

**Impax Asset Management Group plc**  
Interim Report 2013





# Highlights

For the six months ended 31 March 2013

## > Assets under management (“AUM”)

- Increased 22% to £2.2 billion (31 March 2013) from £1.8 billion (30 September 2012)

## > Revenue in the first half of 2013

- £8.7m (H1, 2012: £9.2m)

## > Operating earnings<sup>1</sup>

- £1.8m (H1, 2012: £2.2m)

## > Unaudited profit before tax

- £1.5m (H1, 2012: loss of £2.7m<sup>2</sup>)

## > Diluted adjusted<sup>3</sup> earnings per share

- 1.38 pence (H1, 2012: 1.45 pence)

## > Shareholders’ equity increased to

- £22.8m (H1, 2012: £22.2m)

## > Strong investment performance

Revenue £ million	
09	10.4
10	15.3
11	20.9
12	H1 9.2
13	H1 8.7

Operating earnings <sup>1</sup> £ million	
09	2.9
10	3.8
11	6.2
12	H1 2.2
13	H1 1.8

Earnings per share (diluted adjusted <sup>3</sup> ) pence	
09	2.58
10	3.49
11	3.74
12	H1 1.45
13	H1 1.38

AUM £ billion	
09	1.26
10	1.82
11	1.90
12	1.83
13	H1 2.23

1 revenue less operating costs

2 profit before tax in the Period was impacted inter alia by £0.36 million of charges (2012: £4.85 million) associated with the Company’s share-based incentive schemes

3 adjusted to exclude IFRS2 charges for shares schemes intended to be satisfied by primary shares, and include the related tax benefit reported in Other Comprehensive Income and the dilution effect of unvested share awards

# Chief Executive's Statement

Impax has delivered strong investment performance across all strategies, and it is pleasing to report a significant increase in assets under management.



**Ian Simm**  
Chief Executive

The first half year for Impax Asset Management Group plc ("Impax" or "the Company"), i.e. the Period from 1 October 2012 to 31 March 2013 saw strong gains for global equity markets, reflecting improved economic data from the US and Asia in particular. The fundamentals for companies active in resource efficiency and environmental markets (Impax's "Target Markets") continued to strengthen, while there was increased interest from institutional investors in the associated opportunities. Against this background, Impax's assets under management and advisory ("AUM") increased by 22 per cent to £2,234 million as strong performance across all the listed equity strategies that we manage augmented the receipt of £100 million of net inflows. On 30 April 2013, AUM were £2,246 million.

## Developments in Resource Efficiency and Environmental Markets

During the Period our Target Markets out-performed broader indices. For example, the FTSE Environmental Opportunities All Share Index ("EOAS") returned 23.6 per cent (total return, GBP) while the MSCI World Index was up 17.4 per cent (net return, GBP). This out-performance during the Period reflects a welcome recovery: over three years to 31 March 2013, the EOAS returned 23.2 per cent, trailing the MSCI World which was up 27.5 per cent (net return, GBP).

In the US, the recovery of the construction sector has proved to be a strong growth driver for the energy efficiency and water markets, where long-standing regulations have underpinned investment in cleaner products and services such as insulation material, efficient lighting and water filtration equipment, for which demand had been depressed. Similarly, increased sales of new vehicles, higher rates of disposal for old vehicles and rising demand for metals from China have contributed to an improvement in prospects for metals recyclers.

Although economic activity across Europe remained depressed, the European Commission unveiled the EU's seven year budget to 2020, which included a tripling of expenditure to help improve sustainability across the broader economy, including specific measures for agriculture. It also opened a consultation into extending targets for the reduction of carbon dioxide ("CO<sub>2</sub>") and the possible setting of renewable energy targets up to 2030.

In Asia, the smooth leadership transition in China has led to a rapid increase in targeted infrastructure spending, while the severe smog conditions that have blighted many of China's cities this winter also appear to have given the government extra impetus to implement several new policy measures to tackle air pollution. In Japan, the introduction of a major stimulus programme has provided a positive backdrop to stocks in resource efficiency sectors, while further announcements in energy policy have raised investor interest in a range of companies offering products and services that improve energy efficiency.

Progress on climate change policy was mixed. Following his re-election President Obama re-iterated his commitment to limiting greenhouse gases, approving US\$18 billion of green tax provisions and giving the Environmental Protection Agency ("EPA") a clear mandate to control CO<sub>2</sub> emissions. Nevertheless, at the Doha climate talks in December, international efforts to curb climate change progressed slowly, ending with an agreement to extend pollution limits under the Kyoto Protocol only until 2020, while the European Parliament's recent failure to adjust the CO<sub>2</sub> Emissions Trading System has been widely seen as undermining the prospects for cap and trade regulation of greenhouse gases.

## Financial results for the Period

Revenue for the six months to 31 March 2013 was £8.7 million (2012: £9.2 million). Operating earnings<sup>1</sup> for the Period were £1.8 million (2012: £2.2 million) and the associated operating margin was 21 per cent (2012: 24 per cent). Compared to the first half of the previous year, these numbers reflect a slightly lower average fee rate on our listed equity funds and the full effect of costs incurred during late 2011 and 2012 as we built out the Company's platform.

The unaudited result for the Period was a profit before tax ("PBT") of £1.5 million (2012: loss of £2.7 million)<sup>2</sup> and the diluted adjusted<sup>3</sup> earnings per share for the Period were 1.38 pence (2012: 1.45 pence).

At the Annual General Meeting on 13 February 2013, Impax shareholders approved payment of a dividend of 0.75 pence per share for the year ended 30 September 2012 (2011: 0.70 pence).

### Listed Equities

During the Period, our strategies generally performed well, reflecting the recovery in the prospects for, and investor sentiment towards, our Target Markets. Our Leaders strategy returned 24.4 per cent, a material out-performance against the MSCI World Index, which returned 17.4 per cent (net return, GBP), while our Water strategy, which returned 23.5 per cent, remains one of the best performing funds in its peer group since inception in 2008. The Specialists strategy, which invests in stocks of small and mid cap environmental services and technology companies, returned 21.9 per cent, which was in line with its comparator, the FTSE ET50 Index, which returned 21.1 per cent (total return, GBP).

The Food & Agriculture fund, which we launched in December 2012, has had a respectable performance, returning 14.1 per cent from inception to the end of the Period; the fund was ahead of most peers although it lagged the MSCI ACWI Agriculture & Food Chain Index (17.3 per cent net return).

In October 2009 we launched an Asia-Pacific strategy to provide investors with targeted exposure to companies based in the region that are active in our Target Markets; our largest client following this strategy is Impax Asian Environmental Markets plc ("IAEM plc"), an investment trust that had £218 million of net assets on 30 April 2013. During the Period, this strategy performed strongly, returning 27.8 per cent while the MSCI AC Asia Pacific Ex-Japan Index grew by 14.9 per cent; however, between launch and 31 March 2013 the strategy underperformed, rising only 17.7 per cent compared to 43.7 per cent for the regional index. In late March, IAEM plc's two largest shareholders, who together held ca. 44 per cent of the issued ordinary shares, decided to sell their holdings, following which new investors built a sizeable position. In response to pressure from these investors, the board of directors of IAEM plc has proposed to wind up the company, offering investors the choice of cash or the opportunity to exchange their shares for shares in Impax Asian Environmental Markets (Ireland) Fund, an open-ended company with a similar mandate.

### Private Equity

Our private equity business has made further solid progress. The operating assets of our first fund, Impax New Energy Investors, continue to perform well at an operational level, although we booked a write down following confirmation of a tax increase in Spain.

During the Period, we expanded the portfolio for our second fund, Impax New Energy Investors II by adding two wind projects in Poland, and have now invested or committed approximately 50 per cent of this fund's committed capital. In parallel, our team is managing the construction of 117MW of onshore wind farms across France, Germany and Poland.

### Fund flows and distribution

The net inflows of £100 million over the Period comprised inflows into our listed equity funds and accounts of £232 million, with the majority of this into the Water and Leaders strategies, and outflows of £132 million. The BNP Paribas Aqua fund, which we have sub-managed since its inception in 2008, expanded its structure to facilitate distribution across Continental Europe, and inflows from France were particularly strong.

In February, we added a senior salesman to our UK distribution team in order to increase coverage of global distributors, family offices and wealth managers, and are encouraged by the early interest shown by investors in these channels with whom we have not to date had relationships.

In the United States, following the recruitment in August 2012 of an experienced Head of Institutional Sales and Client Service, we have significantly expanded our marketing activity, which is supported by a media campaign to raise our corporate profile. During the Period the AUM for US clients in domestic funds increased 58 per cent to £57 million and we are optimistic that we will see continuing commitments from North American investors.

### Infrastructure and support

We envisage that our current staffing levels will be sufficient to service significant additional inflows, at least into 2014. At the end of the Period our total headcount was 57.5 full time equivalent staff, an increase of one from the start of the Period. We continue to strive to make operating efficiencies while maintaining a robust scalable platform.

# Chief Executive's Statement continued

## Remuneration and share management

In line with the Company's remuneration policy, during the Period the Board confirmed the grant of three million Employee Share Option Plan ("ESOP") options to management and staff in respect of their performance for the financial year ended 30 September 2012. The strike price was set at 37.6 pence, and the options will vest on 31 December 2015.

During the Period, the Company's employee benefit trust conducted purchases of the Company's shares, with the aim of reducing the requirement to issue new shares to satisfy the exercise of options awarded under the ESOP; to date, 6.1 million shares have been purchased since the start of the buy-back programme.

## Board of Directors

In the light of his significant other commitments, Peter Gibbs has decided to step down from the Board with effect from today. The role of Senior Non-Executive Director has been assumed by Mark White, and Vince O'Brien has become Chairman of the Remuneration Committee. I would like to take this opportunity to thank Peter for his dedication and invaluable insight and advice in helping to develop the Company over the last five years.

## Prospects

Following a strong run, we are now seeing higher levels of volatility in global equity markets, while indicators of the state of the economy are mixed. Nevertheless, the outlook for earnings in resource efficiency and environmental markets is generally positive and we continue to identify opportunities to purchase under-valued assets. Meanwhile, investor interest in our proven, disciplined approach to managing investment portfolios is building and the Company is well positioned for further growth.

**Ian R Simm**

15 May 2013

1 revenue less operating costs

2 profit before tax in the Period was impacted inter alia by £0.36 million of charges (2012: £4.85 million) associated with the Company's share-based incentive schemes

3 adjusted to exclude IFRS2 charges for shares schemes intended to be satisfied by primary shares, and include the related tax benefit reported in Other Comprehensive Income and the dilution effect of unvested share awards

# Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 31 March 2013

	Note	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
<b>Revenue</b>		<b>8,671</b>	9,193	18,621
Operating costs		<b>(6,833)</b>	(6,979)	(14,068)
Share-based payment charge for EIA extension scheme	5	<b>(280)</b>	(3,829)	(7,757)
Other charges related to EIA schemes	5	<b>(83)</b>	(1,017)	(979)
Fair value gains/(losses)	6	<b>42</b>	(37)	(722)
Change in third party interest in consolidated funds	7	<b>(83)</b>	(97)	(25)
Investment income		<b>43</b>	79	195
<b>Profit/(Loss) before taxation</b>		<b>1,477</b>	(2,687)	(4,735)
Taxation	8	<b>(7)</b>	529	86
<b>Profit/(Loss) after taxation</b>		<b>1,470</b>	(2,158)	(4,649)
<b>Other comprehensive income</b>				
Tax benefit on long-term incentive schemes		<b>14</b>	177	178
Change in value of cash flow hedges		<b>3</b>	(44)	(210)
Tax arising on change in value of cash flow hedges		<b>(1)</b>	15	54
Exchange differences on translation of foreign operations		<b>159</b>	(2)	(271)
Third party interests' share of exchange differences on translation of foreign operations		<b>(124)</b>	-	124
<b>Total other comprehensive income</b>		<b>51</b>	146	(125)
<b>Total comprehensive income/(loss) for the period attributable to equity holders of the parent</b>		<b>1,521</b>	(2,012)	(4,744)
Basic earnings per share	9	<b>1.20p</b>	(1.99)p	(4.32)p
Diluted earnings per share	9	<b>1.20p</b>	(1.99)p	(4.32)p

All profit for the period is derived from continuing operations.

The notes on pages 9 to 15 are an integral part of the condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

As at 31 March 2013

	Note	As at 31 March 2013 £'000	As at 31 March 2012 £'000	As at 30 September 2012 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	11	1,629	1,629	1,629
Intangible assets		115	178	146
Property, plant and equipment		587	776	703
Investments		17	18	17
		<b>2,348</b>	2,601	2,495
<b>Current assets</b>				
Trade and other receivables		3,772	3,377	2,814
Derivative asset		5	169	3
Investments	12	9,224	9,361	8,710
Current tax asset		25	47	25
Margin account		236	205	156
Cash invested in money market funds and long-term deposit accounts	13	11,867	12,070	14,094
Cash and cash equivalents	13	3,377	4,222	5,577
		<b>28,506</b>	29,451	31,379
<b>TOTAL ASSETS</b>		<b>30,854</b>	32,052	33,874
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Ordinary shares		1,277	1,156	1,156
Share premium		4,093	78	78
Exchange translation reserve		(248)	(138)	(283)
Own shares		(5,715)	(59)	(19)
Hedging reserve		4	129	2
Treasury shares		–	(923)	(1,932)
Retained earnings		23,352	21,959	23,567
<b>TOTAL EQUITY</b>		<b>22,763</b>	22,202	22,569
<b>Current liabilities</b>				
Trade and other payables		6,338	6,097	7,364
Third party interest in consolidated funds		400	2,878	2,682
Current tax liability		19	22	46
		<b>6,757</b>	8,997	10,092
<b>Non-current liabilities</b>				
Deferred tax liability		1,334	853	1,213
<b>TOTAL LIABILITIES</b>		<b>8,091</b>	9,850	11,305
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,854</b>	32,052	33,874

The notes on pages 9 to 15 are an integral part of the condensed consolidated financial statements.



# Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 March 2013

	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Own shares £'000	Hedging reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
<b>As at 1 October 2011</b>	1,156	78	(136)	(59)	158	(453)	20,756	21,500
Profit for the period	-	-	-	-	-	-	(2,158)	(2,158)
Exchange differences on translation of foreign operations	-	-	(2)	-	-	-	-	(2)
Treasury shares acquired	-	-	-	-	-	(470)	-	(470)
Cash flow hedge	-	-	-	-	(44)	-	-	(44)
Tax loss on cash flow hedge	-	-	-	-	15	-	-	15
Long-term incentive scheme charge	-	-	-	-	-	-	3,943	3,943
Tax benefit on long-term incentive schemes	-	-	-	-	-	-	177	177
Dividends paid	-	-	-	-	-	-	(759)	(759)
<b>As at 31 March 2012</b>	1,156	78	(138)	(59)	129	(923)	21,959	22,202
Loss for the period	-	-	-	-	-	-	(2,491)	(2,491)
Share awards	-	-	-	40	-	-	(40)	-
Third party interests' share of exchange differences on translation of foreign operations	-	-	124	-	-	-	-	124
Exchange differences on translation of foreign operations	-	-	(269)	-	-	-	-	(269)
Treasury shares acquired	-	-	-	-	-	(1,009)	-	(1,009)
Cash flow hedge	-	-	-	-	(166)	-	-	(166)
Tax on cash flow hedge	-	-	-	-	39	-	-	39
Long-term incentive scheme charge	-	-	-	-	-	-	4,138	4,138
Tax on long-term incentive schemes	-	-	-	-	-	-	1	1
<b>As at 30 September 2012</b>	1,156	78	(283)	(19)	2	(1,932)	23,567	22,569
Profit for the period	-	-	-	-	-	-	1,470	1,470
Issue of shares	121	4,015	-	(4,136)	-	-	-	-
Third party interests' share of exchange differences on translation of foreign operations	-	-	(124)	-	-	-	-	(124)
Exchange differences on translation of foreign operations	-	-	159	-	-	-	-	159
Shares acquired by Treasury or EBT 2012	-	-	-	(798)	-	(92)	-	(890)
Treasury shares acquired by EBT 2012	-	-	-	(1,692)	-	2,024	(332)	-
Award of Own shares on option exercises	-	-	-	930	-	-	(918)	12
Cash flow hedge	-	-	-	-	3	-	-	3
Tax on cash flow hedge	-	-	-	-	(1)	-	-	(1)
Long-term incentive scheme charge	-	-	-	-	-	-	367	367
Tax benefit on long-term incentive schemes	-	-	-	-	-	-	14	14
Dividends paid	-	-	-	-	-	-	(816)	(816)
<b>As at 31 March 2013</b>	<b>1,277</b>	<b>4,093</b>	<b>(248)</b>	<b>(5,715)</b>	<b>4</b>	<b>-</b>	<b>23,352</b>	<b>22,763</b>

EBT 2012 = Impax Asset Management Group plc Employee Benefit Trust 2012

The notes on pages 9 to 15 are an integral part of the condensed consolidated financial statements.

All equity is attributable to owners of the parent.

# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 31 March 2013

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation	1,477	(2,687)	(4,735)
Adjustments for:			
Investment income	(43)	(79)	(195)
Depreciation of property, plant and equipment	143	163	308
Amortisation of intangible assets	32	27	59
Fair value (gains)/losses	(42)	37	722
Share-based payment charges	367	3,943	8,081
Long-term incentive scheme related charges	83	1,017	979
Change in third party interest in consolidated funds	83	97	25
<b>Operating cash flows before movement in working capital</b>	<b>2,100</b>	2,518	5,244
(Increase)/Decrease in receivables	(958)	(204)	357
Increase in margin account	(80)	(205)	(156)
Decrease in payables	(669)	(2,362)	(1,441)
<b>Cash generated from/(used by) operations</b>	<b>393</b>	(253)	4,004
Corporation tax (paid)/refunded	(54)	–	2
<b>Net cash generated from/(used by) operating activities</b>	<b>339</b>	(253)	4,006
<b>Investing activities:</b>			
Interest received	43	79	196
Settlement of investment related hedges	(573)	(308)	(388)
Proceeds on sale of investments	–	–	28
Purchase of investments by consolidated funds	(2,196)	(5,606)	(7,336)
Sale of investments by consolidated funds	–	–	1,797
Purchase of investments	(222)	(95)	(355)
Purchase of intangible assets	–	(166)	(167)
Purchase of property, plant and equipment	(28)	(448)	(523)
<b>Net cash used by investment activities</b>	<b>(2,976)</b>	(6,544)	(6,748)
<b>Financing activities:</b>			
Dividends paid	10 (816)	(759)	(759)
Treasury and Own shares acquired	(1,347)	(345)	(1,023)
Cash received on exercise of Impax share options	12	–	–
Investments by third parties into consolidated funds	361	2,781	2,781
Decrease/(Increase) in cash held in money market funds and long-term deposit accounts	2,227	(3,524)	(5,548)
<b>Net cash generated from/(used by) financing activities</b>	<b>437</b>	(1,847)	(4,549)
<b>Net decrease in cash and cash equivalents</b>	<b>(2,200)</b>	(8,644)	(7,291)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,577</b>	12,870	12,870
Effect of foreign exchange rate changes	–	(4)	(2)
<b>Cash and cash equivalents at the end of the period</b>	<b>3,377</b>	4,222	5,577

The notes on pages 9 to 15 are an integral part of the condensed consolidated financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## For the Six Months Ended 31 March 2013

### 1 Reporting entity

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 condensed consolidated interim financial statements of the Company for the six months ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

### 2 Statement of compliance

This interim report is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and the AIM rules. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2012.

The comparative figures for the financial year ended 30 September 2012 are not the Company's statutory accounts for that financial year. Those accounts, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, have been reported on by the Company's auditors and delivered to Companies House. The report of the auditors was (i) unqualified, (ii) did not include a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Copies of these accounts are available upon request from the Company's registered office at Norfolk House, 31 St James's Square, London, SW1Y 4JR or at the Company's website: [www.impaxam.com](http://www.impaxam.com).

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 May 2013.

### 3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 September 2012. The Group has adopted no new accounting standards that have had an impact on the Statement of Comprehensive Income or the Statement of Financial Position. Certain balances for 2012 have been reclassified to conform with the current period classification.

### 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were: i) judgements and estimates made in the valuation of unlisted current asset investments (see note 12); ii) determining whether managed funds should be consolidated; iii) determining the size of the charge for share-based payments, iv) determining the size of the charge for National Insurance Contributions payable on long-term incentive schemes and v) determining the value of deferred tax assets.

### 5 Long-term incentive scheme charges

#### Share-based payment charges

Under the Group's Employee Incentive Arrangement ("EIA") Extension Scheme, share-based payment awards were granted in April 2011 to employees when the Trustee of the Impax Group Employee Benefit Trust 2005 ("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 ceased to be subject to revocation due to Ian Simm's continued employment by the Company on 30 September 2012.

LTIP options have a 1p or nil exercise price and vested to individuals who remained employed on 30 September 2012 or in respect of one individual only, 15 January 2013. They are exercisable over a period from 1 October 2012 to 31 December 2020.

The Group accrued for the IFRS 2 Share-Based Payment charge for shares allocated under the EBT and LTIP options from the date of grant, to the date of vesting. This charge is excluded from the Group's definition of adjusted earnings as explained in note 9.

The Group has a further share-based payment scheme called the Employee Share Option Plan under which it has granted a total of 8,030,000 options to date. The Board intends that these awards will be satisfied by share buy-backs. Accordingly the share-based payment charge in respect of these schemes, which is offset by an equal reduction in the total cash bonus pool payable to employees, is included in operating costs and in the Group's definition of adjusted earnings.

# Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2013

## 5 Long-term incentive scheme charges continued

### Other long-term incentive scheme related charges

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
EIA NIC charge/(credit)	37	88	(112)
EIA Extension NIC charge	40	426	548
EIA Additional payments	6	503	543
Other long-term incentive scheme related charges	83	1,017	979

(NIC = Employer's National Insurance Charge)

#### EIA NIC Charge

The Impax Employee Benefit Trust 2005 holds Impax shares and other assets in sub-funds for the benefit of certain of the Group's past and current employees and their families. The Impax shares were awarded under the Group's Employee Incentive Arrangement. The Group is required to pay Employer's National Insurance Charge ("NIC") on the value of any assets that are transferred out of the Trust and has accrued for the estimated amount payable using the relevant share prices at the balance sheet date. The amount payable will fluctuate in line with the Impax share price; such fluctuations are recorded in the current period income statement.

#### EIA Extension NIC charge

The Group accrues for the Employer's NIC payable in respect of the EIA Extension over the same period as the related share-based payment charge. The amount payable will fluctuate in line with the Impax share price; such fluctuations are recorded in the current period income statement.

#### EIA Additional payments

Individuals receiving LTIP Options are eligible for a retention payment payable after the end of the financial year in which each employee exercises his or her LTIP Options. The 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 suffered by the Group on the exercise of the LTIP options.

## 6 Fair value gains

Fair value gains include those arising on revaluation of listed and unlisted investments held by the Group including those held by the Group's consolidated funds (see Note 12) and any gains or losses arising on hedge positions held by the Group and its consolidated funds.

## 7 Change in third party interest in consolidated funds

This charge removes the fair value gains or losses, other operating costs and investment income recorded in the Group's consolidated funds (see Note 12) which are attributable to third party investors in the funds.

## 8 Taxation

The tax assessment for the period is lower than the standard rate of corporation tax in the UK for the period (23.5%). The differences are explained below:

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Profit/(Loss) before tax	1,477	(2,687)	(4,735)
Tax charge/(credit) at 23.5%, 26%, 25%	347	(699)	(1,184)
<b>Effects of:</b>			
Non-deductible expenses and charges	30	397	1,262
Non-taxable income	(37)	–	(35)
Foreign exchange	(155)	–	–
Tax effect of previously unrecognised tax losses	(181)	(194)	(132)
Adjustment in respect of prior years	9	–	132
Change in UK tax rates	(8)	(37)	(133)
Effect of higher tax rates in foreign jurisdictions	2	4	4
Total income tax expense/(credit)	7	(529)	(86)

## 9 Earnings and earnings per share

### Earnings and 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 expected to be satisfied by the issue of new shares (the 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 LTIP options.

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
Earnings	1,470	(2,158)	(4,649)
IFRS 2 Share-based payment charge (see Note 5)	280	3,829	7,757
Tax benefit on long-term incentive scheme included in Other Comprehensive Income	14	177	178
Adjusted earnings	1,764	1,848	3,286

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

### Adjusted earnings per share

	Adjusted earnings for the period £'000	Shares '000	Adjusted earnings per share
<b>Six months ended 31 March 2013</b>			
Basic adjusted	1,764	122,453	1.44p
Diluted adjusted	1,764	127,749	1.38p
<b>Six months ended 31 March 2012</b>			
Basic adjusted	1,848	108,344	1.71p
Diluted adjusted	1,848	127,744	1.45p
<b>Year ended 30 September 2012</b>			
Basic adjusted	3,286	107,609	3.05p
Diluted adjusted	3,286	127,748	2.57p

# Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2013

## 9 Earnings and earnings per share continued

The Company has 127,749,098 ordinary shares in issue. The Board intends to satisfy current outstanding share awards using shares currently held in the EBTs or through further buy-backs and not to issue further shares. Accordingly the number of shares used in the calculation of diluted adjusted earnings per share is equal to the shares in issue.

	Six months ended 31 March 2013 '000	Six months ended 31 March 2012 '000	Year ended 30 September 2012 '000
Weighted average number of ordinary shares used in the calculation of basic adjusted earnings per share	122,453	108,344	107,609
Weighted average number of Treasury and Own shares intended to be used to satisfy outstanding share awards	5,296	7,238	7,973
Shares in issue	127,749	115,582	115,582
Shares intended to be issued to satisfy outstanding share awards	–	12,162	12,166
Weighted average number of ordinary shares used in the calculation of diluted adjusted earnings per share	127,749	127,744	127,748

## IFRS earnings per share

	Earnings for the period £'000	Shares '000	Earnings per share
<b>Six months ended 31 March 2013</b>			
Basic*	1,470	122,453	1.20p
Diluted	1,470	122,453	1.20p
<b>Six months ended 31 March 2012</b>			
Basic	(2,158)	108,344	(1.99)p
Diluted	(2,158)	108,344	(1.99)p
<b>Year ended 30 September 2012</b>			
Basic	(4,649)	107,609	(4.32)p
Diluted	(4,649)	107,609	(4.32)p

## 9 Earnings and earnings per share *continued*

The weighted average number of ordinary shares used in the calculation 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:

	Six months ended 31 March 2013 '000	Six months ended 31 March 2012 '000	Year ended 30 September 2012 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	122,453	108,344	107,609
Additional dilutive shares re EIA Extension, 2011 and 2012 ESOP	–	–	–
Adjustment to reflect future contributions from employees receiving awards	–	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	122,453	108,344	107,609

The Basic earnings per shares for the six months ended 31 March 2013 includes vested LTIP options on the basis that these have an inconsequential exercise price (1p or 0p). 2011 and 2012 ESOP options are not dilutive based on the relevant strike prices.

## 10 Dividends

On 13 February 2013, at the Company's Annual General Meeting, payment of a 0.75p per share dividend in respect of the year ended 30 September 2012 (2011: 0.70p per share) was approved. The Trustee of the Impax Employee Benefit Trusts waived the Trusts' rights to part of this dividend, leading to a total dividend payment of £816,000. This was paid on 20 February 2013.

The Directors do not propose an interim dividend for the six months ended 31 March 2013.

## 11 Goodwill

	£'000
Cost	
At 31 March 2012, 30 September 2012 and 31 March 2013	1,629

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

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

## 12 Current asset investments

	Unlisted investments £'000	Listed investments £'000	Total £'000
At 1 October 2011	3,119	811	3,930
Additions	95	5,940	6,035
Disposals	–	(875)	(875)
Fair value movements	(21)	292	271
At 31 March 2012	3,193	6,168	9,361
Additions	260	855	1,115
Repayments/Disposals	(28)	(922)	(950)
Fair value movements	(398)	(144)	(542)
Exchange differences	–	(274)	(274)
At 30 September 2012	3,027	5,683	8,710
Additions	222	2,201	2,423
Deconsolidation of IGRO	3,164	(5,867)	(2,703)
Fair value movements	327	467	794
<b>At 31 March 2013</b>	<b>6,740</b>	<b>2,484</b>	<b>9,224</b>

# Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2013

## 12 Current asset investments continued

### Listed investments

#### Impax Global Resource Optimization Fund ("IGRO")

In December 2011 the Group launched the Impax Green Markets Fund LP and invested, from its cash reserves, \$5,000,000 into the fund. The Fund's name was subsequently changed to Impax Global Resource Optimization Fund. IGRO invests in listed equities using the Group's Environmental Specialists Strategy. The Group's investment represented more than 50% of IGRO's NAV from the date of launch to 1 December 2012 and accordingly the IGRO has been consolidated until this date with its underlying investments included in listed investments in the table on page 13. Thereafter the Group's investment in the fund is included in Unlisted investments.

#### Impax Food and Agriculture Fund

On 1 December 2012 the Group launched the Impax Food and Agriculture Fund ("IFAF") and invested, from its own resources £2,000,000 into the fund. The IFAF invests in listed equities using the Group's Food and Agriculture Strategy. The Group's investment represented more than 50% of the IFAF's NAV from the date of launch to 31 March 2013 and accordingly has been consolidated throughout this period with its underlying investments included in listed investments in the table on page 13.

The investments held by the IFAF are revalued to market value using quoted market prices that are available at the date of these financial statements. The quoted market price is the current bid price.

### Unlisted investments

The Group has a €3.76m commitment to Impax New Energy Investors LP, a partnership based in England and Wales. At the period end the Group had invested a total of €2.74m (73% of the Group commitment). The Group commitment of €3.76m represents 3.76% of the total commitment of all the partners in Impax New Energy Investors LP. The investment is included at the Board's assessment of its fair value which is determined using a discounted cash flow approach. A 1% increase in the discount rate used would decrease the value of the investment and profit for the period by £180,000.

The Group has a further commitment of €3.3m to Impax New Energy Investors II LP, a partnership based in England and Wales which was established on 22 March 2010. At the period end the Group had invested a total of €733,000. The Group's commitment of €3.3m is equal to 1% of the total commitments made to the fund. The investment is included at the Board's assessment of its fair value.

## 13 Cash and cash equivalents

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

	31 March 2013 £'000	31 March 2012 £'000	30 September 2012 £'000
<b>Cash at bank</b>			
Held by operating entities of the Group	3,377	3,962	5,240
Held by the consolidated funds	–	260	337
	<b>3,377</b>	4,222	5,577

In order to mitigate bank default risk and to access favourable interest rates the Group invests part of its surplus cash in money market funds and long-term deposit accounts. Amounts held in money market funds and long-term deposit accounts are as shown below. The Group considers the total of its cash and cash equivalents held by operating entities of the Group and cash invested in money market funds and in long-term deposit accounts to be its cash reserves.

	31 March 2013 £'000	31 March 2012 £'000	30 September 2012 £'000
Cash and cash equivalents	3,377	3,962	5,240
Cash held in money market funds and long-term deposit accounts	11,867	12,070	14,094
Total cash reserves	<b>15,244</b>	16,032	19,334



#### 14 Group risks

The Group's principal risks remain as detailed within the Directors' report of the Group's 2012 Annual Report and Financial Statements and are categorised as financial, investment, and operational.

#### 15 Share capital

During the period the Company issued 12,166,667 shares to the Impax Asset Management Group plc Employee Benefit Trust 2012 ("EBT 2012") at a price of 34p. At the same time the EBT 2012 acquired 4,974,000 from Treasury at a price of 34p. The Board intends that shares held within the EBT 2012 will be used to satisfy the exercise of share options.

#### 16 Related party transactions

Impax New Energy Investors LP, Impax New Energy Investors II LP, Impax New Energy Investors II-B LP, Impax New Energy Investors SCA, Impax Global Resource Optimization Fund LP, Impax Carried Interest Partners LP and Impax Carried Interest Partners II LP and entities controlled by them 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 25.2% equity holding. Other funds managed by subsidiaries of the Company are also related parties by virtue of their management contracts.

The aggregate related party transactions during the period, and holdings or balances as at the period end, are as shown below. All balances were unsecured. Unless stated otherwise balances outstanding were £nil.

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000	Year ended 30 September 2012 £'000
<b>Statement of comprehensive income</b>			
Revenue	8,547	9,105	18,365
<b>Statement of financial position</b>			
Non-current asset investments	17	18	17
Current asset investments	6,353	2,820	2,665
Trade and other receivables	2,088	1,611	1,863
Trade and other payables	–	60	–

# Independent Review Report to Impax Asset Management Group plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2013 which comprise the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

## Our responsibility

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

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

## Jonathan Mills

for and on behalf of KPMG Audit Plc  
Chartered Accountants  
15 Canada Square  
London  
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15 May 2013



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