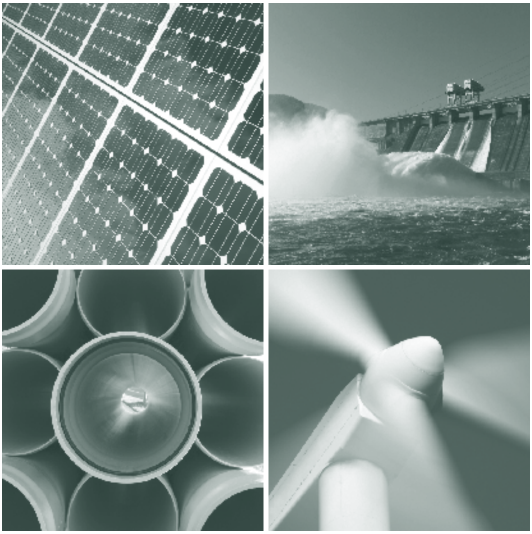


The environmental investment specialist

Impax Asset Management Group plc
Interim Report 2012

IMPAX

Impax Asset Management Group plc is a leading investment manager dedicated to the rapidly expanding environmental markets sector, focusing on alternative energy, energy efficiency, water and waste.

In a world of increasingly scarce natural resources, inadequate infrastructure and unacceptable pollution, we believe that companies active in environmental markets will continue to offer investors strong long-term risk-adjusted returns. We have over a decade of investment experience, a seasoned, stable team and a compelling track record.

We focus on a small number of carefully chosen investment strategies, and manage or advise pooled vehicles and segregated accounts for institutional investors in multiple countries. Our business is scalable, with a strong distribution network, has an efficient capital structure and generates significant free cash flow.

Contents

Highlights

For the six months ended 31 March 2012

> Assets under management ("AUM")
increased 7 per cent to £2,025 million (31 March 2012) from £1,896 million (30 September 2011)

> Revenue in the first half of 2012
£9.2 million (H1, 2011: £9.9 million)

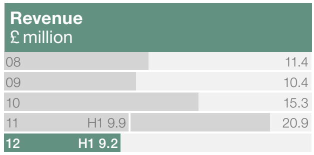
> Operating earnings*
£2.2 million (H1, 2011: £2.9 million)

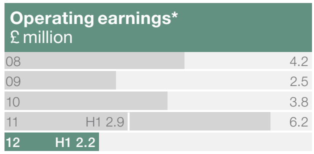
> Unaudited loss before tax
£2.7 million (H1, 2011: £2.1 million profit), inclusive of £4.8 million charges arising from previously disclosed unvested share schemes

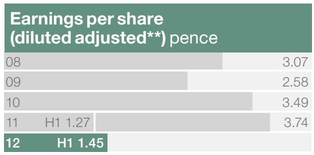
> Diluted earnings per share
1.45 pence (adjusted**)
(H1, 2011: 1.27 pence (adjusted**))

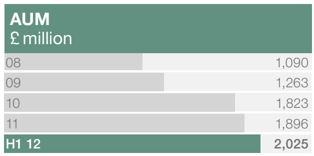
> Shareholders' equity increased to
£22.2 million (2011: £21.5 million)

> Solid investment performance,
particularly from Water Strategy









* revenue less operating costs
** adjusted to exclude IFRS2 charges for share 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

Notwithstanding fragile markets, Impax has made further progress in building a platform for the active management of assets in the environmental and resource scarcity sectors, and has delivered solid investment performance during the period.

The Period from 1 October 2011 to 31 March 2012 coincided with a significant recovery in economic conditions across most countries and in investor sentiment. However, since the end of the Period, renewed evidence of concerns within the Eurozone has hit investors' appetite for risk, and markets have once again weakened.

Against this backdrop, it is encouraging to note that the fundamentals for companies active in the environmental markets and related resource scarcity sectors have remained robust and Impax has made further progress in building a platform for the active management of assets in the Sector.

Sector developments

During the Period, environmental stocks kept pace with global markets and demonstrated continued longer-term out-performance. Over the six months to 31 March 2012, the FTSE Environmental Opportunities All Share Index returned 16.6 per cent (total return, GBP) while the MSCI World Index was up 17.0 per cent (net return, GBP); over the five years to the same date, the corresponding returns were 36.1 per cent and 18.5 per cent respectively.

The environmental sector has benefited further from improving economics, merger and acquisition activity and supportive government policy. Technological change has underpinned rapid growth in several sub-sectors, particularly energy efficient lighting, where light-emitting diode shipments grew by 71 per cent in 2011 and now represent ca. 10 per cent of the global lighting market. Similarly, the price of solar panels has fallen by 74 per cent over the past four years, stimulating a ten-fold market growth over the same period.

We have seen further strong evidence that larger diversified companies are increasing their activity in environmental markets. For example, Ecolab recently acquired Nalco, a global leader in specialist water treatment chemicals, for US$8 billion and ABB acquired efficient electric motor company Baldor Electric for US$4.1 billion.

On the policy front, at the international level, the unexpected success in December 2011 of the Durban climate change conference raised expectations that national governments would accelerate the development of policy to tackle greenhouse gas emissions. Subsequent developments have confirmed these expectations, particularly in Australia, which confirmed plans to launch a A$10 billion Clean Energy Finance Corporation, India, which introduced 2015 targets for improvement in industrial energy efficiency, and California, which re-confirmed the launch of a carbon trading scheme in January 2013.

In Asia, in addition to the US$770 billion investment in low carbon energy generation it promised in 2011, the Chinese government has now also confirmed an investment of US$780 billion in water management and treatment by 2020. Elsewhere, South Korea intends to roll out ten million smart meters to around half of all households by 2016 to improve efficiency, while Japan aims to increase its solar capacity from 5GW to 28GW by 2020 by introducing a new feed-in tariff from July 2012.

In Europe, the European Parliament voted to accelerate negotiations with the EU Council for a new Energy Efficiency Directive, which would make the 20 per cent energy efficiency target (compared to 2005 levels) by 2020 binding, commit the EU-27 countries to refurbishment of 2.5 per cent of public buildings per year and oblige energy companies to find 1.5 per cent energy savings every year.

In the US, the Environmental Protection Agency (EPA) enacted the Utility MACT rule to reduce mercury output from power plants by 90 per cent by 2015, a move that is expected to lead to approximately 50GW of coal plant retirements. Separately, the Department of Interior will propose tighter fracking standards on federal land including disclosure of chemicals used in the process, confirmation that wells are not leaking and checks to ensure the safety of drinking-water supplies. The measures are expected to create growth opportunities in the water treatment and pollution control sectors.

AUM and financial results for the Period

Impax Asset Management Group plc's ("Impax" or the "Company") assets under management and advisory ("AUM") increased 7 per cent from £1,896 million on 30 September 2011 to £2,025 million on 31 March 2012. Subsequently, equity markets have generally fallen, and by 30 April 2012, AUM was £1,945 million.

Revenue for the six months to 31 March 2012 was £9.19 million (2011: £9.86 million). Operating earnings* for the Period were £2.21 million (2011: £2.90 million) and the associated operating margin was 24 per cent (2011: 29 per cent). The moderate falls compared to the corresponding numbers for the first half of the 2011 financial year reflect a combination of slightly lower average AUM for the Period and a higher fixed cost base arising from the investment we have made in building the Company's platform for growth.

The unaudited result for the Period was a profit before tax ("PBT") loss of £2.69 million (2011: profit of £2.05 million). PBT in the Period was impacted inter alia by £4.85 million (2011: £1.53 million) of charges associated with the Company's share-based incentive schemes, which were explained to shareholders in the 2011 Annual Report; £1.13 million of this charge is directly offset by a corresponding tax gain.

The Board regards the most relevant measure of the Period's earnings to be diluted earnings per share ("EPS"). On this basis diluted EPS for the Period was 1.45 pence (adjusted**), and represents a 14 per cent increase compared to last year.

At the Annual General Meeting on 26 January 2012, Impax shareholders approved payment of a dividend of 0.7 pence per share (2011: 0.6 pence) for the year ended 30 September 2011. As previously disclosed, the Board does not currently intend to recommend the payment of interim dividends, but expects to recommend the payment of annual dividends in the future.

Listed equities

The funds and accounts invested in listed equities that we manage performed well during the Period. We were pleased by the performance of our Environmental Leaders strategy, which invests in a combination of small cap specialist stocks in the Sector as well as larger, more diversified companies. During the Period, Environmental Leaders returned 21.1 per cent (total return, GBP), a material out-performance against the MSCI World Index, which returned 17.0 per cent as noted above. Our Water strategy also sustained its out-performance, returning 21.9 per cent during the Period, and now has a strong three year track record, making it the best performing fund in its peer group over this time period.

Our Hong Kong subsidiary, Impax Asset Management (Hong Kong) Limited, is now fully operational. Although stocks in the region, particularly those with material exposure to the Chinese economy, were heavily de-rated during 2011, we have recently seen signs of improving sentiment as well as strengthening fundamentals; our regional research capabilities make us well placed to exploit the associated opportunities.

In January 2012 we decided to close our long-short equity fund, which had failed to attract a critical mass of capital, and have now redeemed our seed capital with a profit of ca. £0.2 million on an initial investment of £1.5 million.

Private equity

Our private equity business developed favourably during the Period. Following the successful completion of the first four investments for our second fund, Impax New Energy Investors II, we recently signed an agreement for this fund to purchase a 28MW wind farm in Germany, taking total commitments for that fund to ca. 28 per cent of committed capital. The pipeline of potential investments for this fund remains strong, and our team is seeking to extend the Fund's exposure to the core four countries (France, Germany, Italy and Poland) as well as commit capital elsewhere in Europe and/or North America.

The operating assets in our first private equity fund, Impax New Energy Investors, have continued to perform above budget. As previously reported, we intend to sell the fund's assets when market conditions are more conducive, particularly in Spain, where the fund has material exposure.

Fund flows and distribution

During the Period, inflows into our listed equities funds and accounts of £94 million were offset by outflows of £161 million, which were primarily in the open-ended funds that we manage. Our recently appointed Head of Distribution is leading the process of strengthening our capabilities in this area. Given the recent improvement in the performance of stocks in the environmental sector, we expect this trend to reverse, provided that investors' risk appetite remains favourable.

Our distribution strategy continues to focus on three core areas. In the UK, where ca. 56 per cent of our AUM originates, we are in the process of hiring additional sales and client service staff. In Europe, Asia and Australia, we continue to work closely with BNP Paribas Investment Partners, who have sourced (either directly or indirectly) ca. 26 per cent of our AUM.

Thirdly, we continue to build out our franchise in the United States: the Pax World Global Green Fund, which we sub-advise, continued to attract net inflows during the Period, and we advanced discussions with potential investors into Impax Green Markets Fund LP, a Delaware-based private fund which invests in our Environmental Specialists strategy, and into which the Company invested US$5 million from cash reserves at launch last December. Interest from US based institutional investors and consultants continues to be positive, and we are expanding our resources to further extend our reach into the United States.

Business development

With a strong investment management franchise in an area that is increasingly of interest to investors, Impax is well positioned for further expansion. In addition to promoting our established products and services to current and potential new clients, we are able to offer an attractive platform to experienced individuals and/or other investment management groups

Chief Executive's Statement continued

with expertise in complementary areas. In this context, we recently recruited two individuals who have extensive research expertise and fund management experience in the agriculture and related food sectors. Companies active in these sectors are growing rapidly due to the same "resource scarcity" and environmental policy drivers that underpin the alternative energy, energy efficiency, water and waste sector in which we already specialise.

We continue to actively explore opportunities to launch complementary products in other asset classes with exposure to environmental markets and resource scarcity themes.

Infrastructure and support

We have made further incremental investments in our support team and resources. During the Period, we commenced the movement of our IT infrastructure to a "cloud" system in order to provide further scalability and improved business continuity, and the move to larger premises in November 2011 at Norfolk House, 31 St James's Square in London, with ca. 10,000 square feet of accommodation provides ample opportunity for further growth.

The investment management sector continues to face significant additional or expanded regulation in many countries, and our General Counsel has been monitoring developments and advising the Board on how the Company should prepare for these changes.

At the end of the Period, our total headcount was 52 full time equivalent staff, up from 50 at the start of the Period.

Remuneration and Share Buy-backs

In line with the Company's updated remuneration policy (which was described in the 2011 Annual Report), during the Period the Board confirmed the grant of five million Employee Share Option Plan ("ESOP") options to management and staff in respect of their performance for the financial year ended 30 September 2011. The strike price was set at 49.6 pence, and the options will vest on 31 December 2014.

Furthermore, the Board commenced the buyback of the Company's stock into Treasury, with the aim of reducing the requirement to issue new shares to satisfy the exercise of options awarded under the ESOP. To date 959,000 shares have been purchased, and the Board expects to make further purchases subject to suitable opportunities whilst continuing to evaluate attractive alternative uses of the Company's cash resources.

Prospects

At the time of writing, economic indicators worldwide continue to be mixed while the situation in the Eurozone appears to be deteriorating once more. It is therefore not surprising that equity markets remain volatile and investor sentiment fragile.

However, for those investors who are seeking to position their portfolios for recovery, we believe the environmental and resource scarcity sectors remain highly attractive. A large number of companies continue to post strong results, issue optimistic (and credible) forecasts and trade at attractive valuations. With almost 14 years of investment management experience in these markets, a large diversified client base and an experienced, committed team, Impax remains well positioned to grow when confidence returns.

Ian Simm
15 May 2012

* revenue less operating costs
** 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 2012

	Note	**Six months ended 31 March 2012 £'000**	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
Revenue		**9,193**	9,858	20,931
Operating costs		**(6,979)**	(6,962)	(14,696)
Share-based payment charge for EIA extension scheme	5	**(3,829)**	–	(3,647)
Exceptional long-term incentive scheme charge	5	**(88)**	(1,530)	(1,090)
Other long-term incentive scheme related charges	5	**(929)**	–	(619)
Fair value (losses)/gains	6	**(37)**	702	785
Change in third party interest in consolidated funds	7	**(97)**	(117)	(117)
Investment income		**79**	102	171
(Loss)/profit before taxation		**(2,687)**	2,053	1,718
Taxation	8	**529**	(454)	(652)
(Loss)/profit for the period		**(2,158)**	1,599	1,066
Other comprehensive income				
Tax benefit on long-term incentive schemes		**177**	14	46
Change in value of cash flow hedges		**(44)**	–	213
Tax arising on change in value of cash flow hedges		**15**	–	(55)
Exchange differences on translation of foreign operations		**(2)**	(17)	20
Total other comprehensive income		**146**	(3)	224
Total comprehensive income for the period attributable to equity holders of the parent		**(2,012)**	1,596	1,290
Basic earnings per share	9	**(1.99)p**	1.47p	0.98p
Diluted earnings per share	9	**(1.82)p**	1.46p	0.93p

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 2012

	Note	**As at 31 March 2012 £'000**	As at 31 March 2011 £'000	As at 30 September 2011 £'000
ASSETS				
Non-current assets				
Goodwill	11	**1,629**	1,629	1,629
Intangible assets		**178**	45	39
Property, plant and equipment		**776**	251	491
Investments		**18**	19	18
		2,601	1,944	2,177
Current assets				
Trade and other receivables		**3,377**	3,104	3,173
Derivative asset		**169**	–	213
Investments	12	**9,361**	4,595	3,930
Current tax asset		**47**	376	47
Margin account		**205**	–	–
Cash invested in money market funds and long-term deposit accounts		**12,070**	2,525	8,546
Cash and cash equivalents	13	**4,222**	13,768	12,870
		29,451	24,368	28,779
TOTAL ASSETS		**32,052**	26,312	30,956
EQUITY AND LIABILITIES				
Equity				
Ordinary shares		**1,156**	1,156	1,156
Share premium		**78**	78	78
Exchange translation reserve		**(138)**	(173)	(136)
Own shares		**(59)**	(59)	(59)
Hedging reserve		**129**	–	158
Treasury shares		**(923)**	(453)	(453)
Retained earnings		**21,959**	17,427	20,756
TOTAL EQUITY		**22,202**	17,976	21,500
Current liabilities				
Trade and other payables		**6,097**	6,320	7,858
Third party interest in consolidated fund		**2,878**	–	–
Short-term borrowings	13	**–**	677	–
Current tax liability		**22**	141	12
		8,997	7,138	7,870
Non-current liabilities				
Deferred tax liability		**853**	1,198	1,586
TOTAL LIABILITIES		**9,850**	8,336	9,456
TOTAL EQUITY AND LIABILITIES		**32,052**	26,312	30,956

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 2012

	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Own shares £'000	Hedging reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total £'000**
As at 1 October 2010	1,156	78	(156)	(59)	–	(453)	16,337	**16,903**
Profit for the period	–	–	–	–	–	–	1,599	**1,599**
Exchange differences on translation of foreign operations	–	–	(17)	–	–	–	–	**(17)**
Long-term incentive scheme charge	–	–	–	–	–	–	128	**128**
Tax benefit on long-term incentive schemes	–	–	–	–	–	–	14	**14**
Dividends paid	–	–	–	–	–	–	(651)	**(651)**
As at 31 March 2011	1,156	78	(173)	(59)	–	(453)	17,427	**17,976**
Loss for the period	–	–	–	–	–	–	(533)	**(533)**
Exchange differences on translation of foreign operations	–	–	37	–	–	–	–	**37**
Cash flow hedge	–	–	–	–	213	–	–	**213**
Tax loss on cash flow hedge		–	–	–	(55)	–	–	**(55)**
Long-term incentive scheme charge	–	–	–	–	–	–	3,830	**3,830**
Tax benefit on long-term incentive schemes	–	–	–	–	–	–	32	**32**
As at 30 September 2011	1,156	78	(136)	(59)	158	(453)	20,756	**21,500**
Loss for the period	–	–	–	–	–	–	(2,158)	**(2,158)**
Exchange differences on translation of foreign operations	–	–	(2)	–	–	–	–	**(2)**
Treasury shares acquired in the period	–	–	–	–	–	(470)	–	**(470)**
Cash flow hedge	–	–	–	–	(44)	–	–	**(44)**
Tax benefit 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)**
As at 31 March 2012	1,156	78	(138)	(59)	129	(923)	21,959	**22,202**

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 2012

	Note	**Six months ended 31 March 2012 £'000**	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
Cash flows from operating activities				
Profit before taxation		**(2,687)**	2,053	1,718
Adjustments for:				
Investment income		**(79)**	(102)	(171)
Depreciation of property, plant and equipment		**163**	117	243
Amortisation of intangible assets		**27**	30	53
Fair value gains		**37**	(702)	(785)
Share-based payment charges		**3,943**	128	3,958
Exceptional long-term incentive scheme NIC charge		**88**	1,530	1,054
Other long-term incentive scheme related charges		**929**	–	619
Change in third party interest in consolidated funds		**97**	117	117
Operating cash flows before movement in working capital		**2,518**	3,171	6,806
Decrease/(increase) in receivables		**(204)**	830	741
Decrease/(increase) in margin account		**(205)**	–	–
(Decrease)/increase in payables		**(2,362)**	(2,338)	(931)
Cash generated from operations		**(253)**	1,663	6,616
Corporation tax (paid)/refunded		**–**	(197)	162
Net cash generated from operating activities		**(253)**	1,466	6,778
Investing activities:				
Interest received		**79**	7	77
Settlement of loans receivable		**–**	2,337	2,337
Settlement of investment related hedges		**(308)**	–	–
Proceeds on sale of investments		**–**	358	426
(Purchase)/Sale of investments by consolidated funds		**(5,606)**	2,843	3,489
Purchase of investments		**(95)**	(79)	(53)
Purchase of intangible assets		**(166)**	–	(16)
Purchase of property, plant and equipment		**(448)**	(71)	(437)
Net cash (used by)/generated from investment activities		**(6,544)**	5,395	5,823
Financing activities:				
Dividends paid	10	**(759)**	(651)	(651)
Treasury shares acquired		**(345)**	–	–
Redemption of preference shares issued by consolidated fund		**–**	(1,623)	(1,623)
Investments by third party into consolidated fund		**2,781**	–	–
Increase in cash held in money market funds and long-term deposit accounts		**(3,524)**	(7)	(6,028)
Net cash used by financing activities		**(1,847)**	(2,281)	(8,302)
Net (decrease)/increase in cash and cash equivalents		**(8,644)**	4,580	4,299
Cash and cash equivalents at the beginning of the period		**12,870**	8,563	8,563
Effect of foreign exchange rate changes		**(4)**	(52)	8
Cash and cash equivalents at the end of the period	13	**4,222**	13,091	12,870

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 2012

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 2012 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 2011.

The comparative figures for the financial year ended 30 September 2011 are not the Company's statutory accounts for that financial year. Those accounts, prepared in accordance with IFRSs 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.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 May 2012.

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 2011. 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 2011 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; 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 Employee Incentive Arrangement (Extension Scheme) ("EIA Extension"), share-based payment awards were granted in April 2011 to employees when the Trustee of the Impax Group Employee Benefit Trust 2004 ("EBT") agreed to allocate four million Ordinary Shares to a sub-fund of the EBT of which Ian Simm, the Company's Chief Executive, and his family are beneficiaries and when 14.05 million Long-Term Incentive Plan ("LTIP") options were awarded to other employees.

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

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

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

5 Long-term incentive scheme charges continued

The Group has two further share-based payment schemes – the 2009 Share Option Plan and the 2011 Employee Share Option Plan. Under the 2011 Share Option Plan, during the six months ended 31 March 2012, the Group granted 5,000,000 options over the Company's ordinary shares to employees at a strike price of 49.6p. The options will vest on 31 December 2014 subject to continued employment. The Board does not intend to satisfy these awards by a primary issue of shares. 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.

Exceptional long-term incentive scheme NIC charge

The Income Statement for the year ended 30 September 2011 included an exceptional charge of £1,090,000 in respect of Employer's National Insurance Contributions ("NIC") in connection with the Group's Employee Incentive Arrangement (Original Scheme) ("EIA Original"). The Income Statement for the six months ended 31 March 2012 includes a charge of £88,000 in respect of adjustments to the charge made in 2011 arising from fluctuations in the Group's share price.

Under the EIA Original scheme, a total of 16,777,045 shares were allocated to sub-funds for the benefit of employees and their families under the Impax Group Employee Benefit Trust 2004 (the "EBT"). These shares ceased to be subject to the risk of revocation for employees on 30 September 2007, 2008 and 2009. The Group recorded an IFRS 2 "Share-based payment" charge in the periods to 30 September 2009 in respect of these awards. During the year ended 30 September 2011, the Government made various changes to taxation of awards delivered and yet to be delivered under employee benefit trusts. In light of these changes the Group expects that some or all of the remaining EBT beneficiaries will, at some stage, request the EBT Trustee at its discretion, to transfer Impax Ordinary Shares or other assets held in the name of employees and their families from the EBT to one or more of the beneficiaries whereupon the Group would be required to pay Employer's NIC on the value of the shares or other assets removed. In line with requirements of International Financial Reporting Standards, the Group has accrued for these future payments. Given its one-off nature and size, the charge and any subsequent adjustments thereto, are classified as exceptional.

If and when the EBT Trustee agrees to transfer assets held in the EBT to beneficiaries and if the assets transferred are in the form of the Group's Ordinary Shares, the Group also expects to be eligible for a corporation tax deduction equal to the value of those Ordinary Shares. The Group expects this tax benefit will be up to £1.7m. If the amount of the tax deduction exceeds the cumulative share-based payment expense, the excess of the associated tax benefit is recognised in Other Comprehensive Income. Any amount included in Other Comprehensive Income is included in the Group's definition of adjusted earnings as explained in Note 9. During the six months ended 31 March 2012 the Trustee transferred 2,850,000 shares out of the EBT giving rise to a total tax benefit of £335,000 with £158,000 recorded in Loss for the period and £177,000 recorded in Other Comprehensive Income. At 31 March 2012 12,228,781 of the Company's shares remained in the EBT.

Other long-term incentive scheme related charges

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
EIA Extension NIC charge	**426**	–	333
Additional payments	**503**	–	286
Other long-term incentive scheme related charges	**929**	–	619

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.

Additional Payment

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.

The Group accrues for these payments over the same period as the related share-based payment charge.

The Group has also accrued for payments totalling £203,000 to individuals to whom the Trustee of the EBT distributed Impax shares during the six months ended 31 March 2012.

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 (26 per cent). The differences are explained below:

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
(Loss)/Profit before tax	**(2,687)**	2,053	1,718
Tax (credit)/charge at 26%, 28%, 27%	**(699)**	575	464
Effects of:			
Non-deductible expenses and charges	**397**	28	625
Tax effect of previously unrecognised tax losses	**(36)**	(98)	(45)
Adjustment in respect of prior years	**–**	–	(224)
Change in UK tax rates	**(37)**	(57)	(157)
Effect of higher tax rates in foreign jurisdictions	**4**	11	4
Tax benefits on long-term incentive schemes where charge is recognised in prior years (EIA Original) (see Note 5)	**(158)**	(5)	(15)
Total income tax (credit)/expense	**(529)**	454	652

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 Original and EIA Extension), and ii) includes the tax benefit recognised in Other Comprehensive Income in respect of transfers out of the EBT and the exercising of LTIP options.

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
Earnings	**(2,158)**	1,599	1,066
IFRS 2 Share-based payment charge (see Note 5)	**3,829**	–	3,647
Tax benefit on long-term incentive scheme included in Other Comprehensive Income (see Note 5)	**177**	14	46
Adjusted earnings	**1,848**	1,613	4,759

Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2012

9 Earnings and earnings per share continued

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

Adjusted earnings per share

	Adjusted earnings for the period £'000	Ordinary shares in issue (weighted average) £'000	Earnings per share
Six months ended 31 March 2012			
Basic adjusted	1,848	108,344	1.71p
Diluted adjusted	1,848	127,744	1.45p
Six months ended 31 March 2011			
Basic adjusted	1,613	108,454	1.49p
Diluted adjusted	1,613	127,328	1.27p
Year ended 30 September 2011			
Basic adjusted	4,759	108,454	4.39p
Diluted adjusted	4,759	127,356	3.74p

The Company has 115,582,431 ordinary shares in issue. The Board intends to only issue a further 12,162,000 shares to satisfy current outstanding share awards with the remaining awards being satisfied through shares currently held in the EBT and in Treasury or through further buy-backs. Accordingly the weighted average number of shares used in the calculation of diluted adjusted earnings per share is calculated as the sum of those shares currently in issue (115,582,431) and the additional shares that the Board plans to issue (12,162,000).

	Six months ended 31 March 2012 '000	Six months ended 31 March 2011 '000	Year ended 30 September 2011 '000
Weighted average number of ordinary shares used in the calculation of basic adjusted earnings per share	**108,344**	108,454	108,454
Weighted average number of Treasury and Own shares intended to be used to satisfy outstanding share awards	**7,238**	7,128	7,128
Shares in issue	**115,582**	115,582	115,582
Shares intended to be issued to satisfy outstanding share awards	**12,162**	11,746	11,774
Weighted average number of ordinary shares used in the calculation of diluted adjusted earnings per share	**127,744**	127,328	127,356

9 Earnings and earnings per share continued

IFRS earnings per share

	Earnings for the period £'000	Ordinary shares in issue (weighted average) £'000	Earnings per share
Six months ended 31 March 2012			
Basic	(2,158)	108,344	(1.99)p
Diluted	(2,158)	118,877	(1.82)p
Six months ended 31 March 2011			
Basic	1,599	108,454	1.47p
Diluted	1,599	109,280	1.46p
Year ended 30 September 2011			
Basic	1,066	108,454	0.98p
Diluted	1,066	114,433	0.93p

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 2012 '000	Six months ended 31 March 2011 '000	Year ended 30 September 2011 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**108,344**	108,454	108,454
Additional dilutive shares re EIA Extension, 2009 Share Option Plan and 2011 ESOP	**24,294**	19,290	19,187
Adjustment to reflect future contributions from employees receiving awards	**(13,761)**	(18,464)	(13,208)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**118,877**	109,280	114,433

10 Dividends

On 26 January 2012, at the Group's Annual General Meeting, payment of a 0.70p per share dividend in respect of the year ended 30 September 2011 (2010: 0.60p per share) was approved. The Trustee of the Impax Employee Benefit Trust waived the Trust's rights to part of this dividend, leading to a total dividend payment of £759,000. This was paid on 6 February 2012.

The Directors do not propose an interim dividend for the six months ended 31 March 2012.

11 Goodwill

Cost	£'000
At 31 March 2011, 30 September 2011 and 31 March 2012	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 2010	2,481	4,526	7,007
Additions	52	–	52
Disposals	–	(3,175)	(3,175)
Fair value movements	338	308	646
Foreign exchange	65	–	65
At 31 March 2011	2,936	1,659	4,595
Additions	2	–	2
Repayments/Disposals	(95)	(646)	(741)
Fair value movements	276	(202)	74
At 30 September 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

Listed investments

Impax Green Markets Fund

In December 2011 the Group launched the Impax Green Markets Fund LP ("IGMF") and invested, from its cash reserves, $5,000,000 into the fund. IGMF invests in listed equities using the Group's Environmental Specialists Strategy. The Group's investment represented 53.8 per cent of the IGMF's NAV from the date of launch to 31 March 2012 and accordingly the IGMF has been consolidated throughout this period with its underlying investments included in listed investments in the table above.

Impax Absolute Return Fund

On 21 May 2007, the Group made an investment of €2,200,000 (£1,507,000) in the Impax Absolute Return Fund ("IARF"). The investment took the form of a subscription of 22,000 Euro Class A shares in the IARF, at €100 per share. During the financial year ended 30 September 2010 the shares were re-denominated as Sterling shares. During the period ended 31 March 2011 all investors apart from the Company redeemed the shares they held and accordingly the Group's investment in the IARF represented 100 per cent of the NAV at 31 March 2011. During the period ended 31 March 2012 the fund's trading activity ceased. Throughout the periods presented the IARF has been consolidated and its underlying investments are included in listed investments in the above table.

The investments held by the IARF and IGMF 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.

Disposals in the period principally represent sales of investments held by the IARF.

Unlisted investments

The Group has a €3.76 million 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 €2.74 million (73 per cent of the Group commitment). The Group commitment of €3.76 million represents 3.76 per cent 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.

The Group has a further commitment of €3.3 million 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 €204,000. The Group's commitment of €3.3 million is equal to 1 per cent of the total commitments made to the fund. The investment's valuation is deemed to equal its cost.

13 Cash and cash equivalents

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

	31 March 2012 £'000	31 March 2011 £'000	30 September 2011 £'000
Cash at bank and in hand			
Held by operating entities of the Group	**3,962**	11,782	11,499
Held by the consolidated funds	**260**	1,986	1,371
	4,222	13,768	12,870
Short-term borrowings			
Held by the consolidated fund	**–**	(677)	–
	4,222	13,091	12,870

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 2012 £'000	31 March 2011 £'000	30 September 2011 £'000
Cash and cash equivalents	**3,962**	11,782	11,499
Cash held in money market funds and long-term deposit accounts	**12,070**	2,525	8,546
Total cash reserves	**16,032**	14,307	20,045

14 Group risks

The Group's principal risks remain as detailed within the Directors' report of the Group's 2011 Annual Report and Financial Statements and are categorised as financial, investment and operational.

15 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 Green Markets Fund LP, Impax Carried Interest Partners LP, 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 28.4 per cent 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 as at the year end, are as shown below. All balances were unsecured. Unless stated otherwise balances outstanding were £nil.

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000	Year ended 30 September 2011 £'000
Statement of comprehensive income			
Revenue	**9,105**	9,658	20,660
Operating Costs	**–**	35	35

	31 March 2012 £'000	31 March 2011 £'000	30 September 2011 £'000
Statement of financial position			
Non-current asset investments	**18**	19	18
Current asset investments	**2,820**	2,778	2,797
Trade and other receivables	**1,611**	2,237	2,669
Trade and other payables	**60**	46	22

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 2012 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

J M Mills
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London
E14 5GL

15 May 2012

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Impax Asset Management Group plc
Norfolk House
31 St James's Square
London
SW1Y 4JR
United Kingdom

T: +44 (0) 20 7434 1122
F: +44 (0) 20 7434 1123
E: info@impaxam.com
www.impaxam.com