I M P A X

IMPAX GROUP PLC

REPORT AND ACCOUNTS 30 September 2006

CONTENTS

CHAIRMAN'S STATEMENT

Impax has had an excellent year and I am delighted to report that the Group has returned to profitability. This has been the result of a significant increase in assets under management ("AUM") which had grown to £434 million at 30 September 2006 (2005: £170 million; 2004: £69 million) and which have further risen to £475 million as at 30 November 2006. I provide further analysis of this increase below.

The fundamental drivers of the sectors in which we specialise, namely alternative energy, water treatment and waste management, continue to strengthen and there is mounting evidence that institutional investors in many countries are making or preparing to make major allocations of funds to this area of the market. Meanwhile, demand for capital in the sectors is building rapidly and we are seeing significant deal flow, particularly from companies that we have known for many years.

As I have reported previously, our business model is to establish scaleable funds to exploit the range of investment opportunities and to use third parties to distribute our products. We have seen considerable success in implementing this model.

RESULTS FOR THE YEAR

Turnover for the year was £3,840,030 (2005: £1,725,060), a 123% increase in the year. Profit before tax was £213,076 (2005: loss of £593,214). This was achieved despite two significant non-cash charges of £282,604 for amortisation of goodwill (2005: £282,604) and £316,200 for shares awarded in the Group's long term incentive scheme (2005: £154,488).

ASSET MANAGEMENT

The strong growth in AUM has led this division to dominate the business, with divisional turnover reaching £3,512,192 (2005: £1,170,882). As a consequence I would like to expand my normal comments on this division in order to provide shareholders with a better understanding of the products we offer.

Quoted Equities

Funds investing entirely or predominantly in quoted equities amounted to £331 million at the end of the year.

These funds are focused on the alternative energy, water and waste sectors, and invest in companies that are enjoying premium rates of growth over the market as a whole. In our view, the fundamentals which drive this growth are likely to continue for a considerable period. Our investment managers have demonstrated the skills required to identify such companies and we have invested in expanding this team and its reach, and will continue to do so.

Impax Environmental Markets plc ("IEM")

IEM is an investment trust quoted on the London Stock Exchange which largely invests in listed companies in our sectors. It is our largest fund with £199 million of total (net) assets as at 30 September 2006 (£47 million as at 30 September 2005).

Following a sustained period when its shares traded at a premium to net asset value, the trust has completed several placings of new shares, particularly two C Share issues in November 2005 and August 2006 respectively. Such a rapid expansion is unusual in the investment trust sector and we do not expect the trust's assets to continue to expand at this rate.

Impax Environmental Markets (Ireland) ("IEMI")

This is an open-ended version of IEM and aims to have an identical portfolio. This fund's total (net) assets grew from £26 million to £56 million over the year.

White Label Funds

As I have previously reported, we are also managing the ASN Milieu Waterfonds in the Netherlands and are advising the Danish Alm. Brand Invest MiljoTeknologi fund, both of which are open-ended. The Dutch fund in particular has expanded considerably during this period, and had £56 million of total (net) assets on 30 September 2006.

In addition, we have recently commenced sub-management of Parworld Environmental Opportunities, part of a Luxembourg based fund promoted by BNP Paribas Asset Management ("BNP PAM"). This fund, which also aims to mirror IEM, is registered for distribution in a number of countries within continental Europe. On 30 September 2006, net assets were only

€6.3 million, but BNP PAM is now actively promoting the fund.

Private Equity

Funds investing exclusively in private equity amounted to £103 million at the end of the year.

A year ago I commented on the successful launch of the Impax New Energy Fund ("INEF") which aims to take advantage of the considerable investment opportunities in the European renewable energy sector. This fund, which was launched in August 2005 with €60 million of capital, announced a second closing in May 2006 and a final closing at the target amount of €125 million in August 2006. In addition to fund raising, the team has built a large pipeline of potential investee companies and recently reported its first deal, a €20 million structured participation in the capital of Airtricity Holdings Limited, a successful and rapidly expanding developer and owner of wind projects.

I am pleased to report that, during 2006, Impax has also started to commit development capital to established private companies that expect to provide an exit for investors within two years. This capital is sourced from IEM and IEMI, which are permitted to invest up to 10% of net assets in such opportunities. These funds are currently invested in four companies of this type, and our investment managers report a strong deal flow.

CORPORATE FINANCE

Last year I mentioned that we had transferred some resource from this division to the asset management side. This process has continued and, as our private equity activities have expanded, the Group has already realised considerable benefits. Turnover in this division during the period was £327,838 (2005: £554,178), excluding charges made for services provided to other Group activities.

BALANCE SHEET AND CASH FLOW

At the end of July, all holders of the outstanding balance of the Group's Convertible Unsecured Loan Stock elected to convert their holdings into new shares, thereby transforming the balance sheet and eliminating the Group's interest charge going forward.

I am pleased to report that the Group's cash flow is now positive for the first time in many years.

BOARD OF DIRECTORS

In August 2005, Melville Haggard commenced a period of secondment with the Department of the Environment, Food and Rural Affairs to assist in the development of policy within the waste industry. This secondment was recently extended from one year to two years and as a consequence, we have accepted Melville's resignation from the Group Board with effect from 11 December 2006. Melville has been with Impax since 1999 and I would like to thank him for his contribution to the leadership of the Group.

PROSPECTS

The background against which we operate is particularly supportive to our cause and after many years of development of the Impax business, I believe that we now have the resources to build on our established platform. In the wake of the storms and droughts of 2005, this year has seen climate change rise to a prominent position on the global political agenda and Environmental Markets seem to be heading for sustained secular growth.

However, following a period of rapid growth, it is important that we consolidate our position and deliver returns for investors who have recently committed capital to our products. As a consequence, the rate of expansion of our AUM is likely to slow for a period.

Finally I would like to thank my colleagues and the non-executive directors for their very hard work which has led to the uplift in shareholder value seen in the past year.

J Keith R Falconer

11 December 2006

OFFICERS AND ADVISERS

DIRECTORS	J Keith R Falconer (*Chairman*) Ian R Simm Nigel D W Taunt Melville E V Haggard (resigned 11 December 2006) David L Kempton (*Non-Executive*) J Simon T Morris (*Non-Executive*)
SECRETARY	Jacqueline A Brown
BANKERS	Lloyds Bank TSB 39 Threadneedle Street London EC2R 8PT
AUDITORS	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS
REGISTERED OFFICE	Broughton House 6-8 Sackville Street London W1S 3DG
REGISTRARS	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
NOMINATED ADVISER AND BROKER	Bridgewell Group plc Old Change House 128 Queen Victoria Street London EC4V 4BJ
COMPANY NUMBER	03262305

DIRECTORS' PROFILES

Keith Falconer, aged 51, is Chairman of Impax Group plc. He joined the Group in January 2004. After qualifying as a Chartered Accountant in 1979, he joined Martin Currie, the independent Edinburgh-based investment firm. The first part of his career was spent managing portfolios on behalf of institutional clients. Subsequently, he became the Managing Director of sales and marketing. He retired from Martin Currie at the end of 2003 and is now also Chairman of Aberdeen New Thai Investment Trust plc and a number of other companies.

Ian Simm, aged 40, is Chief Executive of Impax Group plc and Managing Director of Impax Asset Management Limited ("IAM"). Prior to joining Impax in 1996 he was a project manager at McKinsey & Co. in the Netherlands, where he advised clients on strategies in environmentally sensitive industries, including energy, waste management and the automotive sector. Following two years in Impax's corporate finance division, he established the asset management business in 1998. Ian graduated with a first class physics degree from Cambridge University and has a Master's in Public Administration from Harvard University.

Nigel Taunt, aged 53, is Managing Director of Impax Capital Limited ("IC") and during the year assumed responsibility for IAM's development capital activity. He joined the Group in January 2002, originally as Finance Director with responsibility for the Group's exit from the oil business. Nigel qualified as a chartered accountant in 1977. From 1992 to 1998 he was Finance Director of Yorkshire Environmental ("YE") and was a director of several other water and renewable energy businesses within Kelda Group plc. During this period he led many successful acquisition and divestment projects as YE grew substantially in key sectors, particularly waste management, environmental laboratories and renewable energy.

Melville Haggard, aged 57, joined Arbuthnot Latham as a graduate trainee before moving to Lloyds Bank International where he worked in loan syndications and project and export finance. In 1988, he joined Bank Tokyo–Mitsubishi to lead its structured finance operations in London and underwrote financings across the energy, aircraft, transportation and property sectors, including two of the UK's largest renewable energy projects. Melville is currently on secondment to the Waste Implementation Programme at the Department for Environment Food and Rural Affairs ("DEFRA"). He is a graduate of Cambridge University and has an MBA from INSEAD. He is a Governor of The Clothworkers' Foundation.

David Kempton, aged 65, joined the board as a Non-Executive Director on 3 June 2004. An investment engineer by training, he was commercial director of Chamberlain Industries plc. In 1976 he established Kemray Engineering in the UK which was purchased by Taskforce Group plc which itself was acquired by Adia (Switzerland) where he remained a director until 1989. He formed a private investment company, Kempton Holdings, and acquired a 50% holding in ESL, a medical instrumentation company, which was acquired by GE in 1999. Previously a director of Merseyside and Cheshire NHS Ambulance Trust, he is now on the board of Hartest Holdings plc, Neptune-Calculus VCT and a number of other companies.

Simon Morris, aged 59, joined the board as a Non-Executive Director on 3 June 2004. He has practised corporate finance for over thirty years, initially at Lazard Brothers and Dillon Read and more recently with his own firm, MSB Corporate Finance and then with Smith & Williamson. He has experience in a wide range of transactions and industries and was Chairman of M&A International Inc., a global network of merger and acquisition specialists.

OTHER SENIOR PERSONNEL PROFILES

Bruce Jenkyn-Jones, aged 41, is a Director of IAM and Director of Investments for the listed equity portfolios. He has 15 years' experience working in environmental markets. Prior to joining Impax in 1999 he was a utilities analyst with BT Alex Brown and before that a Senior Consultant at Environmental Resources Management Ltd. Bruce is a graduate of Oxford University and has a Master's in Environmental Technology from Imperial College and an MBA from IESE (Barcelona).

Peter Rossbach, aged 48, is a Director of IAM and Director of Investments for Impax New Energy Investors LP. Prior to joining Impax in 2003, he was based in continental Europe acting as interim CFO in the energy and utility sectors. From 1997 to 2000, he was Senior Investment Officer at AMI Asset Management, making private equity and sub-debt investments in the utility sector. Before AMI, he held positions as an adviser to the European Bank for Reconstruction and Development, Vice President of Project Finance at Mitsui Bank in New York, and within the energy project finance teams at Lowrey Lazard and at Standard and Poor's in New York. Peter holds both a Bachelor's degree and a Master's in Public Policy from Harvard University.

Jonathan Fogg, aged 44, is a member of the IAM executive team. He joined Impax in October 2005 with ten years' experience in the venture capital and private equity sector. Most recently he was Equity Fund Manager with Finance Wales Investments Ltd, a wholly owned subsidiary of the Welsh Development Agency (WDA). Prior to that, he was Investment Manager with Corus subsidiary, UK Steel Enterprises Ltd, where he completed sixty investments in a five year period and managed a portfolio of thirty four companies. Originally trained as an accountant, Jonathan has also worked for the Audit Commission, BDO Binder Hamlyn and Ernst and Young.

Jacqueline Brown, aged 44, joined Impax in June 2005 as Finance Director and Group Company Secretary. She has spent the past seven years at FD level within financial services including roles at Marathon Asset Management and Alliance Capital. She qualified as an ACA in 1989 with BDO Stoy Hayward, and subsequently moved into media spending time as Financial Controller of Associated Press Television and interim FD of RDF Media. Jacqueline holds a BSc in Biochemistry from UMIST.

DIRECTORS' REPORT

The Directors submit their Report and the Accounts for the year to 30 September 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of investment services to funds specialising in the environmental markets sector and the provision of financial advisory services to companies and public sector bodies in that sector. The Group's asset management and financial advisory services are both authorised and regulated by the Financial Services Authority.

REVIEW OF BUSINESS

The review of business is contained in the Chairman's Statement.

The directors consider assets under management ("AUM"), turnover and profitability to be the key performance indicators of the Group. Turnover for the year was £3,840,030 (2005: £1,725,060). This reflects the growth in AUM from £170 million at 30 September 2005 to £434 million at 30 September 2006.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £601,331 (2005 loss: £593,214).

The Directors do not recommend the payment of a dividend and therefore the balance on the profit and loss account has been carried forward.

RISK ASSESSMENT

The Group is exposed to a variety of financial and operational risks as detailed below:

Liquidity and Cash flow risk

The Group produces cash flow forecasts covering a twelve month period to manage its liquidity requirements. The Group's management and board review these forecasts regularly.

Interest rate risk

The Group has interest bearing assets, but no such liabilities. Interest bearing assets include cash balances that earn interest at a floating rate and two loan notes earning interest at a fixed rate.

Currency risk

A limited value of income and expenses is denominated in foreign currencies. The Group does not have a strategy to manage transactional currency exposure on an active basis as the directors believe the risks associated with currency exposure to be no greater than the risks associated with entering into hedging instruments.

Certain of the Group's assets and liabilities are denominated in foreign currency. The Group also owns a number of subsidiaries denominated in foreign currency. Exchange differences that arise on consolidation are taken to the exchange realisation reserve.

Financial instruments

In line with the strategies outlined above, the Group does not consider it appropriate to enter into any hedging strategies or trade in any financial instruments.

Operational risk

The Group has put in place measures to minimise and manage risks to the disruption of its business and to ensure the safety of its staff. This plan has been put in place to manage its strategic and operational business risks during emergencies and is aimed at bringing together particular responses such as IT disaster recovery, contingency plans, off-site storage of records, data back-up and recovery procedures, evacuation procedures and customer/staff communications.

The Group's insurance policies are reviewed each year prior to policy renewal.

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 30 September 2006 were 7 (2005: 26), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year-end, to trade creditors within one year.

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors of the Company during the year and at the date of this report are set out below. The Directors' interests and those of their connected persons in the ordinary shares and Convertible Unsecured Loan Stock ("Loan Stock") of the Company, all of which are beneficial, at 30 September 2006 and 30 September 2005 were:

	Loan Stock		**Ordinary Shares**	
	30 Sept 2006	**30 Sept 2005**	**30 Sept 2006**	**30 Sept 2005**
Keith Falconer	–	£205,000	6,549,210	1,819,263
Ian Simm	–	£9,000	486,261	173,976
Nigel Taunt	–	£14,000	570,142	205,000
Melville Haggard (resigned 11 December 2006)	–	£5,000	180,313	70,313
David Kempton	–	£60,000	1,997,367	677,367
Simon Morris	–	–	360,197	360,197

All of the Loan Stock was converted to new ordinary shares during the year at the rate of 22 ordinary shares for each £1 nominal of Loan Stock.

There have been no changes to the above holdings since 30 September 2006.

Ian Simm, a director of Impax Group plc, is interested in 5.88% of the capital of Impax Carried Interest Partner LP, a fund in which the Company holds an investment.

Nigel Taunt, a director of Impax Group plc, is interested in 2.94% of the capital of Impax Carried Interest Partner LP, a fund in which the Company holds an investment.

Peter Rossbach, a director of a Group subsidiary, is interested in 29.41% of the capital of Impax Carried Interest Partner LP, a fund in which the Company holds an investment.

The executive directors and their families are potential beneficiaries of the employee benefit trust described below.

EMPLOYEE BENEFIT TRUST

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.

On 14 August 2006 the Company allotted 8,075,000 (2005: 8,200,000) Ordinary Shares at a price equal to the nominal value of 1p per share to Sanne Trust Company Limited, trustee of the EBT. The EBT subsequently sold 464,920 (2005: 930,000) Ordinary Shares to provide funding relating to the purchase of Ordinary Shares by the EBT. Following the sale the EBT is interested in 14,880,080 (2005: 7,270,000) Ordinary Shares representing 13.84% (2005: 15.91%) of the Ordinary Shares in issue at 30 September 2006. The potential beneficiaries of the EBT include the executive directors and employees of the Group and their respective families.

Further details of the accounting treatment are set out in Note 32.

SUBSTANTIAL SHARE INTERESTS

The following interests in three per cent or more of the issued ordinary share capital have been notified to the Company as at 11 December 2006:

	Number	Percentage
QVT Fund LP	24,700,000	23.0%
Impax Group Employee Benefit Trust	14,880,080	13.8%
UBS Investment Bank	10,890,511	10.1%
Keith Falconer	6,549,210	6.1%
Marshall Securities Ltd	4,950,545	4.6%
Glasgow Investment Managers	4,392,630	4.1%

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the financial year. In doing so the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements therein.

CORPORATE GOVERNANCE

Directors

The Board has consisted of a Chairman, two Non-Executive Directors and three Executive Directors during the year. Details of the current Board members are given on page 5 of this report. The Board meets at least six times each year and more frequently as and when appropriate.

The Company has voluntarily complied throughout the year with the Provisions of the Code of Best Practice set out in Section 1 of the Combined Code as applicable to fully listed companies, in so far as is appropriate to the Company's size and complexity:

- Under Code Provision C.2.1 the Directors should at least annually conduct a review of the effectiveness of the Group's system of internal control and should report to shareholders that they have done so. This review should cover all controls, including financial, operational and compliance controls and risk management.
- A comprehensive review of internal controls was carried out by the Directors during the year covering compliance, financial and operational control as well as risk management. The Company is a relatively small operation with all material matters reported to the full Board. Regular Group and Subsidiary board meetings are held throughout the period at which the Directors consider all major business and financial risks. Accepting that no system of financial

DIRECTORS' REPORT

control can provide absolute assurance against material loss or misstatement, the Directors believe that the established systems of internal control are appropriate to the business in its current size and form.

- The Company also meets the requirements of Code Provision C.3.5. This states that companies that do not have an internal audit function, should from time to time review the need for one. The Board, in conjunction with its internal control review, has reviewed the need for a formal internal audit function. The Board is of the opinion that given the size and nature of the business, no internal audit function is required.

Further explanations of how the Provisions have been applied are set out below and, in connection with Directors' remuneration, in the Remuneration Report.

Dialogue with Institutional Shareholders

The Company reports formally to shareholders twice a year, when its half-year and full-year results are announced and an Interim Statement and Annual Report are sent to shareholders. The Annual Report includes notice of the Annual General Meeting of the Company at which a presentation is given and Directors are available to take questions, both formally during the meeting and informally after the meeting. The Chairman and Executive Directors are available for dialogue with major shareholders on the Company's plans and objectives and from time to time will meet with them.

Audit Committee

The Audit Committee provides a link between the Board and the Company's auditors on matters falling within the scope of the Company's audit. The Audit Committee is comprised of the two Non-Executive Directors: Simon Morris (Chairman) and David Kempton. The Audit Committee meets at least four times each year and more frequently as and when appropriate.

The Committee's responsibility includes:

- the implementation of new accounting standards and policies;
- to monitor the integrity of the financial statements and formal announcements relating to the Company's financial performance;
- to review the internal financial control procedures;
- to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process and to develop and implement a policy on the engagement of the external auditors to supply non-audit services.

Details of fees paid to the Company's auditors are shown in Note 3 to the financial statements. None of the non-audit services provided caused any concern as to the auditors' independence or objectivity.

ENVIRONMENTAL POLICY

The Group attaches great importance to its environmental performance. In addition to ensuring that it is making the most of commercial opportunities within the environmental markets sector, the Group is committed to maintaining and improving the sustainability of its working practices.

The Group is focused on minimising environmental impact in three areas of its operations:

- Energy consumption: the Group has an energy efficiency policy covering *inter alia* lighting, heating and computers;
- Travel: the Group encourages staff to minimise travel and to select public transport where appropriate; and
- Paper and materials use: the Group has a system to recover office paper and encourages staff to avoid wastage of other materials.

To ensure that its Environmental Policy is fully understood by all staff and remains under active development, the Group has:

– Appointed a Health, Safety and Environment officer, who has day-to-day responsibility for co-ordinating the implementation of policy;

– Adopted a monitoring programme to check compliance with the Environmental Policy; and

– Incorporated training and discussion of the Environmental Policy in its induction and periodic appraisals of all staff.

The Directors are ultimately responsible for the implementation and further development of this policy.

REMUNERATION REPORT

The Remuneration Committee is comprised of the two Non-Executive Directors: David Kempton (Chairman) and Simon Morris. The Remuneration Committee meets at least four times each year and more frequently as and when appropriate. The Committee last met in November 2006.

Fees and payments to Non-Executive Directors reflect the demands which are made on them and the responsibilities which they bear. Non-Executive Directors' fees are reviewed annually by the Board.

Emoluments

Total Directors' emoluments for the year were £682,246 (2005: £518,259) and details of each Director's remuneration are shown in Note 23 to the financial statements.

Remuneration Policy

The remuneration and terms and conditions of service of the Executive Directors are determined by the Board, based on recommendations made by the Remuneration Committee. The Board's policy is to pay competitive salaries having regard to the Directors' experience, the size and complexity of the job and any special factors which may arise from time to time. The Executive Directors will, in addition to their basic salary and bonus, be granted share options or similar equity incentives as determined by the recommendations from the Remuneration Committee. As noted above the EBT has been established to motivate and incentivise eligible participants to achieve value for shareholders. The Directors consider that the Group has taken due account of the principles of the Combined Code.

The Board recognises that, in order to attract high calibre executives, it needs to design schemes which properly reward each of the Executive Directors for their individual contributions to the Group's performance.

AUDITORS

Statement of disclosure to auditor

(a) so far as the Group Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that the Company's auditors, MRI Moores Rowland LLP, be re-appointed will be put to the Annual General Meeting.

By order of the Board

J A Brown
Secretary

11 December 2006

Registered Office:
Broughton House
6-8 Sackville Street
London W1S 3DG

INDEPENDENT AUDITORS' REPORT

to the Shareholders of Impax Group plc

We have audited the Financial Statements of Impax Group plc for the year ended 30 September 2006, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Financial Statements have been prepared under the historical cost convention, as modified by the valuation of certain current asset investments, and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the Statement of Directors' Responsibilities on page 9. Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the Directors' report is consistent with the Financial Statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code as specified for our review by the Listing Rules where a company is fully listed, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion:

- the Financial Statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Parent Company's affairs as at 30 September 2006 and of the Group's profit for the year then ended; and
- the information given in the Directors' Report is consistent with the Financial Statements; and
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP
Registered Auditor
Chartered Accountants
3 Sheldon Square
London W2 6PS

11 December 2006

The maintenance and integrity of the Impax Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of Fnancial Statements may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2006

	Note	2006 £	2005 £
TURNOVER	2	3,840,030	1,725,060
Operating profit/(loss)	2/3	173,898	(657,475)
Profit on disposal of investment	4	–	129,216
		173,898	(528,259)
Interest receivable and similar income		137,699	131,140
Interest payable and similar charges	5	(98,521)	(196,095)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		213,076	(593,214)
Tax on profit/(loss) on ordinary activities	6	388,255	–
PROFIT/(LOSS) FOR THE YEAR	19	601,331	(593,214)
EARNINGS PER SHARE	8		
Basic		1.08p	(1.56)p
Adjusted		2.16p	(0.75)p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 September 2006

	2006 £	2005 £
Profit/(loss) for the financial year	601,331	(593,214)
Currency translation differences	(131,579)	47,142
Total recognised profits/(losses) for the year	469,752	(546,072)

CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Note	2006 £	2006 £	2005 £	2005 £
FIXED ASSETS					
Intangible fixed assets	9		1,346,493		1,629,097
Tangible fixed assets	10		24,433		13,140
Fixed asset investments	12		14,357		14,102
			1,385,283		1,656,339
CURRENT ASSETS					
Debtors due after one year	13	1,593,507		2,041,998	
Debtors due within one year	13	1,904,235		1,269,282	
Investments	14	72,752		79,752	
Cash at bank and in hand		2,549,652		863,187	
		6,120,146		4,254,219	
CREDITORS – amounts falling due within one year	15	(1,300,289)		(635,726)	
NET CURRENT ASSETS			4,819,857		3,618,493
TOTAL ASSETS LESS CURRENT LIABILITIES			6,205,140		5,274,832
CREDITORS – amounts falling due after more than one year					
– Convertible unsecured loan stock	16		–		(2,302,088)
	2		6,205,140		2,972,744
CAPITAL AND RESERVES					
Called up share capital	18		9,591,824		8,973,635
Share premium	19		2,723,483		835,794
Exchange equalisation reserve	19		(845,410)		(713,831)
Treasury shares	19		(148,801)		(72,700)
Other reserve	19		487,355		154,488
Profit and loss account	19		(5,603,311)		(6,204,642)
EQUITY SHAREHOLDERS' FUNDS	21		6,205,140		2,972,744

Approved by the Board on 11 December 2006

J Keith R Falconer
Chairman

COMPANY BALANCE SHEET

As at 30 September 2006

	Note	2006 £	2006 £	2005 £	2005 £
FIXED ASSETS					
Tangible fixed assets	11		24,033		10,016
Fixed asset investments	12		3,228,790		3,408,537
			3,252,823		3,418,553
CURRENT ASSETS					
Debtors due after one year	13	1,372,889		1,976,904	
Debtors due within one year	13	586,992		381,713	
Cash at bank and in hand		–		107,613	
		1,959,881		2,466,230	
CREDITORS – amounts falling due within one year	15	(791,063)		(534,258)	
NET CURRENT ASSETS			1,168,818		1,931,972
TOTAL ASSETS LESS CURRENT LIABILITIES			4,421,641		5,350,525
CREDITORS – amounts falling due after more than one year					
– Convertible unsecured loan stock	16		–		(2,302,088)
			4,421,641		3,048,437
CAPITAL AND RESERVES					
Called up share capital	18		9,591,824		8,973,635
Share premium	20		2,723,483		835,794
Exchange equalisation reserve	20		(714,183)		(590,696)
Treasury shares	20		(148,801)		(72,700)
Other reserve	20		487,355		154,488
Profit and loss account	20		(7,518,037)		(6,252,084)
EQUITY SHAREHOLDERS' FUNDS	21		4,421,641		3,048,437

Approved by the Board on 11 December 2006

J Keith R Falconer
Chairman

CONSOLIDATED CASHFLOW STATEMENT

Year ended 30 September 2006

	Note	2006 £	2005 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26	1,337,917	(640,047)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	27	86,117	(18,016)
TAXATION		–	–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	(23,871)	231,495
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		1,400,163	(426,568)
FINANCING	27	80,750	82,000
INCREASE/(DECREASE) IN CASH	28	1,480,913	(344,568)

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	Note	2006 £	2005 £
INCREASE/(DECREASE) IN CASH IN YEAR		1,480,913	(344,568)
CHANGES IN NET DEBT RESULTING FROM CASHFLOWS		1,480,913	(344,568)
NON CASH TRANSACTIONS			
– conversion of Loan Stock		2,302,088	(46,583)
– movement on Treasury shares		(76,101)	(72,700)
– movement on Other reserve		408,968	231,213
TRANSLATION DIFFERENCES		(131,579)	47,142
MOVEMENT IN NET DEBT IN THE YEAR		3,984,289	(185,496)
NET DEBT AT BEGINNING OF THE YEAR		(1,438,901)	(1,253,405)
NET SURPLUS/(DEBT) AT END OF THE YEAR	28	2,545,388	(1,438,901)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting conventions

The accounts have been prepared under the historical cost convention, as modified by revaluation of certain current asset investments.

The Financial Statements have been prepared in accordance with the applicable accounting standards.

Basis of consolidation

The consolidated accounts include the accounts of the Company and each of its subsidiaries. Subsidiaries are accounted for using the acquisition method of accounting whereby the Group's results include the results of the acquired business from the date of acquisition.

Going concern

The accounts have been prepared on a going concern basis.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes.

Goodwill

Goodwill arising on the acquisition of subsidiaries, representing the excess of the purchase consideration over the fair value ascribed to the identifiable net tangible assets acquired, is capitalised in intangible assets and is amortised in equal instalments over its estimated useful life. This is reviewed on a case-by-case basis, but will not normally exceed 20 years.

Goodwill is reviewed for impairment following acquisition if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of tangible fixed assets

Depreciation is provided on tangible fixed assets by equal instalments over their estimated useful lives on a straight-line basis:

Leasehold improvements	–	33.3%
Office equipment	–	33.3%
Office fixtures and fittings	–	25.0%

Leasing

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Current asset investments

Current asset investments are revalued to market value for listed investments and valued at the lower of cost and net realisable value for unlisted investments.

Pensions

The Group operates defined contribution personal pension schemes for employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

1. ACCOUNTING POLICIES (continued)

Financial instruments

In relation to the disclosures made in Note 29:

- Short-term debtors and creditors are not treated as financial instruments.
- The Group does not hold or issue derivative financial instruments for trading purposes.

Liquid resources

The Group considers cash on short-term deposit and other short-term investments to be liquid resources.

Foreign currencies

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account. Foreign exchange differences on long-term loans from Group companies treated as equity investments are translated at the year-end rate and taken to reserves.

On consolidation the results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences that arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

The average rate ruling in the accounting period was US$1.80: £1 (2005: US$1.85: £1); the rate ruling at the balance sheet date was US$1.87: £1 (2005: US$1.76: £1).

Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are not recognised to the extent that they will not be recovered. The deferred tax balance has not been discounted.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred expenses and deferred income

Placing fee costs and establishment fee income are deferred over five years to match their revenue/cost streams. Deferred expenses are included in prepayments and accrued income. Deferred income is included in accruals.

Employee Benefit Trust

In accordance with Urgent Issues Task Force (UITF) Abstract 32 "Employee Benefit Trusts and other intermediate payments arrangements", the Company includes the assets and liabilities of that trust within its balance sheet. In the event of the winding up of the Company, neither the shareholders nor the creditors would be entitled to the assets of the employee benefit trust.

Investment in own shares held in connection with the Group's employee share schemes are deducted from the shareholders' funds in accordance with "FRS 25 Financial Instruments: Disclosure and Presentation" until such time as they vest unconditionally to participating employees.

Corresponding Amounts

Certain comparative information presented in the Financial Statements for the year ended 30 September 2005 has been reclassified in order to achieve comparability with the presentation used in the Financial Statements for the year ended 30 September 2006.

NOTES TO THE ACCOUNTS

2. GEOGRAPHICAL ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS

Turnover relates solely to the principal activities of the Group.

	Consolidated turnover 2006	Consolidated turnover 2005
	£	£
UK	3,540,040	1,698,515
Europe	299,990	26,545
USA	–	–
	3,840,030	1,725,060

	Consolidated operating profit/(loss) 2006	Consolidated operating profit/(loss) 2005
	£	£
UK	457,482	(363,629)
Europe	–	–
USA	(980)	(11,242)
Goodwill amortisation	(282,604)	(282,604)
	173,898	(657,475)

	Consolidated net assets 2006	Consolidated net assets 2005
	£	£
UK	4,334,910	581,560
Europe	(10,747)	73,758
USA	1,880,977	2,317,426
	6,205,140	2,972,744

BUSINESS ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS

Turnover relates solely to the principal activities of the Group.

	Consolidated turnover 2006	Consolidated turnover 2005
	£	£
Investment services	3,512,192	1,170,882
Financial advisory services	327,838	554,178
	3,840,030	1,725,060

	Consolidated operating profit/(loss) 2006	Consolidated operating profit/(loss) 2005
	£	£
Investment services	415,281	(606,124)
Financial advisory services	41,221	231,253
Goodwill amortisation	(282,604)	(282,604)
	173,898	(657,475)

BUSINESS ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS (continued)

	Consolidated net assets	
	2006	**2005**
	£	**£**
Investment services	5,717,881	2,069,910
Financial advisory services (including deferred tax asset)	487,259	902,834
	6,205,140	2,972,744

3. OPERATING PROFIT/(LOSS)

	2006	**2005**
	£	**£**
Operating profit/(loss) is stated after charging/(crediting):		
Staff costs and other operating charges	2,867,654	1,933,430
Goodwill amortisation	282,604	282,604
Long term incentive scheme charge*	316,200	154,488
Operating leases, property rental	129,612	126,044
Depreciation of tangible fixed assets	12,323	7,542
Auditors' remuneration – audit fees	55,000	49,900
Auditors' remuneration – non audit fees	6,756	10,000
Exchange differences	(11,017)	5,672
Movement in fair value of current investments	7,000	(22,145)
Write back impairment of unlisted investment (see Note 4)	–	(165,000)
	3,666,132	2,382,535

* 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.

The allocation of Ordinary Shares to employees and their families via the EBT by the Company in 2005 and 2006 as part of the long term incentive scheme has given rise to a charge of £316,200 (2005: £154,488) to the profit and loss account for the year. This forms part of a total charge of £948,600, being £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the 2005 share award and being £485,136 evenly spread over the three years to 30 September 2008, which is the performance period for the 2006 share award. It is calculated in accordance with the requirements of FRS 20 "Share based payments" by reference to the mid market price of an Ordinary Share of 6.375p on the approval date of 4 February 2005 and on the Directors' assumption that the EBT performance criteria will be met and all of the shares will vest to employees and their families. The date of 4 February 2005 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.

Further details are set out in Note 32.

4. EXCEPTIONAL ITEMS

	2006	**2005**
	£	**£**
Profit on disposal of listed investment	–	129,216

In 1999, the Group acquired shares in Ensyn Group Inc. ("Ensyn") with a value of £165,000, in consideration for fees. In 2002, full provision was made for impairment of this unlisted investment.

NOTES TO THE ACCOUNTS

4. EXCEPTIONAL ITEMS (continued)

In April 2005 Ensyn merged with a subsidiary of Ivanhoe Energy Inc. ("Ivanhoe"), a listed company. The consideration for this merger took the form of a combination of cash, shares in Ivanhoe and shares in Ensyn.

Following the merger the Group received the cash element of the consideration and subsequently sold part of its holding in Ivanhoe. These transactions have given rise to a gain of £294,216, being £165,000 write back of impairment of unlisted investment and £129,216 profit on disposal of listed investment for the Group for the year ended 30 September 2005 of which £236,609 has been realised.

Further details are set out in Note 14.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest on Loan Stock	51,582	145,225
Amortisation of issue costs of Loan Stock	46,939	46,939
Other loans	–	3,931
	98,521	196,095

Details of the convertible unsecured loan stock ("Loan Stock") are set out in Note 16.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£	£
UK taxation is based on the profit/(loss) for the year at a rate equivalent to 30% (2005: 30%):	–	–
Current year tax charge	–	–
Deferred tax credit (Note 17)	(388,255)	–

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2006	2005
	£	£
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	213,076	(593,214)
Tax at 30% on profit/(loss) on ordinary activities before taxation	63,923	(177,964)
Effects of:		
Capital gains	–	32,956
Prior year capital losses utilised	–	(18,269)
Current year trading losses utilised	–	(14,687)
Non-deductible expenses	111,660	207,555
Capital allowances	(4,717)	(3,927)
Non-chargeable income	(3,240)	(94,908)
Amortisation	84,781	84,781
Losses utilised	(252,407)	(15,537)
Current year tax charge	–	–

The Group has tax losses of approximately £4.0 million (2005: £4.7 million) available for offset against future taxable profits in the UK. A deferred tax asset of £388,255 (2005: £nil) has been recognised in respect of £1,294,183 (2005: £nil) of such losses due to the predictability of future profit streams.

7. PARENT COMPANY

The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these Financial Statements. The parent company's loss for the year amounted to £1,265,953 (2005: £1,112,131).

8. EARNINGS PER SHARE

The calculation of profit per share is based on the profit for the year of £601,331 and on the weighted average number of ordinary shares in issue of 55,592,580 (2005: loss of £593,214 on shares in issue of 38,065,022).

In order to show results from operating activities on a comparable basis, an adjusted profit per share has been calculated which excludes goodwill amortisation of £282,604 (2005: £282,604), exceptional items of £nil (2005: £129,216) and long term incentive scheme charge of £316,200 (2005: £154,488).

NOTES TO THE ACCOUNTS

9. INTANGIBLE FIXED ASSETS – GROUP

	Goodwill £
Cost	
At 1 October 2005 and 30 September 2006	2,830,097
Amortisation	
At 1 October 2005	1,201,000
Charge for the year	282,604
At 30 September 2006	1,483,604
Net book value	
At 30 September 2006	1,346,493
At 30 September 2005	1,629,097

10. TANGIBLE FIXED ASSETS – GROUP

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 October 2005	4,749	127,276	132,025
Additions	5,090	18,526	23,616
At 30 September 2006	9,839	145,802	155,641
Depreciation			
At 1 October 2005	214	118,671	118,885
Charge for year	3,013	9,310	12,323
At 30 September 2006	3,227	127,981	131,208
Net book value			
At 30 September 2006	6,612	17,821	24,433
At 30 September 2005	4,535	8,605	13,140

11. TANGIBLE FIXED ASSETS – COMPANY

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 October 2005	4,749	9,194	13,943
Additions	5,090	18,526	23,616
At 30 September 2006	9,839	27,720	37,559
Depreciation			
At 1 October 2005	214	3,713	3,927
Charge for year	3,013	6,586	9,599
At 30 September 2006	3,227	10,299	13,526
Net book value			
At 30 September 2006	6,612	17,421	24,033
At 30 September 2005	4,535	5,481	10,016

12. FIXED ASSET INVESTMENTS

GROUP

	Other Investments £
Cost at 1 October 2005	14,102
Additions	255
Cost at 30 September 2006	14,357

COMPANY

	Other Investments £	Subsidiary undertakings £	Total £
Cost at 1 October 2005	13,109	3,395,428	3,408,537
Additions	253	–	253
Redemption during the year	–	(180,000)	(180,000)
Cost at 30 September 2006	13,362	3,215,428	3,228,790

NOTES TO THE ACCOUNTS

12. FIXED ASSET INVESTMENTS (continued)

The principal subsidiary undertakings are:

	Country of incorporation	Proportion of ordinary capital held	Nature of business
Impax Asset Management Limited	UK	100.0%	Financial services
Impax Capital Limited	UK	100.0%	Financial services
Impax New Energy Investors Management SARL	LUX	100.0%	Financial services
Impax Solar Investments Limited*	UK	100.0%	Financial services
The Recycling Fund (GP) Limited**	UK	100.0%	Financial services
Impax New Energy Investors (GP) Limited**	UK	100.0%	Financial services
Impax Carried Interest Partner (GP) Limited**	UK	100.0%	Financial services
Impax US Holdings Limited	UK	100.0%	Holding company
Kern USA Inc***	USA	100.0%	Holding company

* This company is owned 100% by Impax Capital Limited

** This company is owned 100% by Impax Asset Management Limited

*** This company is owned 100% by Impax US Holdings Limited

Impax New Energy Investors Management SARL, Impax New Energy Investors (GP) Limited and Impax Carried Interest Partner (GP) Limited have 31 December year ends in line with the year end of the funds of which they are partners.

During the year the Redeemable Non-Cumulative Preference Shares held in Impax Asset Management Limited became due for redemption and were so redeemed.

Other investments are:

	Country of incorporation	Proportion of ordinary capital held	Nature of business
Impax New Energy Investors LP	UK	3.75%	Financial services
Impax New Energy Investors SCA	LUX	32.37%	Financial services
Impax Carried Interest Partner LP	UK	47.07%	Financial services

The investment in Impax New Energy Investors LP represents the Company's limited partner interest in the initial 0.1% capital contributions made by the limited partners of this fund.

The investment in Impax New Energy Investors SCA represents the Company's subscription share capital to this fund.

The investment in Impax Carried Interest Partner LP represents the Company's 29.41% carried partner interest and Impax Carried Interest Partner (GP) Limited's 17.64% carried partner interest in this fund.

The Directors are of the opinion that none of these investments constitute an associate undertaking due to insignificant control and influence.

13. DEBTORS

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	464,017	284,670	–	–
Amounts owed by Group undertakings	–	–	1,593,820	1,969,254
Other debtors	333,431	432,435	70,346	62,985
Loans receivable	1,880,977	2,317,426	204,739	234,833
Prepayments and accrued income	431,062	276,749	90,976	91,545
Deferred tax asset	388,255	–	–	–
	3,497,742	3,311,280	1,959,881	2,358,617

At the balance sheet date the Group has unused tax losses of £4.0 million (2005: £4.7 million). A deferred tax asset of £388,255 (2005: £nil) has been recognised in respect of £1,294,183 (2005: £nil) of such losses due to the predictability of future profit streams.

Included in Group other debtors is an amount due after more than one year of £65,094 (2005: £65,094). Included in Group loans receivable is an amount due after one year of £1,528,413 (2005: £1,976,904).

Included in Company amounts owed by group undertakings is an amount due after more than one year of £1,328,406 (2005: £1,742,071). Included in Company loans receivable is an amount due after one year of £44,483 (2005: £234,833).

14. CURRENT ASSET INVESTMENTS – GROUP

	Unlisted investment £	Listed investment £	Total £
Cost or Valuation			
At 1 October 2005	11,344	68,408	79,752
Revaluation	–	(7,000)	(7,000)
At 30 September 2006	11,344	61,408	72,752
Net book value			
At 30 September 2006	11,344	61,408	72,752
At 30 September 2005	11,344	68,408	79,752

In 1999, the Group received shares in Ensyn Group Inc. ("Ensyn") in lieu of corporate finance fees. This unlisted investment was originally valued at £165,000 but in 2002 full provision was made for impairment in value.

In April 2005, Ensyn merged with a subsidiary of Ivanhoe Energy Inc. ("Ivanhoe"), a listed company. The consideration for this merger took the form of a combination of cash, shares in Ivanhoe and shares in Ensyn renewables. The impairment of the Ensyn shares was written back. The Group received £236,609 from the cash consideration and part disposal of its holding in Ivanhoe during the year. The profit arising from these transactions is set out in Note 4 to the Financial Statements.

The historical cost of the remaining shares in Ivanhoe was £138,877. They are held in an escrow account, 50% until April 2007 and the balance until April 2008.

The listed investment is revalued to market value. The unlisted investment is valued at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS

15. CREDITORS – amounts falling due within one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Bank loans and overdraft	4,264	–	4,264	–
Trade creditors	17,351	248,448	1,128	24,962
Amounts owed to Group undertakings	–	–	589,113	386,284
Taxation and other social security	113,274	42,685	–	–
Other creditors	70,034	92,893	18,578	36,636
Accruals and deferred income	1,095,366	251,700	177,980	86,376
	1,300,289	635,726	791,063	534,258

16. CREDITORS – amounts falling due after one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Loan Stock	–	2,442,906	–	2,442,906
Less costs of issue	–	(140,818)	–	(140,818)
	–	2,302,088	–	2,302,088

The convertible unsecured loan stock ("Loan Stock") was issued on 15 September 2003. Interest is paid bi-annually on 31 March and 30 September each year at a rate of 5.5% per annum. The Loan Stock is convertible, at the option of the holder, in whole or in part into new ordinary shares at the rate of 22 ordinary shares for each £1 nominal of Loan Stock in the months of February and July of the years 2004, 2005 and 2006. All of the Loan Stock was converted to new ordinary shares during the year.

£46,939 of the expenses relating to the issue of the Loan Stock has been amortised to the profit and loss account in accordance with existing policy to amortise the costs over a period of five years. The balance of costs unamortised totalling £93,879 after all of the Loan Stock had converted in July 2006 has been written off to the Share Premium reserve.

Full details of share issues arising by conversion of Loan Stock during the year are contained in Notes 18 and 19.

17. DEFERRED TAXATION

The Group has tax losses of approximately £4.0 million (2005: £4.7 million) available for offset against future taxable profits in the UK. A deferred tax asset of £388,255 (2005: £nil) has been recognised in respect of £1,294,183 (2005: £nil) of such losses due to the predictability of future profit streams as set out in Note 6. The Group has no un-provided deferred tax liabilities at the balance sheet date.

18. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
148,341,664 ordinary shares of 1p each (2005: 148,341,664 ordinary shares of 1p each)	1,483,417	1,483,417
35,485,764 (2005: 35,485,764) deferred shares of 24p each	8,516,583	8,516,583
Total authorised share capital	10,000,000	10,000,000
Allotted and fully paid		
107,524,098 ordinary shares of 1p each (2005: 45,705,166 ordinary shares of 1p each)	1,075,241	457,052
35,485,764 (2005: 35,485,764) deferred ordinary shares of 24p each	8,516,583	8,516,583
Total allotted and fully paid share capital	9,591,824	8,973,635

On 10 March 2006, £96,158 of Loan Stock was converted into 2,115,476 ordinary shares of 1p and £75,003 of share premium reserve.

On 7 August 2006, £2,346,748 of Loan Stock was converted into 51,628,456 ordinary shares of 1p and £1,830,463 of share premium reserve.

On 14 August 2006, 8,075,000 ordinary shares of 1p were issued at par to the trustees of the Impax Group Employee Benefit Trust as part of the Company's employee incentive arrangements as approved at the Company's EGM on 4 February 2005.

All ordinary shares issued during the year were admitted for trading on AIM.

19. RESERVES – GROUP

	Treasury shares £	Other reserve £	Share premium reserve £	Exchange equalisation reserve £	Profit and loss account £
At 1 October 2005	(72,700)	154,488	835,794	(713,831)	(6,204,642)
Profit for the year	–	–	–	–	601,331
Exchange differences on consolidation	–	–	–	(131,579)	–
Conversion of Loan Stock	–	–	1,905,465	–	–
Loan Stock costs of issue written off	–	–	(93,879)	–	–
Net issue of shares to Employee Benefit Trust	(76,101)	316,200	76,101	–	–
Accrued cash equivalent of share options receivable by NOMAD	–	16,667	–	–	–
At 30 September 2006	(148,801)	487,355	2,723,483	(845,410)	(5,603,311)

NOTES TO THE ACCOUNTS

19. RESERVES – GROUP (continued)

The treasury shares relate to the holding of 14,880,080 ordinary shares in the Company by the EBT.

On 31 May 2006, the Company appointed Bridgewell Securities Limited ("Bridgewell") as nominated advisor and broker ("NOMAD") to the Group. For the twelve months following their appointment they will receive an option over 500,000 shares in the Group, exercisable at 20p within three years.

In 2006, £16,667 was charged to the profit and loss account and credited to share premium reserve to reflect the cash equivalent of this compensation.

20. RESERVES – COMPANY

	Treasury shares	Other reserve	Share premium reserve	Exchange equalisation reserve	Profit and loss account
	£	£	£	£	£
At 1 October 2005	(72,700)	154,488	835,794	(590,696)	(6,252,084)
Loss for the year	–	–	–	–	(1,265,953)
Exchange differences on consolidation	–	–	–	(123,487)	–
Conversion of Loan Stock	–	–	1,905,465	–	–
Loan Stock costs of issue written off	–	–	(93,879)	–	–
Net issue of shares to Employee Benefit Trust	(76,101)	316,200	76,101	–	–
Accrued cash equivalent of share options receivable by NOMAD	–	16,667	–	–	–
At 30 September 2006	(148,801)	487,355	2,723,483	(714,183)	(7,518,037)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2006	Group 2005	Company 2006	Company 2005
	£	£	£	£
Profit/(loss) for the financial year	601,331	(593,214)	(1,265,953)	(1,112,131)
Conversion of Loan Stock	2,442,906	357	2,442,906	357
Costs of issue – Loan Stock	(93,879)	–	(93,879)	–
Issue of Shares – EBT	80,750	82,000	80,750	82,000
Treasury Shares – EBT	(76,101)	(72,700)	–	–
Other Reserve – EBT	316,200	154,488	316,200	154,488
Other Reserve – accrued NOMAD fee	16,667	–	16,667	–
Translation adjustments	(131,579)	47,142	(123,487)	43,911
Share premium on market disposal of shares from EBT	76,101	76,725	–	–
Net increase/(reduction) in shareholders' funds	3,232,396	(305,202)	1,373,204	(831,375)
Opening shareholders' funds	2,972,744	3,277,946	3,048,437	3,879,812
Closing shareholders' funds	6,205,140	2,972,744	4,421,641	3,048,437

22. FINANCIAL COMMITMENTS

At 30 September 2006 the Group and Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Expiry date:				
Within one year	–	–	–	10,400
Between two and five years	119,212	129,500	6,488	–
Over five years	–	–	–	–
	119,212	129,500	6,488	10,400

23. DIRECTORS' EMOLUMENTS

The emoluments of all the Directors who held office during the year were as follows:

	Fees/Salary	Other	Pension	Bonus	2006 Total	2005 Total
	£	£	£	£	£	£
Keith Falconer	72,917	–	–	35,000	107,917	50,000
Nigel Taunt	100,000	8,776	5,000	43,500	157,276	122,662
Ian Simm	150,000	3,271	7,500	100,000	260,771	168,650
Melville Haggard	100,966	10,268	5,048	–	116,282	146,947
David Kempton	20,000	–	–	–	20,000	15,000
Simon Morris	20,000	–	–	–	20,000	15,000
	463,883	22,315	17,548	178,500	682,246	518,259

Other than as set out above, no other emoluments or benefits were paid to any of the Directors.

24. EMPLOYEES

Number of employees

The average number of persons (including Directors) employed during the year was 19 (2005: 17).

Employment costs

	2006	2005
	£	£
Wages and salaries	1,757,057	1,297,082
Social security costs	219,292	147,293
Pensions	61,361	47,586
	2,037,710	1,491,961

25. PENSION COSTS

The Group offers employees a choice of defined contribution personal pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounted to £61,361 (2005: £47,586). Contributions totalling £11,954 (2005: £1,137) were payable to the funds at the year end and are included in creditors.

NOTES TO THE ACCOUNTS

26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Operating profit/(loss)	173,898	(657,475)
Write back impairment of unlisted investment	–	(165,000)
Revaluation of listed/unlisted investment	7,000	(22,145)
Depreciation charges	12,323	7,542
Amortisation of goodwill	282,604	282,604
Decrease/(increase) in debtors	201,793	(245,211)
Increase in creditors	660,299	159,638
Net cash inflow/(outflow) from operating activities	1,337,917	(640,047)

27. ANALYSIS OF CHANGES IN CASHFLOWS DURING THE YEAR

	2006	2005
	£	£
Returns on investments and servicing of finance		
Interest received	137,699	131,140
Interest paid	(51,582)	(149,156)
	86,117	(18,016)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(23,616)	(5,114)
Proceeds from sale of investments	–	236,609
Payments to acquire investments	(255)	–
	(23,871)	231,495
Financing		
Issue of share capital	80,750	82,000
	80,750	82,000

28. ANALYSIS OF CHANGES IN NET DEBT

	1 October 2005	Cash flow	Translation difference	Non-cash transactions	30 September 2006
	£	£	£	£	£
Cash at bank and in hand	863,187	1,485,177	(131,579)	332,867	2,549,652
Bank overdraft	–	(4,264)	–	–	(4,264)
Debt due after one year	(2,302,088)	–	–	2,302,088	–
Net (debt)/surplus	(1,438,901)	1,480,913	(131,579)	2,634,955	2,545,388

29. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and various items, such as trade debtors and trade creditors that arise directly from its operations.

As permitted by FRS25, short-term debtors and creditors have been excluded from these disclosures, other than the currency disclosures. Certain financial assets such as investments in subsidiary companies are also excluded from the scope of these disclosures.

The Group does not trade in financial instruments.

Currency risk

Certain of the Group's assets and liabilities are denominated in Euros and US Dollars.

Included in Group loans receivable is an amount denominated in US Dollars of $3,521,189 (£1,880,977), (2005: $4,083,304 (£2,317,426)).

These represent the Group's only material assets denominated in a currency other than sterling.

The Directors consider the financial risks associated with currency exposure to be no greater than the risks associated with entering into derivative financial instruments.

Fair values of financial assets and liabilities

The Directors consider there to be no difference between the carrying value of the Group's financial assets and liabilities and their fair value.

Liquidity risk

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Cash not required for immediate operations is placed on deposit but can be drawn down by the Company at any time. The Company had no external borrowings at the year end.

Interest rate risk

The Group has interest bearing assets, but no such liabilities. Interest bearing assets include cash balances that earn interest at a floating rate and two loan notes earning interest at a fixed rate.

30. CONTINGENT ASSETS AND LIABILITIES

In 2004, a production note of US$300,000 was received as part of the consideration for the disposal of the Starks oil field. This is payable at the rate of 10% of the future gas sales received net of related taxes. As it may take several years for this to be recovered in full and future gas production on the Starks Field cannot be guaranteed, the Directors have decided to account for any income on a cash received basis.

In 2004, a production note of US$5,400,000 was issued as part of the consideration for the disposal of the Company's US subsidiary company, Kern River Holdings Inc. Kern River Holdings Inc. held and operated the Nukern oil field. The production note is based on payments of US$4 per barrel, with minimum quarterly payments rising from US$90,000 (£48,000) in 2006 to US$120,000 (£64,000) in 2009 onwards. Any remaining balance on the note is repayable in full at the end of 2011. The Directors are confident of receiving consideration over the term of the production note, equivalent to the carrying value of the Nukern field prior to disposal, but are of the opinion that due to the nature of part of the consideration, it would not be appropriate to recognise all future contingent revenues.

NOTES TO THE ACCOUNTS

31. CAPITAL COMMITMENT

On 19 August 2005, the Company became a limited partner in Impax New Energy Investors LP (the "New Energy Fund"), a 10 year fund investing in projects in the renewable energy and related sectors, predominantly in Western Europe. Impax Group plc has committed to invest up to €3.75 million (£2.56 million) in the fund.

Royal Bank of Scotland has agreed to bridge all capital calls to this fund with a ceiling of 83.3% of capital commitments. As a consequence, the Directors do not expect the cash element of the Company's commitment to be called before the year ending 30 September 2009.

The Directors are confident that the Company will have sufficient funds to fulfil this commitment when it falls due.

32. EMPLOYEE BENEFIT TRUST

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.

On 14 August 2006 the Company allotted 8,075,000 Ordinary Shares at a price equal to the nominal value of 1p per share to Sanne Trust Company Limited, trustee of the EBT. The EBT subsequently sold 464,920 Ordinary Shares for £80,750 to provide funding relating to the purchase of Ordinary Shares by the EBT. Following the sale the EBT is interested in 14,880,080 Ordinary Shares representing 13.84% of the Ordinary Shares in issue at 30 September 2006. The potential beneficiaries of the EBT include the executive directors and employees of the Group and their respective families.

The allocation of Ordinary Shares to employees and their families via the EBT by the Company in 2005 and 2006 as part of the long term incentive scheme has given rise to a charge of £316,200 (2005: £154,488) to the profit and loss account for the year. This forms part of a total charge of £948,600, being £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the 2005 share award and being £485,136 evenly spread over the three years to 30 September 2008, which is the performance period for the 2006 share award. It is calculated in accordance with the requirements of FRS 20 "Share based payments" by reference to the mid market price of an Ordinary Share of 6.375p on the approval date of 4 February 2005 and on the Directors' assumption that the EBT performance criteria will be met and all of the shares will vest to employees and their families. The date of 4 February 2005 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.

In accordance with the requirements of UITF 38 "Accounting for ESOP trusts", UITF 32 "Employee Benefit Trusts and other intermediate payments arrangements" and FRS 25 "Financial Instruments: Disclosure and Presentation", the assets and liabilities of the EBT have been included in the Company's and Group's accounts resulting in the inclusion of £148,801 treasury shares, £152,826 share premium, £4,025 profit and loss and £487,355 included in other reserve as set out in Note 19.

For the year ended 30 September 2006, the following transactions were undertaken by the EBT.

32. EMPLOYEE BENEFIT TRUST (continued)

	2006	2005
	£	£
Drawdown of bank loan	–	86,000
Purchase of 8,075,000 (2005: 8,200,000) Ordinary Shares in the Company	(80,750)	(82,000)
Bank loan charges and fees	–	(4,000)
Sale of 464,920 (2005: 930,000) Ordinary Shares in the Company	80,750	86,000
Repayment of bank loan	–	(86,000)
Cash remaining under control at year end	–	–

The market value of ordinary shares held in the EBT at 30 September 2006 was £2,641,214 (2005: £763,350).

33. ULTIMATE CONTROLLING PARTY

The Company is AIM listed and has no ultimate controlling party.

34. RELATED PARTY TRANSACTIONS – GROUP AND COMPANY

The Recycling Fund LP is a related party of a subsidiary undertaking of the Group by virtue of the subsidiary undertaking acting as the fund's manager. During the year the Group received £245,000 (2005: £245,000) from the fund in the form of management fees. At 30 September 2006 the Group was owed £6,776 (2005: £9,996) by the fund.

Impax New Energy Investors LP is a related party of the Group by virtue of the Company being a limited partner in the fund and a subsidiary undertaking acting as the fund's manager. During the year the Group received £898,379 (2005: £79,636) from the fund in the form of management fees. At 30 September 2006 the Group was owed £191,142 (2005: £208,884) by the fund in respect of management fees and reimbursable establishment costs.

Impax New Energy Investors SCA is a related party of the Group by virtue of a subsidiary undertaking acting as the fund's manager. During the year the Group received £299,990 (2005: £26,545) from the fund in the form of management fees. At 30 September 2006 the Group owed the fund £19,216 (2005: was owed by the fund £65,404) in respect of administration costs to be reimbursed net of management fees owed.

NOTICE OF MEETING

Notice is hereby given that the tenth Annual General Meeting of Impax Group plc ("the Company") will be held at the offices of MRI Moores Rowland LLP, 3 Sheldon Square, London W2 6PS at 11.30 a.m. on 9 February 2007 for the following purposes:

As Ordinary Business

1. To receive and adopt the Reports of the Directors and of the Auditors and the audited financial statements for the year ended 30 September 2006.
2. To re-elect, as a Director, Mr D L Kempton who retires by rotation and offers himself for re-election.
3. To re-elect, as a Director, Mr J S T Morris who retires by rotation and offers himself for re-election.
4. To re-appoint MRI Moores Rowland LLP as Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

As Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to resolutions 6 and 7 as ordinary resolutions and as to resolution 8 as a special resolution:

6. That the authorised share capital of the Company be increased from £10,000,000 to £11,000,000 by the creation of an additional 100,000,000 ordinary shares of 1p each ranking pari passu with the existing ordinary shares of 1p each in the capital of the Company.
7. That the Directors be and are hereby generally and unconditionally authorised (in substitution for all existing authorities, save for that granted by resolution 2 passed at the extraordinary general meeting held on 4 February 2005) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £358,413.66 provided that this authority shall expire on the fifth anniversary of the date of passing of this ordinary resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
8. That, subject to the passing of, and pursuant to, the Ordinary Resolution numbered 7 above, the Directors be and are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act), as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   8.1 the allotment of equity securities in connection with a rights issue or open offer in favour of ordinary shareholders where the equity securities attributable to the respective interests of all ordinary shareholders are proportionate to the respective numbers of Ordinary Shares held by them on the record date for such allotment, but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and

8.2 the allotment (otherwise than pursuant to paragraph 8.1) of equity securities for cash up to an aggregate nominal amount of £53,762.05 provided that this power shall, unless previously revoked or varied by the Company in general meeting, expire fifteen months from the date of passing of this resolution or, if earlier, on the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Jacqueline A Brown
Secretary

17 January 2007

Registered office:
Broughton House
6-8 Sackville Street
London
W1S 3DG

NOTES:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his or her place. A proxy need not be a member of the Company. A form of proxy is enclosed for the use of members. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the above meeting should he or she so decide.
2. The form of proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11.30 a.m. on 7 February 2007 or, in the case of an adjourned meeting, not less than 48 hours before the time appointed for holding such an adjourned meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on the day preceding the meeting, or the adjourned meeting, shall be entitled to attend or vote at the above meeting, or adjourned meeting, in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the register of members after 6.00p.m. on the day preceding the meeting or adjourned meeting shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
4. The following are available for inspection at the registered office of the Company during normal business hours Monday to Friday inclusive and will also be available at the place of the meeting from 15 minutes before the start of the meeting until the conclusion of the meeting:

   (i) the register of directors' interests in the Company's shares; and

   (ii) copies of the directors' service contracts and letters of appointment.

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