IMPAX
ASSET MANAGEMENT

Impax Asset Management Group plc

Interim Report 2014




THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2014

www.impaxam.com

Impax Asset Management Group plc is a leading investment manager dedicated to investing in resource efficiency and environmental markets created by the scarcity of natural resources and the growing demand for cleaner, more efficient products and services, through both listed and private equity strategies.

We manage £2.5 billion* for institutional and high net worth investors globally, and are committed to providing strong, long-term risk adjusted returns. The Company's investment team numbers 28 professionals, with an average of 20 years' relevant experience.

Our listed equity funds seek out mis-priced companies that are set to benefit from the long-term trends of changing demographics, rising consumption, limited natural resources and urbanisation. Investment is focused on a small number of deeply researched strategies in energy, water, waste, food and agriculture and related markets.

Impax's private equity infrastructure funds invest in power generation assets in the renewable energy sector.

Impax is a thought leader in defining the environmental and resource efficiency markets, for example through a partnership with FTSE to develop and manage the classification system underpinning the FTSE Environmental Markets Index Series.

* as at 31.03.2014

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Highlights

For the six months ended 31 March 2014

> Assets under management ("AUM")
– increased 16% to £2.548 billion (31 March 2014) from £2.197 billion (30 September 2013)

> Strong net inflows
– £189m (H1, 2013 £100m)

> Revenue in the first half of 2014
– £9.9m (H1, 2013: £8.7m)

> Operating earnings[1]
– £2.7m (H1, 2013: £1.8m)

> Unaudited profit before tax
– £1.4m[2] (H1, 2013: £1.5m)

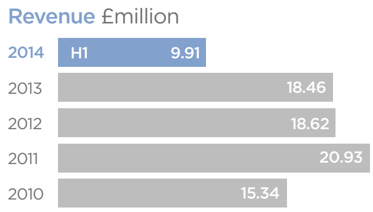
> Diluted earnings per share
– 1.20 pence (adjusted[3]) (H1, 2013: 1.45 pence (adjusted[3]))

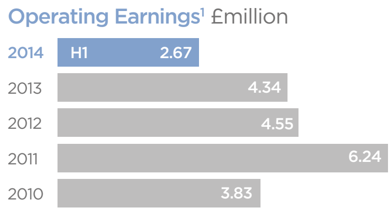
> Shareholders' equity increased to
– £23.5m (H1, 2013: £22.8m)

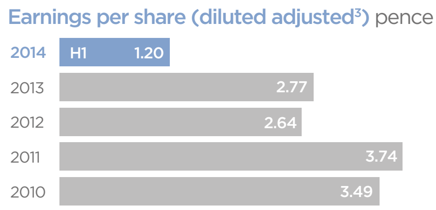
> Initiation of interim dividend of 0.3 pence per share

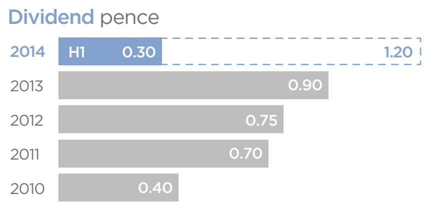
> Continuing robust investment performance by all strategies

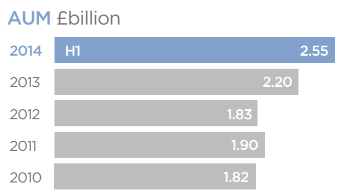
> Granted a Queen's Award for Enterprise: Sustainable Development











1 Revenue less operating costs.
2 Profit before tax in the Period was impacted inter alia by £0.71 million of charges (2013: £0.36 million) associated with the Company's share-based incentive schemes.
3 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. The increase in after tax operating earnings is more than offset by tax benefits in H1, 2013 not being repeated during the Period, an increased employer's National Insurance provision due to the rise in the Company's share price and a reduction to the fair value of the Company's interest in Impax New Energy Investors.

Chief Executive's Statement

Impax has continued to deliver profitable growth during the first half, with strong net inflows and a promising mandate pipeline.

Ian Simm
Chief Executive

During the first half year for Impax Asset Management Group plc ("Impax" or "the Company"), i.e. the Period from 1 October 2013 to 31 March 2014, rising investor confidence gave way to ambivalence as economic data softened and the number of actual or perceived risks increased. Nevertheless, Impax's target markets linked to environmental and resource efficiency drivers ("Target Markets") generally made good progress, particularly in renewable energy, water and pollution control, and investor interest remained high. Against this backdrop, Impax's assets under management and advisory ("AUM") increased by 16 per cent to £2,548 million, with more than half the increase (£189 million) attributable to net inflows. On 30 April 2014, AUM were £2,538 million.

Developments in Resource Efficiency and Environmental Markets

During the Period, the Target Markets sustained their out-performance of broader global equity indices. For example, the FTSE Environmental Opportunities All Share Index[I] ("EOAS") returned 6.8 per cent (total return, GBP) while the MSCI World ("ACWI")[II] index rose by 5.4 per cent. Over the five years to 31 March 2014, the EOAS grew by 111.2 per cent while the ACWI rose by 95.1 per cent.

With an improving economy in much of the developed world, capital expenditure remained strong. For example, higher housing starts and the benefits of cheap energy in the United States are underpinning investment in a wide range of infrastructure and industrial sectors, many of which are impacted by environmental legislation. Meanwhile, the turnaround in renewable energy markets is gaining momentum as sustained rising demand removes much of the over-capacity that has held back prices in recent years.

The publication of a number of important scientific reports has also raised the profile of many resource scarcity issues. The UN followed last September's Fifth Assessment Report with a more focused analysis on the impacts of climate change, warning of the potential damage to ecosystems, rising food prices and threats to national security, and arguing that substantial investments were urgently required to improve resilience to extreme weather and mitigate further damage. Preparation for the next major international summit on climate change in Paris in December 2015 is now underway: this work is likely to attract significant publicity and sustain investor interest in several Target Markets.

Government reaction to resource scarcity issues has continued to shape markets. In January 2014, the UK water regulator OFWAT announced its preliminary decisions on capital guidance for the industry. These new initiatives consider pricing for customers and the introduction of water trading incentives to reduce damaging abstraction which could contribute to future water shortages. In the US, the Environmental Protection Agency announced measures to clean up vehicle emissions, including a particularly sharp reduction in the allowable sulphur content in gasoline. In China we see further evidence of the Government's growing commitment to environmental protection, including plans announced last November to spend ca. US$330 billion to tackle water pollution.

Financial Results for the Period

Revenue for the six months to 31 March 2014 was £9.9 million (2013: £8.7 million). Operating earnings[1] for the Period were £2.7 million (2013: £1.8 million) and the associated operating margin was 27 per cent (2013: 21 per cent).

The unaudited result for the Period was a profit before tax[2] ("PBT") of £1.4 million (2013: £1.5 million) and the diluted adjusted[3] earnings per share for the Period were 1.20 pence (2013: 1.45 pence).

The increase in operating earnings is offset by tax benefits in 2013 not being repeated during the Period, an increased employer's National Insurance provision due to the rise in the Company's share price and a reduction to the fair value of the Company's interest in Impax New Energy Investors.

Interim dividend

At the Annual General Meeting on 10 February 2014, Impax shareholders approved payment of a dividend of 0.90 pence per share for the year ended 30 September 2013 (2012: 0.75 pence). The Board believes the Company is able to support the payment of both an interim dividend and maintain the final dividend in line with last year, and has therefore declared an interim dividend for the Period of 0.3 pence per share. This will be paid on 20 June 2014 to ordinary shareholders on the shareholder register at close of business on 23 May 2014.

Listed Equities

During the Period Impax's Listed Equity strategies[III] performed well compared to global indices. Our Specialists strategy, which invests in stocks of small and mid-cap environmental services and technology companies, rose by 11.0 per cent, while the ACWI grew by 5.4 per cent. Impax's Leaders strategy, a portfolio that includes larger cap stocks, returned 6.6 per cent. The Water strategy returned 9.7 per cent, retaining its position as one of the best performing funds in its peer group, while the Food & Agriculture fund delivered 5.6 per cent, level with the rise of the MSCI ACWI Food & Agriculture Chain Index. The Asia-Pacific strategy returned 12.0 per cent while the MSCI AC Asia Pacific Ex-Japan Index grew by 0.3 per cent.

Longer term performance remains strong too. Over the ten years to 31 March 2014, the Specialists strategy returned an average of 11.2 per cent per annum, materially ahead of the ACWI, which rose by 8.0 per cent per annum.

Private Equity

Our private equity business continues to make good progress. During the Period we expanded the portfolio of our second fund, Impax New Energy Investors II, with new investments in Italy and Germany, and also made our first investments in Finland and Ireland to increase the geographic diversification across northern EU countries. The fund is now approximately 62 per cent invested and currently owns or is in the process of funding the construction of some 400 MW of onshore wind farms and solar projects.

The assets held in Impax New Energy Investors I LP continue to perform well operationally. However, the Spanish government has now finalised its solar tariff reforms; these are more severe than originally anticipated and have led us to write down the Company's holding in the fund by a further £0.5 million.

Fund flows and distribution

The net inflows of £189 million over the Period comprised inflows into our listed equity funds and accounts of £322 million and outflows of £133 million (see the table below). We have continued to benefit from strong inflows from continental Europe, particularly into the funds and accounts we run for BNP Paribas. The BNP Paribas Aqua fund, which marked its fifth anniversary in December 2013, remains one of the best performing water funds globally, having returned 15.5 per cent net per annum (institutional share class) since inception, versus 11.2 per cent (net) for the ACWI over the same period.

Total Assets under Management and Fund Flows

AUM movement 6 months to 31 March 2014	Impax label listed equity funds £m	Third party listed equity funds and accounts £m	Private equity funds £m	Total £m
Total AUM at 30 September 2013	503	1,314	380	2,197
Net inflows	(13)	202	–	189
Market movement and performance	49	117	(4)	162
Total AUM at 31 March 2014	**539**	**1,633**	**376**	**2,548**

Commitments and interest from North American clients continues to build. During the Period, the assets we manage or sub-advise for US clients in domestic funds and accounts increased 117 per cent to £167 million, maintaining the high rate of growth achieved in recent years. Inflows into the Global Environmental Markets Fund, which we sub-advise for Pax World, were more than matched by the rapid expansion of our mandate with a large private bank which hired us in November 2013 to manage part of a multi-manager product. We are currently aiming to progress a significant pipeline of potential new business in the United States.

Infrastructure and support

In April, i.e. after the Period end, in light of our optimistic prospects in North America, we announced the appointment of a second senior business development and client service professional, who will cover the US West Coast from our new office in Portland, Oregon. Headcount was unchanged over the period, with 57 full time equivalent staff.

Queen's Award for Enterprise: Sustainable Development

On 21 April 2014, Impax was honoured to receive a Queen's Award for Enterprise in the Sustainable Development category. These prestigious awards are made annually by HM The Queen, and recognise the highest levels of excellence in business. Impax is the only asset manager to hold an award in this category. We believe that this award will further raise our profile in the investment community, particularly in overseas markets.

Chief Executive's Statement continued

Remuneration and share management

Following a review of remuneration policy in 2011, the Company adopted a three year Employee Share Option Plan ("ESOP"), under which final awards may be made following the end of the Company's current financial year. In order to consider the most appropriate means of incentivising management and staff, the Remuneration Committee has initiated a further review of remuneration policy and expects to report to shareholders later this calendar year.

During the Period, the Board confirmed the grant of 2.9 million options under the current ESOP to management and staff in respect of their performance for the financial year ended 30 September 2013. The strike price was set at 47.9 pence, and the options will vest on 31 December 2016.

Update on Regulation

We continue to monitor the evolving requirements of global financial services regulation closely. Further to the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), during the Period we submitted our application for authorisation as an Alternative Investment Fund Manager to the Financial Conduct Authority ("FCA"). We are in the process of implementing the policies, procedures and other requirements arising from the AIFMD.

Prospects

Notwithstanding higher levels of volatility, we expect that markets will tend to rise over the next few years, underpinned by further news of economic recovery around the world. The outlook for environmental and resource efficiency markets remains very positive, and valuations are attractive compared to those for equities in general. Meanwhile, Impax's strong track record, stable investment team and international reputation continue to reinforce our position as a preferred provider of services to investors seeking to tap into the large number of diverse opportunities. With a scalable business model and strong balance sheet, we remain well placed for further business expansion.

Ian Simm
14 May 2014

1 Revenue less operating costs.
2 Profit before tax in the Period was impacted inter alia by £0.71 million of charges (2013: £0.36 million) associated with the Company's share-based incentive schemes.
3 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.

I FTSE indices are total return calculated including the dividends reinvested gross of withholding taxes.
II The returns for the MSCI indices are net calculated including the dividends reinvested, net of withholding taxes.
III In line with market standards the Impax strategy returns (source: Factset) are calculated including the dividends reinvested, net of withholding taxes, gross of management fee and are represented in GBP except for BNP Paribas Aqua which is represented in Euros.

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 31 March 2014

	Note	Six months ended 31 March 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
Revenue		**9,911**	8,671	18,463
Operating costs		**(7,239)**	(6,833)	(14,124)
Share-based payment charge for EIA extension scheme	5	**–**	(280)	(280)
Other (charges)/credits related to EIA schemes	5	**(707)**	(83)	111
Fair value (losses)/gains	6	**(624)**	42	(947)
Change in third party interest in consolidated funds	7	**(28)**	(83)	(32)
Investment income		**64**	43	163
Profit before taxation		**1,377**	1,477	3,354
Taxation	8	**36**	(7)	(397)
Profit after taxation		**1,413**	1,470	2,957
Other comprehensive income				
Tax benefit on long-term incentive schemes		**–**	14	20
Change in value of cash flow hedges		**(8)**	3	158
Tax on change in value of cash flow hedges		**2**	(1)	(34)
Exchange differences on translation of foreign operations		**40**	159	55
Third party interests' share of exchange differences on translation of foreign operations		**–**	(124)	(124)
Total other comprehensive income		**34**	51	75
Total comprehensive income for the period attributable to equity holders of the parent		**1,447**	1,521	3,032
Basic earnings per share	9	**1.20p**	1.20p	2.44p
Diluted earnings per share	9	**1.20p**	1.20p	2.44p

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 2014

	Note	As at 31 March 2014 £'000	As at 31 March 2013 £'000	As at 30 September 2013 £'000
ASSETS				
Non-current assets				
Goodwill	11	**1,629**	1,629	1,629
Intangible assets		**67**	115	95
Property, plant and equipment		**339**	587	456
Investments		**17**	17	17
		2,052	2,348	2,197
Current assets				
Trade and other receivables		**5,168**	3,772	3,145
Derivative asset		**152**	5	159
Investments	12	**11,647**	9,224	9,336
Current tax asset		**–**	25	19
Margin account		**233**	236	186
Cash invested in money market funds and long-term deposit accounts	13	**8,609**	11,867	12,873
Cash and cash equivalents	13	**4,174**	3,377	3,680
		29,983	28,506	29,398
TOTAL ASSETS		**32,035**	30,854	31,595
EQUITY AND LIABILITIES				
Equity				
Ordinary shares		**1,277**	1,277	1,277
Share premium		**4,093**	4,093	4,093
Exchange translation reserve		**(312)**	(248)	(352)
Hedging reserve		**120**	4	126
Retained earnings		**18,347**	17,637	17,800
TOTAL EQUITY		**23,525**	22,763	22,944
Current liabilities				
Trade and other payables		**6,073**	5,816	5,948
Third party interests in consolidated funds		**539**	400	549
Current tax liability		**99**	19	103
		6,711	6,235	6,600
Non-current liabilities				
Accruals		**252**	522	399
Deferred tax liability		**1,547**	1,334	1,652
Total non-current liabilities		**1,799**	1,856	2,051
TOTAL LIABILITIES		**8,510**	8,091	8,651
TOTAL EQUITY AND LIABILITIES		**32,035**	30,854	31,595

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 2014

	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
As at 1 October 2012	1,156	78	(283)	2	21,616	22,569
Dividends paid	–	–	–	–	(816)	(816)
Issue of shares to EBT 2012	121	4,015	–	–	(4,136)	–
Shares acquired by Treasury and EBT 2012	–	–	–	–	(890)	(890)
Award of shares on option exercises	–	–	–	–	12	12
Long-term incentive scheme charge	–	–	–	–	367	367
Tax benefit on long-term incentive schemes	–	–	–	–	14	14
Cash flow hedge	–	–	–	3	–	3
Tax on cashflow hedge	–	–	–	(1)	–	(1)
Exchange differences on translation of foreign operations	–	–	159	–	–	159
Third party interests' share of exchange differences on translation of foreign operations	–	–	(124)	–	–	(124)
Profit for the period	–	–	–	–	1,470	1,470
As at 31 March 2013	1,277	4,093	(248)	4	17,637	22,763
Shares acquired by EBT 2012	–	–	–	–	(1,507)	(1,507)
Award of shares on option exercises	–	–	–	–	29	29
Long-term incentive scheme charge	–	–	–	–	148	148
Tax benefit on long-term incentive schemes	–	–	–	–	6	6
Cash flow hedge	–	–	–	155	–	155
Tax on cashflow hedge	–	–	–	(33)	–	(33)
Exchange differences on translation of foreign operations	–	–	(104)	–	–	(104)
Profit for the period	–	–	–	–	1,487	1,487
As at 30 September 2013	1,277	4,093	(352)	126	17,800	22,944
Dividends paid	–	–	–	–	(1,004)	(1,004)
Award of shares on option exercises	–	–	–	–	38	38
Long-term incentive scheme charge	–	–	–	–	100	100
Cash flow hedge	–	–	–	(8)	–	(8)
Tax on cashflow hedge	–	–	–	2	–	2
Exchange differences on translation of foreign operations	–	–	40	–	–	40
Profit for the period	–	–	–	–	1,413	1,413
As at 31 March 2014	**1,277**	**4,093**	**(312)**	**120**	**18,347**	**23,525**

EBT 2012 = Impax Asset Management Group plc Employee Benefit Trust 2012

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 2014

	Note	Six months ended 31 March 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
Cash flows from operating activities				
Profit before taxation		**1,377**	1,477	3,354
Adjustments for:				
Investment income		**(64)**	(43)	(163)
Depreciation of property, plant and equipment		**126**	143	275
Amortisation of intangible assets		**32**	32	65
Fair value losses/(gains)		**624**	(42)	947
Share-based payment charges		**100**	367	472
Other charges related to EIA schemes		**707**	83	(111)
Change in third party interest in consolidated funds		**28**	83	32
Operating cash flows before movement in working capital		**2,930**	2,100	4,871
(Increase) in receivables		**(2,023)**	(958)	(338)
(Increase) in margin account		**(49)**	(80)	(31)
(Decrease) in payables		**(747)**	(669)	(567)
Cash generated from operations		**111**	393	3,935
Corporation tax paid		**(10)**	(54)	(54)
Net cash generated from operating activities		**101**	339	3,881
Investing activities:				
Investment income received		**64**	43	163
Settlement of investment related hedges		**(771)**	(573)	(1,115)
Proceeds on sale/redemption of investments		**1,223**	–	47
Purchase of investments held by consolidated funds		**(2,916)**	(2,196)	(3,099)
Sale of investments held by consolidated funds		**17**	–	612
Purchase of investments		**(473)**	(222)	(496)
Purchase of intangible assets		**(5)**	–	(14)
Purchase of property, plant and equipment		**(9)**	(28)	(28)
Net cash used by investment activities		**(2,870)**	(2,976)	(3,930)
Financing activities:				
Dividends paid	10	**(1,004)**	(816)	(816)
Impax shares acquired by EBT 2012/Treasury		**–**	(1,347)	(2,853)
Cash received on exercise of Impax share options		**38**	12	41
(Redemptions)/Investments by third parties from/into consolidated funds		**(38)**	361	1,222
Decrease in cash held in money market funds and long-term deposit accounts		**4,264**	2,227	559
Net cash generated from/(used by) financing activities		**3,260**	437	(1,847)
Net increase/(decrease) in cash and cash equivalents		**491**	(2,200)	(1,896)
Cash and cash equivalents at the beginning of the period		**3,680**	5,577	5,577
Effect of foreign exchange rate changes		**3**	–	(1)
Cash and cash equivalents at the end of the period	13	**4,174**	3,377	3,680

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 2014

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 2014 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 2013.

The comparative figures for the financial year ended 30 September 2013 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 14 May 2014.

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 2013. 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 2013 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 (see note 12); ii) determining whether managed funds should be consolidated; iii) determining the size of the charge for National Insurance Contributions payable on long-term incentive schemes and iv) determining the value of deferred tax assets.

5 Long-term incentive scheme charges

Share-based payment charges

Under the Group's Employee Incentive Arrangement ("EIA") Extension Scheme 14.05 million Long-Term Incentive Plan ("LTIP") options were awarded to certain employees in April 2011. The LTIP options have a 1p or nil exercise price and vested to individuals who remained employed on 30 September 2012 or in respect of one individual only, 15 January 2013. They are exercisable over a period from 1 October 2012 to 31 December 2020. The Group accrued for the International Financial Reporting Standard ("IFRS") 2 Share-Based Payment charge for shares allocated under the EBT and 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.

The Group has a further share-based payment scheme called the Employee Share Option Plan under which it has granted a total of 10,741,455 options to date. The Board intends that these awards will be satisfied by share buy-backs. 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.

Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2014

5 Long-term incentive scheme charges continued

Other long-term incentive scheme related charges

	Six months ended 31 March 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
EIA NIC charge	303	37	(7)
EIA Extension NIC charge	274	40	(19)
EIA Additional payments	130	6	(85)
Other long-term incentive scheme related charges	707	83	(111)

(NIC = Employer's National Insurance Charge)

EIA Charge

The Impax Employee Benefit Trust 2004 ("EBT 2004") holds Impax shares and other assets in sub-funds for the benefit of certain of the Group's past and current employees and their families. The Impax shares were awarded under the Group's Employee Incentive Arrangement ("EIA"). The Group is required to pay Employer's National Insurance Charge ("NIC") on the value of any assets that are transferred out of the Trust and has accrued for the estimated amount payable using the relevant share prices at the balance sheet date. The amount payable will fluctuate in line with the Company's share price, such fluctuations being recorded in the current Period income statement.

If and when the EBT 2004 Trustee agrees to transfer assets held in the EBT 2004 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 £1,280,000 but has not recognised this to date.

EIA Extension NIC charge

The Group accrues for the Employer's NIC payable in respect of the options and share awards made under the EIA Extension over the same period as the related share-based payment charge. The amount payable will fluctuate in line with the Impax share price, such fluctuations being recorded in the current period income statement. The Group also receives a corporation tax deduction on the exercise of the options equal to the gain made on these options. This deduction has been recognised as a deferred tax asset and its value will also fluctuate in line with the Company's share price, with the fluctuation being recorded in the current Period tax charge.

EIA Additional payments

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.

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 related hedge instruments held by the Group.

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 (22%). The differences are explained below:

	Six months ended 31 March 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
Profit before tax	**1,377**	1,477	3,354
Tax charge at 22.0%, 23.5%, 23.5%	**303**	347	788
Effects of:			
Non-deductible expenses and charges	**9**	30	235
Increases in value of deductions re share-based payments	**(322)**	–	–
Non-taxable income	**–**	(37)	(16)
Foreign exchange	**27**	(155)	(147)
Tax effect of previously unrecognised tax losses	**(52)**	(181)	(267)
Adjustment in respect of prior years	**–**	9	111
Change in UK tax rates	**(6)**	(8)	(317)
Effect of higher tax rates in foreign jurisdictions	**5**	2	10
Total income tax (credit)/expense	**(36)**	7	397

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 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 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
Earnings	**1,413**	1,470	2,957
IFRS 2 Share-based payment charge (see note 5)	**–**	280	280
Tax benefit on long-term incentive scheme included in Other Comprehensive Income (see note 5)	**–**	14	20
Adjusted earnings	**1,413**	1,764	3,257

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

Adjusted earnings per share

	Adjusted earnings for the period £'000	Shares '000	Adjusted earnings per share
Six months ended 31 March 2014			
Basic adjusted	**1,413**	**117,463**	**1.20p**
Diluted adjusted	**1,413**	**117,856**	**1.20p**
Six months ended 31 March 2013			
Basic adjusted	1,764	121,637	1.45p
Diluted adjusted	1,764	121,637	1.45p
Year ended 30 September 2013			
Basic adjusted	3,257	117,463	2.77p
Diluted adjusted	3,257	117,463	2.77p

Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2014

9 Earnings and earnings per share continued

The number of Ordinary Shares used in the calculation of diluted adjusted earnings per share excludes the number of shares held in Treasury or the EBTs at the end of the period and includes an adjustment for the dilutive impact of the ESOP share schemes. The dilutive impact is calculated in the same way as for the IFRS earnings per share.

	Six months ended 31 March 2014 '000	Six months ended 31 March 2013 '000	Year ended 30 September 2013 '000
Shares in issue	127,749	127,749	127,749
Shares held in Treasury or EBT 2012 (excluding those held to satisfy awards under the EIA Extension share scheme)	(10,286)	(6,112)	(10,286)
Number of shares used in the calculation of basic adjusted earnings per share	117,463	121,637	117,463
Dilutive effect of ESOP share scheme	393	–	–
Number of shares used in the calculation of diluted adjusted earnings per share	117,856	121,637	117,463

IFRS earnings per share

	Earnings for the period £'000	Shares '000	Earnings per share
Six months ended 31 March 2014			
Basic	1,413	117,598	1.20p
Diluted	1,413	117,991	1.20p
Six months ended 31 March 2013			
Basic	1,470	122,453	1.20p
Diluted	1,470	122,453	1.20p
Year ended 30 September 2013			
Basic	2,957	121,318	2.44p
Diluted	2,957	121,318	2.44p

The number of Ordinary Shares used in the calculation of diluted earnings per share reconciles to the number of Ordinary Shares used in the calculation of basic earnings per share as follows:

	Six months ended 31 March 2014 '000	Six months ended 31 March 2013 '000	Year ended 30 September 2013 '000
Number of Ordinary Shares used in the calculation of basic earnings per share	117,598	122,453	121,318
Additional dilutive shares re 2011, 2012 and 2013 ESOP	3,250	–	–
Adjustment to reflect future contributions from employees receiving awards and option exercise proceeds	(2,857)	–	–
Number of Ordinary Shares used in the calculation of diluted earnings per share	117,991	122,453	121,318

The basic earnings per shares for all periods shown includes vested LTIP options on the basis that these have an inconsequential exercise price (1p or 0p). ESOP options are not dilutive for the periods ended 31 March 2013 and 30 September 2013 based on the relevant share prices.

10 Dividends

On 10 February 2014, at the Company's Annual General Meeting, payment of a 0.9p per share dividend in respect of the year ended 30 September 2013 (2012: 0.75p per share) was approved. The Trustee of the Impax Employee Benefit Trusts waived the Trusts' rights to part of this dividend, leading to a total dividend payment of £1,004,000. This was paid on 17 February 2014.

The Board has declared an interim dividend for the period of 0.3p per Ordinary Share (2013: nil). This dividend will be paid on 20 June 2014 to ordinary shareholders on the register at close of business on 23 May 2014.

11 Goodwill

	£'000
Cost	
At 31 March 2013, 30 September 2013 and 31 March 2014	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 2012	3,027	5,683	8,710
Additions	222	2,201	2,423
Fair value movements	327	467	794
Deconsolidation of IGRO	3,164	(5,867)	(2,703)
At 31 March 2013	6,740	2,484	9,224
Additions	272	898	1,170
Fair value movements	(341)	(58)	(399)
Repayments/disposals	(47)	(612)	(659)
At 30 September 2013	6,624	2,712	9,336
Additions	475	2,916	3,391
Fair value movements	(177)	322	145
Repayments/disposals	(1,223)	(17)	(1,240)
Foreign exchange	–	15	15
At 31 March 2014	**5,699**	**5,948**	**11,647**

Impax Food and Agriculture Fund

On 1 December 2012 the Group launched the Impax Food and Agricuture Fund ("IFAF") and invested, from its own resources £2,000,000 into the fund. The IFAF invests in listed equities using the Group's Food and Agriculture Strategy. The Group's investment represented more than 50% of the IFAF's NAV from the date of launch to 31 March 2014 and accordingly has been consolidated throughout this period with its underlying investments included in listed equities in the table above.

Impax Fundamental Long Term Opportunities in Water Fund

On 31 January 2014 the Group launched the Impax Fundamental Long Term Opportunities in Water Fund LP ("IFLOW") and invested, from its own resources $5,000,000 into the fund. IFLOW invests in listed equities using the Group's Water Strategy. The Group's investment represented more than 50% of IFLOW's NAV from the date of launch to 31 March 2014 and accordingly has been consolidated throughout this period with its underlying investments included in listed equities in the table above.

Impax Global Resource Optimization Fund ("IGRO")

In December 2011 the Group launched the Impax Green Markets Fund LP. The Group invested $5,000,000 at launch and during the current period redeemed $2,000,000 (prior periods: £nil). Subsequent to launch we changed the fund's name to the Impax Global Resource Optimization Fund. IGRO invests in listed equities using the Group's Environmental Specialists Strategy. The Group's investment represented more than 50% of IGRO's NAV from the date of launch to 1 December 2012 and accordingly the IGRO was consolidated until this date with its underlying investments included in listed investments in the table above. Thereafter the Group's investment in the fund is included in Unlisted investments although its underlying investment are listed and the fund is valued based on the market value of those investments.

Notes to the Condensed Consolidated Interim Financial Statements continued

For the six months ended 31 March 2014

12 Current asset investments continued

The investments held by the funds described above 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.

Unlisted investments

The Group has a 3.76% partnership share of Impax New Energy Investors LP, a private equity partnership managed by the Group. At the period end the carrying value of the investment was £762,000. The carrying value represents the Board's assessment of the investment's fair value which was determined using a discounted cashflow approach. 75% of the partnership's valuation is represented by investments in Spanish solar parks. These investments have been adversely impacted by the significant retroactive reforms of the Spanish energy markets and covenants for loans held by the investment have been breached. The partnership has begun negotiations with the relevant banks to restructure the loans and is also in the process of pursuing a claim for compensation from the Spanish government. In the event that the banks take possession of the assets and the claims for compensation are unsuccessful the investment would be impaired by £574,000.

The Group has a further commitment of €3.3m to Impax New Energy Investors II LP, a private equity partnership managed by the Group which was established on 22 March 2010. At the period end the Group had invested a total of €1,667,000. The Group's commitment of €3.3m is equal to 1% of the total commitments made to the fund. The investment is included at the Board's assessment of its fair value.

13 Cash and cash equivalents

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

	31 March 2014 £'000	31 March 2013 £'000	30 September 2013 £'000
Cash at bank and in hand			
Held by operating entities of the Group	4,157	3,377	3,620
Held by the consolidated funds	17	–	60
	4,174	3,377	3,680

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 2014 £'000	31 March 2013 £'000	30 September 2013 £'000
Cash and cash equivalents	4,157	3,377	3,620
Cash held in money market funds and long-term deposit accounts	8,609	11,867	12,873
Total cash reserves	12,766	15,244	16,493

14 Group risks

The Group's principal risks remain as detailed within the Directors' report of the Group's 2013 Annual Report and Financial Statements and are categorised as financial, investment, and operational.

15 Share capital and Own shares

	31 March 2014	31 March 2013	30 September 2013
Issued and fully paid Ordinary Shares of 1p each			
Number	**127,749,098**	127,749,098	127,749,098
£000s	**1,277**	1,277	1,277

	31 March 2014	31 March 2013	30 September 2013
Own shares			
Number	**16,243,769**	18,685,316	20,239,769
£000s	**5,093**	5,715	6,331

Own shares represents shares held in the EBT 2012 and EBT 2004. No new shares were acquired in the period ended 31 March 2014, 3,996,000 shares were awarded to option holders on exercise of options. As at 31 March 2014 the Company had a total of 16,698,895 options outstanding of which 5,957,440 were exercisable.

16 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 Global Resource Optimization Fund LP, Impax Fundamental Long Term Opportunities in Water LP, Impax Carried Interest Partners LP and 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 25.2% 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 or balances as at the period end, are as shown below. All balances were unsecured. Unless stated otherwise balances outstanding were £nil.

	Six months ended 31 March 2014 £'000	Six months ended 31 March 2013 £'000	Year ended 30 September 2013 £'000
Statement of comprehensive income			
Revenue	**9,819**	8,547	18,463

	31 March 2014 £'000	31 March 2013 £'000	30 September 2013 £'000
Statement of financial position			
Non-current asset investments	**17**	17	17
Current asset investments	**5,346**	6,353	6,261
Trade and other receivables	**3,970**	2,088	2,564

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 2014 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

Jonathan Mills
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

14 May 2014

Officers and Advisers

Directors
J Keith R Falconer (Chairman)
Ian R Simm (Chief Executive)
Guy de Froment (Non-Executive)
Vincent O'Brien (Non-Executive)
Mark B E White (Non-Executive)

Secretary
Zack Wilson

Registered Office
Norfolk House
31 St James's Square
London
SW1Y 4JR

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Bankers
The Royal Bank of Scotland Group plc
3rd Floor
280 Bishopsgate
London
EC2M 4RB

Registrars
Capita Asset Services
40 Dukes Place
London
EC3A 7NH

Nominated Adviser and Broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Solicitors
Stephenson Harwood
1 Finsbury Circus
London
EC4M 7SH

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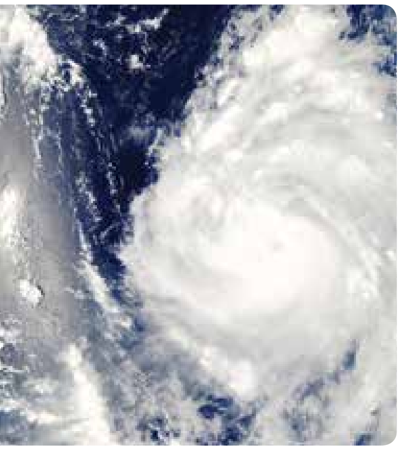


Impax Asset Management Group plc
Norfolk House
31 St James's Square
London
SW1Y 4JR
United Kingdom

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