Impax Group plc
Chairman's Statement

At the time of the final results in December 2005, I suggested that the considerable potential for Impax was beginning to be realised. As I write this interim review, I remain comfortable with that view and can report that the upward trend in funds under management has continued. Since the end of November 2005, funds under management have grown 46% from £229m to £335m at 26 May 2006. This has been achieved by the strong performance of our various funds and by new funds raised. Although there are always concerns that the equity markets may suffer from corrections, we have a healthy pipeline of new business prospects and are actively considering ways to grow the business with the launch of new products. I am delighted to be able to report a profit before tax for the first time for many years. Whilst very modest, it is a very different story from where we were a couple of years ago.

There have been two main drivers to our success. The first is the increasing attractiveness of the environmental sector, as the fundamentals strengthen, earnings and multiples rise, and large companies implement new business plans and deploy capital. Second, against this backdrop, our investment team has been able to sustain its strong performance. Our activities are seen as a means of harnessing one of the most attractive growth sectors of the global economy, with investment opportunities around the globe in quoted and private companies. Given the complexity of these markets, many institutions are happy to sub-contract their exposure to this area.

Unusually for a group of our size, we have expertise in quoted equities, private equity and venture capital. Using our specialist knowledge we are quickly building scaleable products in these areas and our non-quoted activities give shareholders some protection from the volatility of global markets.

Corporate finance has become a very small part of our business, but we are increasingly using this expertise to help us grow our fund management activities, particularly as we commit more capital to non-quoted opportunities.

Results for the period

The interim results show significantly higher turnover compared with this period last year and I am delighted to report that we have made significant headway towards profitability. Our continuing challenge is to grow assets under management whilst controlling costs and maintaining our funds' strong performance record.

Turnover for the six months to 31 March 2006 was £1,528,000 (2005: £951,000). The net result for the period was a small profit of £8,000 (2005: a loss of £250,000) and this was after a £141,000 (2005: £141,000) charge for the amortisation of goodwill, an accrual of £163,000 for the Employee Benefit Trust (2005: Nil) and a profit of £58,000 (2005: Nil) arising from the mark-to-market revaluation of a listed investment at 31 March 2006.

Asset Management

Impax Asset Management ("IAM") was able to expand significantly its funds under management during the period, and is well positioned for the launch of new products. Revenue for the interim period was £1,447,000 (2005: £530,000). By 31 March 2006, IAM managed or advised seven funds with total assets of £309m (2005: £94m). By 26 May 2006, this has risen further to £335m.

The team again achieved strong performance. In the twelve months ended 31 March 2006, the net asset value ("NAV") of the largest fund, Impax Environmental Markets plc ("IEM"), rose 46.9% while the MSCI World Index grew by 26.3%. IEM's share price has remained at a premium to NAV for most of this period and, in response to investor demand, the trust issued an additional 12 million new shares between January and March.

Other funds investing in quoted equities have grown significantly. Impax Environmental Markets (Ireland), the open-ended "sister fund" of IEM, grew net assets from £26.5m at November 2005 to £40.9m by 31 March 2006 and to £46.1m by 26 May 2006, while the Amsterdam-listed ASN Milieufonds, a fund managed by IAM, grew from €28.5m to €72.4m over the same period.

As I reported six months ago, Impax New Energy Investors LP, our fund investing in projects in the renewable energy and related sectors, has been seeking new additional investors. On 15 May 2006, we reported that this fund had achieved a second closing, taking capital commitments from €60m to €97m. Fund raising will continue, with the aim of reaching the target size of €125m. Meanwhile, the investment team is working hard on a substantial flow of potential investment opportunities.

With over 80 institutional investors in our funds, we are well positioned to expand the business further. In addition to scaling up our existing funds, we expect to be able to announce initiatives to develop and launch new products in the coming months.

Corporate Finance

Impax Capital's results are inevitably reliant on success fees. There were no transactions closed in the first half, but agreed deals are moving through the pipeline and we anticipate that the income for the year will be weighted in favour of the second half.

Convertible Unsecured Loan Stock

The Loan Stock has a final date for conversion in July this year, and it is likely that most holders will choose to convert their holding into ordinary shares. This would significantly improve the Group's balance sheet by converting borrowings into Shareholders' Equity. It would also reduce the interest burden on the Group.

Nominated Adviser and Broker

I am pleased to report that we have appointed Bridgewell Securities Limited ("Bridgewell") as nominated adviser and broker to the Group. They will help to give us wider exposure than we have previously enjoyed and provide further scope for distribution of our funds. Bridgewell's compensation has been structured to align its interests closely with shareholders. For the next 12 months they will receive an option over 500,000 shares in the Group, exercisable at 20p within 3 years. Subsequently, if they remain as nominated adviser and broker to the Group, they will receive an additional option over such number of ordinary shares, where the exercise price is equal to the average closing share price during the four weeks prior to 30th May 2007, which, when multiplied by the exercise price equates to £100,000. Vesting conditions apply to both options.

Prospects

By concentrating our efforts on fund management, we have simplified our business model significantly and now have an exciting opportunity to grow the business and create value for shareholders. The key will be to maintain performance, scale up existing funds and add new products within our area of specialisation. As the Group moves into profitability, we harbour ambitions to pay dividends when the Board considers that the reserves of the Company and the financial position of the Group enable it to do so.

We are grateful to our shareholders for their support and I hope to be in a position to update you with news of favourable developments over the rest of the year.

J Keith R Falconer

31 May 2006

Impax Group plc

Consolidated Profit & Loss Account for the six months ended 31 March 2006

	Notes	**Six months ended 31 Mar 06 (unaudited) £'000**	**Six months ended 31 Mar 05 (unaudited) £'000**	**Year ended 30 Sept 05 (audited) £'000**
Turnover		1,528	951	1,725
Operating expenses				
Goodwill amortisation		(141)	(141)	(283)
Employee Benefit Trust charge		(163)	-	(154)
Revaluation of investments		58	-	22
Write back impairment of investment		-	-	165
Other operating expenses		(1,259)	(1,035)	(2,132)
		(1,505)	(1,176)	(2,382)
Operating profit/(loss)				
Continuing operations		23	(225)	(657)
Profit on disposal of investment		-	-	129
		23	(225)	(528)
Net interest payable		(15)	(25)	(65)
Profit/(loss) on ordinary activities before taxation		8	(250)	(593)
Taxation		-	-	-
Profit/(loss) attributable to the Group		8	(250)	(593)
Basic profit/(loss) per share	3	0.02p	(0.67)p	(1.56)p
Fully diluted profit/(loss) per share	3	0.01p	(0.27)p	(0.65)p
Adjusted profit/(loss) per share	3	0.68p	(0.09)p	(0.75)p

Impax Group plc

Consolidated Profit & Loss Account for the six months ended 31 March 2006

	Notes	Six months ended 31 Mar 06 (unaudited) £'000	Six months ended 31 Mar 05 (unaudited) £'000	Year ended 30 Sept 05 (audited) £'000
Statement of Total Recognised Gains and Losses				
Profit/(loss) for the period		8	(250)	(593)
Currency translation differences		23	(106)	47
Total recognised profits/(losses)		31	(356)	(546)

All disclosures relate only to continuing operations.

Impax Group plc

Consolidated Balance Sheet as at 31 March 2006

	Notes	As at 31 Mar 06 (unaudited) £'000	As at 31 Mar 05 (unaudited) £'000	As at 30 Sept 05 (audited) £'000
Fixed assets				
Intangible fixed assets		1,488	1,771	1,629
Tangible fixed assets		28	11	13
		1,516	1,782	1,642
Current assets				
Debtors due after one year		1,890	2,078	2,042
Debtors due within one year		1,013	813	1,284
Investments		138	-	80
Cash at bank and in hand		1,379	839	863
		4,420	3,730	4,269
Creditors - amounts falling due within one year		(444)	(311)	(636)
Net current assets		3,976	3,419	3,633
Total assets less current liabilities		5,492	5,201	5,275
Creditors - amounts falling due after more than one year		(2,229)	(2,279)	(2,302)
Total net assets		3,263	2,922	2,973
Capital and reserves				
Called up share capital	5	8,995	8,892	8,974
Share premium	5	834	759	759
Exchange equalisation reserve	5	(691)	(867)	(714)
Treasury Shares	5	(73)	-	(73)
Other reserve	5	394	-	231
Profit and loss account	5	(6,196)	(5,862)	(6,204)
Equity shareholders' funds		3,263	2,922	2,973

Impax Group plc

Consolidated Cash Flow Statement for the six months ended 31 March 2006

	Six months ended 31 Mar 06 (unaudited) £'000	Six months ended 31 Mar 05 (unaudited) £'000	Year ended 30 Sept 05 (audited) £'000
Cash inflow/(outflow) from operating activities	506	(200)	(486)
Returns on investments and servicing of finance			
Interest received	59	67	131
Interest paid	(51)	(61)	(149)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(21)	-	(5)
Proceeds from sale of investments	-	-	236
Proceeds from sale of fixed assets	-	84	-
Financing			
Issue of share capital	-	-	86
Increase/(decrease) in cash in the period	493	(110)	(187)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	493	(110)	(187)
Non cash transaction			
- convertible loan stock - converted	96	-	1
- convertible loan stock – issue costs amortised	(23)	(23)	(47)
Translation differences	23	(53)	47
Movement in net debt in the period	589	(186)	(186)
Net debt at beginning of period	(1,439)	(1,253)	(1,253)
Net debt at end of period	(850)	(1,439)	(1,439)

Impax Group plc

Consolidated Cash Flow Statement for the six months ended 31 March 2006

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

	Six months ended 31 Mar 06 (unaudited) £'000	Six months ended 31 Mar 05 (unaudited) £'000	Year ended 30 Sept 05 (audited) £'000
Operating profit/(loss)	23	(225)	(657)
Write back impairment of unlisted investment	-	-	(165)
Revaluation of investments	(58)	-	(22)
Depreciation charges	6	4	8
Amortisation of goodwill	141	141	283
Employee Benefit Trust charge	163	-	154
Decrease/(increase) in debtors	422	7	(246)
(Decrease)/increase in creditors	(191)	(127)	159
Net cash flow from operating activities	506	(200)	(486)

Impax Group plc

Notes to the Interim Accounts for the six months ended 31 March 2006

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 2006 and 31 March 2005 are unaudited. The comparative figures for the financial year ended 30 September 2005 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 2005 except for the adoption and impact of FRS21, FRS22, and FRS25. The interim accounts were approved by the Directors on 25 May 2006.

FRS21: Post balance sheet events

This standard has had no impact on the disclosures presented.

FRS22: Earnings per share

This standard has had no impact on the calculation of earnings per share.

FRS25: Financial Instruments: Disclosure and presentation

Whilst the Group does have convertible unsecured loan stock that would be affected by the implementation of this standard's requirements, the effect is not considered material to warrant disclosure. The Group expects the convertible unsecured loan stock to convert before the next financial year end at which time there will be no disclosure issues.

2 Amounts denominated in US Dollars have been converted at the closing rate on 31 March 2006 of £1 to $1.74 (31 March 2005: $1.87; 30 September 2005: $1.76). The results of the US subsidiary undertaking have been translated on a monthly basis at the average rate ruling during each month.

3 The figures for basic profit per share are based on the profit attributable to the Group of £8,000 (31 March 2005: loss - £250,000; 30 September 2005: loss - £593,000) and on the weighted average number of ordinary shares in issue during the period ended 31 March 2006: 45,960,882 (31 March 2005: 37,498,367; 30 September 2005: 38,065,022).

The figures for fully diluted profit per share include the weighted average number of ordinary shares in issue and, in addition, shares that would arise from a 100% conversion of the convertible unsecured loan stock which would give a total of 97,589,338 shares at 31 March 2006 (31 March 2005: 91,249,097; 30 September 2005: 91,808,954).

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

4 The Directors do not propose an interim dividend.

Impax Group plc

Notes to the Interim Accounts for the six months ended 31 March 2006

5 Reconciliation of movements in capital and reserves

	Share capital	Share premium reserve
	£'000	£'000
As at 1 October 2005	8,974	759
Conversion of Loan Stock	21	75
As at 31 March 2006	8,995	834

	Exchange equalisation reserve	Treasury shares	Other reserve	Profit and loss account
	£'000	£'000	£'000	£'000
As at 1 October 2005	(714)	(73)	231	(6,204)
Profit/(loss) for the period	-	-	-	8
Exchange differences on consolidation	23	-	-	-
Employee Benefit Trust charge	-	-	163	-
As at 31 March 2006	(691)	(73)	394	(6,196)

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. Copies are also available from our website www.impax.co.uk.