

I M P A X



IMPAX GROUP PLC

INTERIM REPORT

for the six months to 31 March 2005



Impax Group plc

Chairman's Statement

This time last year, I reflected on a busy programme of changes that we had put in place, including the disposal of our oil interests. Our recent efforts have been focussed on building a solid foundation for earnings which can be grown over the next few years.

I believe that the prospects for Impax are excellent as the environmental markets sector in which we specialise is growing rapidly and is increasingly topical. Almost every day, the newspapers report new issues that serve to illustrate commercial opportunities in this area, many of which are driven by a solid legislative framework.

Against this backdrop, we are making good progress towards building sustainable revenues and generating positive cashflow.

The interim results this year show higher revenues and reduced losses compared with this period last year, reflecting significant progress in both our operating divisions. In December, we raised £16.3m with the successful launch of a Dublin-listed open-ended investment fund that has a similar portfolio of stocks to our investment trust, Impax Environmental Markets plc. We believe we can grow these assets substantially over the coming twelve months. This fund has contributed revenues for only four months of the interim period and it is being actively marketed to new investors. We are also pursuing other fund-raising activities and hope to report success in the near future.

Results for the period

Turnover for the six months to 31 March 2005 was £951,000 (2004: £891,000). The loss for the period of £250,000 (2004: £350,000) is after a £141,000 (2004: £141,000) charge for the amortisation of goodwill.

I am pleased to report that we are steadily growing the net revenue lines in our finance divisions and that the majority of this increase has been added directly to the bottom line, thereby reducing the operating loss before amortisation for the period to £84,000 (2004: £147,000).

Our net interest charge has fallen to £25,000 (2004: £62,000) as interest receivable from the production notes on the sale of our oil assets has offset in part the interest charge on our convertible loan stock.

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Corporate Finance

Impax Capital's turnover for the period was £421,000 (2004: £530,000). After deducting project expenses, the division's net revenue was £418,000 (2004: £353,000) an 18% increase over the corresponding six month period last year. In particular, our team was able to close three transactions involving the provision of merger and acquisition advice. In rapidly growing markets, demand for this expertise is high, and we are confident that we can generate further fees in this area.

The UK's need to renew its waste management and renewable energy infrastructure is bringing new participants into the market, with attendant opportunities to sell corporate finance services including merger and acquisition advice, finance raising, financial and public policy consulting. Our corporate finance team is well positioned to take advantage of this trend.

Asset Management

Revenues in Impax Asset Management ("IAM") were £530,000 during the period, a 47% increase over the corresponding six-month period last year. By 31 March 2005, IAM managed or advised six funds with total assets under management of around £94m (2004: £69m).

These funds have performed well. The net asset value ("NAV") of the largest fund, Impax Environmental Markets plc, ("IEM") rose 15.9% over the year ending 31 December 2004, an out-performance over the MSCI World Index, which rose 5.2% over the same period. In the twelve months ending 31 March 2005, the IEM NAV rose 13.0%, while the MSCI World Index rose 5.7%. The unquoted funds also performed well; in particular, The Recycling Fund completed its second investment and is expected to announce further investments shortly.

We have also secured two new management contracts. On 9 December 2004, as reported above, we completed the fund raising for and commenced management of Impax Environmental Markets (Ireland). On 1 April 2005 (i.e. since the end of the period under review), we started to manage the ASN Milieufonds, an open-ended fund investing in quoted companies in the environmental markets sector to which we had been providing investment advice since July 2001.

The environmental markets sector is growing quickly and many investors want to increase their exposure to it. Few institutions have the expertise to do this by themselves and this plays directly to our core competence. We intend to grow our range and the size of the funds actively in the future in both private and quoted equity.

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Chairman's Statement

Employee share ownership

We are grateful to shareholders who approved the establishment of the Employee Benefit Trust. I gave the reasons why I thought it was important to have such a trust last year. Although it does mean potential dilution of shareholders interests, shares are only allocated to employees if they are successful in meeting their objectives and corporate targets as a consequence of which the shares will have been rewarding investments for shareholders in each period.

Prospects

We operate against a favourable background but our results will depend on how successful we are in exploiting the opportunities presented to us.

The asset management division has developed a more solid underpinning to its earnings and we hope that we shall secure higher fees in the second half. We intend to concentrate on growing fund management revenues, which are predictable and are therefore more highly-rated by shareholders.

Our corporate finance division is dependant on the outcome of the mandates we have won and our ability to win new business. Our efforts will concentrate on executing these mandates successfully.

I hope that we will be able to deliver further positive news in the near future.

Keith Falconer

Chairman

25 May 2005

Impax Group plc

Consolidated Profit and Loss Account for the six months ended 31 March 2005

	Notes	Six months ended 31 Mar 05 (unaudited) £'000	Six months ended 31 Mar 04 (unaudited) £'000	Year ended 30 Sept 04 (audited) £'000
Turnover	2	951	891	1,738
Operating expenses				
Amortisation of goodwill	2	(141)	(141)	(283)
Other operating expenses		<u>(1,035)</u>	<u>(1,038)</u>	<u>(2,031)</u>
		(1,176)	(1,179)	(2,314)
Operating loss				
Continuing operations	2	(225)	(288)	(576)
Net interest payable		<u>(25)</u>	<u>(62)</u>	<u>(102)</u>
Loss on ordinary activities before taxation		(250)	(350)	(678)
Taxation		<u>-</u>	<u>-</u>	<u>-</u>
Loss attributable to the Group		<u>(250)</u>	<u>(350)</u>	<u>(696)</u>
Basic loss per share	4	(0.67)p	(0.98)p	(1.91)p
Adjusted loss per share	4	<u>(0.09)p</u>	<u>(0.59)p</u>	<u>(1.14)p</u>

Statement of Total Recognised Gains and Losses

Loss for the period	(250)	(350)	(696)
Currency translation differences	<u>(106)</u>	<u>(267)</u>	<u>(260)</u>
Total recognised losses	<u>(356)</u>	<u>(617)</u>	<u>(955)</u>

All disclosures relate only to continuing operations.

Impax Group plc

Consolidated Balance Sheet as at 31 March 2005

	Notes	As at 31 Mar 05 (unaudited) £'000	As at 31 Mar 04 (unaudited) £'000	As at 30 Sept 04 (audited) £'000
Fixed assets				
Intangible fixed assets		1,771	2,053	1,912
Tangible fixed assets		<u>11</u>	<u>2,288</u>	<u>16</u>
		<u>1,782</u>	<u>4,341</u>	<u>1,928</u>
Current assets				
Debtors		2,891	1,122	3,080
Cash at bank and in hand	6	<u>839</u>	<u>877</u>	<u>1,002</u>
		<u>3,730</u>	<u>1,999</u>	<u>4,082</u>
Creditors - amounts falling due within one year		<u>(311)</u>	<u>(492)</u>	<u>(476)</u>
Net current assets		3,419	1,507	3,606
Total assets less current liabilities		5,201	5,848	5,534
Creditors - amounts falling due after more than one year		<u>(2,279)</u>	<u>(2,260)</u>	<u>(2,256)</u>
Total net assets		<u>2,922</u>	<u>3,588</u>	<u>3,278</u>
Capital and reserves				
Called up share capital	7	8,892	8,885	8,892
Share premium	7	759	736	759
Exchange equalisation reserve	7	(867)	(767)	(761)
Profit and loss account	7	<u>(5,862)</u>	<u>(5,266)</u>	<u>(5,612)</u>
Equity shareholders' funds		<u>2,922</u>	<u>3,588</u>	<u>3,278</u>

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Consolidated Cash Flow Statement for the six months ended 31 March 2005

	Six months ended 31 Mar 05 (unaudited) £'000	Six months ended 31 Mar 04 (unaudited) £'000	Year ended 30 Sept 04 (audited) £'000
Cash outflow from operating activities	(200)	(257)	(349)
Returns on investments and servicing of finance			
Interest received	67	31	67
Interest paid	(61)	(59)	(105)
Taxation	-	(33)	(33)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	-	(90)	(13)
Proceeds from sale of fixed assets	84	85	182
Disposal of subsidiary	-	-	333
Management of liquid resources			
Cash held on deposit to support oil activities	-	-	61
(Decrease)/increase in cash in the period	<u>(110)</u>	<u>(323)</u>	<u>143</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(110)	(323)	143
(Decrease) in cash on deposit in year	-	-	(61)
Non cash transaction - convertible loan stock	(23)	39	44
Translation differences	<u>(53)</u>	<u>(19)</u>	<u>(300)</u>
Movement in net debt in the period	(186)	(303)	(174)
Net debt at beginning of period	<u>(1,254)</u>	<u>(1,080)</u>	<u>(1,080)</u>
Net debt at end of period	<u>(1,440)</u>	<u>(1,383)</u>	<u>(1,254)</u>

Impax Group plc

Consolidated Cash Flow Statement for the six months ended 31 March 2005

Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Six months ended 31 Mar 05 (unaudited) £'000	Six months ended 31 Mar 04 (unaudited) £'000	Year ended 30 Sep 04 (audited) £'000
Operating loss	(225)	(288)	(576)
Goodwill amortisation charge	141	141	283
Depreciation	4	2	6
Decrease/(increase) in debtors	7	(9)	(73)
(Decrease)/increase in creditors	<u>(127)</u>	<u>(103)</u>	<u>11</u>
Net cash flow from operating activities	<u>(200)</u>	<u>(257)</u>	<u>(349)</u>

Impax Group plc

Notes to the Interim Accounts for the six months ended 31 March 2005

1 The financial information set out in this report does not constitute full accounts for the purposes of Section 240 of the Companies Act 1985. The interim accounts for the six months ended 31 March 2005 and 31 March 2004 are unaudited. The comparative figures for the financial year ended 30 September 2004 are not the Company's statutory accounts for the financial year but are abridged from those accounts which have been reported on by the Company's auditors, whose report was unqualified. The interim accounts have been prepared on the basis of the accounting policies set out in the annual financial statements of the Group for the year ended 30 September 2004. The interim accounts were approved by the Directors on 25 May 2005.

2 Segment analysis

	Six months ended 31 Mar 05 (unaudited) £'000	Six months ended 31 Mar 04 (unaudited) £'000	Year ended 30 Sept 04 (audited) £'000
Turnover			
Financial services	951	880	1,738
Oil	-	11	-
	<u>951</u>	<u>891</u>	<u>1,738</u>
Operating loss			
Financial services	(84)	(142)	(293)
Oil	-	-	-
Exchange loss	-	(5)	-
Amortisation of goodwill	<u>(141)</u>	<u>(141)</u>	<u>(283)</u>
	(225)	(288)	(576)
Net interest payable	(25)	(62)	(120)
	<u>(250)</u>	<u>(350)</u>	<u>(696)</u>
Loss on ordinary activities before taxation	(250)	(350)	(696)
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year	<u>(250)</u>	<u>(350)</u>	<u>(696)</u>

3 Amounts denominated in US Dollars have been converted at the closing rate on 31 March 2005 of £1 to \$1.87 (31 March 2004: \$1.82; 30 September 2004: \$1.80). The results of the US subsidiary undertaking have been translated on a monthly basis at the average rate ruling during each month.

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Notes to the Interim Accounts for the six months ended 31 March 2005

- 4 The figures for basic loss per share are based on the loss attributable to the Group of £250,000 (31 March 2004: £350,000; 30 September 2004: £695,771) and on the weighted average number of ordinary shares in issue during the period of 31 March 2005: 37,498,367 (31 March 2004: 35,698,084; 30 September 2004: 36,377,018).

The calculation of diluted loss per share is based on the weighted average number of shares outstanding adjusted by the dilutive share options and convertible loan stock. These adjustments give rise to an increase in the weighted average number of shares outstanding to 31 March 2004: 91,249,098 (31 March 2004: 91,249,098; 30 September 2004: 91,249,098).

In order to show results from operating activities on a comparable basis, an adjusted loss per share has been calculated which excludes goodwill amortisation and exceptional items from the results.

- 5 The Directors do not propose an interim dividend.

- 6 Cash at bank and in hand

	Six months ended 31 Mar 05 (unaudited) £'000	Six months ended 31 Mar 04 (unaudited) £'000	Year ended 30 Sept 04 (audited) £'000
Cash at bank and on hand	839	822	1,002
Cash on deposit	-	55	-
	<u>839</u>	<u>877</u>	<u>1,002</u>

- 7 Reconciliation of movements in capital and reserves

	Share capital £'000	Share premium reserve £'000	Exchange equilisation reserve £'000	Profit & loss reserve £'000
As at 1 October 2004	8,892	759	(761)	(5,612)
Loss for the period	-	-	-	(250)
Conversion of Loan Stock	-	-	-	-
Translation adjustments	-	-	(106)	-
As at 31 March 2005	<u>8,892</u>	<u>759</u>	<u>(867)</u>	<u>(5,862)</u>

Impax Group plc

Notes to the Interim Accounts for the six months ended 31 March 2005

Copies of this interim statement will be sent to shareholders and are available free of charge from the Company's registered office, Broughton House, 6 – 8 Sackville Street, London W1S 3DG. It is also available from our website www.impax.co.uk.



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