

# **Impax Group plc**

## **Interim results for the six months ended 31 March 2009**

Impax, the AIM quoted investment manager which focuses exclusively on the environmental sector, today announced its interim results for the six month period ended 31 March 2009.

Highlights:

- Robust financial performance in spite of difficult market conditions. Turnover, which included £945,620 of exceptional, non-recurring fees, increased to £5,452,373 (from £4,922,608 in the corresponding period last year).
- Net profit before tax of £1,315,580 (from £1,592,343 in the corresponding period last year). The reduction reflects the impact of extra costs associated with extending Impax's platform to support future growth.
- Assets under management and advisory ("AUM") declined from a value of £1,098 million on 30 September 2008 to £889 million on 31 March 2009 due to weak equity markets, but recovered to £986 million by 30 April 2009.
- Over five years, Impax Environmental Markets plc ("IEM"), the largest "pure play" fund that Impax manages has outperformed its benchmark, returning 29% in the period, while the MSCI World Total Return Index has returned 11%.

Commenting on the results, Keith Falconer, Chairman of Impax Group plc said:

"The prospects for the sectors in which we invest have strengthened considerably in recent months. When inflows resume into equity funds, it is highly likely that there will be increased allocations to the environmental sector and that Impax, as the UK's leading specialist environmental investment manager with a strong team and long term track record, will benefit accordingly."

"I am pleased to report that, by focusing on investment performance, maintaining frequent communication with investors and keeping tight control of costs, our business has remained robust and is well positioned for further expansion."

Copies of the interim results for the six months ended 31 March 2009 will be sent to shareholders shortly. Copies will also be available on the Company's website [www.impax.co.uk](http://www.impax.co.uk) and may be collected from the Company's registered office; Mezzanine Floor, Pegasus House, 37-43 Sackville Street London W1S 3EH.

About Impax Group plc:

Impax Group plc ("Impax"), which is quoted on the Alternative Investment Market of the London Stock Exchange, was founded in 1994 as a specialist finance house focusing on the markets for cleaner or more efficient delivery of basic services of energy, water and waste.

Impax's dedicated team of professionals, with many years of experience in the financial and environmental sectors, is ideally placed to understand and take advantage of the investment opportunities arising from the fast growing environmental markets. Impax Asset Management (the trading entity of Impax Group) manages assets for institutional and private investors, across a range of listed and private equity funds.

[www.impax.co.uk](http://www.impax.co.uk)

For further information please contact:

Keith Falconer, Chairman  
Impax Group plc

07747 066637

Ian Simm, Chief Executive  
Impax Group plc

020 7432 2619

John Riddell, Director  
Noble & Company Limited

020 7763 2200

## CHAIRMAN'S STATEMENT

The six months that represent the company's interim period, 1 October 2008 to 31 March 2009 will long be remembered as calamitous for financial markets, the economy and society as a whole. Many specialist fund management companies have struggled to retain clients and sustain profitability, and there have been many casualties. Against this background, I am pleased to report that, by focusing on investment performance, maintaining frequent communication with investors and keeping tight control of costs, our business has remained robust and is well positioned for further expansion. Assets under management and advisory ("AUM") declined from £1,098 million on 30 September 2008 to £889 million on 31 March 2009. By 30 April 2009, AUM had recovered to reach £986 million.

In spite of, indeed in some cases because of, the financial crisis and economic downturn, the prospects for the sectors in which we invest have strengthened considerably in recent months. Many governments have explicitly earmarked a percentage of their broader stimulus packages for increased expenditure on environmental goods and services. In parallel, rising concern over environmental indicators such as drought in the United States or melting ice in the polar regions is provoking further environmental policy debate and suggests that the trend towards tougher environmental standards is set to continue. In particular, the new US administration contains many high level appointees who have a deep understanding of both the science of global warming and the policy options to reduce emissions of greenhouse gases.

### Results for the period

Turnover for the six months to 31 March 2009 was £5,452,373 (2008: £4,922,608). Turnover included £945,620 of exceptional non-recurring fees due under the management contract of our private equity fund. The unaudited net result for the period was a profit before tax of £1,315,580 (2008: £1,592,343); the reduction reflects the impact of costs associated with extending our platform to support future growth.

I am pleased to confirm that, at the Annual General Meeting on 2 February 2009, the company's shareholders approved payment of a maiden dividend of 0.35 pence per share. It is the intention of the Board to implement a progressive dividend policy as the Company's balance sheet continues to strengthen and cash flows improve. However, at this point the Board intends to proceed with a single annual dividend, which will be paid subject to market conditions.

### Quoted Equities

In recent statements, I have referred consistently to the superior earnings growth rates in the environmental sector and to our firm belief that carefully selected environmental markets stocks should out-perform global equities over the long term. During the period under review, as growth rates in virtually all sectors of the economy have slowed sharply, the net asset values of our funds investing in quoted securities have fallen along with global equity markets. However, over a longer time frame, for example the five year period that is typically of interest to institutional investors, these funds have maintained their significant out-performance.

As of 31 March 2009, we were managing or advising £655 million in funds or accounts investing in "pure play" stocks, i.e. those companies that derive at least 50% of their revenues or profits or have at least 50% of their capital employed in environmental markets, and £96 million in funds or accounts investing in "all cap" stocks, i.e. those companies where the corresponding cut-off is "at least 20%". Over five years to 31 March 2009, Impax Environmental Markets plc, the largest "pure play" fund that we manage, has returned 29% while the MSCI World Total Return Index (in Sterling) has returned 11%. Looking ahead, we are encouraged by the number of companies that are actively building their environmental sector divisions. We expect that stocks of these companies will out-perform global equity markets over the medium to long term.

Of key importance for the company, investor confidence in these funds has been sustained; during the period under review, net outflows were approximately £48m. In the context of a severe flight of capital from global equity funds, I believe that this is a significant achievement.

Our partnership with FTSE continues to make encouraging progress. Following the establishment of two global environmental indices in the first half of 2008, FTSE launched nine sub-sector indices in December 2008 and expects to launch a number of regional indices during the summer of 2009. All of these indices comprise companies derived from a database managed by Impax, and we are already seeing a higher level of brand recognition for the company as a result.

## **Private Equity**

Our investment activity in private companies, notably the management of the Impax New Energy Investors fund, continues to show great promise. For several years, investors providing equity capital for wind and solar farms in many European countries have enjoyed long-term, government-backed power contracts and low technology risk. By leveraging relationships with developers, equipment suppliers and banks, our investment team has been able to purchase assets at very attractive prices.

It is also noteworthy that our chosen investment universe and strategy are well positioned to thrive in difficult economic circumstances. The project assets that underpin a majority of our investments are typically fully funded at the time that we invest, and usually have revenue streams that are independent of both the oil price and of the health of the wider economy. Furthermore, we expect that the most attractive exits from our investments will be achieved through trade sales, which are typically less impacted than initial public offerings by weak economic circumstances.

Last month, the European Council gave final approval to the Renewable Energy Directive, which sets a requirement that, by 2020, 20% of energy, equivalent to approximately 34% of electricity is derived from renewable energy sources. EU Member States must adopt by June 2010 policy designed to achieve these targets. With this framework in place, we expect the flow of attractive deals to increase, and we are making good progress in expanding our business activity in this area.

## **Hedge Fund**

Our long-short equity fund is now approaching its second anniversary and continues to deliver returns that have a low correlation with equity markets. With clear signs that many institutional investors worldwide are increasing their allocations to well managed, transparent hedge funds, we continue to pursue opportunities to expand the capital base of this product.

## **Support Systems**

Our investment in support systems has given us a firm foundation for robust operations, compliance and risk management during the recent market fall and volatility. Following our recent move to new premises in Sackville Street, London, we have made additional investments in information technology and reporting systems, and have made further hires into our back office team. As our client base continues to expand, I expect that these enhanced capabilities will support both new mandate wins as well as the retention of existing clients.

## **Fund Distribution**

As one of the few environmental sector investment managers with an extensive track record in multiple products, we are excited by the prospects for wider distribution of our funds and the packaging of portfolios for new groups of clients. Our relationships with third party distributors, such as BNP Paribas Investment Partners, remain central to our approach in many countries, and we were particularly pleased to have been recently appointed as investment sub-manager to new funds in Australia and France launched by BNP Paribas.

We are also seeing a significant opportunity for increasing our direct sales activity and are planning, as a first step, to increase our in-house team covering this area.

## **Prospects**

At the time of writing, a degree of confidence has returned to equity markets, although individual stocks remain volatile and volumes thin. As investors follow through on plans to review their asset allocation, it may take some time before there are significant flows into equity funds. Nevertheless, when inflows resume, it is highly likely that there will be increased allocations to the environmental sector and that Impax, as a specialist investment manager with a stable team and long term track record, will benefit accordingly.

Our investment teams have demonstrated their calibre by the way they have performed in the recent past. This has not been an easy period for anyone in the investment industry. However, with a strong balance sheet, we have been able to plan judiciously for further sustainable growth and I hope that, in December, when I report on the full year's out-turn, we will have made further significant progress in expanding our business.

# Impax Group plc

## Consolidated Income Statement for the six months ended 31 March 2009

		Six months ended 31 Mar 09 (unaudited) £'000	Six months ended 31 Mar 08 (unaudited) £'000	Year ended 30 Sept 08 (audited) £'000
Turnover	4	5,452	4,923	11,389
<b>Operating expenses</b>				
Long term incentive scheme charge		(170)	(491)	(427)
Revaluation of investments		(26)	-	(39)
Other operating expenses		<u>(4,050)</u>	<u>(2,975)</u>	<u>(7,348)</u>
		(4,246)	(3,466)	(7,814)
<b>Operating profit</b>				
Continuing operations		<u>1,206</u>	<u>1,457</u>	<u>3,575</u>
Net interest receivable		<u>110</u>	<u>135</u>	<u>282</u>
<b>Profit on ordinary activities before taxation</b>				
		1,316	1,592	3,857
Taxation		<u>(352)</u>	<u>(550)</u>	<u>(1,069)</u>
Profit attributable to the Group		<u>964</u>	<u>1,042</u>	<u>2,788</u>
<b>Basic earnings per share</b>				
	5	0.89 p	0.95 p	2.54 p
<b>Adjusted earnings per share</b>	5	<u>1.05 p</u>	<u>1.40 p</u>	<u>2.93 p</u>

## Statement of Total Recognised Gains and Losses for the six months ended 31 March 2009

		Six months ended 31 Mar 09 (unaudited) £'000	Six months ended 31 Mar 08 (unaudited) £'000	Year ended 30 Sept 08 (audited) £'000
Profit for the period		964	1,042	2,788
Currency translation differences	6	<u>328</u>	<u>31</u>	<u>(141)</u>
Total recognised profits		<u>1,292</u>	<u>1,073</u>	<u>2,647</u>

**Impax Group plc**  
**Consolidated Balance Sheet as at 31 March 2009**

	Notes	As at 31 Mar 09 (unaudited) £'000	As at 31 Mar 08 (unaudited) £'000	As at 30 Sept 08 (audited) £'000
<b>ASSETS</b>				
<b>Non - current assets</b>				
Goodwill		1,629	1,629	1,629
Other intangible assets		148	29	73
Property, plant and equipment		460	48	537
Other financial assets		1,178	1,058	1,046
Investments	7	2,982	14	14
		<u>6,397</u>	<u>2,778</u>	<u>3,299</u>
<b>Current assets</b>				
Trade and other receivables due after one year		65	65	65
Trade and other receivables due within one year		2,586	2,015	2,097
Other financial assets		380	180	247
Investments		11	3,082	3,005
Cash and cash equivalents		5,564	4,320	7,029
		<u>8,606</u>	<u>9,662</u>	<u>12,443</u>
<b>TOTAL ASSETS</b>		<u><u>15,003</u></u>	<u><u>12,440</u></u>	<u><u>15,742</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves attributable to equity shareholders</b>				
Ordinary shares	8	1,156	1,095	1,156
Share premium	8	240	179	240
Exchange equalisation reserve	8	(533)	(971)	(861)
Treasury shares	8	(222)	(164)	(222)
Other reserve	8	1,422	1,408	1,252
Retained earnings	8	10,584	8,251	9,997
		<u>12,647</u>	<u>9,798</u>	<u>11,562</u>
<b>Current liabilities</b>				
Trade and other payables		2,356	2,642	4,180
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>15,003</u></u>	<u><u>12,440</u></u>	<u><u>15,742</u></u>

# Impax Group plc

## Consolidated Cash Flow Statement for the six months ended 31 March 2009

	Six months ended 31 Mar 09 (unaudited) £'000	Six months ended 31 Mar 08 (unaudited) £'000	Year ended 30 Sept 08 (audited) £'000
<b>Cashflows from operating activities</b>			
Operating profit	1,206	1,457	3,575
Adjustments for:			
Depreciation of property, plant and equipment	18	14	46
Amortisation of intangible assets	91	6	21
Gain/loss on revaluations on investments	26	-	39
Profit on sale of investments	-	-	( 47)
Expense recognised in respect of equity settled share-based payments	170	517	632
Net foreign exchange gain	328	31	141
<b>Operating cash flows before movement in working capital</b>	1,839	2,025	4,407
Increase in receivables	( 857)	( 103)	( 397)
(Decrease)/increase in payables	( 1,799)	( 815)	1,161
	( 817)	1,107	5,171
Corporation tax paid	( 274)	-	( 957)
<b>Net cash (used in)/generated by operating activities</b>	( 1,091)	1,107	4,214
<b>Cashflows from investment activities</b>			
Interest received	110	135	282
Share-based transactions	-	-	( 109)
Proceeds on sale of investments	-	38	1,622
Purchase of investments	-	( 1,500)	( 3,000)
Purchase of licences	( 92)	-	( 60)
Purchase of property, plant and equipment	( 15)	( 14)	( 535)
<b>Net cash generated by/(used in) investing activities</b>	3	( 1,341)	( 1,800)

## Cashflows from Financing activities

Dividends paid	3	( 377)	-	-
Share capital issued		<u>-</u>	<u>-</u>	<u>61</u>
<b>Net cash (used in)/generated by financing activities</b>		( 377)	-	61
<b>Net (decrease)/increase in cash and cash equivalents</b>		( 1,465)	( 234)	2,475
<b>Cash and cash equivalents at the beginning of the period</b>		<u>7,029</u>	<u>4,554</u>	<u>4,554</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>5,564</u>	<u>4,320</u>	<u>7,029</u>
<b>Represented by:</b>				
Cash and cash equivalents		5,564	4,320	7,029
		<u>5,564</u>	<u>4,320</u>	<u>7,029</u>

## Impax Group plc

### Notes to the Interim Accounts for the six months ended 31 March 2009

- 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 2009 and 31 March 2008 are unaudited. The comparative figures for the financial year ended 30 September 2008 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 International Financial Reporting and Accounting Standards, 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 2008.

The interim accounts were approved by the Directors on 12 May 2009.

- 2 Amounts denominated in US Dollars have been converted at the closing rate on 31 March 2009 of £1 to \$1.42 (31 March 2008: \$2.00; 30 September 2008: \$1.82). The results of the US subsidiary undertaking have been translated on a monthly basis at the average rate ruling during each month.
- 3 On 2 February 2009 at the Group's Annual General Meeting, the Board approved payment of the Group's maiden dividend, being 0.35p per share in respect of the year ended 30 September 2008. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total dividend payment of £377,297. This was paid on 20 February 2009.

In line with the Company's policy of paying a single annual dividend, the Directors do not propose an interim payment for the six month period ended 31 March 2009.

- 4 Turnover includes an exceptional management fee relating to the Impax New Energy Fund, billed in the current financial period in accordance with the Limited Partnership Agreement.



- 5 The figures for basic earnings per share are based on the profit attributable to the Group of £964,452 (31 March 2008: £1,042,344; 30 September 2008: £2,788,399) and on the weighted average number of ordinary shares in issue during the period ended 31 March 2009 of 107,801,123 (31 March 2008: 109,499,098; 30 September 2008: 109,615,764).

An adjusted earnings per share has been calculated in order to show results from operating activities on a comparable basis. This excludes the long term incentive scheme charge of £170,362 from the results (six months ended 31 March 2008: £491,358; year ended 30 September 2008: £427,333).

- 6 The currency translation differences represent the foreign exchange gains that arose from retranslating the assets and liabilities of the Group's foreign subsidiary undertakings into sterling.
- 7 The Group holds two significant investments in funds which are managed by a subsidiary undertaking of Impax Group plc. These investments were revalued to market value. The nature of these investments is described below:

On 21 May 2007, the Company made an investment of €2,200,000 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. The IARF launched on 21 May 2007 and had a total net asset value ("NAV") of £4,259,199 at 31 March 2009. The carrying value of the Group's investment in the IARF at that date was £1,818,437 which represents 42.7% of the NAV. The Directors are of the opinion that this investment does not constitute an associate undertaking due to insignificant control and influence.

On 3 March 2008, the Company made an investment of £1,500,000 in the Impax Environmental Leaders Fund ("IEL"). The investment took the form of 1,500,000 £1 accumulation shares. IEL, which is managed by a subsidiary undertaking of the Company, launched on 3 March 2008 and had a total net asset value ("NAV") of £3,116,414 at 31 March 2009. The carrying value of the Group's investment in the IEL at that date was £1,149,300 which represents 36.9% of the NAV. The Directors are of the opinion that this investment does not constitute an associate undertaking due to insignificant control and influence.

- 8 Reconciliation of movements in capital and reserves: 1 October 2007 - 31 March 2008

	Share capital	Share premium	Exchange equalisation reserve	Treasury shares	Other reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2007	1,095	19	(1,002)	(168)	894	7,209
Profit for the period	-	-	-	-	-	1,042
Exchange differences on consolidation	-	-	31	-	-	-
Share-based payment charge	-	-	-	-	492	-
Net sale of shares to Employee Benefit Trust	-	160	-	4	(3)	-
Accrued cash equivalent of share options receivable by NOMAD	-	-	-	-	25	-
As at 31 March 2008	<u>1,095</u>	<u>179</u>	<u>(971)</u>	<u>(164)</u>	<u>1,408</u>	<u>8,251</u>

- 8.1 Reconciliation of movements in capital and reserves: 1 April 2008 - 30 September 2008

	Share capital	Share premium	Exchange equalisation reserve	Treasury shares	Other reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2008	1,095	179	( 971)	( 164)	1,408	8,251
Profit for the period	-	-	-	-	-	1,746
Exchange differences on consolidation	-	-	110	-	-	-
Share-based payment charge	61	58	-	( 58)	( 64)	-
Net sale of shares to Employee Benefit Trust	-	3	-	-	-	-
Accrued cash equivalent of share options receivable by NOMAD	-	-	-	-	8	-
Accrued cash equivalent of share options cancelled by NOMAD	-	-	-	-	( 100)	-
As at 30 September 2008	<u>1,156</u>	<u>240</u>	<u>( 861)</u>	<u>( 222)</u>	<u>1,252</u>	<u>9,997</u>

## 8.2 Reconciliation of movements in capital and reserves: 1 October 2008 - 31 March 2009

	Share capital	Share premium	Exchange equalisation reserve	Treasury shares	Other reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2008	1,156	240	( 861)	( 222)	1,252	9,997
Profit for the period	-	-	-	-	-	964
Exchange differences on consolidation	-	-	328	-	-	-
Share-based payment charge	-	-	-	-	170	-
Dividend paid	-	-	-	-	-	( 377)
As at 31 March 2009	<u>1,156</u>	<u>240</u>	<u>( 533)</u>	<u>( 222)</u>	<u>1,422</u>	<u>10,584</u>

### Treasury Shares

The treasury shares relate to the holding of 22,207,054 Ordinary Shares in the Company by the EBT, representing 19.2% of the ordinary shares in issue at 31 March 2009. The market value of this shareholding at 31 March 2009 was £4,219,340 (31 March 2008: £5,551,730; 30 September 2008: £6,606,569).

## Other reserve

### *Net issue of shares to EBT*

The results for the six months ended 31 March 2009 include a long-term incentive scheme charge of £170,361 which comprises £20,155 in respect of the EBT scheme approved by shareholders on 4 February 2005 and £150,206 in respect of the extended proposals to the EBT scheme approved by shareholders on 31 January 2008. This is explained further below.

On 4 February 2005 shareholders approved the establishment by the Company of the Impax Group Employee Benefit Trust (the "EBT") as part of the Company's employee incentive arrangements. This provided for the issue of up to 18,250,000 shares to the EBT for the three years ended 30 September 2007. The allocation of Ordinary Shares to employees and their families via the EBT by the Company in the three years ended 30 September 2007 as part of the long term incentive scheme has given rise to a charge of £20,156 to the income statement for the six months ended 31 March 2009. This forms part of a total charge of £1,069,539, being:

- £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the 2005 share award
- £485,143 evenly spread over the three years to 30 September 2008, which is the performance period for the 2006 share award
- £120,932 evenly spread over the three years to 30 September 2009, which is the performance period for the 2007 share award

On 31 January 2008 shareholders approved the Company's proposals to extend the EBT as part of the Company's employee incentive arrangements. This provided for the issue of up to a further 18,250,000 shares to the EBT for the three years ended 30 September 2010. The allocation of Ordinary Shares to employees and their families via the EBT by the Company in the three years ended 30 September 2010 as part of the long-term incentive scheme has given rise to a charge of £150,206 to the income statement for the six months ended 31 March 2009. This forms part of a total charge of £1,060,964, being:

- £545,705 evenly spread over the period to 30 September 2010, to reflect the performance period for the 2008 share award
- £309,155 evenly spread over the period to 30 September 2011, to reflect the performance period for the 2009 share award
- £206,104 evenly spread over the period to 30 September 2012, to reflect the performance period for the 2010 share award

This charge has been calculated in accordance with the requirements of IFRS 2 "Share based payments" by reference to the mid-market price of an Ordinary Share of 38.5p on the approval date of 31 January 2008. The charge has been calculated using the Monte Carlo simulation method. The date of 31 January 2008 has been agreed to be the grant date for all shares issued to employees and their families as this was the date when substantially all terms and conditions of the scheme were agreed by all parties.

The potential beneficiaries of the EBT include the executive directors and employees of the Group and their families.

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32, the assets and liabilities of the EBT have been included in the Company's and Group's accounts resulting in the inclusion of £222,072 treasury shares, £239,669 share premium, £4,025 retained earnings, and £1,422,305 included in other reserve.

