



Impax Group plc

INTERIM REPORT

for the six months to 31 March 2007



Impax Group plc

Chairman's Statement

Impax has enjoyed an excellent six months. In my statement on 11 December 2006 I indicated that we would be focusing on our investment performance and, consequently, our rate of growth was likely to slow. Five months later, I am pleased to report that performance has indeed remained strong, but also that our direct and indirect marketing to investors has resulted in substantial inflows into the funds that we manage. As a result, our funds under management have grown from £430 million on 30 September 2006 to £637 million on 31 March 2007 (the end of the interim period), and further to £687 million on 15 May 2007.

As one of the leading investors in the environmental sector, particularly alternative energy, water and waste, we have been highly encouraged by the strengthening drivers within our area of expertise. Since my last report, we have seen further acknowledgement from economists, scientists and policy makers that global climate change is a pressing international issue requiring urgent government action, and additional evidence that investors are attracted to the high and sustainable growth rates of the companies that we follow.

Against this backdrop, we intend to remain focused on managing a small number of scaleable funds and on using third parties to distribute these funds. Our investment teams continue to identify and review a large number of attractive investment opportunities which, I believe, bodes well for the future of Impax.

Results for the period

The interim results once again are a significant improvement over the comparable period last year, and we have kept our costs firmly under control. Turnover for the six months to 31 March 2007 was £3,179,103 (2006: £1,527,833). The un-audited net result for the period was a profit before tax of £644,830 (2006: £149,301 (restated in accordance with IFRS as explained below)).

The Group has decided to "early adopt" and prepare all future consolidated financial statements in accordance with International Accounting Standards and International Financial Reporting Standards (jointly "IFRS"), as adopted by the European Union and applicable to all AIM quoted companies for financial reporting periods beginning on or after 1 January 2007. This announcement contains the Group's first results to be published under IFRS.

The significant difference between IFRS and UK GAAP for Impax relates to goodwill. Under IFRS, goodwill is not amortised but is assessed annually for impairment.

The Balance Sheet at 1 October 2005 becomes the opening Balance Sheet under IFRS and the goodwill arising on consolidation at this date has been included at its deemed cost. Under IFRS, Impax has assessed the carrying value of goodwill from this date and has not considered any impairment necessary.

Impax Group plc

Chairman's Statement

The comparative results at 31 March 2006 and 30 September 2006 have been restated to reflect the change in accounting treatment under IFRS.

Asset Management

Our investment management activities remain the principal source of value creation for shareholders and all our resources are now focused on this core business. Revenue from investment management for the interim period was £2,834,009 (2006: £1,446,663).

The team again achieved strong performance across the range of funds. In the twelve months ended 31 March 2007, the net asset value ("NAV") of the largest fund, Impax Environmental Markets plc ("IEM"), rose 5.3% compared with the MSCI World Index which was flat. Over a three year period also ending on 31 March 2007, IEM's NAV increased 75.1% while the MSCI World Index was up by 34.0%. IEM's share price has continued to trade at a premium to NAV throughout our interim period.

In addition to IEM there are four other scaleable funds that invest in quoted equities. The largest of these, Impax Environmental Markets (Ireland) ("IEMI"), increased net assets from £55.8 million at the end of September 2006 to £130.6 million on 31 March 2007. Similarly, funds managed on a "white label" basis grew rapidly over the same period. In particular, the Amsterdam-listed ASN Water and Environment Fund expanded from £56.4 million to £104.5 million, while the Parworld Environmental Opportunities Fund grew from £4.3 million to £48.8 million. Assuming these funds continue to perform well, we expect further growth in the next year, provided of course that investors continue to have confidence in equities globally.

A portion of the assets of IEM and IEMI are invested in pre-IPO opportunities where our investment team has had an active period. Two new investments, in autoclave waste processing and in the aluminium recycling sector, have been completed and, in April, the team realised its first exit following the trade sale of Cellex Power, a developer of fuel-cell based drive trains for fork-lift trucks. This transaction is expected to deliver a 70% IRR when the payment schedule has been completed.

Our team managing Impax New Energy Investors LP, the fund investing in projects in the renewable energy and related sectors, has also been busy. The European renewable energy markets are developing rapidly, and we are encouraged by the strength of the deal flow for this fund. Following its first investment in Airtricity (which I referred to in my last statement), the fund has recently invested in a portfolio of solar project assets in Spain and in a portfolio of wind assets in Germany.

With our investments across energy, water and waste, Impax remains in a strong position to attract funds from professional investors who like what we do, but lack our specialist understanding of the opportunities.

Impax Group plc

Chairman's Statement

Balance Sheet Restructuring

The momentum in our profits has encouraged us to take steps to improve the Group company's balance sheet. As a consequence of losses in the past, the Group company has a deficit on its revenue reserves of £7.3 million. The directors propose to eliminate this deficit by the cancellation of the Group's deferred shares and the share premium account, which would result in the creation of a balance sheet 'special reserve' of around £3.7 million. Once we have obtained creditors' consent, this reserve will potentially become distributable and Impax will be in a position to pay a dividend and/or to buy back shares.

This restructuring process requires the approval of shareholders and consent of the court. The directors will shortly be issuing a notice to shareholders seeking their approval for the cancellation of the deferred shares and the share premium account by a special resolution to be voted at an extraordinary general meeting to be held on 18 June.

New Product Development

As demand for our investment expertise continues to build, we have been actively exploring opportunities to establish new scaleable investment products. I am pleased to report that today we have launched the Impax Absolute Return Fund, an open-ended fund that will invest long and short in equities active in the environmental and related sectors. At the outset, this fund has US\$6 million of net assets of which US\$3 million has been provided by the Group. I look forward to reporting on progress with this fund in due course.

Prospects

A year ago, I drew attention to the foundation we had built, upon which we planned to grow the business. I am pleased to say that we have been successful in achieving this growth. Looking forward, assuming stock market conditions remain favourable and we continue to perform well with the funds entrusted to us, we expect to increase our funds under management.

Once again, the Impax team has worked very successfully on shareholders' behalf and I wish to thank them, and our two non-executive directors, for their hard work over the past six months.

J Keith R Falconer

21 May 2007

Impax Group plc

Consolidated Income Statement for the six months ended 31 March 2007

	Notes	Six months ended 31 Mar 07 (unaudited) £'000	Six months ended 31 Mar 06 (restated) (unaudited) £'000	Year ended 30 Sept 06 (restated) (unaudited) £'000
Turnover		3,179	1,528	3,840
Operating expenses				
Long term incentive scheme charge		(315)	(163)	(316)
Revaluation of investments		-	58	(7)
Other operating expenses		(2,313)	(1,259)	(3,061)
		<u>(2,628)</u>	<u>(1,364)</u>	<u>(3,384)</u>
Operating profit				
Continuing operations		551	164	456
Net interest receivable/(payable)		94	(15)	39
		<u>645</u>	<u>149</u>	<u>495</u>
Profit on ordinary activities before taxation		645	149	495
Taxation		(213)	-	388
		<u>432</u>	<u>149</u>	<u>883</u>
Profit attributable to the Group		<u>432</u>	<u>149</u>	<u>883</u>
Basic profit per share	3	0.40p	0.32p	1.59p
Fully diluted profit per share	3	0.40p	0.15p	1.59p
Adjusted profit per share	3	0.69p	0.68p	2.16p

Statement of Total Recognised Gains and Losses

Profit for the period	432	149	883
Currency translation differences	(91)	23	(132)
Total recognised profits	<u>341</u>	<u>172</u>	<u>751</u>

All disclosures relate only to continuing operations.

Impax Group plc

Consolidated Balance Sheet as at 31 March 2007

	Notes	As at 31 Mar 07 (unaudited) £'000	As at 31 Mar 06 (restated) (unaudited) £'000	As at 30 Sept 06 (restated) (unaudited) £'000
Non-current assets				
Goodwill		1,629	1,629	1,629
Property, plant and equipment		73	28	24
Fixed asset investments		14	-	14
		<u>1,716</u>	<u>1,657</u>	<u>1,667</u>
Current assets				
Trade and other receivables due after one year		1,388	1,890	1,593
Trade and other receivables due within one year		2,237	1,013	1,904
Investments		73	138	73
Cash and cash equivalents		3,365	1,379	2,550
		<u>7,063</u>	<u>4,420</u>	<u>6,120</u>
Current liabilities		<u>(1,531)</u>	<u>(444)</u>	<u>(1,300)</u>
Net current assets		5,532	3,976	4,820
Total assets less current liabilities		7,248	5,633	6,487
Non-current liabilities		<u>(80)</u>	<u>(2,229)</u>	<u>-</u>
Total net assets		<u><u>7,168</u></u>	<u><u>3,404</u></u>	<u><u>6,487</u></u>
Capital and reserves attributable to equity holders of the parent				
Called up share capital	5	9,592	8,995	9,592
Share premium	5	2,723	987	2,723
Exchange equalisation reserve	5	(936)	(691)	(845)
Treasury shares	5	(149)	(149)	(149)
Other reserves	5	827	317	487
Retained earnings	5	(4,889)	(6,055)	(5,321)
Total Equity		<u><u>7,168</u></u>	<u><u>3,404</u></u>	<u><u>6,487</u></u>

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Consolidated Cash Flow Statement for the six months ended 31 March 2007

	Six months ended 31 Mar 07 (unaudited) £'000	Six months ended 31 Mar 06 (restated) (unaudited) £'000	Year ended 30 Sept 06 (restated) (unaudited) £'000
Operating profit	551	164	456
Revaluation of investments	-	(58)	7
Depreciation charges	10	6	12
(Increase)/decrease in debtors	(258)	422	202
Increase/(decrease) in creditors	233	(191)	662
Conversion of loan stock - issue costs amortised	-	(23)	-
Movement on other reserves	340	163	409
Movement on currency assets - translation differences	(91)	23	(132)
Net cash flow from operations	785	506	1,616
Interest received	94	59	138
Interest paid	-	(51)	(53)
Cashflows from investing activities			
Purchase of property, plant and equipment	(59)	(21)	(24)
Cashflows from financing activities			
Issue of share capital	-	-	81
Conversion of loan stock	-	96	2,302
Movement on treasury shares	-	-	(76)
Net cashflows from financing activities	-	96	2,307
Net increase in cash and cash equivalents	820	589	3,984
Cash and cash equivalents at the beginning of the period	2,545	(1,439)	(1,439)
Cash and cash equivalents at the end of the period	3,365	(850)	2,545
Represented by:			
Cash and cash equivalents	3,365	1,379	2,550
Bank overdraft	-	-	(5)
Convertible unsecured loan stock	-	(2,229)	-
	3,365	(850)	2,545

Impax Group plc

Notes to the Interim Accounts for the six months ended 31 March 2007

1. Impax Group plc has decided to “early adopt” and prepare all future consolidated financial statements in accordance with International Accounting Standards and International Financial Reporting Standards (jointly “IFRS”), as adopted by the European Union (“EU”) and applicable to all AIM quoted companies for financial reporting periods beginning on or after 1 January 2007. This announcement contains the Group’s first results to be published under IFRS.

The significant difference between IFRS and UK GAAP for Impax Group plc relates to goodwill. Under IFRS, goodwill is not amortised but is assessed annually for impairment.

The Balance Sheet at 1 October 2005 becomes the opening Balance Sheet under IFRS and the goodwill arising on consolidation at this date has been included at its deemed cost. Under IFRS, Impax has assessed the carrying value of goodwill from this date and has not considered any impairment necessary.

The comparative results at 31 March 2006 and 30 September 2006 have been restated to reflect the change in accounting treatment under IFRS. Note 6 explains the effect on the half year results.

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 2007 and 31 March 2006 are unaudited. The comparative figures for the financial year ended 30 September 2006 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 on the consolidated financial statements prepared under UK GAAP, 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 2006 as amended for the adoption of applicable IFRS.

The interim accounts were approved by the Directors on 21 May 2007.

2. Amounts denominated in US Dollars have been converted at the closing rate on 31 March 2007 of £1 to \$1.96 (31 March 2006: \$1.74; 30 September 2006: \$1.87). 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 £432,000 (31 March 2006: profit - £149,000 (restated); 30 September 2006: profit - £883,000 (restated)) and on the weighted average number of ordinary shares in issue during the period ended 31 March 2007: 107,524,098 (31 March 2006: 45,960,882; 30 September 2006: 55,592,580).

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. All of the convertible unsecured loan stock had been converted by 30 September 2006.

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Notes to the Interim Accounts for the six months ended 31 March 2007

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

4. The Directors do not propose an interim dividend.
5. Reconciliation of movements in capital and reserves: 1 October 2005 - 31 March 2006 (restated)

	Share capital	Share premium reserve	Exchange equalisation reserve	Treasury shares	Other reserves	Profit and loss account
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2005	8,974	836	(714)	(73)	154	(6,204)
Profit for the period (restated)	-	-	-	-	-	149
Exchange differences on consolidation	-	-	23	-	-	-
Conversion of loan stock	21	75	-	-	-	-
Net issue of shares to Employee Benefit Trust	-	76	-	(76)	163	-
As at 31 March 2006 (restated)	8,995	987	(691)	(149)	317	(6,055)

- 5.1 Reconciliation of movements in capital and reserves: 1 April 2006 - 30 September 2006 (restated)

	Share capital	Share premium reserve	Exchange equalisation reserve	Treasury shares	Other reserves	Profit and loss account
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2006 (restated)	8,995	987	(691)	(149)	317	(6,055)
Profit for the period (restated)	-	-	-	-	-	734
Exchange differences on consolidation	-	-	(154)	-	-	-
Conversion of loan stock	597	1,830	-	-	-	-
Loan stock costs written off	-	(94)	-	-	-	-
Net issue of shares to Employee Benefit Trust	-	-	-	-	153	-
Accrued cash equivalent of share options receivable by NOMAD	-	-	-	-	17	-
As at 30 September 2006 (restated)	9,592	2,723	(845)	(149)	487	(5,321)

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Notes to the Interim Accounts for the six months ended 31 March 2007

5.2 Reconciliation of movements in capital and reserves: 1 October 2006 - 31 March 2007

	Share capital	Share premium reserve	Exchange equalisation reserve	Treasury shares	Other reserves	Profit and loss account
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2006 (restated)	9,592	2,723	(845)	(149)	487	(5,321)
Profit for the period	-	-	-	-	-	432
Exchange differences on consolidation	-	-	(91)	-	-	-
Net issue of shares to Employee Benefit Trust	-	-	-	-	315	-
Accrued cash equivalent of share options receivable by NOMAD	-	-	-	-	25	-
As at 31 March 2007	<u>9,592</u>	<u>2,723</u>	<u>(936)</u>	<u>(149)</u>	<u>827</u>	<u>(4,889)</u>

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Notes to the Interim Accounts for the six months ended 31 March 2007

6. Early adoption of IFRS

As noted above Impax Group plc has now adopted IFRS and this report contains restated numbers to reflect that change.

6.1 Effect of the change to IFRS on the Consolidated Balance Sheet at 30 September 2006

	UK GAAP 30 Sept 06 £'000	IFRS 3 Goodwill £'000	IFRS 30 Sept 06 £'000
Non-current assets			
Goodwill	1,347	282	1,629
Property, plant and equipment	24	-	24
Fixed asset investments	14	-	14
	<u>1,385</u>	<u>282</u>	<u>1,667</u>
Current assets			
Trade and other receivables due after one year	1,593	-	1,593
Trade and other receivables due within one year	1,904	-	1,904
Investments	73	-	73
Cash and cash equivalents	2,550	-	2,550
	<u>6,120</u>	<u>-</u>	<u>6,120</u>
Current liabilities	<u>(1,300)</u>	<u>-</u>	<u>(1,300)</u>
Net current assets	<u>4,820</u>	<u>-</u>	<u>4,820</u>
Total net assets	<u>6,205</u>	<u>282</u>	<u>6,487</u>
Capital and reserves attributable to equity holders of the parent			
Called up share capital	9,592	-	9,592
Share premium	2,723	-	2,723
Exchange equalisation reserve	(845)	-	(845)
Treasury shares	(149)	-	(149)
Other reserves	487	-	487
Retained earnings	(5,603)	282	(5,321)
Total Equity	<u>6,205</u>	<u>282</u>	<u>6,487</u>

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Notes to the Interim Accounts for the six months ended 31 March 2007

6.2 Effect of the change to IFRS on the Consolidated Balance Sheet at 31 March 2006 (unaudited)

	UK GAAP 31 Mar 06 £'000	IFRS 3 Goodwill £'000	IFRS 31 Mar 06 £'000
Non-current assets			
Goodwill	1,488	141	1,629
Property, plant and equipment	28	-	28
	<u>1,516</u>	<u>141</u>	<u>1,657</u>
Current assets			
Trade and other receivables due after one year	1,890	-	1,890
Trade and other receivables due within one year	1,013	-	1,013
Investments	138	-	138
Cash and cash equivalents	1,379	-	1,379
	<u>4,420</u>	<u>-</u>	<u>4,420</u>
Current liabilities	<u>(444)</u>	<u>-</u>	<u>(444)</u>
Net current assets	3,976	-	3,976
Total assets less current liabilities	5,492	141	5,633
Non-current liabilities	<u>(2,229)</u>	<u>-</u>	<u>(2,229)</u>
Total net assets	<u>3,263</u>	<u>141</u>	<u>3,404</u>
Capital and reserves attributable to equity holders of the parent			
Called up share capital	8,995	-	8,995
Share premium	834	-	834
Exchange equalisation reserve	(691)	-	(691)
Treasury shares	(73)	-	(73)
Other reserves	394	-	394
Retained earnings	(6,196)	141	(6,055)
Total Equity	<u>3,263</u>	<u>141</u>	<u>3,404</u>

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Notes to the Interim Accounts for the six months ended 31 March 2007

6.3 Effect of the change to IFRS on the Consolidated Income Statement for the year ended 30 September 2006 (unaudited)

	UK GAAP 30 Sept 06 £'000	IFRS 3 Goodwill £'000	IFRS 30 Sept 06 £'000
Turnover	<u>3,840</u>	<u>-</u>	<u>3,840</u>
Operating expenses			
Goodwill amortisation	(282)	282	-
Long term incentive scheme charge	(316)	-	(316)
Revaluation of investments	(7)	-	(7)
Other operating expenses	<u>(3,061)</u>	<u>-</u>	<u>(3,061)</u>
	<u>(3,666)</u>	<u>282</u>	<u>(3,384)</u>
Operating profit			
Continuing operations	174	282	456
Net interest receivable	<u>39</u>	<u>-</u>	<u>39</u>
Profit on ordinary activities before taxation	213	282	495
Taxation	<u>388</u>	<u>-</u>	<u>388</u>
Profit attributable to the Group	<u><u>601</u></u>	<u><u>282</u></u>	<u><u>883</u></u>

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Notes to the Interim Accounts for the six months ended 31 March 2007

6.4 Effect of the change to IFRS on the Consolidated Income Statement for the six months ended 31 March 2006 (unaudited)

	UK GAAP 31 Mar 06 £'000	IFRS 3 Goodwill £'000	IFRS 31 Mar 06 £'000
Turnover	1,528	-	1,528
Operating expenses			
Goodwill amortisation	(141)	141	-
Long term incentive scheme charge	(163)	-	(163)
Revaluation of investments	58	-	58
Other operating expenses	(1,259)	-	(1,259)
	<u>(1,505)</u>	<u>141</u>	<u>(1,364)</u>
Operating profit			
Continuing operations	23	141	164
Net interest receivable	(15)	-	(15)
	<u>8</u>	<u>141</u>	<u>149</u>
Profit on ordinary activities before taxation	8	141	149
Taxation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Profit attributable to the Group	<u>8</u>	<u>141</u>	<u>149</u>

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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