

**Company Number: 03262305**

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**Directors' Report and Financial Statements**  
**for the year ended 30 September 2011**

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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After a relatively encouraging start, 2011 has proven to be a challenging year for investors. Signs of a faltering economy became more frequent during the year and, from June, political paralysis both in the United States and in the Eurozone undermined confidence in many markets. In this context, Impax has delivered a creditable performance.

During the Company's financial year (the "Period") from 1 October 2010 to 30 September 2011, assets under discretionary and advisory management ("AUM") initially expanded from £1,823 million, reaching £2,362 million by 31 March 2011 (the end of the first half) before falling back to £1,896 million as of 30 September 2011. Since the end of the Period, assisted by a limited recovery in equity markets, AUM rose, reaching £1,979 million as of 31 October 2011.

Although weakening economic conditions affected the short-term outlook for many of the investment opportunities targeted by Impax, the prospects for significant expansion of the environmental sector over the longer term continued to improve. Most notably, in March, catastrophic damage at Japan's Fukushima nuclear plant led to a dramatic reduction in support for nuclear power worldwide, paving the way for more aggressive policies in favour of energy efficiency.

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

Revenue for the year was £20.9 million (2010: £15.3m), a 36 per cent increase.

Operating earnings\* for the year were £6.2 million (2010: £3.8 million) and the associated operating margin was 30 per cent (2010: 25 per cent).

Profit before tax ("PBT") for the year was £1.7 million (2010: £5.2 million). PBT in the Period was impacted *inter alia* by £5.4 million of charges associated with the Company's historical share based incentive schemes; in future, we expect to receive up to £1.7 million of corporation tax benefits to offset these charges. PBT in 2010 included a £1.0 million gain arising from the repayment of a loan note issued to the Company when it exited from a legacy business (the "Loan Note").

The Board regards the most relevant measure of the year's earnings to be diluted earnings per share ("EPS") as adjusted to exclude the charges for the Company's long-term incentive schemes settled from the issuance of primary shares, and to include the dilutive effect of unvested share awards. On this basis, diluted EPS for the Period was 3.74 pence (adjusted\*\*). For 2010, diluted EPS was 3.49 pence (adjusted). Diluted EPS before adjustment was 0.93 pence in 2011 and 3.49 pence in 2010. EPS in 2010 included a gain of 0.79 pence due to the uplift in value of the Loan Note.

The Group's balance sheet strengthened during the Period and cash generation increased significantly. At the end of the financial year, shareholders' equity had increased to £21.5 million (2010: £16.9 million) and cash reserves\*\*\* held by operating entities of the Group were £20.0 million (2010: £8.3 million). The Group remained debt free during the Period.

In line with the Group's higher earnings, the Board recommends an increased dividend of 0.7 pence per share (2010: 0.6 pence per share). The dividend proposal will be submitted for formal approval by shareholders at the forthcoming Annual General Meeting on 26 January 2012. If approved, the dividend will be paid on or around 6 February 2012. The Board does not currently intend to recommend the payment of interim dividends.

\*revenue less operating costs excluding £5.4m charge (2010: nil) due to share incentive schemes

\*\* adjusted to exclude the IFRS 2 charge for share schemes satisfied by primary shares

\*\*\*excludes cash held by the Company's consolidated fund and includes cash invested in money market funds

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**Remuneration policy**

The quality of our staff and the contribution they make are critical to the Group's ability to realise its potential and I would like to personally thank them for their commitment and excellent work over the year.

Following the successful conclusion of the Company's long term incentive scheme on 1 April 2011, the Board undertook a review of the Company's remuneration policy with the aim of ensuring that the Company remains well positioned to retain and attract talented individuals while staying compliant with accepted market practice. The review was performed with advice from external specialists and in consultation with significant shareholders, and has resulted in the adoption of an updated policy covering salaries and variable remuneration ("Variable Remuneration") comprising cash bonuses and awards under a new Employee Share Option Plan ("ESOP").

Under the new policy, the Company will continue to aim to pay market-median salaries to most staff. In any given financial year, aggregate Variable Remuneration across the Company will typically be capped at 45 per cent of earnings before Variable Remuneration, interest and taxes; as the Company's profitability increases, this percentage is likely to fall in line with market norms.

The ESOP has been designed as an options programme to further align the interests of senior staff and shareholders and will comprise options over no more than 14 million shares. The Company's remuneration committee may award these options to staff at the end of any or all of four financial years commencing with the Period, i.e. the year ended 30 September 2011. The strike price of options awarded with respect to any financial year will be 10 per cent above the average of the Company's share price over 30 business days following the publication of the Company's results for the year. Cash bonuses payable in any year (grossed up by applicable employers' national insurance) will be equal to the Variable Remuneration available for the year less the fair value charge arising from the ESOP.

The Board is intending to apply free cash flow generated by operating activities to finance the buyback of the Company's stock into Treasury. Buybacks are intended to occur as and when suitable opportunities arise in the market, and after due consideration of any attractive alternative uses of the Company's cash resources. Shares in Treasury may then be utilised to satisfy employee share based award obligations, reducing any requirement to issue new shares.

**Prospects**

The turbulence in financial markets over the 60 days since the end of the Period has been on a par with that over the same period in late 2008, and has been among the most severe in living memory. However, against this backdrop, there have been material signs that prospects for investors in environmental markets are strengthening. We remain confident that the sector will out-perform in the long-term, providing the Company with further opportunities to create value for shareholders.

J Keith R Falconer

28 November 2011

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Since the interim statement on 1 June, when I reported on Impax's strong first half, market sentiment has deteriorated sharply and asset owners have reduced their appetite for risk. In this uncertain environment the Impax team has focused on building value for clients while carefully extending our platform in order to support future growth.

**Sector developments**

While economic conditions and financial markets have remained fragile, the fundamental drivers behind Impax's investment thesis have strengthened during 2011. Following the second hottest year on record in 2010, many parts of the world have suffered extended drought, with the United States and China particularly badly affected. The pattern of severe flooding experienced in 2009 and 2010 has also continued, with Thailand experiencing significant damage. Meanwhile, historically high oil prices over much of the Period contributed to worrying levels of inflation, prompting calls for energy efficiency measures and the adoption of alternatives to fossil fuels.

Policies to address these issues and other problems arising from pollution and limited resources have continued to develop. In the wake of announcing its new Five Year Plan, the Chinese government confirmed a significant rise in funding for low carbon energy, with US\$770 billion of investment expected by 2020. The Australian government adopted a carbon tax which has materially improved the domestic prospects for energy efficiency and renewable energy, and next month's climate change conference in Durban is expected to reinforce efforts worldwide to reduce emissions of greenhouse gases. In Europe, disappointment with progress to improve energy efficiency prompted the Commission to introduce proposals to ramp up performance in this area, again with a 2020 target, while Germany, Belgium and Switzerland decided to abandon nuclear power generation and increase the rate of adoption of renewable energy in light of the catastrophic damage to Japan's Fukushima reactors.

In spite of these positive developments, environmental sector stocks have recently underperformed global equities. In the 12 months to 30 September 2011, the FTSE Environmental Opportunities All Share Index ("EOAS"), a diversified basket of listed companies around the world that are active in environmental markets, fell by 8.6 per cent (total return, GBP), while the MSCI World Index was down by 3.2 per cent (net return, GBP). However, over a five year period to the same date, the EOAS was up 31.7 per cent while the MSCI World Index was only up 7.1 per cent, illustrating the longer term out-performance of the environmental markets sector.

**Assets under management and fund flows**

Impax's principal divisions, Listed Equity and Private Equity, both attracted significant additional capital during the Period.

During the Period, Listed Equity funds that we manage or advise secured net inflows of £169 million, comprising £93 million into "Impax-Label" funds, which we typically manage for UK investors, and £76 million into Third Party Funds/Accounts. Included in the former was the £131 million of capital raised in October 2010 for Impax Asian Environmental Markets plc, one of our larger clients.

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As shown in Table 1, these net inflows were realised in the first half of the Period; during the second half outflows were modest for the current market conditions and were largely neutralised by inflows.

Table 1: Assets Under Management & Fund Flows

<i>£ million</i>	AUM 1 Oct 2010	H1	H2	AUM 30 Sept 2011
"Impax label" listed equity products	776			712
Inflows		167	26	
Outflows		(60)	(40)	
Market movements & currency		79	(236)	
Third party listed equity funds & accounts	817			792
Inflows		264	80	
Outflows		(152)	(116)	
Market movements & currency		114	(214)	
Private Equity	230	126	36	392
<b>Total</b>	<b>1,823</b>	<b>539</b>	<b>(464)</b>	<b>1,896</b>

Our Institutional and Segregated Accounts Business developed further during the first half of the year, with a new €75 million mandate from Lønmodtagernes Dyrtdsfond Pension Fund of Denmark. We now manage five segregated accounts and are continuing to engage with potential clients for this area of business.

In March 2011 our Third Party Funds business was boosted by a new mandate to manage the BNP Paribas L1 Green Future Fund, and we have continued to build relationships with other wholesale partners, particularly BNP Paribas Investment Partners (for or with whom we manage funds domiciled in Luxembourg, Australia, Korea and Malaysia). We are also currently providing management or advisory services for funds in the UK (for Skandia), Japan (for DIAM and for Russell Investments), in the United States (for Pax World) and in the Netherlands (for ASN Bank).

In September 2011 we concluded the fund raising for Impax New Energy Investors II LP ("Fund II"), our second private equity infrastructure fund, with €330 million of capital from 20 limited partners, including the Company, which committed to invest €3.3 million. As described further below, to date we have made four investments from this fund.

**Cash flow**

Operating cash flow before movements in working capital increased over the Period to £6.8 million (2010: £4.2 million), which was equivalent to an average of £565,000 per month (2010: £354,000).

As noted in last year's statement, in December 2010 we received US\$3.7 million of cash as the final redemption proceeds in respect of a loan note from All American Oil and Gas Incorporated.

## **Investment performance**

### *Listed equity*

Although the performance of environmental markets stocks has recently been weak, a majority of our strategies have delivered credible returns in comparison to their sector benchmarks and to generic equities. For example, over the five years to 30 September 2011, our Environmental Specialists strategy returned 18.8 per cent (total return, GBP), while the FTSE ET50 Index of environmental sector stocks was down 6.9 per cent (total return, GBP) and the MSCI World Index was up 7.1 per cent (net return, GBP). Similarly, between its inception on 1 November 2009 and 30 September 2011, our Water strategy was up 28.5 per cent (total return, GBP) while the MSCI World Index was up 17.7 per cent (net return, GBP).

During 2011, as environmental stocks have de-rated more rapidly than generic equities, our Environmental Leaders strategy, which invests in a diversified portfolio of companies active in environmental markets, has marginally under-performed. From its inception on 3 March 2008 to 30 September 2011, this strategy returned 4.0 per cent (total return, GBP) while the MSCI World Index was up 5.2 per cent (net return, GBP) and the FTSE Environmental Opportunities All Share Index was up 5.6 per cent (total return, GBP). Nevertheless, we believe that this strategy is well positioned for out-performance over the medium to long term.

### *Private equity*

Our private equity business made strong progress during the Period. The principal assets of our first fund, Impax New Energy Investors LP ("Fund I"), which has €125 million of commitments, continued to perform ahead of budget, and we are seeking to achieve an attractive exit when market conditions have improved.

The €330 million of capital attracted by Fund II was sourced from a combination of Fund I investors, other European limited partners including the European Investment Bank, and institutional investors in Japan and the United States. This broader client base provides us with a platform for attracting additional assets in the future.

During calendar year 2011 we have made two more investments from Fund II starting with a portfolio of operating solar power plants in Italy. In October 2011, i.e. after the end of the Period, we completed the acquisition of 100MW of operating, ready-to-build and development stage wind farms in France and Poland from Eolia Renovables, an investment fund managed by Spanish company N+1. We intend to integrate the French portfolio with Fund II's existing wind business.

## **Distribution**

Our approach to distribution remains a key element of our growth plans, and with this in mind we recently completed the recruitment of a new Head of Distribution to coordinate our activity in this area.

We continue to benefit from our external distribution network which has been designed to cover high potential markets. In particular, our relationship with BNP Paribas Investment Partners ("BNPP IP"), led to further promotional activity in much of Europe, Japan and Australia, with significant success as noted above. At the end of the Period, funds raised by or managed for BNPP IP represented ca. 25 per cent of our total AUM.

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We continue to see significant potential for the Company to serve clients based in the United States, and have invested further in the development of this channel. As noted in the Interim Report, we recruited a full-time managing director to co-ordinate our marketing activity there and have increased the number of visits by UK staff. The Global Green Fund, which we sub-advise, passed its third anniversary in March 2011 and is now being actively promoted by its sponsor Pax World, which is based in New Hampshire. In early December 2011 we expect to launch the Impax Green Markets Fund LP, a Delaware-based private fund which will be investing in our Environmental Specialists strategy; we expect this fund to be attractive to US-based institutional investors. The Company has committed to invest, from current cash reserves, US\$5 million into this fund at launch, alongside a client who is advised by an institutional consultant, with whom Impax has had a relationship for many years.

**Infrastructure and support**

As our business expands, we continue to strengthen our Support Team in order to provide a robust service to our investment managers. During the Period, we hired a general counsel who has reduced our dependence on third party legal advisers, and an HR director, who is leading a programme to further enhance the Company's working environment and comply with the growing volume of legislation in this area.

In November 2011 we completed the move to larger premises at Norfolk House, 31 St James's Square in London, with a lease that expires in December 2015. With ca. 10,000 square feet of accommodation (compared to ca. 5,000 at our previous offices), we now have adequate space to house our staff and provide room for further growth.

At the end of the Period, our total headcount was 45 permanent and six temporary staff, up from 40 permanent and four temporary staff at the start of the Period.

**Hong Kong subsidiary**

As noted in previous statements, we have continued to extend our capabilities to provide investment management and related services in Hong Kong and establish a gateway into investment opportunities in China and the wider Asia-Pacific region. During the Period, we secured approval from the Hong Kong Securities and Futures Commission for our subsidiary, Impax Asset Management (Hong Kong) Limited, to provide asset management services, and recruited a second analyst, who has recently moved to Hong Kong from his previous base in Beijing.

As market sentiment improves and investor appetite for exposure to this region increases, we are well positioned to add further resource to this research platform.

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**Outlook**

At the time of writing, with no visibility on a solution to the Eurozone's debt problems and an on-going impasse in the United States over plans to address the budget deficit, it is difficult to be optimistic about the short-term prospects for equity markets. As and when governments are able to agree credible steps to address these issues, it is realistic to assume that investor sentiment will improve and that equity markets will recover; in the meantime, there is a significant prospect of further volatility. While navigating these difficult markets, investors are, we believe, increasingly examining how their portfolios can be repositioned to harness growth opportunities and limit risk. In this context, evidence continues to build that investments in environmental markets have compelling characteristics, and, with a long track record, a strong and stable investment team and a robust balance sheet, the Company should be well positioned, both to withstand short-term headwinds and to expand when market sentiment improves.

Ian R Simm

28 November 2011

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**OFFICERS AND ADVISERS**

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<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>	Zack Wilson
<b>Registered Office</b>	Norfolk House 31 St James's Square London SW1Y 4JR
<b>Auditor</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 The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Nominated Adviser and Broker</b>	Execution Noble 10 Paternoster Square London EC4M 7AL
<b>Solicitors</b>	Stephenson Harwood 1 Finsbury Circus London EC4M 7SH

## **IMPAX ASSET MANAGEMENT GROUP Plc DIRECTORS' PROFILES**

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**Keith Falconer**, aged 56, 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, the Asian Opportunities Absolute Return Fund and the Asian Equities Special Opportunities Portfolio Master Fund Limited.

**Ian Simm**, aged 45, 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 Masters in Public Administration from Harvard University.

**Peter Gibbs**, aged 53, 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, Merrill Lynch (UK) Pension Plan Trustees Limited and Friends Life Group plc.

**Mark White**, aged 56, is a Non-Executive Director of Impax Asset Management Group plc. He is the CEO 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 EB Asia Absolute Return Fund and F&C Global Smaller Companies plc.

**Guy de Froment**, aged 61, 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).

**Vincent O'Brien**, aged 53, 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.

## **IMPAX ASSET MANAGEMENT GROUP Plc**

### **SENIOR EXECUTIVE PROFILES**

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**Bruce Jenkyn-Jones**, aged 46, 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**, aged 53, 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**, aged 58, 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**, aged 47, 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.

**Ominder Dhillon**, aged 41, is Head of Distribution for Impax. Ominder joined Impax in October 2011 from Fidelity International where he was Head of UK Institutional Distribution for three years. Ominder previously spent nine years as Director of Institutional Sales at Scottish Widows Investment Partnership, and prior to that, nine years at John Morrell & Associates and Johnson Fry plc (later acquired by Legg Mason).

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DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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The Directors present their Report and the financial statements for the year ended 30 September 2011.

**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 the Group's business is contained in the Chairman's Statement and Chief Executive's Report on pages 2 to 8 which are incorporated into this report by reference. The Corporate Governance Statement, set out on pages 17 to 19, forms part of this report.

The Directors consider Assets Under Management ("AUM"), revenue and profitability to be the key performance indicators of the Group. AUM grew from £1,823m at 30 September 2010 to £1,896m at 30 September 2011. Revenue for the year was £20,931,000 (2010: £15,339,000) and profit before tax was £1,718,000 (2010: £5,177,000).

**DIVIDENDS**

The Directors propose a dividend of 0.70p per share (totalling £759,000) for the year ended 30 September 2011 (2010: 0.60p per share, totalling £651,000). The dividend will be submitted for formal approval at the Annual General Meeting. 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 2012.

The dividend for the year ended 30 September 2010 was paid on 11 March 2011, being 0.60p per share. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total dividend payment of £651,000. This payment is reflected in the Statements of Changes in Equity.

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**DIRECTORS AND THEIR INTERESTS 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 2011 and 30 September 2010 were:

	30 September 2011	30 September 2010
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	300,000
Vince O'Brien	110,000	10,000
Guy de Froment	-	-

\* includes vested shares within sub-funds of the Impax Group Employee Benefit Trust ('EBT') from which the individual may benefit.

\*\* includes vested shares within sub-funds of the EBT from which the individual may benefit. In addition, 4,000,000 shares have been allocated to a sub-fund of the EBT of which Ian Simm and his family are beneficiaries, which are revocable in certain specified circumstances including Ian Simm ceasing to be employed by the Company prior to 30 September 2012.

There have been no changes to the above holdings since 30 September 2011.

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

**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 28 November 2011:

	Number	Percentage
BNP Paribas Investment Partners	32,220,000	28.2%
J Keith R Falconer *	10,489,290	9.2%
Rathbone Investment Managers	7,092,080	6.2%
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 Private Banking Nominees	4,516,050	3.9%
Bruce Jenkyn-Jones *	3,750,000	3.3%

\* Includes shares held by the EBT from which the individuals may benefit.

\*\* in addition to the interest disclosed above, the EBT has a legal interest in a further 15,118,781 shares which have transferred to sub funds from which the individuals may benefit.

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**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 has a cycle scheme; and
- Paper and materials use: the Group has a system to recover office paper and encourages staff to avoid wastage of other materials.

**CORPORATE SOCIAL RESPONSIBILITY**

The Group, either directly or through individual members of staff aims to support a number of charities or other non profit making organisations by contributing funds or volunteering services. The Group seeks to focus such activity on areas directly relating to or having an impact on the environment.

The following are ways the Company seeks to achieve this aim:

- Giving to Charity – the company operates a Give as You Earn Scheme;
- Employee Volunteering - Wherever possible we look for opportunities to give employees a chance to make a positive impact in the community; and
- Community and Industry Involvement - Where an employee has the opportunity to give some time to a local organisation or a trade body the Company will give due consideration to such requests.

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**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 auditor are aware of that information.

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

**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 2011 were 15 (2010: 12).

By order of the Board

**Zack Wilson  
Company Secretary  
28 November 2011**

**Registered office:  
Norfolk House  
31 St James's Square  
London SW1Y 4JR**

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND**  
**THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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 state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

**IMPAX ASSET MANAGEMENT GROUP Plc  
CORPORATE GOVERNANCE REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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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 of Directors ('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 Group has applied the principles throughout the year.

**THE BOARD OF DIRECTORS**

The Board has overall responsibility for the Group. The Board provides strategic direction to the executive management, monitoring the Group's operating and financial results, reviewing management performance, overseeing the adequacy of risk management and internal controls and ensuring the Company's obligations to its shareholders are met.

The Board has consisted of a Non-Executive Chairman, four Non-Executive Directors and the Chief Executive during the period. Details of the current Board members are given on page 10 of this report. Throughout the year the position 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 meets regularly throughout the year. It met six times in the year ended 30 September 2011 to consider strategic development and to review trading results and operational and business issues. It has a formal agenda of items for consideration at each meeting but also convenes at additional times when required.

All Directors receive detailed Board papers and reports one week prior to the regular Board meetings and have unlimited access to the advice and services of senior management should further information be required. 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.

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.

**IMPAX ASSET MANAGEMENT GROUP Plc  
CORPORATE GOVERNANCE REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**BOARD COMMITTEES**

The Board is assisted by two standing committees of the Board which report to it on a regular basis. These committees have clearly defined terms of reference.

**Audit and Risk Committee**

The Audit and Risk Committee is comprised of the following Non-Executive Directors: Mark White (Chairman), Peter Gibbs, Guy de Froment and Vince O'Brien. The Committee has met four times in the year.

The Committee's responsibilities include:

- monitoring the integrity of the financial statements and formal announcements relating to the Company's and Group's financial performance;
- reviewing the Group's risk management processes and risk reports;
- 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;
- the implementation of new accounting standards and policies;
- 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 auditor 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 auditor's independence or objectivity. To ensure that the independence and objectivity of the auditor is maintained, the Committee monitors the scope of all work performed.

**Remuneration Committee**

The Remuneration Committee is comprised of the four Non-Executive Directors: Peter Gibbs (Chairman), Mark White, Guy de Froment and Vince O'Brien. The Committee has met four times this year.

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 that remuneration packages provided do not promote undue risk taking. The Remuneration Committee will respond to this requirement in the way that meets the best interest of shareholders. Further details regarding the remuneration policy and payments made can be found in the Remuneration Report on page 22-23.

**IMPAX ASSET MANAGEMENT GROUP Plc  
CORPORATE GOVERNANCE REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**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, the US Securities and Exchange Commission and in respect of its Hong Kong activities, the Securities and Futures Commission. The Board has adopted procedures and controls designed to ensure its obligations are met.

Details of the key risks facing the group and internal controls acting to control or mitigate the risks are set out on pages 20-21.

**DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS**

The Company reports formally to shareholders at the half-year and year end. At the Annual General Meeting of the Company, 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.

## **IMPAX ASSET MANAGEMENT GROUP Plc**

### **KEY RISKS**

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The principal risks that the Group faces are described below. Further information on financial risk is given in Note 25 to the financial statements. The Chief Financial Officer is responsible for maintaining a risk register and for an ongoing program to monitor internal controls and processes put in place to control or mitigate the risks identified. This includes reporting to the Group's Audit and Risk Committee on a quarterly basis.

#### **Market risk**

The Group's Listed Equity business charges management fees based on assets under management and accordingly its revenue is 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 from 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.

#### **Currency risk**

A significant amount of the Group's income is based on assets denominated in foreign currencies. For the year ended 30 September 2011 and on an ongoing basis the Group's strategy has been to put in place hedges, in the form of forward rate contracts, where there was sufficient predictability over the income to allow for an effective and efficient hedge. Otherwise the Group converts foreign currency income to sterling as soon as practically possible after receipt.

The amount of the Group's expenses denominated in foreign currencies is not significant.

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.

#### **Liquidity and cash flow risk**

The Group's approach to managing liquidity risk is to ensure that it has sufficient cash on hand to meet liabilities when due under both normal and stressed conditions and to satisfy regulatory requirements. The Group produces cash flow forecasts covering a twelve month period. The Group's management and Board review these forecasts. As shown in the Note 25 to the financial statements the group has significant cash reserves.

#### **Interest rate risk**

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

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**KEY RISKS**

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**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 carried interest 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 has obtained full 'ISAE 3402' (formerly known as SAS 70) certification, for the six months ended 30 September 2011, 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 has comprehensive insurance cover which is reviewed each year prior to policy renewal.

**IMPAX ASSET MANAGEMENT GROUP Plc  
REMUNERATION REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**POLICY ON CHIEF EXECUTIVE AND SENIOR EMPLOYEES' REMUNERATION**

The remuneration and terms and conditions of service of the Directors and senior employees are determined by the Board, based on recommendations made by the Remuneration Committee.

Following the successful conclusion of the Company's long term incentive scheme on 1 April 2011, the Remuneration Committee undertook a review of the Company's remuneration policy with the aim of ensuring that the Company remains well positioned to retain and attract talented individuals while staying compliant with accepted market practice. The review was performed with advice from external specialists and in consultation with significant shareholders. In completing its review the Remuneration Committee took into account a number of factors including; the FSA's Code of Practice on Remuneration Policies, policies adopted by competitors and the growth of the business.

For the year ended 30 September 2011 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 insurance, life assurance and private medical insurance.

(ii) Variable remuneration

Variable Remuneration consists of a cash bonus and share based payments. Aggregate Variable Remuneration across the Group will typically be capped at 45 per cent of earnings before Variable Remuneration, interest and taxes; as the Group's profitability increases, this percentage is likely to fall in line with market norms.

(a) Cash bonus

The cash bonus is determined based on the profitability of the relevant area where the employee works and on the individual's personal performance.

(b) Share based payment awards

For the years ended 30 September 2011 to 30 September 2014 the Board has approved an Employee Share Option Plan ('ESOP') under which the Chief Executive and senior employees are eligible to receive up to 14 million share options over a four year period. The options will have an exercise price set at a 10% premium to the average share price of the 30 business days following the announcement of results for the respective year. Option awards in respect of the year ended 30 September 2011 have been approved by the Board and will be communicated to employees shortly thereafter.

The Chief Executive and other employees also continue to benefit from share based payment awards made under the previous share based incentive plan (the EIA Extension) as more fully described in Note 3 to the financial statements. These awards will vest subject to continued employment of the individuals by the Group at 30 September 2012.

**IMPAX ASSET MANAGEMENT GROUP Plc  
REMUNERATION REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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(iv) Pensions

The Group pays a defined contribution to the pension schemes 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. No such payments were made during the year. The amounts will be accounted for at the point they become payable.

**DIRECTORS REMUNERATION DURING THE YEAR**

Total Directors' emoluments for the year were £852,908 (2010: £811,457) and details of each Director's remuneration are shown in Note 21 to the financial statements.

During the year 4,000,000 Ordinary Shares of the Company were allocated to a sub fund of the Impax Employee Benefit Trust of which Ian Simm and his family are beneficiaries. The shares are subject to the risk of revocation under certain circumstances including Ian Simm ceasing to be employed by the Company at 30 September 2012.

**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 individual's 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.

By Order of the Board

**Peter Gibbs**  
**Chairman, Remuneration Committee**  
**28 November 2011**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPAX ASSET MANAGEMENT GROUP plc**

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We have audited the financial statements of Impax Asset Management Group Plc for the year ended 30 September 2011 set out on pages 26 to 71. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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 Auditor's 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 AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on pages 16, 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, and express an opinion on, 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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 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 EU 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 THE 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.

**J M Mills (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London, E14 5GL

28 November 2011

**IMPAX ASSET MANAGEMENT GROUP PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	Notes	2011 £'000	2010 £'000
<b>Revenue</b>	2	20,931	15,339
Operating costs	3	(14,696)	(11,512)
Share based payment charge for EIA extension scheme	3	(3,647)	-
Exceptional long-term incentive scheme NIC charge	3	(1,090)	-
Other long-term incentive scheme related charges	3	(619)	-
Fair value gains on investments		785	3
Change in third party interest in consolidated fund		(117)	152
Investment income	4	171	1,195
<b>Profit before taxation</b>		<b>1,718</b>	<b>5,177</b>
Taxation	5	(652)	(1,378)
<b>Profit for the year</b>		<b>1,066</b>	<b>3,799</b>
<b>Other comprehensive income</b>			
Tax benefit on long-term incentive schemes		46	-
Increase in value of cash flow hedges		213	-
Tax arising on increase in value of cashflow hedges		(55)	-
Exchange differences on translation of foreign operations		20	1
<b>Total other comprehensive income</b>		<b>224</b>	<b>1</b>
<b>Total comprehensive income for the period attributable to equity holders of the Parent Company</b>		<b>1,290</b>	<b>3,800</b>
Basic earnings per share	7	0.98p	3.50p
Diluted earnings per share	7	0.93p	3.49p

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

The notes on pages 33 to 71 form part of these financial statements.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2011**

Company No:03262305

	Notes	£'000	2011 £'000	£'000	2010 £'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Goodwill	9	1,629		1,629	
Intangible assets	10	39		76	
Property, plant and equipment	11	491		297	
Investments	13	18		16	
			2,177		2,018
<b>Current Assets</b>					
Trade and other receivables	14	3,173		3,919	
Derivative asset		213		-	
Other financial assets	12	-		2,242	
Investments	15	3,930		7,007	
Current tax asset		47		217	
Cash invested in money market funds	28	8,546		2,518	
Cash and cash equivalents	28	12,870		9,211	
			28,779		25,114
<b>TOTAL ASSETS</b>			<b>30,956</b>		<b>27,132</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares	18	1,156		1,156	
Share premium	19	78		78	
Exchange translation reserve		(136)		(156)	
Own shares	19	(59)		(59)	
Treasury shares	19	(453)		(453)	
Hedging reserve		158		-	
Retained earnings		20,756		16,337	
<b>TOTAL EQUITY</b>			<b>21,500</b>		<b>16,903</b>
<b>Current Liabilities</b>					
Trade and other payables	16	7,858		7,128	
Third party interest in consolidated fund	17	-		1,506	
Short-term borrowings	28	-		648	
Current tax liability		12		142	
			7,870		9,424
<b>Non-Current Liabilities</b>					
Deferred tax liability	5	1,586		805	
			1,586		805
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>30,956</b>		<b>27,132</b>

Authorised for issue and approved by the Board on 28 November 2011. The notes on pages 33 to 71 form part of these financial statements.

Ian R Simm,  
**Chief Executive**

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2011**

Company No: 03262305

	Notes	2011	2010
		£'000	£'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	479	297
Investments	13	7,326	6,036
Trade and other receivables	14	-	1,537
Deferred tax asset	5	56	207
		<u>7,861</u>	<u>8,077</u>
<b>Current Assets</b>			
Trade and other receivables	14	428	404
Investments	15	2,797	2,655
Cash invested in money market funds		8,546	2,518
Cash and cash equivalents		1,172	948
		<u>12,943</u>	<u>6,525</u>
<b>TOTAL ASSETS</b>		<u><u>20,804</u></u>	<u><u>14,602</u></u>
<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)	(453)
Retained earnings		8,955	6,257
<b>TOTAL EQUITY</b>		<u>9,677</u>	<u>6,979</u>
<b>Current Liabilities</b>			
Trade and other payables	16	11,127	7,623
		<u>11,127</u>	<u>7,623</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>20,804</u></u>	<u><u>14,602</u></u>

Authorised for issue and approved by the Board on 28 November 2011. The notes on pages 33 to 71 form part of these financial statements.

Ian R Simm  
**Chief Executive**

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	Note	Share capital	Share premium	Exchange translation reserve	Own shares	Hedging reserve	Treasury shares	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 October 2009</b>		1,156	78	(157)	(59)	-	-	12,832	<b>13,850</b>
Dividends paid		-	-	-	-	-	-	(435)	<b>(435)</b>
Share buyback		-	-	-	-	-	(453)	-	<b>(453)</b>
Long term incentive scheme charge		-	-	-	-	-	-	141	<b>141</b>
Exchange differences on translation of foreign operations		-	-	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>
Dividends paid	8	-	-	-	-	-	-	(651)	(651)
Long term incentive scheme charge		-	-	-	-	-	-	3,958	3,958
Tax benefit on long-term incentive schemes		-	-	-	-	-	-	46	46
Cashflow hedge		-	-	-	-	213	-	-	213
Tax benefit on cashflow hedge		-	-	-	-	(55)	-	-	(55)
Exchange differences on translation of foreign operations		-	-	20	-	-	-	-	20
Profit for the year		-	-	-	-	-	-	1,066	1,066
<b>As at 30 September 2011</b>		1,156	78	(136)	(59)	158	(453)	20,756	<b>21,500</b>

The notes on pages 33 to 71 form part of these financial statements.

Own shares relate to the holding of 5,888,273 (2010: 5,888,273) unallocated and unvested ordinary shares held in the Company by the EBT, representing 5.1% (2010: 5.1%) of the ordinary shares in issue at 30 September 2011.

During the Year ended 30 September 2010 the Company purchased 1,240,000 of its own shares and transferred them to Treasury.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	Note	Share capital	Share premium	Own shares	Treasury shares	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 October 2009</b>		1,156	78	(59)	-	6,661	<b>7,836</b>
Long term-incentive scheme		-	-	-	-	141	<b>141</b>
Loss for the year		-	-	-	-	(110)	<b>(110)</b>
Dividends paid		-	-	-	-	(435)	<b>(435)</b>
Share buyback		-	-	-	(453)	-	<b>(453)</b>
<b>As at 30 September 2010</b>		1,156	78	(59)	(453)	6,257	<b>6,979</b>
Long-term incentive scheme		-	-	-	-	3,958	<b>3,958</b>
Loss for the year		-	-	-	-	(609)	<b>(609)</b>
Dividends paid	8	-	-	-	-	(651)	<b>(651)</b>
<b>As at 30 September 2011</b>		<u>1,156</u>	<u>78</u>	<u>(59)</u>	<u>(453)</u>	<u>8,955</u>	<b><u>9,677</u></b>

The notes on pages 33 to 71 form part of these financial statements.

Own shares relate to the holding of 5,888,273 (2010: 5,888,273) unvested ordinary shares in the Company held by the EBT, representing 5.1% (2010: 5.1%) of the ordinary shares in issue at 30 September 2011.

During the year ended 30 September 2010 the Company purchased 1,240,000 of its own shares and transferred them to Treasury.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Note</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,718	5,177
Adjustments for:		
Investment income	(171)	(1,195)
Depreciation of property, plant & equipment	243	206
Amortisation of intangible assets	53	75
Fair value movements in investments	(785)	(3)
Share-based payment	3,958	141
Exceptional long-term incentive scheme NIC charge	1,054	-
Other long term incentive scheme related charges	619	-
Change in third party interest in consolidated fund	117	(152)
<b>OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL</b>	<b>6,806</b>	<b>4,249</b>
Decrease/(Increase) in receivables	741	(1,115)
(Decrease)/Increase in payables	(931)	2,559
<b>CASH GENERATED FROM OPERATIONS</b>	<b>6,616</b>	<b>5,693</b>
Corporation tax refunded/(paid)	162	(261)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>6,778</b>	<b>5,432</b>
<b>Investing activities:</b>		
Interest received	77	56
Settlement of loans receivable	2,337	-
Proceeds on sale of investments	426	1,195
Proceeds on sale of investments held by the consolidated fund	3,489	-
Purchase of investments	(53)	(2,134)
Purchase of investment held by the consolidated fund	-	(2,107)
Purchase of intangible assets	(16)	(8)
Purchase of property, plant & equipment	(437)	(82)
<b>NET CASH GENERATED FROM/(USED BY) INVESTMENT ACTIVITIES</b>	<b>5,823</b>	<b>(3,080)</b>
<b>Financing activities:</b>		
Dividends paid	(651)	(435)
Share buy back	-	(453)
Increase in cash held in money market funds	(6,028)	(2,518)
Redemption of preference shares issued by the consolidated fund	(1,623)	(1,885)
Issue of preference shares by the consolidated fund	-	1,854
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(8,302)</b>	<b>(3,437)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,299</b>	<b>(1,085)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8,563</b>	<b>9,600</b>
Effect of foreign exchange rate changes	8	48
<b>CASH AND CASH EQUIVALENTS</b>	<b>12,870</b>	<b>8,563</b>

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**IMPAX ASSET MANAGEMENT GROUP Plc**  
**COMPANY STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(458)	(11)
Adjustments for:		
Investment income	(546)	(24)
Depreciation of property, plant & equipment	243	206
Fair value movements in investments	(512)	38
Impairment of investment	592	286
Share-based payment	1,282	-
Exceptional long term incentive scheme charge	453	-
Other long term incentive scheme related charges	110	-
<b>OPERATING CASH FLOWS BEFORE</b>	<b>1,164</b>	<b>495</b>
<b>MOVEMENT IN WORKING CAPITAL</b>		
Decrease/(Increase) in receivables	1,510	(562)
Increase in payables	2,940	2,696
<b>CASH GENERATED FROM OPERATIONS</b>	<b>5,614</b>	<b>2,629</b>
Corporation Tax Paid	-	-
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>5,614</b>	<b>2,629</b>
<b>Investing activities:</b>		
Interest received	52	23
Dividend received	497	-
Repayments/Proceeds on sale of investments	1,247	1,195
Purchase of investments	(83)	(2,132)
Purchase of property, plant & equipment	(424)	(82)
<b>NET CASH USED BY INVESTMENT ACTIVITIES</b>	<b>1,289</b>	<b>(996)</b>
<b>Financing activities:</b>		
Dividends paid	(651)	(435)
Increase in cash held in money market funds	(6,028)	(2,518)
Share buy back	-	(453)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(6,679)</b>	<b>(3,406)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>224</b>	<b>(1,773)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>948</b>	<b>2,721</b>
Effect of foreign exchange rate changes	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,172</b>	<b>948</b>

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES**

**Presentation of Financial Statements**

Impax Asset Management Group plc is a public limited company that is incorporated and domiciled in the United Kingdom, and is listed on the Alternative Investment Market (AIM). The address of the registered office is given on page 9 of these financial statements. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 12 to 15.

**Basis of accounting**

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

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and has concluded that it is appropriate to adopt the going concern basis in preparing the financial statements of the Group.

The financial statements have been prepared under the historical cost convention, with the exception of the revaluation of certain investments.

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

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

IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations - IFRS 5 was amended to specify the required disclosures for non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. The adoption of this amendment has not had a material impact on the financial performance or position of the Group.

IAS 7 Statement of Cash Flows - IAS 7 was amended to state explicitly that only expenditure that results initially in the recognition of an asset may be classified as a cash flow from investing activities. The adoption of this amendment has not had a material impact on the financial performance or position of the Group.

IAS 17 Leases – Classification of leases of land and buildings - The adoption of this amendment to the standard has not had a material impact on the financial performance or position of the Group.

IAS 36 Impairment of Assets - IAS 36 was amended to state that the largest unit to which goodwill is allocated is at the operating segment level as defined in IFRS 8 before applying aggregation criteria of IFRS 8.12. The adoption of this amendment has not had a material impact on the financial performance or position of the Group.

IAS 39 - IAS 39 was amended to state that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The adoption of this amendment has not had a material impact on the financial performance or position of the Group.

IAS 27 Consolidated and Separate Financial Statements - Transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31. This has not had a material impact.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

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% 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 funds 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 fund' 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'.

In instances where the Group acts as the Manager and General Partner of a fund in a Limited Partnership 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.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**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.

**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 fair value of the shares and share options awarded is determined at the date the employee is deemed to be fully aware of their potential entitlement and all conditions of vesting (termed the 'grant date'). The expense is charged over the period starting when the employee commenced the relevant services (termed 'the service commencement date') to the vesting date. In instances where the grant date occurs after service commencement date the fair value is initially estimated by assuming that the grant date is the reporting date.

**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.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

**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 Statement of Comprehensive Income 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. In the United Kingdom tax deductions are available in respect of the award of the Company's shares. In instances where the tax deduction is greater than the associated share based payment charge due to differences in the Company's share price that amount, tax effected, is recognised in other comprehensive income.

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.

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

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

**Intangible fixed assets - software licences**

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

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 nonderivatives 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**

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, but 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.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

**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. All gains or losses together with transactions costs are recognised in the income statement. 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.

**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 less directly attributable transaction costs 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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, short-term deposits 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.

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

**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.

**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 Statement of Comprehensive Income. 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 Statement 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 presentational currency for the Group is sterling.

The average rate ruling in the accounting period for US Dollars was US\$1.60: £1 (2010: US\$1.56 : £1); the rate ruling at the Statement of Financial Position date was US\$1.56: £1 (2010: US\$1.58: £1).

The average rate ruling in the accounting period for Euros was €1.15: £1 (2010: €1.15: £1); the rate ruling at the Statement of Financial Position date was €1.15: £1 (2010: €1.16: £1).

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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**1 ACCOUNTING POLICIES (continued)**

**Derivatives**

The group uses foreign exchange futures contracts as a hedge against the foreign exchange risk on future income denominated in foreign currencies. At the balance sheet date these derivative contracts are recorded at their fair value. In instances where the hedge accounting criteria are met changes in the fair value are recorded in other comprehensive income. The amounts recognised in other comprehensive income are reclassified to profit or loss when the hedged item (ie the relevant foreign exchange income) is recorded in profit.

**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 25.

- 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 as to whether the Group controls the fund.

- Determining the share based payment charge

In determining the value of share based payments, key judgements include the volatility of Impax shares, Impax's dividend yield and the risk free rate.

- Determining the value of Employer's National Insurance ("NIC") payments due in respect of share schemes

In determining the value of amounts that will be payable in respect of NIC payments in respect of the Group's share schemes the key estimates are the price of the shares at the date when the NIC becomes payable and the NIC rate prevalent at that date. The Group uses the rate at the Statement of Financial Position date as its estimate.

- Determining the value of deferred tax assets for tax deductions that will become deductible in respect of share based payment charges.

We record a share based payment charge and associated NIC charges in the current year. Tax deductions in respect of these will only be available in future years when the relevant individual exercises options or requests the Trustees of the Impax Employee Benefit Trust to move their shares out of the Trust and accordingly we recognise a corresponding deferred tax asset. In determining the size of the deferred tax asset the key judgements are the price of the shares at the date when the tax or NIC becomes payable and the tax and NIC rates prevalent at that date. The group uses the price/rates enacted at the Statement of Financial Position date as its estimate.

- Impairment of goodwill

In determining if goodwill is impaired we calculate the value in use of the Group. Key estimates involved in this are the Group's future cashflows and an appropriate discount rate to apply to those cashflows. We estimate the Group's cashflows using our approved three year plan and a growth rate of 2% thereafter.

**2 ANALYSIS OF REVENUE AND ASSETS**

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

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

	<b>Consolidated revenue</b>	
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Investment management	20,311	15,078
Transaction fees	192	-
Advisory fees	428	261
	<u>20,931</u>	<u>15,339</u>

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

	<b>Consolidated revenue</b>	
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
UK	14,532	9,594
Rest of the world	6,399	5,745
	<u>20,931</u>	<u>15,339</u>

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Ireland	2,125	2,136
France	2,448	1,920
Luxembourg	282	420
Netherlands	844	743
Other	700	526
	<u>6,399</u>	<u>5,745</u>

Revenue from two of the Group's customers individually represented more than 10% of Group revenue (2010: two), equating to £3,878,000 and £5,333,000 (2010: £3,636,000 and £2,127,000).

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

**3 OPERATING COSTS**

**Exceptional long-term incentive scheme NIC charge**

Operating costs for the year ended 30 September 2011 include an exceptional charge of £1,090,000 in respect of Employer's National Insurance Contributions ("NIC") now considered payable in connection with the Group's Employee Incentive Arrangement (Original Scheme).

Under this scheme, a total of 16,777,045 shares were allocated to sub-funds for the benefit of employees and their families under the Impax Group Employee Benefit Trust 2004 (the "EBT"). These shares ceased to be subject to the risk of revocation for the employee ceasing employment on 30 September 2007, 2008 and 2009. The Group recorded an IFRS 2 'Share based payment' charge in the periods to 30 September 2009 in respect of these awards. During the year, the Government made various changes to taxation of awards delivered and yet to be delivered under employee benefit trusts. In light of these changes the Group now expects that some or all of the EBT beneficiaries will, at some stage, request the EBT Trustee at its discretion to transfer Impax Ordinary Shares or other assets held in the name of employees and their families from the EBT to one or more of the beneficiaries whereupon the Group would be required to pay Employer's NIC on the value of the shares or other assets removed. In line with requirements of International Financial Reporting Standards the Group has provided for these future payments. Given the one off nature and size of the charge it has been classified as exceptional.

If and when the EBT Trustee agrees to transfer assets held in the EBT to beneficiaries and if the assets transferred are in the form of the Company's Ordinary Shares, the Group also expects to be eligible for a corporation tax deduction equal to the value of those Ordinary Shares. Where the Trustee has transferred Ordinary Shares out of the Trust in the period from December 2010 to the date of this report the benefit of the tax deduction has been recognised in these financial statements. If the amount of the tax deduction exceeds the cumulative share based payment expense the excess of the associated tax benefit is recognised in Other Comprehensive Income. Any amount included in Other Comprehensive Income is included in the Group's definition of adjusted earnings as explained in Note 7. At the date of this report the Trustee had transferred 350,000 shares out of the EBT giving rise to a total tax benefit of £60,000 with £15,000 recorded in profit after taxation and £46,000 in Other Comprehensive Income. At the date of this report 15,118,781 shares remained in the EBT.

**Share based payment charge and other long-term incentive scheme related charges**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
EIA extension share based payment charge	3,647	-
EIA extension NIC Charge	333	-
Additional payment	286	-
Other long-term incentive scheme related charges	619	-

**IMPAX ASSET MANAGEMENT GROUP plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

*EIA extension*

Under this scheme, which was approved by shareholders on 31 January 2008, awards in respect of 18.25 million of the Company's Ordinary shares could be allocated to employees subject only to certain Company share price performance conditions being met for each of the three years ended 30 September 2008, 2009 and 2010. On 16 March 2011 the Group announced that the conditions in respect of the year ended 30 September 2010 had been met and accordingly that shares could be allocated.

On 1 April 2011, awards were granted when the Trustee of the EBT agreed to allocate four million Ordinary Shares to a sub-fund of the EBT of which Ian Simm, the Company's Chief Executive, and his family are beneficiaries and when 14.05 million Long Term Incentive Plan ("LTIP") options were awarded to other employees.

The awards allocated to the EBT sub-fund for Ian Simm and his family are subject to revocation in certain circumstances including Ian Simm ceasing to be employed prior to 30 September 2012.

The LTIP options have a 1p or nil exercise price and will vest to individuals remaining employed on 30 September 2012. They may then be exercised over a period from 1 October 2012 to 31 December 2020.

Individuals receiving LTIP Options are also eligible for an additional retention payment (the "Additional Payment") payable six months after the end of the financial year in which each employee exercises his or her LTIP Options. The Additional Payment will be equal to the corporation tax benefit realised by the Group on the exercise of the LTIP Options minus the amount of the Employer's NIC charge suffered by the Group on the exercise of the LTIP Options.

The Group accrues for the IFRS 2 'Share based payment' charge for shares allocated under the EBT and the LTIP options from the date of grant, to the date of vesting which is deemed to be 30 September 2012. This charge is excluded from the Group's definition of adjusted profit after tax as explained in Note 7.

The Group accrues for the Employer's NIC, the Additional Payment and the related tax benefits over the same period. The options granted during the period were valued at a weighted average price of 64p using the Black-Scholes-Merton model with the following inputs:

Weighted average share price on grant	68p
Exercise price	1p/0p
Expected volatility	35%
Weighted average option life	5.2yrs
Expected dividend rate	1.00%
Risk free interest rate	1.68%

The expected volatility was determined by reviewing the historical volatility of the company and that of comparator companies.

The awards made to Ian Simm and his family were valued at 68p using the same model and assumptions as described above except that the option life was 1.5 years.

**Other operating costs**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries, social security and pension costs (see Note 22)	9,214	7,170
2009 Share option plan share based payment charge	179	141
Employee share option plan share based payment charge	132	-
Other staff costs including contractors and Non-Executive Director's fees	668	792
Depreciation of property, fixtures and equipment (see Note 11)	243	206
Amortisation of intangible assets (see Note 10)	53	75
Auditor's remuneration – subsidiary undertakings audit fees	43	60
Auditor's remuneration – parent company audit fees	45	45
Auditor's remuneration – tax compliance	14	51
Auditor's remuneration – other	92	-
Other costs	4,013	2,972
	<u>14,696</u>	<u>11,512</u>

*2009 Share Option Plan*

In December 2009 1,240,000 zero exercise 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 on 30 September 2012 subject to the continued employment of the participant. The charge for the year in relation to this scheme is offset by an equal reduction in the total cash bonus pool paid to employees.

*2011 Employee Share Option Plan ('ESOP')*

In November 2011, the Board approved the grant of 4,900,000 options over the Company's shares to certain employees in respect of services provided from 1 October 2010. The strike price of the options will be set at a 10% premium to the average market price of the Company's shares for the 30 business days following the announcement of the results for the year ended 30 September 2011. The options will not have performance conditions but will have a time vesting condition such that the options vest subject to continued employment on 31 December 2014. The employees will be notified of the key terms and conditions of these awards shortly thereafter. As the accounting grant date occurs after the date of these financial statements the fair value of the options has been estimated based on the Company's share price at 30 September 2011. The charge for the year in relation to this scheme is offset by an equal reduction in the total cash bonus pool paid to employees.

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

	<b>Number</b>	<b>Weighted average exercise price</b>
Options outstanding at the start of the year	1,240,000	Zero
Options granted during the year*	14,054,940	0.87
Options forfeited during the year	(108,000)	1.00
Options exercised during the year	-	NA
Options expired during the year	-	NA
Options outstanding at the end of the year	15,186,940	0.79
Options exercisable at the end of the year	-	NA

\* As noted above a further 4,900,000 options were approved for grant in November 2011.

For the options outstanding at the end of the period the exercise prices were either nil or 1p and the weighted average remaining contractual life was 7.97 years.

The total expense recognised for the year arising from share based payment transactions was £3,958,000 (2010, £141,000)

**4 INVESTMENT INCOME**

	<b>2011 £'000</b>	<b>2010 £'000</b>
Bank interest	77	9
Other investment income	94	1,186
	<u>171</u>	<u>1,195</u>

Other investment income for the year ended 30 September 2011 includes the reversal of impairment charges previously recorded on the Group's other financial assets (see Note 12).

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5 TAXATION	2011 £'000	2010 £'000
<b>(a) Analysis of charge for the year</b>		
<b>Current tax expense:</b>		
UK corporation tax	46	56
Foreign taxes	11	152
Adjustment in respect of previous years	(131)	1
Total current tax	<u>(74)</u>	<u>209</u>
<b>Deferred tax expense:</b>		
Charge for the year	819	1,169
Adjustment in respect of previous years	(93)	-
Total deferred tax	<u>726</u>	<u>1,169</u>
Total income tax expense	<u>652</u>	<u>1,378</u>

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

The tax assessment for the period is higher than the average rate of corporation tax in the UK of 27%, (2010 lower). The differences are explained below:

	2011 £'000	2010 £'000
Profit before tax	<u>1,718</u>	<u>5,177</u>
Effective tax charge at 27% (2010: 28%)	<u>464</u>	<u>1,450</u>
Effects of:		
Non-deductible expenses and charges	610	51
Tax effect of previously unrecognised tax losses	(45)	(177)
Adjustment in respect of previous years	(224)	1
Effect of higher tax rates in foreign jurisdictions	4	46
Change in UK tax rates	(157)	-
Other	-	7
<b>Total income tax expense</b>	<u>652</u>	<u>1,378</u>

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**(c) Group Deferred Tax**

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

	Accelerated capital allowances	Other temporary differences	Excess managem ent charges	Income not yet taxable	Share based payment scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 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)
Charge/(credit) to equity	-	55	-	-	-	55
Charge/(credit) to the income statement	(9)	(135)	196	1,178	(504)	726
As at 30 September 2011	15	144	-	(2,288)	543	(1,586)

The Group has tax losses of £nil (2010: £700,000) 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 £1,498,000. (2010: £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	Other temporary differences	Excess managem ent charges	Exceptional items	Share based payment scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 September 2010	5	7	195	-	-	207
Charge to the Income Statement	(9)	128	195	(113)	(50)	151
As at 30 September 2011	14	(121)	-	113	50	56

The Company has tax losses of approximately £nil (2010: £700,000) 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 £1,498,000 (2010: £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 £609,000 (2010: loss of £110,000).

**7 EARNINGS AND EARNINGS PER SHARE**

*Adjusted earnings*

In order to better reflect the underlying economic performance of the Group, an adjusted earnings has been calculated. The adjustment i) excludes the IFRS 2 'Share based payment' charge in respect of schemes where shares awarded are satisfied by the issue of new shares (the EIA Original and EIA Extension), and ii) includes the tax benefit recognised in other comprehensive income in respect of transfers out of the EBT and the exercising of options over the Company's shares.

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Earnings	1,066	3,799
Share based payment charge (see Note 3)	3,647	-
Tax benefit on long term incentive scheme included in other comprehensive income.	46	-
<b>Adjusted earnings</b>	<b>4,759</b>	<b>3,799</b>

The earnings per share on an IFRS and adjusted basis are as shown below.

*IFRS earnings per share*

	<b>Earnings for the year £'000</b>	<b>Ordinary shares in issue (weighted average) '000</b>	<b>Earnings per share</b>
<b>2011</b>			
Basic	1,066	108,454	0.98p
Diluted	1,066	114,433	0.93p
<b>2010</b>			
Basic	3,799	108,632	3.50p
Diluted	3,799	108,828	3.49p

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of Ordinary Shares used in the calculation of basic earnings per share as follows:

	<b>2011</b>	<b>2010</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	108,454	108,632
Additional dilutive shares re EIA Extension and 2009 Share Option Plan	19,187	1,240
Adjustment to reflect future contributions from employees receiving the awards	(13,208)	(1,044)
<b>Weighted average number of ordinary shares used in the calculation of diluted earnings per share</b>	<b>114,433</b>	<b>108,828</b>

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*Adjusted earnings per share*

	Adjusted earnings for the year £'000	Ordinary shares in issue (weighted average) '000	Earnings per share
<b>2011</b>			
Basic adjusted	4,759	108,454	4.39p
Diluted adjusted	4,759	127,356	3.74p
<b>2010</b>			
Basic adjusted	3,799	108,632	3.50p
Diluted adjusted	3,799	108,828	3.49p

The number of ordinary shares for the purposes of adjusted diluted earnings per share includes all shares awarded under the EIA Extension and reconciles to the number of ordinary shares used in the calculation of basic adjusted earnings per share as follows:

	2011 '000	2010 '000
Weighted average number of ordinary shares used in the calculation of basic adjusted earnings per share	108,454	108,632
Additional dilutive shares re EIA Extension and 2009 Share Option Plan	19,187	1,240
Adjustment to reflect future contributions from employees receiving the awards	(285)	(1,044)
Weighted average number of ordinary shares used in the calculation of diluted adjusted earnings per share	127,356	108,828

**8 DIVIDEND**

The Directors propose a dividend of 0.70p per share for the year ended 30 September 2011 (2010: 0.60p per share). The dividend will be submitted for formal approval at the Annual General Meeting to be held on 26 January 2012. 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 2012.

The dividend for the year ended 30 September 2010 was paid on 11 March 2011, being 0.60p per share. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total dividend payment of £651,000. This payment is reflected in the Statement of Changes in Equity.

**9 GOODWILL**

**GROUP**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 October 2009, 30 September 2010 and 2011	<u>1,629</u>

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 the recoverable amount of its CGUs by applying a discounted cash flow model. The cashflow forecasts were derived from management's 3 year plan which was approved by the Directors in September 2011 and thereafter using a growth rate of 2%. The key assumptions used to calculate the cashflows in the 3 year plan were market growth rates of 5%, expected fund flows (based on an aggregation of flows by product) and a post tax discount rate of 10.5%. The discount rate was derived from the Group's WACC.

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% there would be no impairment charge.

**10 INTANGIBLE ASSETS**

**GROUP**

	<b>Software licences and implementation costs £'000</b>
<b>Cost</b>	
As at 1 October 2009	221
Additions	<u>8</u>
As at 30 September 2010	229
Additions	<u>16</u>
As at 30 September 2011	<u>245</u>
<b>Amortisation</b>	
As at 1 October 2009	78
Charge for the year	<u>75</u>
As at 30 September 2010	153
Charge for the year	<u>53</u>
As at 30 September 2011	<u>206</u>
<b>Net book value</b>	
As at 30 September 2011	<u>39</u>
As at 30 September 2010	<u>76</u>
As at 30 September 2009	<u>143</u>

The Company had no intangible assets.

The amortisation charge is included in operating costs.

11 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
As at 1 October 2009	460	341	801
Additions	-	81	81
As at 30 September 2010	460	422	882
Additions	297	140	437
Disposals	-	(29)	(29)
As at 30 September 2011	757	533	1,290
<b>Depreciation</b>			
As at 1 October 2009	163	216	379
Charge for the year	182	24	206
As at 30 September 2010	345	240	585
Charge for year	147	96	243
Disposals	-	(29)	(29)
As at 30 September 2011	492	307	799
<b>Net book value</b>			
As at 30 September 2011	265	226	491
As at 30 September 2010	115	182	297
As at 30 September 2009	297	125	422

COMPANY

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
As at 1 October 2009	460	223	683
Additions	-	81	81
Disposal	(15)	-	(15)
As at 30 September 2010	445	304	749
Additions	296	128	424
Disposals	-	(29)	(29)
As at 30 September 2011	741	403	1,144
<b>Depreciation</b>			
As at 1 October 2009	163	98	261
Charge for the year	182	24	206
Disposals	(64)	48	(16)
As at 30 September 2010	281	170	451
Charge for year	147	96	243
Disposals	-	(29)	(29)
As at 30 September 2011	428	237	665
<b>Net book value</b>			
As at 30 September 2011	313	166	479
As at 30 September 2010	115	182	297
As at 30 September 2009	297	125	422

**12 OTHER FINANCIAL ASSETS**

<b>GROUP</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loan receivable</b>		
Due within one year	-	2,242
Total	-	2,242

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 Field. The loan was originally recorded at its discounted value and the value was subsequently further impaired reflecting concerns over its recoverability. However the remaining balance was repaid in full on 17 December 2010, and the impairment provision was reversed.

**13 INVESTMENTS**

<b>GROUP</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Cost and fair value	18	16

**COMPANY**

	<b>Other</b>	<b>Subsidiary</b>	<b>Total</b>
	<b>investments</b>	<b>undertakings</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 2009	13	6,168	6,181
Capital contribution	-	141	141
Impairment of investments	-	(286)	(286)
At 30 September 2010	13	6,023	6,036
Additions	5	21	26
Capital contribution	-	2,676	2,676
Impairment of investments	-	(592)	(592)
Disposals/Repayment of invested capital	-	(820)	(820)
At 30 September 2011	18	7,308	7,326

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The principal subsidiary undertakings are:

	<b>Country of incorporation</b>	<b>Proportion of ordinary capital held</b>	<b>Nature of business</b>
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
Impax New Energy Investors Management SARL	Luxembourg	100%	Financial services
Kern USA Inc	USA	100%	Holding company
Impax Asset Management (Hong Kong) Ltd	Hong Kong	100%	Financial services
Impax Asset Management (US) LLC	USA	100%	Financial services
Impax Absolute Return Fund	Cayman Islands	100%	Hedge fund

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Interest in shares	3,356	4,747
Capital contribution	3,952	1,276
	<b>7,308</b>	<b>6,023</b>

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% of the capital of this partnership which represents its subscription capital.

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**14 TRADE AND OTHER RECEIVABLES**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables	904	2,105	-	-
Amounts owed by Group undertakings	-	-	71	1,537
Taxation and other social security	69	167	128	167
Other receivables	79	191	42	56
Prepayments and accrued income	2,121	1,456	187	181
	<u>3,173</u>	<u>3,919</u>	<u>428</u>	<u>1,941</u>
Due:				
After one year	-	-	-	1,537
Within one year	3,173	3,919	428	404
	<u>3,173</u>	<u>3,919</u>	<u>428</u>	<u>1,941</u>

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

	<b>Group</b>	<b>Group</b>
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Not past due	749	1,992
Past due but not impaired:		
31-60 days	12	113
61-90 days	69	-
More than 90 days	74	-
	<u>904</u>	<u>2,105</u>

All outstanding amounts listed above have been received at the date of this report. There was no significant concentration of fees owed by a individual client. There were no amounts that were impaired at the balance sheet date.

**15 CURRENT ASSET INVESTMENTS**

**GROUP**

	<b>Unlisted</b>	<b>Listed</b>	<b>Total</b>
	<b>investments</b>	<b>investments</b>	<b>investments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 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	<u>2,481</u>	<u>4,526</u>	<u>7,007</u>
Additions	54	-	54
Fair value movements	679	106	785
Repayments/disposals	(95)	(3,821)	(3,916)
At 30 September 2011	<u>3,119</u>	<u>811</u>	<u>3,930</u>

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**Listed investments**

Listed investments held at 30 September 2011 and 2010 include those held by the consolidated subsidiary Impax Absolute Return Fund (IARF) and at 30 September 2010 only, the Group's investment in the IFSL Impax Environmental Leaders Fund (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.

**Impax Absolute Return Fund ('IARF')**

On 21 May 2007, the Company made an investment of €2,200,000 (£1,507,000) in the IARF. This fund is managed by a subsidiary of the Company. The investment took the form of a subscription of 22,000 Euro Class A shares in the IARF, at €100 per share. During the year ended 30 September 2010, the shares were redenominated as sterling shares. During the year ended 30 September 2011 the fund Directors made the decision to close the fund to external investors and accordingly redeemed their preference shares. The fund had a total net asset value ("NAV") of £1,661,993 at 30 September 2011. At 30 September 2011 and 30 September 2010 this investment has been reported as a subsidiary and the underlying investments consolidated. The investment has been consolidated from April 2009 when the Group's ownership rose above 50%. As the deemed purchase price at acquisition was the asset value, no goodwill arose.

**Unlisted investments**

The unlisted investments principally represent the Company's investment in Impax New Energy Investors LP and Impax New Energy Investors II LP ('INEI' and 'INEI II'). Further details of the commitments of the Group to these partnerships are disclosed in Note 20: "Financial Commitments".

<b>COMPANY</b>	<b>Unlisted</b>	<b>Listed</b>	<b>Total</b>
	<b>investments</b>	<b>investments</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 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
Repayments/disposals	(95)	(332)	(427)
Fair value movements	512	-	512
Additions	57	-	57
At 30 September 2011	<u>2,797</u>	<u>-</u>	<u>2,797</u>

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

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**16 TRADE AND OTHER PAYABLES**

	<b>Group 2011 £'000</b>	<b>Group 2010 £'000</b>	<b>Company 2011 £'000</b>	<b>Company 2010 £'000</b>
Trade payables	142	30	26	6
Amounts owed to Group undertakings	-	-	8,838	6,832
Taxation and other social security	643	107	643	-
Financial liabilities held for trading	541	3,609	-	-
Other payables	121	7	28	7
Accruals and deferred income	6,411	3,375	1,592	778
	<u>7,858</u>	<u>7,128</u>	<u>11,127</u>	<u>7,623</u>

The financial instruments held for trading relate to Listed Equity investments which have been sold short at the Statement of Financial Position date by the 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 FUND**

	<b>2011 £'000</b>	<b>2010 £'000</b>
At fair value	<u>-</u>	<u>1,506</u>

Third party interest 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", the 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 100% at 30 September 2011 (2010: 53.95%) and accordingly the third party interest is nil.

**18 ORDINARY SHARES**

	<b>2011 £'000</b>	<b>2010 £'000</b>
<b>Authorised</b>		
248,341,664 ordinary shares of 1p each	<u>2,483</u>	<u>2,483</u>
<b>Allotted and fully paid</b>		
115,582,431 ordinary shares of 1p each	<u>1,156</u>	<u>1,156</u>

**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 (2010: £59,000) own shares and £78,000 (2010: £78,000) share premium. This represents shares held by the Employee Benefit Trust that had not vested to employees. (2011: 5,888,273 Ordinary Shares; 2010: 5,888,273 Ordinary Shares).

During the period ended 30 September 2010, 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.

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**20 FINANCIAL COMMITMENTS**

The Company has committed to invest up to €3,756,000 in Impax New Energy Investors LP. At 30 September 2011 the outstanding commitment was €1,011,000 (2010: €1,011,000) 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% of total committed funds to Impax New Energy Investors II LP. At 30 September 2011 the outstanding commitment was €3,187,000, which could be called on in the period to 22 March 2020.

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

	Offices		Other	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Within one year	483	265	15	16
Between one and two years	440	43	29	1
Between two and five years	985	-	-	-
	<b>1,908</b>	<b>308</b>	<b>44</b>	<b>17</b>

The lease on the Group's Sackville St, London offices had a break clause in November 2011 which the Group chose to invoke. The Company signed a lease for new offices in St James's Square, London in April 2011 and moved into these premises in early November 2011.

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**21 DIRECTORS' EMOLUMENTS**

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

	<b>Fees/ salary</b>	<b>Benefits in kind</b>	<b>Pension</b>	<b>Bonus</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
J Keith R Falconer	65,000	-	-	-	65,000	65,000
Ian R Simm	210,000	6,012	90,750	361,146	667,908	626,457
Peter J Gibbs	30,000	-	-	-	30,000	30,000
Mark B E White	30,000	-	-	-	30,000	30,000
Guy de Froment	30,000	-	-	-	30,000	30,000
Vince O'Brien	30,000	-	-	-	30,000	30,000
	<b>395,000</b>	<b>6,012</b>	<b>90,750</b>	<b>361,146</b>	<b>852,908</b>	<b>811,457</b>

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

Keith Falconer fees include amounts paid to his service company, Labhdal Associates.

One Director accrued pension benefits (2010: One).

As part of the firms EIA Extension scheme during the year 4,000,000 Ordinary Shares of the Company were allocated to a sub fund of the Impax Employee Benefit Trust of which Ian Simm and his family are beneficiaries. The shares are subject to the risk of revocation under certain circumstances including Ian Simm ceasing to be employed by the Company at 30 September 2012.

The above disclosure does not include options that may be awarded to Ian Simm pursuant to the 2011 Employee Share Option Plan in respect of the year ended 30 September 2011.

Employee benefits, comprising salaries and benefits paid to other senior employees in the year, amounted to £1,725,000 (2010: £1,633,000).

**22 EMPLOYMENT COSTS**

**Employment costs**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,609	6,046
Social security costs	889	787
Pensions	716	337
	<b>9,214</b>	<b>7,170</b>

**Number of employees**

The average number of persons (excluding Non-Executive Directors and including temporary staff), employed during the year was 48 (2010: 42).

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>
Chief Executive	1	1
Listed Equity	12	10
Private Equity	8	7
Operations	7	5
Marketing	7	5
Finance and Compliance	9	9
Administration and Support	5	5
	<b>48</b>	<b>42</b>

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**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 cost represents contributions payable by the Group to the funds and amounted to £716,000 (2010: £337,000). Contributions totalling £469,000 (2010: £204,000) were payable to the funds at the year end and are included in trade and other payables.

**24 EMPLOYEE BENEFIT TRUST**

As described in Note 3, the Group uses an Employee Benefit Trust, the Impax Group Employee Benefit Trust (the 'EBT'), as a mechanism to satisfy some of its share based payment awards.

A summary of transactions undertaken by the EBT since its inception are as follows:

	Ordinary Shares allotted to the EBT	Ordinary Shares sold by the EBT	Total Ordinary Shares
05 September 2005	8,200,000	(930,000)	7,270,000
14 August 2006	8,075,000	(464,920)	7,610,080
14 September 2007	1,975,000	(78,035)	1,896,965
24 September 2008	6,083,333	(197,025)	5,886,308
	<u>24,333,333</u>	<u>(1,669,980)</u>	<u>22,663,353</u>
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 2011			<u><u>5,888,273</u></u>

As required by SIC 12 - "Consolidation - Special Purpose Entities" and IAS 32 the EBT is included in the Company 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).

**25 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 RBS (Standard & Poor's credit rating A-1) and the remainder in a money market fund managed by Blackrock which has a Standard & Poor's credit rating of AAA. The risk of default is considered minimal. Cash balances of the IARF (in which the Group has a 100% 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 on trade receivables, representing investment management fees due. An analysis of the aging of these is provided in Note 14.

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**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 2011 has been to convert earned income back to sterling and to use 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.

At the year end the Group had outstanding forward rate foreign currency contracts to sell Euro and buy sterling. These have been designated as hedges against Euro income due and affecting profit in October 2011, January 2012, April 2012 and July 2012. The fair value of these instruments at 31 September 2011 was £213,000 which is recognised in other comprehensive income. No ineffectiveness was recognised in profit or loss.

The Group and Company activities are principally conducted in GBP, EUR, USD and JPY. Foreign exchange risk arises from income received in these currencies together with a limited amount of exposure to costs payable.

The Group's exposure to foreign currency exchange rate risk at 30 September 2011 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	18	-	-	-	-	-	-
Current asset investments	2,797	323	-	-	-	272	179
Trade and other receivables	1,041	559	-	253	-	-	-
Cash and cash equivalents	31	19	-	-	-	-	-
	<u>3,887</u>	<u>901</u>	<u>-</u>	<u>253</u>	<u>-</u>	<u>272</u>	<u>179</u>
<b>Liabilities</b>							
Trade and other payables	-	550	-	-	-	-	226
Third party interest in consolidated funds	-	-	-	-	-	-	-
	<u>-</u>	<u>550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226</u>
Net exposure	<u>3,887</u>	<u>351</u>	<u>-</u>	<u>253</u>	<u>-</u>	<u>272</u>	<u>(47)</u>

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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
	<u>4,188</u>	<u>1,110</u>	<u>141</u>	<u>39</u>	<u>1,915</u>	<u>769</u>	<u>738</u>
<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
	<u>6</u>	<u>242</u>	<u>-</u>	<u>-</u>	<u>1,181</u>	<u>580</u>	<u>776</u>
Net exposure	<u>4,182</u>	<u>868</u>	<u>141</u>	<u>39</u>	<u>734</u>	<u>189</u>	<u>(38)</u>

The Company's exposure to foreign currency exchange rate risk at 30 September 2011 was:

	EUR/GBP £'000	USD/GBP £'000
<b>Assets</b>		
Non current asset investments	18	-
Current asset investments	2,797	-
	<u>2,815</u>	<u>-</u>
<b>Liabilities</b>		
Trade and other payables	-	886
	<u>-</u>	<u>886</u>
Net exposure	<u>-</u>	<u>886</u>

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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
EIA extension	<u>2,363</u>	<u>772</u>	<u>70</u>
<b>Liabilities</b>			
Trade and other payables	<u>7</u>	<u>6</u>	<u>-</u>
Net exposure	<u>2,356</u>	<u>766</u>	<u>70</u>

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% increase/(decrease) in the exchange rate used to revalue significant foreign assets and liabilities, assuming all other variables are held constant.

<b>GROUP</b>	<b>Post-tax profit</b>	
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Translation of significant foreign assets and liabilities</b>		
GBP/USD up 5%	(13)	(34)
GBP/USD down 5%	13	34
GBP/EUR up 5%	(144)	(209)
GBP/EUR down 5%	144	209
<b>COMPANY</b>		
	<b>Post-tax profit</b>	
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Translation of significant foreign assets and liabilities</b>		
GBP/USD up 5%	(104)	(39)
GBP/USD down 5%	104	39
GBP/EUR up 5%	33	(118)
GBP/EUR down 5%	(33)	118

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**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 or will have to do so at excessive cost. The Group monitors its liquidity risk using cashflow forecasts taking into account the commitments made to its private equity funds (see Note 20) 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.

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 2011, the Group had cash and cash equivalents and cash in money market funds of £21,416,000. This is £13,558,000 in excess of trade and other payables which have maturities as shown below. The Group in addition had other current assets of £7,363,000.

<b>GROUP - 2011</b>	<b>Less than 1 month £'000</b>	<b>1 - 12 months £'000</b>	<b>More than 12 months £'000</b>	<b>No stated maturity £'000</b>	<b>Total £'000</b>
Trade payables*	142	-	-	-	142
Taxation and other social security	643	-	-	-	643
Other payables*	-	662	-	-	662
Accruals and deferred income	-	6,411	-	-	6,411
<b>Total trade and other payables</b>	<b>785</b>	<b>7,073</b>	<b>-</b>	<b>-</b>	<b>7,858</b>

\* These amounts are financial liabilities

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

<b>GROUP - 2010</b>	<b>Less than 1 month £'000</b>	<b>1 - 12 months £'000</b>	<b>More than 12 months £'000</b>	<b>No stated maturity £'000</b>	<b>Total £'000</b>
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>

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At 30 September 2011, the Company had cash and cash equivalents and cash held in money market deposits of £9,718,000, which is £7,428,000 in excess of trade and other payables due to external parties which have maturities as shown in the table below.

<b>COMPANY - 2011</b>	<b>Less than 1 month £'000</b>	<b>1 - 12 months £'000</b>	<b>More than 12 months £'000</b>	<b>No stated maturity £'000</b>	<b>Total £'000</b>
Trade payables*	26	-	-	-	26
Amounts owed to Group undertakings	-	-	-	8,838	8,838
Taxation and other social security	643	-	-	-	643
Other payables*	-	28	-	-	28
Accruals and deferred income*	-	1,592	-	-	1,592
<b>Total trade and other payables</b>	<b>669</b>	<b>1,620</b>	<b>-</b>	<b>8,838</b>	<b>11,127</b>

At 30 September 2010 the Company had cash and cash equivalents and cash held in money market funds 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.

<b>COMPANY - 2010</b>	<b>Less than 1 month £'000</b>	<b>1 - 12 months £'000</b>	<b>More than 12 months £'000</b>	<b>No stated maturity £'000</b>	<b>Total £'000</b>
Trade payables*	6	-	-	-	6
Amounts owed to Group undertakings	-	-	-	6,832	6,832
Taxation and other social security	-	-	-	-	-
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>

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**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 0.6% (2010: 0.5%). The interest rate on the loan note was 2% (2010: 2%).

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand:		
Readily available for the principal operating activities of the Group	11,499	5,821
Other	1,371	3,390
Cash held in money market funds	8,546	2,518
	<u>21,416</u>	<u>11,729</u>

Other amounts relate to cash held by IARF fund, see Note 28.

A 0.5% increase in interest rates would have increased group profit after tax by £57,000 (2010: £9,000). An equal change in the opposite direction would have decreased profit after tax by £57,000 (2010: £9,000).

At the balance sheet date the Company's cash and cash equivalents and cash held in money market deposits balance of £9,718,000 (2010: £3,466,000) were its only financial instruments subject to variable interest rate risk. The impact of 0.5% 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:

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank	1,371	3,390
Short term borrowings	-	(648)
	<u>1,371</u>	<u>2,742</u>

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

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**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 2011 that is exposed to equity market price risk is in the Group's investment held by the IARF. This fund, through its own investment strategy mitigates market risk.

The significant holdings at 30 September 2010 exposed to equity market price risk were the Group's holdings in the Impax Absolute Return Fund and the IFSL Impax Environmental Leaders Fund.

Due to the strategy of the hedge fund a fall in equity markets would not have a material effect on the Group's profit from operations. 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 cashflow method. The key assumptions for this valuation were the discount rate and the inflation rate. The discount was determined by reference to market transactions for equivalent assets. The inflation rate was determined based on historical data. A rise of 1% in the discount rate applied to cashflows would result in a decrease in profit from operations and net assets of £353,000. A 1% reduction in the discount rate would result in a corresponding increase of £417,000 in profit from operations and net assets. A rise of 0.5% in the inflation rate applied in the calculations would increase profit from operations and net assets by £261,000. A fall of 0.5% in the inflation rate would decrease profit from operation and net assets by £247,000.

**Fair values of financial assets and liabilities**

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

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

<b>GROUP - 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current investments	810	-	3,120	3,930
<b>Total financial assets</b>	<b>810</b>	<b>-</b>	<b>3,120</b>	<b>3,930</b>
<b>Liabilities</b>				
Trade and other payables	541	-	-	541
Third party interest in consolidated Funds	-	-	-	-
<b>Total financial liabilities</b>	<b>541</b>	<b>-</b>	<b>-</b>	<b>541</b>

There were no movements between any of the levels in the year

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<b>GROUP - 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current 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 - 2011</b>				
<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current investments	-	-	2,797	2,797
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>2,797</b>	<b>2,797</b>

There were no movements between any of the levels in the year

<b>COMPANY - 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current investments	332	-	2,323	2,655
<b>Total financial assets</b>	<b>332</b>	<b>-</b>	<b>2,323</b>	<b>2,655</b>

The company had no financial liabilities for 2011 or 2010

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**Financial assets and liabilities by category**

<b>GROUP - 2011</b>	<b>Available for sale £'000</b>	<b>*FVTPL - designated on initial recognition £'000</b>	<b>*FVTPL - Held for trading £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities measured at amortised cost £'000</b>
<i>Financial assets:</i>					
Cash and cash equivalents	-	-	-	12,870	-
Cash held in money market funds	-	-	-	8,546	-
Trade and other receivables	-	-	-	983	-
Investments	18	3,120	810	-	-
<b>Total financial assets</b>	<b>18</b>	<b>3,120</b>	<b>810</b>	<b>22,399</b>	<b>-</b>
<i>Financial liabilities:</i>					
Trade and other payables	-	-	541	-	263
Short-term borrowings	-	-	-	-	-
Third party interest in consolidated funds	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>541</b>	<b>-</b>	<b>263</b>

\*FVTPL = Fair value through profit and loss

<b>GROUP - 2010</b>	<b>Available for sale £'000</b>	<b>*FVTPL - designated on initial recognition £'000</b>	<b>*FVTPL - Held for trading £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities measured at amortised cost £'000</b>
<i>Financial assets:</i>					
Cash and cash equivalents	-	-	-	9,571	-
Cash held in money market funds	-	-	-	2,518	-
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>
<i>Financial liabilities:</i>					
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>

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<b>COMPANY - 2011</b>	<b>Available for sale £'000</b>	<b>FVTPL - designated on initial recognition £'000</b>	<b>FVTPL - Held for trading £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities measured at amortised cost £'000</b>
<i>Financial assets:</i>					
Cash and cash equivalents	-	-	-	1,172	-
Cash held in money market funds	-	-	-	8,546	-
Trade and other receivables	-	-	-	42	-
Investments	18	2,797	-	-	-
<b>Total financial assets</b>	<b>18</b>	<b>2,797</b>	<b>-</b>	<b>9,760</b>	<b>-</b>
<i>Financial liabilities</i>					
Trade and other payables	-	-	-	-	55
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55</b>

<b>COMPANY - 2010</b>	<b>Available for sale £'000</b>	<b>FVTPL - designated on initial recognition £'000</b>	<b>FVTPL - Held for trading £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities measured at amortised cost £'000</b>
<i>Financial assets:</i>					
Cash and cash equivalents	-	-	-	948	-
Cash held in money market funds	-	-	-	2,518	-
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>
<i>Financial liabilities:</i>					
Trade and other payables	-	-	-	-	13
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>

**IMPAX ASSET MANAGEMENT GROUP Plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

**26 ULTIMATE CONTROLLING PARTY**

The Company has no ultimate controlling party.

**27 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY**

Impax New Energy Investors LP, Impax New Energy Investors II LP, Impax New Energy Investors II-B 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.

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

Other funds managed by subsidiaries of the group are also related parties by virtue of its management contracts.

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

<b>GROUP</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Statement of Comprehensive Income</b>		
Revenue	20,660	15,078
<b>Statement of Financial Position</b>		
Non-current asset investments	18	16
Current asset investments	2,797	2,655
Trade and other receivables	2,669	3,019
Trade and other payables	22	101
<b>COMPANY</b>		
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Statement of Comprehensive Income</b>		
Revenue	-	-
<b>Statement of Financial Position</b>		
Non-current asset investments	18	16
Current asset investments	2,797	2,655

All balances were unsecured.

Bruce Jenkyn-Jones, Peter Roszbach, Charlie Ridge and Nigel Taunt (together the "Subsidiary Directors") are directors of the Company's subsidiaries. Under the AIM Rules they are considered to be related parties of the Company and the Additional Payment in respect of the EIA Extension (see Note 3) is considered to be a related party transaction. Based on the year end share price of the Company and assuming a) all LTIP options held by the Subsidiary Director vest: b) all Subsidiary Directors exercise their options: and c) the Company receive the corporation tax benefit on share option exercise the Directors would be paid the following amounts - Bruce Jenkyn-Jones £184,464, Peter Roszbach £130,843, Charlie Ridge £52,414 and Nigel Taunt £20,337.

The Group commenced three new investment management contracts for BNP Paribas Investment Partners funds during the year earning total revenue in the year of £327,000.

IMPAX ASSET MANAGEMENT GROUP Plc  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 SEPTEMBER 2011

**28 CASH AND CASH EQUIVALENTS AND INVESTMENTS IN MONEY MARKET FUNDS**

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

**GROUP**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand		
Held by operating entities of the Group	11,499	5,821
Held by the consolidated fund	1,371	3,390
	<u>12,870</u>	<u>9,211</u>
Short-term borrowings		
Held by the consolidated fund	-	(648)
	<u>-</u>	<u>(648)</u>
Cash and cash equivalents	<u>12,870</u>	<u>8,563</u>

In order to mitigate bank default risk and to access favorable interest rates the Group invests part of its surplus cash in money market funds. The Group can redeem these investments within 24 hours. Amounts held in money market funds are as shown below. The Group consider the total of its cash at bank and in hand held by operating entities of the Group and cash invested in money market funds to be its Cash reserves

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	11,499	5,821
Cash Invested in money market funds	8,546	2,518
Total cash reserves	<u>20,045</u>	<u>8,339</u>