at fair value through profit or loss and are designated at fair value through profit and loss on initial recognition or as held for trading. The investments comprise both listed investments and unlisted investments. The fair value of the listed investments which are traded in active markets are based on quoted market prices at the Statement of Financial Position date. The appropriate quoted price for investments held is the current bid price.

The fair value of the unlisted investments which are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

## 1 Accounting policies *continued*

### Other financial assets

Other financial assets are non-derivative financial assets with fixed payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's other financial assets comprises a loan receivable balance, see note 12.

The loan receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less any provision for impairment. Interest income is recognised by applying the effective interest rate and included within "Investment income".

### Placement fees

Placement fees incurred that are directly attributable to securing an investment management contract are deferred and amortised over the investment period of the related fund which is equal to five years.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits, liquid investments and short-term borrowings that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Own shares

Company shares held by the EBT are deducted from the shareholders' funds and classified as Own Shares until such time as they vest unconditionally to participating employees and their families.

### Treasury shares

Equity shares of the Company acquired by the Company are deducted from shareholders funds and classified as Treasury shares.

### Capital contribution

Charges relating to shares in the Company granted by the trustees of the EBT to employees of subsidiary undertakings are accounted for in the subsidiary undertaking. The charge to the subsidiary undertaking is proportionate to the number of shares allocated to individuals in the entity as a percentage of the total shares allocated to employees of the Group. In the Company financial statements the capital contribution has been recognised as an increase in the investment in subsidiaries.

### Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless otherwise stated.

### Other payables

The Group's consolidated fund makes short sales in which an investment is sold in anticipation of a decline in the market value of that investment. Short sales are categorised as financial liabilities held at fair value through profit or loss, classified as held for trading and are recorded at fair value.

### Foreign currencies

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the Statement of Financial Position date. Any differences are taken to the Income Statement. Exchange differences arising on long-term loans are charged to the Income Statement.

On consolidation, the results of overseas operations are translated at the average rates of exchange during the year and their Statements of Financial Positions are translated into Sterling at the rates of exchange ruling on the Statement of Financial Position date. Exchange differences that arise from translation of the opening net assets and results of foreign subsidiary undertakings are charged to the exchange translation reserve.

The average rate ruling in the accounting period for US Dollars was US\$1.56:£1 (2009: US\$1.55:£1); the rate ruling at the Statement of Financial Position date was US\$1.58:£1 (2009: US\$1.59:£1).

# Notes to the Financial Statements continued

## For the Year Ended 30 September 2010

### 1 Accounting policies continued

The average rate ruling in the accounting period for Euros was €1.15: £1 (2009: €1.15: £1); the rate ruling at the Statement of Financial Position date was €1.16: £1 (2009: €1.09: £1).

#### Prior year adjustments

The Group has made the following adjustments for the year ended 30 September 2009.

#### Earnings per share

The weighted average number of shares used in the calculation of diluted earnings per share has been adjusted to exclude shares held in the EBT. These shares should not be included as the price condition for their award had not been met at 30 September 2009. The impact of this adjustment is to increase diluted earnings per share as shown in the table below.

The weighted average number of shares used in the calculation of diluted earnings per share as previously reported (000s)	115,582
Adjustment (000s)	(5,886)
The weighted average number of shares used in the calculation of diluted earnings per share as restated (000s)	109,696
<hr/>	
Diluted earnings per share as previously reported	1.97p
Adjustment	0.11p
Diluted earnings per share as restated	2.08p

#### Minority interest

Amounts previously classified in the Statement of Comprehensive Income and the Statement of Financial Position as "Minority Interest" have been classified as "Third party interest in consolidated funds" as they represent investments by third parties in puttable instruments as defined by IAS 32 – Financial instruments: Presentation. The effect of this adjustment on the 30 September 2009 comparative figures is as follows:

	Effect on the Statement of Comprehensive Income Dr/(Cr) £'000	Effect on the Statement of Financial Position Dr/(Cr) £'000
Minority interest	–	1,686
Third party interest in consolidated funds	–	(1,686)
Minority interest	112	–
Change in third party interest in consolidated funds	(112)	–

In certain other areas the prior year presentation has been adjusted to conform with the current year presentation.

#### Critical accounting judgements and key sources of estimation uncertainty

> Determining the value of unlisted investments.

A number of accounting estimates and judgements are incorporated within current asset investments in respect of the valuation of unlisted investments. The methodology used is described in note 15.

> Consolidation of managed funds.

In determining whether managed funds should be consolidated key judgements include whether returns received by the Group constitute an ownership interest and whether the Group controls the funds.

### 2 Analysis of revenue and assets

The Group has two operating segments: "Listed equities" and "Private equity". The results of these segments have been aggregated into a single operating segment for the purposes of these financial statements because they have characteristics so similar that they can be expected to have essentially the same future prospects. These segments have common investors, operate under the same regulatory regimes and their distribution channels are substantially the same. Additionally management allocates the resources of the Group as though there is one operating unit.

## 2 Analysis of revenue and assets continued

An analysis of revenue by type of service is shown below.

	Consolidated revenue	
	2010 £'000	2009 £'000
Investment management (including private equity)	15,078	10,017
Transaction fees	–	66
Advisory fees	261	308
	<b>15,339</b>	<b>10,391</b>

An analysis of revenue by the location of customers is shown below.

	Consolidated revenue	
	2010 £'000	2009 £'000
UK	9,594	6,018
Rest of the world	5,745	4,373
	<b>15,339</b>	<b>10,391</b>

Rest of the world customer location is further analysed as shown below.

	2010 £'000	2009 £'000
Ireland	2,136	1,692
France	1,920	928
Luxembourg	420	637
Netherlands	743	572
Other	526	544
	<b>5,745</b>	<b>4,373</b>

Revenue from two of the Group's customers individually represented more than 10 per cent of Group revenue (2009: two), equating to £3,636,000 and £2,127,000 (2009: £2,548,000 and £1,692,000).

All non-current assets, excluding deferred tax assets and financial instruments, are located in the UK.

## 3 Other operating costs

	2010 £'000	2009 £'000
Employment costs (see note 22)	7,170	5,138
Other staff costs including contractors and Non-Executive Directors' fees	792	524
Depreciation of property, fixtures and equipment (see note 11)	206	185
Amortisation of intangible assets (see note 10)	76	51
Auditors' remuneration – subsidiary undertakings audit fees	60	40
Auditors' remuneration – Parent Company audit fees	45	30
Auditors' remuneration – tax compliance	51	32
Auditors' remuneration – other	–	34
Other costs	2,971	1,808
	<b>11,371</b>	<b>7,842</b>

## 4 Investment income

	2010 £'000	2009 £'000
Bank interest	9	149
Other investment income	1,186	113
	<b>1,195</b>	<b>262</b>

Other investment income comprises the unwinding of the discount and reversal of impairment charges previously recorded on the Group's other financial assets (see note 12).

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 5 Taxation

	2010 £'000	2009 £'000
<b>(a) Analysis of charge for the year</b>		
<b>Current tax expense:</b>		
UK corporation tax	56	423
Adjustment in respect of previous years	1	133
	<b>57</b>	<b>556</b>
Foreign taxes	<b>152</b>	–
Total current tax	<b>209</b>	556
<b>Deferred tax expense:</b>		
Charge/(credit) for the year	<b>1,169</b>	(364)
Total deferred tax	<b>1,169</b>	(364)
Total income tax expense	<b>1,378</b>	192

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

The tax assessment for the period is lower than the standard rate of corporation tax in the UK (28 per cent), (2009: lower).

The differences are explained below.

	2010 £'000	2009 £'000
Profit before tax	<b>5,177</b>	2,473
Effective tax charge at 28 per cent	<b>1,450</b>	692
Effects of:		
Non-deductible expenses and charges	<b>51</b>	148
Tax effect of previously unrecognised tax losses	<b>(177)</b>	(623)
Tax effect of other previously unrecognised deferred tax assets	–	(158)
Adjustment in respect of previous years	<b>1</b>	133
Effect of higher tax rates in foreign jurisdictions	<b>46</b>	–
Other	<b>7</b>	–
<b>Total income tax expense</b>	<b>1,378</b>	192

### (c) Group deferred tax

The deferred tax asset/(liability) included in the Consolidated Statement of Financial Position is as follows:

	Accelerated capital allowances £'000	Other temporary differences £'000	Excess management charges £'000	Income not yet taxable £'000	Share-based payment scheme £'000	Total £'000
As at 1 October 2008	–	–	–	–	–	–
Charge to the Income Statement	30	64	270	–	–	364
As at 30 September 2009	30	64	270	–	–	364
Charge/(credit) to the Income statement	24	–	74	1,110	(39)	1,169
As at 30 September 2010	6	64	196	(1,110)	39	(805)

## 5 Taxation continued

The Group has tax losses of £700,000 (2009: £960,000) available for offset against future taxable profits in the UK which have been fully recognised because forecasts indicate these will be fully recoverable within two years. The Group also has unrecognised capital losses of £1,662,000.

### (d) Company deferred tax

The deferred tax asset/(liability) included in the Company Statement of Financial Position is as follows:

	Accelerated capital allowances £'000	Other temporary differences £'000	Excess management charges £'000	Total £'000
As at 30 September 2009	30	6	270	306
Charge/(credit) to the Income Statement	25	(1)	75	99
As at 30 September 2010	5	7	195	207

The Company has tax losses of approximately £700,000 (2009: £960,000) available for offset against future taxable profits in the UK which have been fully recognised because forecasts indicate these will be fully recoverable within two years. The Company also has unrecognised capital losses of £1,662,000.

## 6 Parent company

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The Company's net loss for the year amounted to £110,000 (2009: profit of £1,401,000).

## 7 Earnings per share

Earnings per share ("EPS") on a basic and diluted basis are as follows:

	Profit for the year £'000	Ordinary shares in issue (weighted average) '000	Earnings per share
<b>2010</b>			
Basic	3,799	108,632	3.50p
Diluted	3,799	108,828	3.49p
<b>2009</b>			
Basic	2,281	107,799	2.12p
Diluted (restated*)	2,281	109,696	2.08p

The weighted average number of ordinary shares for diluted earnings per share reconciles to the weighted average number of ordinary shares for basic earnings per share as follows:

	2010 '000	2009 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>108,632</b>	107,799
Dilutive effect of EBT and other share schemes (restated*)	<b>196</b>	1,897
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (restated*)	<b>108,828</b>	109,696

\* See note 1

# Notes to the Financial Statements continued

## For the Year Ended 30 September 2010

### 7 Earnings per share continued

In order to show results from operating activities on a comparable basis, an adjusted profit after tax per share has been calculated which excludes the long-term incentive scheme charge where the relevant shares are satisfied by issues of new shares:

	2010 £'000	2009 £'000
Profit for the year	3,799	2,281
Long-term incentive scheme charge	-	552
	<b>3,799</b>	<b>2,833</b>

	Adjusted profit for the year £'000	Ordinary shares in issue (weighted average) '000	Earnings per share
<b>2010</b>			
Basic adjusted	3,799	108,632	3.50p
Diluted adjusted	3,799	108,828	3.49p
<b>2009</b>			
Basic adjusted	2,833	107,799	2.63p
Diluted adjusted (restated)	2,833	109,696	2.58p

### 8 Dividend

The Directors propose a dividend of 0.60p per share for the year ended 30 September 2010 (2009: 0.40p per share). The dividend will be submitted for formal approval at the Annual General Meeting to be held on 2 March 2011. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 30 September 2011.

The dividend for the year ended 30 September 2009 was paid on 11 February 2010, being 0.40p per share. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total dividend payment of £435,000. This payment is reflected in the Statement of Changes in Equity.

### 9 Goodwill

Group	Goodwill £'000
<b>Cost</b>	
At 1 October 2008, 30 September 2009 and 2010	1,629

Goodwill arose on the acquisition of Impax Capital Limited on 18 June 2001.

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

The Group has determined its recoverable amount on a value in use basis using discounted future cash flows, forecast over a five year period. Discounted future cash flows and the application of sensitivity analysis to these cash flows show that no impairment is required to be applied against the current carrying value of the goodwill.

The following key assumptions have been applied in the discounted cash flows:

- > Growth rates – The forecasts are based on revenue growth of approximately 2 per cent. For the 2009 impairment test the same growth rate was used.
- > Discount rates – A discount rate of 10 per cent has been applied. For the 2009 impairment test a discount rate of 7 per cent was used.

Consistent with the fact that the goodwill arose in respect of an acquisition made in 2001 there is significant headroom before an impairment would be required. As an indication, if the discount rate was increased by 3 per cent there would be no impairment charge.

## 10 Intangible assets

<b>Group</b>	Software licences and implementation costs £'000
<b>Cost</b>	
As at 1 October 2008	100
Additions	121
As at 30 September 2009	221
Additions	8
As at 30 September 2010	229
<b>Amortisation</b>	
As at 30 September 2008	27
Charge for the year	51
As at 1 October 2009	78
Charge for the year	75
As at 30 September 2010	153
<b>Net book value</b>	
As at 30 September 2010	76
As at 30 September 2009	143
As at 30 September 2008	73

The Company had no intangible assets.

The amortisation charge is included in operating costs.

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 11 Property, plant and equipment

Group	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
As at 1 October 2008	457	274	731
Additions	3	67	70
As at 30 September 2009	460	341	801
Additions	–	81	81
As at 30 September 2010	460	422	882
<b>Depreciation</b>			
As at 1 October 2008	32	162	194
Charge for the year	131	54	185
As at 30 September 2009	163	216	379
Charge for year	182	24	206
As at 30 September 2010	345	240	585
<b>Net book value</b>			
As at 30 September 2010	115	182	297
As at 30 September 2009	297	125	422
As at 30 September 2008	425	112	537
<b>Company</b>			
<b>Cost</b>			
As at 1 October 2008	457	156	613
Additions	3	67	70
As at 30 September 2009	460	223	683
Additions	–	81	81
As at 30 September 2010	460	304	764
<b>Depreciation</b>			
As at 1 October 2008	32	44	76
Charge for the year	131	54	185
As at 30 September 2009	163	98	261
Charge for year	182	24	206
As at 30 September 2010	345	122	467
<b>Net book value</b>			
As at 30 September 2010	115	182	297
As at 30 September 2009	297	125	422
As at 30 September 2008	425	112	537

## 12 Other financial assets

Group	2010 £'000	2009 £'000
<b>Loan receivable</b>		
Due after one year	–	792
Due within one year	<b>2,242</b>	452
<b>Total</b>	<b>2,242</b>	1,244

The loan was to All American Oil and Gas and was issued in 2004 as part of the consideration for the disposal of the Company's US subsidiary, Kern River Holdings Inc, which held and operated the Nukern oil field. The loan was originally recorded at its discounted value and the value was subsequently further impaired reflecting concerns over its recoverability. However, the outstanding balance was re-paid in full on 17 December 2010, and the impairments provision was revised.

## 13 Investments

Group	2010 £'000	2009 £'000
Cost and fair value	<b>16</b>	14

Company	Other investments £'000	Subsidiary undertakings £'000	Total £'000
At 1 October 2008	13	5,252	5,265
Capital contribution	–	409	409
Reclassification of subsidiary undertaking to current asset investment	–	(1,310)	(1,310)
Reclassification of investment to subsidiary undertaking (see note 15)	–	1,817	1,817
At 30 September 2009	13	6,168	6,181
Capital contribution	–	141	141
Impairment of investments	–	(286)	(286)
At 30 September 2010	13	6,023	6,036

The principal subsidiary undertakings are:

	Country of incorporation	Proportion of ordinary capital held	Nature of business
Impax Asset Management Limited	UK	100%	Financial services
Impax New Energy Investors (GP) Limited	UK	100%	Financial services
Impax New Energy Investors II (GP) Limited	UK	100%	Financial services
Kern USA Inc	USA	100%	Holding company
Impax Absolute Return Fund	Cayman Islands	53.95%	Hedge fund

Investments in subsidiary undertakings are divided between interest in shares and capital contributions as follows:

	2010 £'000	2009 £'000
Interest in shares	<b>4,747</b>	5,033
Capital contribution	<b>1,276</b>	1,135
	<b>6,023</b>	6,168

The principal other investment for the Group and Company is in the fund Impax New Energy Investors SCA which is incorporated in Luxembourg. The Group and Company hold 14.24 per cent of the capital of the partnership which represents the subscription capital to this fund.

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 14 Trade and other receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables	2,105	1,976	–	5
Amounts owed by Group undertakings	–	–	1,537	1,083
Taxation and other social security	167	–	167	–
Other receivables	191	409	56	133
Prepayments and accrued income	1,456	396	181	158
	<b>3,919</b>	<b>2,781</b>	<b>1,941</b>	<b>1,379</b>
Due:				
After one year	–	65	1,537	1,083
Within one year	3,919	2,716	404	296
	<b>3,919</b>	<b>2,781</b>	<b>1,941</b>	<b>1,379</b>

An analysis of the ageing of Group trade receivables is provided below:

	Group 2010 £'000	Group 2009 £'000
Not past due	1,992	1,461
Past due but not impaired:		
31–60 days	113	359
61–90 days	–	–
More than 90 days	–	156
	<b>2,105</b>	<b>1,976</b>

## 15 Current asset investments

Group	Unlisted investments £'000	Listed investments £'000	Total £'000
At 1 October 2008	11	4,161	4,172
Additions	289	–	289
Disposal of IEL as a subsidiary	–	(1,166)	(1,166)
Transfer of investment in IARF to subsidiary undertaking (note 13) on consolidation	–	(1,817)	(1,817)
Acquisition of listed investments on consolidation of IARF	–	2,123	2,123
Fair value movements	–	326	326
At 30 September 2009	300	3,627	3,927
Additions	2,132	19,042	21,174
Repayments/disposals	(61)	(18,069)	(18,130)
Fair value movements	148	(183)	(35)
Foreign exchange	(38)	109	71
At 30 September 2010	2,481	4,526	7,007

### Listed investments

Listed investments held at 30 September 2010 and 2009 include those held by the consolidated subsidiary Impax Absolute Return Fund (IARF) and the Group's investment in the IFSL Impax Environmental Leaders Fund (IEL). At 1 October 2008 listed investments included the Group's investment in IARF and investments held by the consolidated subsidiary IEL. These listed investments are recorded at market value using quoted market prices that are available at the Statement of Financial Position date. The quoted market price is the current bid price.

## 15 Current asset investments *continued*

### *Impax Absolute Return Fund ("IARF")*

On 21 May 2007, the Company made an investment of €2,200,000 (£1,507,000) in the IARF. The investment took the form of a subscription of 22,000 Euro Class A shares in the IARF, at €100 per share. During the current financial year the shares were redenominated as Sterling shares. The IARF, which is managed by a subsidiary undertaking of the Company had a total net asset value ("NAV") of £3,271,000 at 30 September 2010. The Group's investment in the IARF represents 53.95 per cent of the NAV at 30 September 2010 (2009: 52.98%). At 30 September 2010 and 30 September 2009 this investment has been reported as a subsidiary and the underlying investments consolidated. The investment has been consolidated since April 2009 when the Group's ownership rose above 50 per cent.

The consolidation of IARF at April 2009, the date ownership exceeded 50 per cent, has been accounted for as follows.

	Fair value £'000
Listed investments	2,123
Bank balances	2,906
Trade and other payables	(1,526)
Third party interest in IARF	(1,686)
	1,817

As the deemed purchase price at acquisition was the asset value, no goodwill arose.

### *Impax Environmental Leaders ("IEL")*

On 3 March 2008, the Group made an investment of £1,500,000 in the IFSL Impax Environmental Leaders Fund ("IEL"). The 53.8 per cent investment in IEL at 1 October 2008 was recorded as a consolidated subsidiary at 30 September 2008. During October 2008 the holding reduced below 50 per cent to 28.11 per cent and has remained below 50 per cent and therefore has not been consolidated at 30 September 2009 and 30 September 2010. Instead the Group has applied exemptions from IAS 28 "Associates" available to venture capital and hedge fund businesses not to equity account for this investment as an associate.

The disposal of IEL at the date ownership reduced below 50 per cent has been accounted for as follows:

	Fair value £'000
Listed investments	(1,166)
Third party interest in consolidated funds	1,166
	—

During the period the Group redeemed £1,134,000 of its investment following receipt of a notice of closure of the fund.

### **Unlisted investments**

Unlisted investments principally represent the Group's investment in Impax New Energy Investors LP and Impax New Energy Investors II LP.

The Group has a €3,756,000 commitment to Impax New Energy Investors LP, a partnership based in England and Wales (INEI). The addition in unlisted investments in the year includes £2,110,000 representing loan calls of €2,406,000 (64 per cent of the Group commitment) on this investment. The repayment represents the first distribution from INEI which is classified as a part repayment of the outstanding loans. This investment is recorded at fair value which is calculated as the Group's share of the net assets of INEI. The principal assets of INEI, being investments made, are valued using a discounted cash flow approach.

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 15 Current asset investments continued

The Group has a further commitment of €2,000,000 to Impax New Energy Investors II LP ("INEI II"), a partnership based in England and Wales which was established on 22 March 2010. The Group's commitment of €2,000,000 represents 1.42 per cent of the total commitment of all the partners in Impax New Energy Investors II LP. The additions in unlisted investments in the year includes £22,000 representing loan calls of €30,000 (1.5 per cent of the Group commitment). This investment is recorded at fair value which is considered to be cost.

Further details of the commitments of the Group are disclosed in note 25: "Commitments".

Company	Unlisted investments £'000	Listed investments £'000	Total £'000
At 1 October 2008	–	1,685	1,685
Additions	289	–	289
Transfer from investment in subsidiaries	–	1,310	1,310
Transfer to investments in subsidiaries	–	(1,817)	(1,817)
Fair value movements	–	326	326
At 30 September 2009	289	1,504	1,793
Additions	2,132	–	2,132
Disposals	(61)	(1,134)	(1,195)
Fair value movements	–	(38)	(38)
Foreign exchange	(37)	–	(37)
At 30 September 2010	2,323	332	2,655

The unlisted investments represent the Company's investment in INEI and INEI II (see above).

Listed investments held at 30 September 2010 and 2009 are the Company's investment in the IFSL Impax Environmental Leaders Fund (see above). At 1 October 2008 they represented the Company's investment in the IARF (see above).

## 16 Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade payables	30	239	6	55
Amounts owed to Group undertakings	–	–	6,832	4,194
Taxation and other social security	107	111	–	–
Financial liabilities held for trading	3,609	1,395	–	–
Other payables	7	205	7	7
Accruals and deferred income	3,375	2,660	778	710
	<b>7,128</b>	4,610	<b>7,623</b>	4,966

The financial instruments held for trading relate to listed equity investments which have been sold short at the Statement of Financial Position date by IARF. The fair value has been determined by reference to the current bid price at the Statement of Financial Position date of the listed investments which are traded in active markets. The net gain relating to the change in the fair value of these investments has been recognised in the Income Statement. The Company does not hold any financial liabilities that are held for trading.

## 17 Third party interest in consolidated funds

	2010 £'000	2009 £'000
At fair value	<b>1,506</b>	1,686

Third party interest in consolidated funds is representative of the net assets of the Impax Absolute Return Fund ("IARF") which are not attributable to the Group. As described in note 15 "Current Asset Investments", IARF is a subsidiary of the Group and its net assets and operating results are consolidated into the Group's results at year end. The Group's interest in the subsidiary is 53.95 per cent at 30 September 2010 (2009: 52.98 per cent).

## 18 Ordinary shares

	2010 £'000	2009 £'000
<b>Authorised</b>		
248,341,664 ordinary shares of 1p each	<b>2,483</b>	2,483
<b>Allotted and fully paid</b>		
115,582,431 ordinary shares of 1p each	<b>1,156</b>	1,156

## 19 Reserves

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32 "Financial Instruments: Presentation", certain of the assets and liabilities of the EBT have been included in the Company's and Group's accounts resulting in the inclusion of £59,000 (2009: £59,000) own shares and £78,000 (2009: £78,000) share premium. This represents shares held by the Employee Benefit Trust that had not vested to employees. (2010: 5,888,273 ordinary shares; 2009: 5,886,308 ordinary shares).

During the period the Company purchased 1,240,000 of its own shares at an average price of 36p. The shares are recorded as Treasury Shares and equate to £453,000.

## 20 Financial commitments

At 30 September 2010 the Group and Company had commitments under non-cancellable operating leases as follows:

	Offices		Other	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year	<b>265</b>	324	<b>16</b>	16
Between one and two years	<b>43</b>	265	<b>1</b>	16
Between two and five years	–	43	–	1
	<b>308</b>	632	<b>17</b>	33

The operating lease on the office address of the Group has a break clause in November 2011 after which time the Group has the option to renew.

## 21 Directors' emoluments

The emoluments of all the Directors who held office during the year were as follows:

	Fees/salary £	Benefits in kind £	Pension £	Bonus £	2010 Total £	2009 Total £
J Keith R Falconer	65,000	–	–	–	<b>65,000</b>	65,000
Ian R Simm	207,500	6,369	29,875	382,713	<b>626,457</b>	467,274
Peter J Gibbs	30,000	–	–	–	<b>30,000</b>	30,000
Mark B E White	30,000	–	–	–	<b>30,000</b>	30,000
Guy de Froment	30,000	–	–	–	<b>30,000</b>	30,000
Vince O'Brien	30,000	–	–	–	<b>30,000</b>	2,308
	392,500	6,369	29,875	382,713	<b>811,457</b>	624,582

David Kempton resigned as a Director on 2 February 2009 and in 2009 received emoluments of £10,623.

All amounts relate to the period served as a Director. No amounts were paid to or receivable by Directors under long-term incentive schemes.

J Keith R Falconer's fees include amounts paid to his service company, Labhdal Associates.

One Director accrued pension benefits (2009: One).

Employee benefits, comprising salaries and benefits paid to other senior employees in the year, amounted to £1,633,000 (2009: £1,297,000).

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 22 Employees

### Number of employees

The average number of persons (excluding Non-Executive Directors) employed during the year was 42 (2009: 34).

	2010 Number	2009 Number
Chief executive	1	1
Listed equity	10	8
Private equity	7	5
Operations	5	7
Marketing	5	4
Finance and compliance	9	4
Administration and support	5	5
	<b>42</b>	<b>34</b>

### Employment costs

	2010 £'000	2009 £'000
Wages and salaries	6,046	4,302
Social security costs	787	525
Pensions	337	311
	<b>7,170</b>	<b>5,138</b>

## 23 Pension costs

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs represent contributions payable by the Group to the funds and amounted to £337,000 (2009: £311,000). Contributions totalling £204,000 (2009: £194,600) were payable to the funds at the year end and are included in trade and other payables.

## 24 Financial risk management

Risk management is integral to the business of the Group and the Company. There is a system of controls in place to create an acceptable balance between the potential cost should such a risk occur and the cost of managing those risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. This section provides details of the Group's and Company's exposure to financial risks and describes the methods used by management to control such risk.

The Group's and Company's financial instruments comprise cash and various items, such as loans receivable, current asset investments, trade receivables and trade payables that arise directly from its operations.

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle their financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk relates to the financial assets of the Group including cash and deposits that are placed with regulated financial institutions.

At the balance sheet date, the credit risk regarding cash and cash equivalent balances of the asset management business was spread by holding part of the balance with Lloyds TSB and the remainder in a money market fund managed by BlackRock. The risk of default is considered minimal. Cash balances of IARF (in which the Group has a 53.95 per cent participation), were held by UBS and the risk of loss due to default by UBS is also considered minimal.

The Group is exposed to credit risk in relation to its loan note with Kern River Holdings Inc. The Group does however have security over this loan as described in note 12. The recoverability and carrying value of this asset is monitored regularly by the Board. Subsequent to the year end outstanding amounts were paid in full.

## 24 Financial risk management continued

The Group is exposed to credit risk on trade receivables, representing investment management fees due. An analysis of the ageing of these is provided in note 14.

### Currency risk

A significant amount of the Group's income is denominated in foreign currencies. The strategy of the Group for the year ended 30 September 2010 has been to convert earned income back to GBP whilst future income streams have been left unhedged. Going forward the Group's strategy is to put in place hedges where there is sufficient predictability over inflows to allow for an effective and efficient hedge. The amount of the Group's expenses denominated in foreign currencies is minimal.

The Group and Company activities are principally conducted in GBP, EUR, USD and JPY.

The Group's exposure to foreign currency exchange rate risk at 30 September 2010 was:

	EUR/GBP £'000	USD/GBP £'000	JPY/GBP £'000	Other/GBP £'000	GBP/USD £'000	EUR/USD £'000	Other/USD £'000
<b>Assets</b>							
Non-current asset investments	16	–	–	–	–	–	–
Current asset investments	2,323	159	–	–	1,794	741	666
Trade and other receivables	1,730	859	71	39	–	–	–
Cash and cash equivalents	119	92	70	–	121	28	72
	4,188	1,110	141	39	1,915	769	738
<b>Liabilities</b>							
Trade and other payables	6	242	–	–	210	175	578
Third party interest in consolidated funds	–	–	–	–	821	164	12
Short-term borrowings	–	–	–	–	150	241	186
	6	242	–	–	1,181	580	776
Net exposure	4,182	868	141	39	734	189	(38)

The Group's exposure to foreign currency exchange rate risk at 30 September 2009 as reformatted was:

	EUR/GBP £'000	USD/GBP £'000	JPY/GBP £'000	Other/GBP £'000	GBP/USD £'000	EUR/USD £'000	Other/USD £'000
<b>Assets</b>							
Non-current asset investments	13	14	–	–	–	–	–
Current asset investments	289	11	–	–	24	770	406
Trade and other receivables	918	1,095	114	–	–	–	–
Cash and cash equivalents	1,063	105	36	–	–	–	118
	2,270	1,225	150	–	24	770	524
<b>Liabilities</b>							
Trade and other payables	13	34	–	–	210	434	350
Third party interest in consolidated funds	–	–	–	–	5	(72)	4
Short-term borrowings	–	–	–	–	10	490	184
	13	34	–	–	225	852	538
Net exposure	2,257	1,191	150	–	(201)	(82)	(14)

# Notes to the Financial Statements continued

## For the Year Ended 30 September 2010

### 24 Financial risk management continued

The Company's exposure to foreign currency exchange rate risk at 30 September 2010 was:

	EUR/GBP £'000	USD/GBP £'000	JPY/GBP £'000
<b>Assets</b>			
Non-current asset investments	13	–	–
Current asset investments	2,323	–	–
Trade and other receivables	–	737	–
Cash and cash equivalents	27	35	70
	2,363	772	70
<b>Liabilities</b>			
Trade and other payables	7	6	–
Net exposure	2,356	766	70

The Company's exposure to foreign currency exchange rate risk at 30 September 2009 was:

	EUR/GBP £'000	USD/GBP £'000	JPY/GBP £'000
<b>Assets</b>			
Non-current asset investments	13	–	–
Current asset investments	289	1,504	–
Cash and cash equivalents	43	94	36
	345	1,598	36
<b>Liabilities</b>			
Trade and other payables	–	–	–
Net exposure	345	1,598	36

The following tables demonstrate the estimated impact on Group post-tax profit and net assets and Company post-tax profit and net assets caused by a 5 per cent increase/(decrease) in the exchange rate used to revalue significant foreign assets and liabilities, assuming all other variables are held constant.

Group	Post-tax profit	
	2010 £'000	2009 £'000
<b>Translation of significant foreign assets and liabilities</b>		
GBP/USD up 5%	(34)	(116)
GBP/USD down 5%	34	129
GBP/EUR up 5%	(209)	(147)
GBP/EUR down 5%	209	162
GBP/JPY up 5%	(7)	(7)
GBP/JPY down 5%	7	8
GBP/Other up 5%	(1)	–
GBP/Other down 5%	1	–
EUR/USD up 5%	(9)	4
EUR/USD down 5%	9	(4)

## 24 Financial risk management continued

Company	Post-tax profit	
	2010 £'000	2009 £'000
<b>Translation of significant foreign assets and liabilities</b>		
GBP/USD up 5%	(39)	(91)
GBP/USD down 5%	39	101
GBP/EUR up 5%	(118)	(16)
GBP/EUR down 5%	118	17
GBP/JPY up 5%	(3)	(2)
GBP/JPY down 5%	3	2

### Liquidity risk and regulatory capital requirements

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due. The Group monitors its liquidity risk using cash flow forecasts taking into account the commitments made to its private equity funds (see note 25) and the cash required to meet the Group's investment plans and its regulatory capital requirements. The Group has significant cash resources and no borrowings, apart from those short-term borrowings held by IARF which are held with the same counterparty with which it deposits its funds.

The Group considers its share capital, share premium and retained earnings to constitute its total capital. These are shown in the Statement of Changes in Equity. Certain of the Group companies are regulated and must maintain liquid capital resources to comply with the capital requirements of the Financial Services Authority. Throughout the period the companies have significantly exceeded these requirements.

At 30 September 2010 the Group had cash and cash equivalents of £11,081,000. This is £3,953,000 in excess of trade and other payables which have maturities as shown below and £1,500,000 in excess of total current liabilities. The Group in addition had other current assets of £13,385,000.

Group – 2010	Less than 1 month	1–12 months	More than 12 months	No stated maturity	Total
	£'000	£'000	£'000	£'000	£'000
Trade payables	30	–	–	–	30
Taxation and other social security	–	107	–	–	107
Other payables	–	3,609	7	–	3,616
Accruals and deferred income	–	3,375	–	–	3,375
<b>Total trade and other payables</b>	<b>30</b>	<b>7,091</b>	<b>7</b>	<b>–</b>	<b>7,128</b>

At 30 September 2009 the Group had cash and cash equivalents of £9,600,000. This was £4,990,000 in excess of trade and other payables which have maturities as shown below and £2,620,000 in excess of total current liabilities. The Group in addition had other current assets of £7,117,000.

Group – 2009	Less than 1 month	1–12 months	More than 12 months	No stated maturity	Total
	£'000	£'000	£'000	£'000	£'000
Trade payables	239	–	–	–	239
Taxation and other social security	111	–	–	–	111
Other payables	–	1,593	7	–	1,600
Accruals and deferred income	–	2,660	–	–	2,660
<b>Total trade and other payables</b>	<b>350</b>	<b>4,253</b>	<b>7</b>	<b>–</b>	<b>4,610</b>

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 24 Financial risk management continued

At 30 September 2010 the Company had cash and cash equivalents of £3,466,000 which is £2,675,000 in excess of trade and other payables due to external parties which have maturities as shown in the table below.

	Less than 1 month £'000	1–12 months £'000	More than 12 months £'000	No stated maturity £'000	Total £'000
<b>Company – 2010</b>					
Trade payables	6	–	–	–	6
Amounts owed to Group undertakings	–	–	–	6,832	6,832
Other payables	–	–	7	–	7
Accruals and deferred income	–	778	–	–	778
<b>Total trade and other payables</b>	<b>6</b>	<b>778</b>	<b>7</b>	<b>6,832</b>	<b>7,623</b>

At 30 September 2009 the Company had cash and cash equivalents of £2,721,000 which is £1,949,000 in excess of trade and other payables due from external parties which have maturities as shown in the table below.

	Less than 1 month £'000	1–12 months £'000	More than 12 months £'000	No stated maturity £'000	Total £'000
<b>Company – 2009</b>					
Trade payables	55	–	–	–	55
Amounts owed to Group undertakings	–	–	–	4,194	4,194
Other payables	–	–	7	–	7
Accruals and deferred income	–	710	–	–	710
<b>Total trade and other payables</b>	<b>55</b>	<b>710</b>	<b>7</b>	<b>4,194</b>	<b>4,966</b>

### Interest rate risk

The Group has both interest bearing assets and liabilities. Interest bearing assets include cash balances that earn interest at a floating rate and a loan note earning interest at a fixed rate. The average interest rate on the cash balances during the year was 0.51 per cent (2009: 1.29 per cent). The interest rate on the loan note was 2 per cent (2009: 2 per cent).

At the balance sheet date the Group had the following significant financial assets exposed to variable interest rate risk.

	2010 £'000	2009 £'000
Cash at bank and in hand:		
Readily available for the principal operating activities of the Group	<b>8,339</b>	6,694
Other	<b>3,390</b>	3,590
	<b>11,729</b>	10,284

Other amounts relate to cash held by IARF fund, see note 29.

A 0.5 per cent increase in interest rates would have increased Group profit after tax by £9,000 (2009: £20,000). An equal change in the opposite direction would have decreased profit after tax by £9,000 (2009: £20,000).

At the balance sheet date the Company's cash balance of £3,466,000 (2009: £2,721,000) was its only financial instrument subject to variable interest rate risk. The impact of a 0.5 per cent increase or decrease in interest rate on the post-tax profit is not material to the Company.

The hedge fund holds cash positions and as a result is exposed to interest rate risk. Cash balances of the hedge fund at the year end were as follows:

	2010 £'000	2009 £'000
Cash at bank	<b>3,390</b>	3,590
Short-term borrowings	<b>(648)</b>	(684)
	<b>2,742</b>	2,906

The impact of a 0.5 per cent movement in interest rates on the results of the hedge fund is immaterial to the post-tax profit of the Group.

## 24 Financial risk management *continued*

### Equity market pricing risk

The Group and Company has made investments in its own managed funds and the value of these investments are subject to equity market risk. The significant holding at 30 September 2010 that is exposed to equity market price risk is the Group's investment in the IARF. This fund, through its own investment strategy mitigates market risk such that the fund valuation should fluctuate at less than 10%. An increase in the funds valuation would increase Group profits by £176,000. A decrease of 10% in the funds valuation would decrease Group profit by £176,000.

The significant holdings at 30 September 2009 exposed to equity market price risk are the Group's holdings in the Impax Absolute Return Fund and the IFSL Impax Environmental Leaders Fund.

As noted in note 15 "Current Asset Investments", the investment in the unlisted Private Equity funds are recorded at fair value, with fair value being calculated using the discounted cash flow method. A rise of 1 per cent in the discount rate applied to cash flows would result in a decrease in profit from operations and net assets of £229,000. A 1 per cent reduction in the discount rate would result in a corresponding increase of £253,000 in profit from operations and net assets. A rise of 0.5 per cent in the inflation rate applied in the calculations would increase profit from operations and net assets by £158,000. A fall of 0.5 per cent in the inflation rate would decrease profit from operation and net assets by £149,000.

### Fair values of financial assets and liabilities

The Directors consider there to be no difference between the carrying value of the Group's and Company's financial assets and liabilities and their fair value.

The hierarchical classification of financial assets and liabilities measured at fair value are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Group – 2010</b>				
<b>Assets</b>				
Current asset investments	4,524	–	2,483	7,007
<b>Total financial assets</b>	<b>4,524</b>	<b>–</b>	<b>2,483</b>	<b>7,007</b>
<b>Liabilities</b>				
Trade and other payables	3,609	–	–	3,609
Third party interest in consolidated funds	–	1,506	–	1,506
<b>Total financial liabilities</b>	<b>3,609</b>	<b>1,506</b>	<b>–</b>	<b>5,115</b>
<b>Company – 2010</b>				
<b>Assets</b>				
Current asset investments	332	–	2,323	2,655
<b>Total financial assets</b>	<b>332</b>	<b>–</b>	<b>2,323</b>	<b>2,655</b>
<b>Liabilities</b>				
Trade and other payables	–	–	–	–
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 24 Financial risk management continued

### Financial assets and liabilities by category

Group – 2010	Available for sale £'000	FVTPL – designated on initial recognition £'000	FVTPL – held for trading £'000	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000
<b>Financial assets:</b>					
Cash and cash equivalents	–	–	–	11,729	–
Trade and other receivables	–	–	–	3,377	–
Other financial assets	–	–	–	2,242	–
Investments	16	2,323	4,684	–	–
<b>Total financial assets</b>	<b>16</b>	<b>2,323</b>	<b>4,684</b>	<b>17,348</b>	<b>–</b>

<b>Financial liabilities:</b>					
Trade and other payables	–	–	3,609	–	37
Short-term borrowings	–	–	–	–	648
Third party interest in consolidated funds	–	–	–	–	1,506
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>3,609</b>	<b>–</b>	<b>2,191</b>

FVTPL = Fair value through profit and loss

Group – 2009	Available for sale £'000	FVTPL – designated on initial recognition £'000	FVTPL – held for trading £'000	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000
<b>Financial assets:</b>					
Cash and cash equivalents	–	–	–	10,284	–
Trade and other receivables	–	–	–	2,385	–
Other financial assets	–	–	–	1,244	–
Investments	14	289	3,638	–	–
<b>Total financial assets</b>	<b>14</b>	<b>289</b>	<b>3,638</b>	<b>13,913</b>	<b>–</b>

<b>Financial liabilities:</b>					
Trade and other payables	–	–	1,395	–	444
Short-term borrowings	–	–	–	–	684
Third party interest in consolidated funds	–	–	–	–	1,686
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>1,395</b>	<b>–</b>	<b>2,814</b>

Company – 2010	Available for sale £'000	FVTPL – designated on initial recognition £'000	FVTPL – held for trading £'000	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000
<b>Financial assets:</b>					
Cash and cash equivalents	–	–	–	3,466	–
Trade and other receivables	–	–	–	56	–
Investments	13	2,655	–	–	–
<b>Total financial assets</b>	<b>13</b>	<b>2,655</b>	<b>–</b>	<b>3,522</b>	<b>–</b>

<b>Financial liabilities</b>					
Trade and other payables	–	–	–	–	13
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13</b>

## 24 Financial risk management continued

Company – 2009	Available for sale £'000	FVTPL – designated on initial recognition £'000	FVTPL – held for trading £'000	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000
<b>Financial assets:</b>					
Cash and cash equivalents	–	–	–	2,721	–
Trade and other receivables	–	–	–	138	–
Investments	13	1,793	–	–	–
<b>Total financial assets</b>	<b>13</b>	<b>1,793</b>	<b>–</b>	<b>2,859</b>	<b>–</b>
<b>Financial liabilities:</b>					
Trade and other payables	–	–	–	–	62
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>62</b>

## 25 Commitments

The Company has committed to invest up to €3,756,000 in Impax New Energy Investors LP. At 30 September 2010 the outstanding commitment was €1,011,000 (2009: €3,422,000) which could be called on in the period to 19 August 2015.

On 22 March 2010 the Company committed to invest the higher of €2,000,000 and 1 per cent of total committed funds to Impax New Energy Investors II LP. At 30 September 2010 the outstanding commitment was €1,951,000 which could be called on in the period to 22 March 2020.

## 26 Share-based payments

### Long-term incentive scheme – Employee Benefit Trust

#### Original scheme

On 4 February 2005 shareholders approved the establishment by the Company of the Impax Group Employee Benefit Trust (the “EBT”) and associated share scheme as part of the Company’s employee incentive arrangements. The scheme provided for the issue of up to 18.25 million shares to employees in respect of the three years ended 30 September 2007 for nil consideration. The shares vested to employees on 30 September 2007, 2008 and 2009. A total of 16,777,045 vested to employees under the scheme including 1,895,000 on 30 September 2009 (2010: Nil).

#### Extension

On 31 January 2008 shareholders approved an extension to the existing EBT scheme whereby a further 18.25 million shares can be issued to employees. The granting of shares to employees is subject to performance conditions for each of the three years ended 30 September 2008, 2009 and 2010. The condition for the year ended 30 September 2010 is that the average mid-market price of the ordinary shares of the Company increases to at least 152.09 per cent of the reference price (38.5p) for the 45 business days following the announcement of the results for the financial year ended 30 September 2010 and that Total Shareholder Return over the financial year ending 30 September 2010 exceeds that of the FTSE All Share Index over the same period. In addition awards will only be made where an employee has satisfied demanding targets in relation to his or her own performance.

No shares have been granted to employees to date. Any shares that might be granted to employees would vest subject to continued employment at 30 September 2012. Accordingly there is no charge to the Income Statement for the year ended 30 September 2010.

### Income statement charge

	2010 £'000	2009 £'000
Original scheme	–	552
	–	552

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 26 Share-based payments continued

For the original scheme the charge is in respect of shares that vested on 30 September 2009 that were granted on 30 September 2008. The fair value of services received in return for the shares awarded is deemed to be the market value of the shares awarded at the date of grant.

### EBT share transactions

A summary of transactions undertaken by the EBT is as follows:

	Ordinary shares allotted to the EBT	Ordinary shares sold by the EBT	Total ordinary shares
Monday, September 05, 2005	8,200,000	(930,000)	7,270,000
Monday, August 14, 2006	8,075,000	(464,920)	7,610,080
Friday, September 14, 2007	1,975,000	(78,035)	1,896,965
Wednesday, September 24, 2008	6,083,333	(197,025)	5,886,308
	24,333,333	(1,669,980)	22,663,353
Vested on 30 September 2007			(7,270,000)
Vested on 30 September 2008			(7,610,080)
Vested on 30 September 2009			(1,895,000)
Shares held as at 30 September 2010			<b>5,888,273</b>

As required by SIC 12 – “Consolidation – Special Purpose Entities” and IAS 32 the EBT is included in the Company’s and Group’s accounts, accordingly this shareholding of 5,886,273 ordinary shares is represented in the Statement of Changes In Equity as Own Shares (£59,000).

If the performance conditions of the extension scheme are met the Company would allot further shares to the EBT. If the conditions are not met the Company has an option to repurchase the shares issued to the EBT to date. It is intended that the Company would exercise these options unless shareholders authorise the Company to implement further arrangements.

### Long-term incentive scheme – 2009 share option plan

In December 2009 1,240,000 zero strike price options over the Company’s shares were granted to certain employees. The awards do not have performance conditions but do have a time vesting condition such that the options vest to employees on 30 September 2012 subject to the continued employment of the participant. The fair value of services received in return for the share options awarded was deemed to be the share price of the options on the grant date being 40.25p. The charge to the Income Statement in respect of the awards for the current year is £141,000. The charge is offset by a reduction in the total bonus pool paid to employees.

### Income statement charge

	2010 £'000	2009 £'000
Charge	141	–
	<b>141</b>	<b>–</b>

## 27 Ultimate controlling party

The Company has no ultimate controlling party.

## 28 Related party transactions – Group and Company

Impax New Energy Investors LP, Impax New Energy Investors II LP, Impax New Energy Investors SCA, Impax Carried Interest Partners LP and Impax Carried Interest Partners II LP are related parties of the Group by virtue of subsidiaries being the General Partners to these funds.

IFSL Impax Environmental Leaders is a related party of the Group by virtue of a subsidiary undertaking, Impax Asset Management Limited, acting as the fund's manager. The Group held an equity stake of 9.83 per cent as at 30 September 2010.

BNP Paribas Investment Partners is a related party of the Group by virtue of owning a 28.2 per cent equity holding.

The aggregate related party transactions during the period, and holdings as at the year end, are as follows:

Group	2010 £'000	2009 £'000
<b>Statement of Comprehensive Income</b>		
Revenue	4,571	4,159

### Statement of Financial Position

Non-current asset investments	16	13
Current asset investments	2,655	1,793
Trade and other receivables	1,743	11
Trade and other payables	101	28

Company	2010 £'000	2009 £'000
<b>Statement of Comprehensive Income</b>		
Revenue	–	–

### Statement of Financial Position

Non-current asset investments	16	13
Current asset investments	2,655	1,793

All balances were unsecured.

## 29 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes the following:

Group	2010 £'000	2009 £'000
<b>Cash at bank and in hand</b>		
Readily available for the principal operating activities of the Group	8,339	6,694
Not available for the Group	3,390	3,590
	11,729	10,284
<b>Short-term borrowings</b>		
Readily available for the principal operating activities of the Group	–	–
Not available for the Group	(648)	(684)
	(648)	(684)
Cash and cash equivalents	11,081	9,600

# Notes to the Financial Statements continued

For the Year Ended 30 September 2010

## 29 Cash and cash equivalents continued

Cash balances of the Group at 30 September 2010 included £3,390,000 (2009: £3,590,000) of cash held and £648,000 (2009: £684,000) of short-term borrowings relating to the hedge fund, IARF. These amounts (net total: £2,742,000, 2009: £2,906,000) are held with the same counter-party and are subject to full right of offset. The Group exercises no direct control over these funds.

Company	2010 £'000	2009 £'000
Cash at bank and in hand	<b>3,466</b>	2,721

## 30 Subsequent events

On 4 November 2010 the Company committed to invest an additional €600,000 in Impax New Energy Investors II LP.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Impax Asset Management Group plc (the "Company") will be held at the offices of MHP Communications Ltd., 60 Great Portland Street, London, W1W 7RT at 11.00 a.m. on 2 March 2011 for the following purposes:

## As Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 30 September 2010 together with the Directors' Report and the Auditor's Report on those accounts.
2. To re-elect J Keith R Falconer as a Director.
3. To re-elect Peter J Gibbs as a Director.
4. To reappoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration.
5. To declare a final dividend in respect of the financial year ended 30 September 2010 of 0.6 pence per ordinary share payable to the holders of ordinary shares on the register of members at the close of business on 11 February 2011.

## As Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

6. THAT the Directors of the Company be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by an ordinary resolution passed on 10 February 2010 or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:
  - (a) the allotment or sale of equity securities, either in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities, subject only to such exclusions or other arrangements as the Directors of the Company may consider necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and
  - (b) the allotment or sale (otherwise than pursuant to resolution 6(a)) of equity securities up to an aggregate nominal value of £115,582.43.

The power conferred by this resolution shall expire (unless previously renewed, revoked or varied by the Company in general meeting) at the conclusion of the Company's next annual general meeting, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Directors of the Company may allot or sell equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

7. THAT the Company be and is generally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 1 pence each provided that:
  - (a) the maximum aggregate number of ordinary shares that may be purchased is 5,779,122;
  - (b) the minimum price which may be paid for each ordinary share is 1 pence;
  - (c) the maximum price which may be paid for each ordinary share is not more than 105 per cent. of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange for the five business days immediately preceding the day of purchase; and

# Notice of Annual General Meeting continued

(d) unless previously renewed, varied or revoked, the authority conferred by this resolution shall expire at the conclusion of the Company's next annual general meeting save that the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

## By order of the Board

Michael Knight  
Company Secretary  
7 January 2011

## Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his or her stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. A form of proxy is enclosed for use of members. Completion and return of a form of proxy or CREST Proxy Instruction (as described in note 4) will not preclude a member from attending and voting in person at the meeting should he or she so decide. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power of authority) must be deposited at the offices of Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.30 a.m. on 28 February 2011. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the form of proxy. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of Members at 6.00 p.m. on 28 February 2011 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting).
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

# Notes

# Notes



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