IMPAX

Impax Group plc

REPORT AND ACCOUNTS

for the year ended 30 September 2007

IMPAX

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CHAIRMAN'S STATEMENT

Impax has once again made strong progress, and I am very pleased to be able to report that our assets under management and advisory ("AUM") grew substantially during the year, expanding from £434 million on 1 October 2006 to £984 million on 30 September 2007, and further to £1.09 billion on 14 December 2007. This progress has led to a significant rise in profitability.

The drivers of the environmental sector in which we invest continue to be supportive of our business. This year, high fossil fuel prices, sustained concerns over energy security, the prevalence of "unusual" weather patterns and heightened awareness of the effects of pollution on health and industrial productivity have featured in the press almost daily. Similarly, there is plenty of evidence that governments in developed and many less-developed countries are adopting tougher legislation to address these issues. Talk that "environmental investing" is fashionable and/or temporary is therefore, in our view, way off the mark.

Responding to these drivers, quoted and privately-owned companies continue to present attractive investment opportunities for our specialist investment professionals. Most of the markets that we are targeting are expected to grow at double-digit annual rates over the medium term, and we have typically been able to back those businesses that can translate this growth into strong expansion of earnings and/or cash flow.

The further development of our business will be based on success in a number of areas. The attraction and retention of high quality staff is crucial if we are to sustain strong investment performance and develop new, innovative products. As discussed further below, our proposed new long-term incentive scheme is a key component of our planning in this area. In addition, the cost-effective distribution of our products in multiple countries is necessary to support profitable growth. To this end, we recently established relationships with partners who will promote our services in Japan, the United States and Scandinavia, and, today, we have signed a distribution agreement with BNP Paribas Asset Management covering parts of Europe and Asia. Finally, robust back-office arrangements are essential if we are to manage growth within an increasingly complex regulated environment. During 2007, we have made several additional hires in this area, including a full-time Head of Compliance.

RESULTS FOR THE YEAR

Turnover for the year was £7,114,695 (2006: £3,840,030), an 85% increase over the year. Profit before tax was £1,820,654 (2006: £495,680, restated in accordance with IFRS, as explained below). These results include a charge of £357,000 (2006: £316,200) for shares in the Group's long-term incentive scheme.

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

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

ASSET MANAGEMENT

Impax should be regarded as a specialist investment boutique as, in future, we expect to derive our entire turnover from this activity. A very small Corporate Finance activity remains however, which has generated turnover for the year of £465,000 (2006: £327,838) excluding charges made for services provided to other Group activities.

Quoted Equities

Our largest team, led by Bruce Jenkyn-Jones, manages funds that invest predominantly in listed companies. AUM in this division amounted to £881 million at the end of September 2007. More detail is provided below:

Impax Environmental Markets plc ("IEM")

Performance of the IEM investment trust has remained strong: over the 12 months to 30 September 2007, IEM's NAV per share increased by 24.3% while the MSCI World Index was up by 9.1% over the same period. To satisfy investor demand, IEM completed a further

"C" share issue on 21 September 2007, which raised an additional £105 million of net assets. IEM's year end AUM was £377 million compared to £199 million at the start of the year.

Impax Environmental Markets (Ireland) ("IEMI")

The open-ended version of IEM has maintained a similar investment performance to that of the trust. We have been pleased by the level of inflows into this fund, particularly from UK-based private banks: IEMI's net assets started the year at £56 million and were £180 million at year end.

White Label Funds

Our business managing or advising white label funds has also expanded significantly during the year. Two of our core clients (the Netherlands-based ASN Environment and Water Fund and the Luxembourg-listed Parworld Environmental Opportunities Fund) reported strong performance and also accepted relatively large inflows. As a result, white label funds targeting small cap stocks grew from £76 million to £281 million over the year.

Many of the investments in these portfolios have liquidity constraints, meaning that as our AUM grows in this area, it will become more difficult to buy or sell all the shares that we need without impacting performance. However, such has been the growth in environmental markets in recent years that larger quoted companies are now entering the sector. This presents an excellent opportunity for Impax's specialist investment team to capture value from investments in the larger more liquid stocks that are beginning to drive environmental markets. With these factors in mind, in September 2007 we announced the launch of a new investment strategy focusing on larger quoted companies. We believe that this will allow us to continue to grow AUM in quoted equity products for the foreseeable future. The first important development in this area was IAM being appointed investment advisor to the DIAM World Environmental Business Fund, an open-ended fund available to Japanese investors, which launched on 19 September 2007 with £27 million of assets. In addition, in partnership with BNP Paribas Asset Management, we have recently accepted mandates to advise small white label funds in Korea and Malaysia.

Index Products

As interest worldwide in environmental investing has expanded, particularly among institutional investors, we have received many requests for information on the Impax ET50 Index, a basket of smaller quoted companies active in the environmental sector, which we have been running since 1999. Two months ago, encouraged by this interest, we announced a partnership with FTSE to commercialise this index and develop additional indices to meet demand. We expect some limited revenues from this activity during 2008.

Private Equity

Funds investing exclusively in private equity totalled £100 million at the end of the year.

Our principal private equity fund, Impax New Energy Investors LP, which is targeting investments in projects and related assets in the European renewable energy sector, made further commitments during the year. Against a backdrop of supportive regulation and high power prices, our team, which is led by Peter Rossbach, reviewed a large number of investment opportunities and is actively working to invest the remainder of the fund's capital.

Separately, and led by Nigel Taunt, our work to invest development capital (currently sourced from IEM and IEMI) in established private companies made good progress. At the end of the period, we were managing investments in four such companies and we expect to conclude additional transactions in the near future.

As our private equity track record grows, we will actively review opportunities to expand our AUM in this area.

Impax Absolute Return Fund

As I reported in the interim statement, on 21 May 2007 we launched Impax Absolute Return Fund, an open-ended fund managed by Hubert Aarts that is investing long and short in equities in the environmental and related sectors. This fund has performed well in a particularly volatile equity market: between launch and 31 October 2007, the fund's NAV per share grew by 2.3%, significantly ahead of the MSCI World Index, which rose by 0.3% (in local currency) over the same period. We are maintaining our dialogue with prospective investors with a view to expanding the fund's capital base.

BALANCE SHEET AND CASH FLOW

During the year, the Company carried out a balance sheet reorganisation which was approved by shareholders in June 2007 and which received High Court approval on 22 August 2007.

As a consequence of past losses, the Company had a large deficit in its reserves, which, as a result of the reorganisation, it has been able to eliminate by the cancellation of the deferred shares and share premium account. The surplus arising from this cancellation created a special reserve of £3,788,477.

The Company gave undertakings to the Court to maintain this special reserve until all creditors outstanding on 22 August 2007 had either been paid or given their consent to the Company to transfer the balance to revenue reserves. The Company has now made creditor payments and obtained the necessary consents to enable it to transfer £3,788,477 from the special reserve to retained earnings. Positive retained earnings have resulted from the reorganisation which will now potentially become distributable, enabling Impax to either pay a dividend and/or to buy back shares in future.

As detailed in the financial statements, our rising profitability has flowed through to positive cash flow.

BOARD OF DIRECTORS

I believe your Board has been highly effective in guiding the Company's turnaround and, I hope, positioning it for future growth. To support the development of our business from here, I am pleased to announce that we will shortly be appointing two experienced non-executive directors, who have both enjoyed very successful careers within the fund management industry. Peter Gibbs has spent more than 30 years in the investment management sector, including 16 years at Merrill Lynch Investment Managers (previously Mercury Asset Management), where, between 2002 and 2005 he was Chief Investment Officer for MLIM outside the US. Since 2005 he has held a number of non-executive positions, including Director of Evolution Group plc and Chairman of the Trustees of the Merrill Lynch Pension Fund. Mark White also has over 30 years of experience in the sector, mostly with the Fleming group of companies. He was Chief Executive of Jardine Fleming Investment Management in Hong Kong from March 1996 until January 2001 and then headed JPMorgan Fleming Asset Management's International Institutional Group. Since March 2005 he has been Chief Executive of KGR Capital in London, which advises on hedge fund portfolios specialising in the Asian region.

As part of the Board's transition, Simon Morris and Nigel Taunt will be stepping down at the conclusion of the Company's forthcoming Annual General Meeting. It is customary to pay tribute to retiring directors and, on this occasion, I want to express my deepest thanks to them in helping us to secure the bright future we face today. Simon, as a non-executive director, has given us both time and support well beyond what one would normally expect, while Nigel, who leads our development capital activities, continues to make a valuable contribution to the Company.

EMPLOYEE SHARE OWNERSHIP

Almost three years ago, following shareholder approval, the Company established a long-term incentive scheme in order to reward key employees with shares in the Company and thereby further align the interests of employees and shareholders. I would like to think that this scheme has been an important component of our recent success.

We expect all the shares available within our current scheme to have been granted in early 2008. We have been reviewing options for increasing employee share ownership in the Company, and expect to publish a detailed proposal to extend this scheme in the near future.

PROSPECTS

As I have reported in previous statements, the medium-term economic and political background against which we operate is very supportive of our activities. Nevertheless, the events of the past six months have once again illustrated the fragility of equity markets.

At the time of writing, there is a great deal of uncertainty as to whether economic slowdown in the United States and elsewhere will lead to a sustained flight of capital from quoted securities. If, indeed, we are already experiencing a "bear" market, it is unlikely that our business will be unaffected. With this scenario in mind, we are pleased that many of our core clients are institutional investors who typically are able to take a medium to long-term view of the potential of our sector.

With the support of the Board, Ian Simm, our Chief Executive, has been very successful in building the Impax business. We now have a strong platform on which to extend our track record of building AUM and profits, and I remain very confident that we can continue to grow shareholder value.

J Keith R Falconer

19 December 2007

IMPAX

OFFICERS AND ADVISERS

DIRECTORS	J Keith R Falconer (*Chairman*) Ian R Simm Nigel D W Taunt 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	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
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	Landsbanki Securities (UK) Limited Beaufort House 15 St Botolph Street London EC3A 7QR
SOLICITORS	Faegre & Benson LLP 7 Pilgrim Street London EC4V 6LP
COMPANY NUMBER	03262305

DIRECTORS' PROFILES

Keith Falconer, aged 52, 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 41, 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 54, is Managing Director of Impax Capital Limited ("IC") and Director of Investments for IAM's development capital activity. Nigel qualified as a chartered accountant in 1977 and, before moving into corporate finance and investment management, joined the group as Finance Director in January 2002. 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.

David Kempton, aged 66, joined the board as a Non-Executive Director on 3 June 2004. A structural 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 TAVR and AIMVARC Investment Trusts, Hartest Holdings plc and Neptune-Calculus VCT and a number of other companies.

Simon Morris, aged 60, 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 42, is a Director of IAM and Director of Investments for the listed equity portfolios. He has 17 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 49, 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 Catalyst Energy, Lowrey Lazard and at Standard and Poor's utility debt ratings services in New York. Peter holds both a Bachelor's degree and a Master's in Public Policy from Harvard University.

Jonathan Fogg, aged 45, 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 45, joined Impax in June 2005 as Finance Director and Group Company Secretary. She has spent the past eight 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.

Hubert Aarts, aged 45, joined Impax in January 2007 as Managing Director of the Impax Absolute Return Fund. Hubert has seventeen years' experience investing in Pan-European equities as a portfolio manager at MeesPierson and Merrill Lynch Investment Managers, where he chaired the European Sector Strategy Group. In 2003 he became head of European Value Products. Hubert joined Impax from Cambrian Capital Partners LLP where he was a partner and portfolio manager of the Curalium fund, and Incremental Leveraged funds. Hubert has a Master's Degree in Economics and Business Administration from Maastricht University.

David Trafford-Roberts, aged 42, joined Impax in February 2007 as Director of Investments for Impax New Energy Investors LP. Previously Head of Project Finance at IXIS Corporate & Investment Bank, he has over twelve years experience as an adviser or funder to limited recourse structures. He acted as adviser and arranger of the North East Lincolnshire energy from waste project in 2006. He was Investment Officer to the Asian Mezzanine Infrastructure Fund based in Singapore between 1997 and 2000 where he arranged the mezzanine funding for the Theun Hinboun hydropower project. Previously David worked in the successful private equity team which is now Doughty Hanson. He is bilingual in French and English and holds a BSc in Engineering from Reading University.

DIRECTORS' REPORT

The Directors submit their Report and the Accounts for the year to 30 September 2007.

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"), revenue and profitability to be the key performance indicators of the Group. Revenue for the year was £7,114,695 (2006: £3,840,030) and operating profit was £1,611,242 (2006: £456,502). This reflects the growth in AUM from £434 million at 30 September 2006 to £984 million at 30 September 2007.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £1,289,379 (2006: £883,935).

The Directors do not recommend the payment of a dividend (2006: nil) and therefore the balance on the retained earnings has been carried forward.

EARNINGS PER SHARE

In order to show results from operating activities on a comparable basis, an adjusted profit per share has been calculated which excludes the long term incentive scheme charge of £357,000 (2006: £316,200).

	Profit for the year £	Ordinary shares in issue (weighted average)	Earnings per share
2007			
Basic	1,289,379	107,616,084	1.20p
Diluted	1,646,379	107,616,084	1.53p
2006 (restated)			
Basic	883,935	55,592,580	1.59p
Diluted	1,200,135	55,592,580	2.16p

During 2006 £2,442,906 Convertible Unsecured Loan Stock was converted into 53,743,932 ordinary shares. Had this conversion taken place at the beginning of that year the earnings per share for 2006 would have been as follows:

	Profit for the year £	Ordinary shares in issue (weighted average)	Earnings per share
2006 (restated)			
Basic	883,935	100,488,893	0.88p
Diluted	1,200,135	100,488,893	1.19p

RISK ASSESSMENT

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

Liquidity and cashflow risk

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

DIRECTORS' REPORT

Interest rate risk

The Group has interest bearing assets, but no comparable 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.

Some 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.

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.

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 2007 were 11 (2006: 7), 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 payables 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 of the Company, all of which are beneficial, at 30 September 2007 and 30 September 2006 were:

	Ordinary Shares	
	30 September 2007	**30 September 2006**
J Keith R Falconer	9,649,210	6,549,210
Ian Simm	486,261	486,261
Nigel Taunt	570,142	570,142
Melville Haggard *(resigned 11 December 2006)*	180,313	180,313
David Kempton	1,997,367	1,997,367
J Simon T Morris	360,197	360,197

There have been no changes to the above holdings since 30 September 2007.

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.

At 30 September 2007 18,250,000 Ordinary Shares had been allotted to Sanne Trust Company Limited, trustee of the EBT at a price equal to the nominal value of 1p per share, as detailed below. 7,270,000 of the Ordinary Shares held by the EBT vested to employees and their respective families on 30 September 2007.

Date	Ordinary Shares allotted to the EBT	Ordinary Shares sold by the EBT to fund its purchase of Ordinary Shares	Ordinary Shares held by the EBT at 30 September 2007
5 September 2005	8,075,000	930,000	7,270,000
14 August 2006	8,200,000	464,920	7,610,080
14 September 2007	1,975,000	78,035	1,896,965
	18,250,000	1,472,995	16,777,045

Directors have been granted Ordinary Shares in the EBT as follows:

Director	Date of grant	Vesting date	Number of shares
J Keith R Falconer	10 May 2007	30 September 2008	460,080
Ian Simm	14 February 2006	30 September 2007	2,500,000
Ian Simm	10 May 2007	30 September 2008	2,500,000
Nigel Taunt	14 February 2006	30 September 2007	1,030,000
Nigel Taunt	10 May 2007	30 September 2008	1,000,000

Further details of the accounting treatment are set out in note 26.

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 19 December 2007:

	Number	Percentage
BNP Paribas Investment Partners	32,220,000	29.4%
Impax Group Employee Benefit Trust	16,777,045	15.3%
J Keith R Falconer	9,649,210	8.8%
Australian Ethical Investment Ltd	4,607,143	4.2%
Glasgow Investment Managers	4,392,630	4.0%

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 two Executive Directors during the year. Details of the current Board members are given on page 8 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 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.

DIRECTORS' REPORT

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 2007.

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 £990,543 (2006: £682,246) and details of each Director's remuneration are shown in Note 20 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

With effect from 16 April 2007, MRI Moores Rowland LLP merged its business with that of Mazars LLP, following which MRI Moores Rowland resigned as auditors to the Company. The Directors appointed Mazars LLP to fill the casual vacancy caused by their resignation and, in accordance with section 385 of the Companies Act 1985, a resolution to re-appoint Mazars LLP will be put to the Annual General Meeting.

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.

By order of the Board

J A Brown
Secretary

19 December 2007

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 2007, which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Company Cashflow Statement and the related notes. These Financial Statements have been prepared under 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 International Financial Reporting Standards, as adopted for use by the European Union, are set out in the Statement of Directors' Responsibilities on page 11. 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 Article 4 of the IAS Regulations, 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.

INDEPENDENT AUDITORS' REPORT
to the Shareholders of Impax Group plc

OPINION

In our opinion:

- the Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's and Parent Company's affairs as at 30 September 2007 and of the Group's profit and cashflows for the year then ended; and
- the information given in the Directors' Report is consistent with the Financial Statements; and
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation.

Mazars LLP
Registered Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

19 December 2007

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 Financial Statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2007

	Note	2007 £	2006 (Restated) £
REVENUE	2	7,114,695	3,840,030
Operating costs		(5,503,453)	(3,383,528)
Operating profit	2/3	1,611,242	456,502
Interest receivable and similar income	4	209,412	137,699
Interest payable and similar charges	5	–	(98,521)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,820,654	495,680
Taxation	6	(531,275)	388,255
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		1,289,379	883,935
EARNINGS PER SHARE	8		
Basic		1.20p	1.59p
Diluted		1.53p	2.16p

The Income Statement has been prepared on the basis that all operations are continuing operations.

IMPAX

CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Note	2007 £	2007 £	2006 (Restated) £	2006 (Restated) £
ASSETS					
Non-Current Assets					
Goodwill	9	1,629,097		1,629,097	
Other intangible assets	10	34,545		–	
Property, fixtures and equipment	11	47,206		24,433	
Investments	12	14,357		14,357	
			1,725,205		1,667,887
Current Assets					
Trade and other receivables due after one year	13	1,208,531		1,593,507	
Trade and other receivables due within one year	13	1,905,711		1,904,235	
Investments	14	1,619,854		72,752	
Cash and cash equivalents		4,553,684		2,549,652	
			9,287,780		6,120,146
TOTAL ASSETS			11,012,985		7,788,033
EQUITY AND LIABILITIES					
Capital and Reserves attributable to equity shareholders					
Ordinary shares	17	1,094,991		9,591,824	
Share premium		18,970		2,723,483	
Exchange equalisation reserve		(1,002,117)		(845,410)	
Treasury shares		(167,771)		(148,801)	
Other reserve		894,359		487,355	
Retained earnings	18	7,208,738		(5,320,707)	
			8,047,170		6,487,744
Current Liabilities					
Trade and other payables	15	2,965,815		1,300,289	
			2,965,815		1,300,289
TOTAL EQUITY AND LIABILITIES			11,012,985		7,788,033

Approved by the Board on 19 December 2007

J Keith R Falconer
Chairman

COMPANY BALANCE SHEET

As at 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
ASSETS					
Non-Current Assets					
Property, fixtures and equipment	11	47,206		24,033	
Investments	12	3,228,790		3,228,790	
			3,275,996		3,252,823
Current Assets					
Trade and other receivables due after one year	13	1,006,725		1,372,889	
Trade and other receivables due within one year	13	1,271,228		586,992	
Investments	14	1,533,120		–	
Cash and cash equivalents		46,439		–	
			3,857,512		1,959,881
TOTAL ASSETS			7,133,508		5,212,704
EQUITY AND LIABILITIES					
Capital and Reserves attributable to equity shareholders					
Ordinary shares	17	1,094,991		9,591,824	
Share premium		18,970		2,723,483	
Exchange equalisation reserve		(856,216)		(714,183)	
Treasury shares		(167,771)		(148,801)	
Other reserve		894,359		487,355	
Retained earnings	18	3,965,546		(7,518,037)	
			4,949,879		4,421,641
Current Liabilities					
Trade and other payables	15	2,183,629		791,063	
			2,183,629		791,063
TOTAL EQUITY AND LIABILITIES			7,133,508		5,212,704

Approved by the Board on 19 December 2007

J Keith R Falconer
Chairman

IMPAX

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2007

	Note	Share capital £	Share premium £	Special reserve £	Exchange equalisation reserve £
Balance at 1 October 2005		8,973,635	835,794	–	(713,831)
Profit for the year		–	–	–	–
Exchange differences on consolidation		–	–	–	(131,579)
Conversion of Loan Stock		537,439	1,905,465	–	–
Loan Stock costs of issue written off		–	(93,877)	–	–
Net issue of shares to Employee Benefit Trust	26	80,750	76,101	–	–
Accrued cash equivalent of share options receivable by NOMAD		–	–	–	–
Balance at 30 September 2006 (restated)		9,591,824	2,723,483	–	(845,410)
Profit for the year		–	–	–	–
Exchange differences on consolidation		–	–	–	(156,707)
Cancellation of deferred shares and share premium account*	17/18	(8,516,583)	(2,723,483)	3,788,477	–
Transfer from special reserve to retained earnings**	18	–	–	(3,788,477)	–
Net issue of shares to Employee Benefit Trust	26	19,750	18,970	–	–
Accrued cash equivalent of share options receivable by NOMAD		–	–	–	–
Balance at 30 September 2007		1,094,991	18,970	–	(1,002,117)

The treasury shares relate to the holding of 16,777,045 ordinary shares in the Company by the EBT, representing 15.32% of the ordinary shares in issue at 30 September 2007.

On 31 May 2006, the Company appointed Landsbanki Securities (UK) Limited ("Landsbanki"), (formerly Bridgewell Securities Limited) as nominated advisor and broker ("NOMAD") to the Group. For the twelve months following their appointment they received an option over 500,000 shares in the Company, exercisable at 20p within three years. For the period between twelve and twenty-four months following their appointment they will receive a further option over 388,215 shares in the Company exercisable at 25.76p within three years.

In 2007, £50,004 (2006: £16,667) was charged to the Income Statement and credited to other reserve to reflect the cash equivalent of this compensation.

	Note	Treasury shares £	Other reserve £	Retained earnings £	Total £
Balance at 1 October 2005		(72,700)	154,488	(6,204,642)	2,972,744
Profit for the year		–	–	883,935	883,935
Exchange differences on consolidation		–	–	–	(131,579)
Conversion of Loan Stock		–	–	–	2,442,904
Loan Stock costs of issue written off		–	–	–	(93,877)
Net issue of shares to Employee Benefit Trust	26	(76,101)	316,200	–	396,950
Accrued cash equivalent of share options receivable by NOMAD		–	16,667	–	16,667
Balance at 30 September 2006 (restated)		(148,801)	487,355	(5,320,707)	6,487,744
Profit for the year		–	–	1,289,379	1,289,379
Exchange differences on consolidation		–	–	–	(156,707)
Cancellation of deferred shares and share premium account*	17/18	–	–	7,451,589	–
Transfer from special reserve to retained earnings**	18	–	–	3,788,477	–
Net issue of shares to Employee Benefit Trust	26	(18,970)	357,000	–	376,750
Accrued cash equivalent of share options receivable by NOMAD		–	50,004	–	50,004
Balance at 30 September 2007		(167,771)	894,359	7,208,738	8,047,170

* The allotted and fully paid share capital of Impax Group plc was, by virtue of a special resolution and with the sanction of an Order of the High Court of Justice dated 22 August 2007, reduced from £11,000,000 being 248,341,664 ordinary shares of 1p each and 35,485,764 deferred shares of 24p each, to £2,483,417 divided into 248,341,664 ordinary shares of 1p each.

** The Company gave undertakings to the High Court of Justice to maintain the special reserve until all creditors outstanding on 22 August 2007 had either been paid or given their consent to enable the Company to transfer the balance to retained earnings. At the year end, the Company had made creditor payments and obtained the necessary consents to enable it to transfer £3,788,477 from the special reserve to retained earnings.

IMPAX

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2007

	Note	Share capital £	Share premium £	Special reserve £	Exchange equalisation reserve £
Balance at 1 October 2005		8,973,635	835,794	–	(590,696)
Loss for the year		–	–	–	–
Exchange differences on consolidation		–	–	–	(123,487)
Conversion of Loan Stock		537,439	1,905,465	–	–
Loan Stock costs of issue written off		–	(93,877)	–	–
Net issue of shares to Employee Benefit Trust	26	80,750	76,101	–	–
Accrued cash equivalent of share options receivable by NOMAD		–	–	–	–
Balance at 30 September 2006		9,591,824	2,723,483	–	(714,183)
Profit for the year		–	–	–	–
Exchange differences on consolidation		–	–	–	(142,033)
Cancellation of deferred shares and share premium account	17/18	(8,516,583)	(2,723,483)	3,788,477	–
Transfer from special reserve to retained earnings	18	–	–	(3,788,477)	–
Net issue of shares to Employee Benefit Trust	26	19,750	18,970	–	–
Accrued cash equivalent of share options receivable by NOMAD		–	–	–	–
Balance at 30 September 2007		1,094,991	18,970	–	(856,216)

	Note	Treasury shares £	Other reserve £	Retained earnings £	Total £
Balance at 1 October 2005		(72,700)	154,488	(6,252,084)	3,048,437
Loss for the year		–	–	(1,265,953)	(1,265,953)
Exchange differences on consolidation		–	–	–	(123,487)
Conversion of Loan Stock		–	–	–	2,442,904
Loan Stock costs of issue written off		–	–	–	(93,877)
Net issue of shares to Employee Benefit Trust	26	(76,101)	316,200	–	396,950
Accrued cash equivalent of share options receivable by NOMAD		–	16,667	–	16,667
Balance at 30 September 2006		(148,801)	487,355	(7,518,037)	4,421,641
Profit for the year		–	–	243,517	243,517
Exchange differences on consolidation		–	–	–	(142,033)
Cancellation of deferred shares and share premium account	17/18	–	–	7,451,589	–
Transfer from special reserve to retained earnings	18	–	–	3,788,477	–
Net issue of shares to Employee Benefit Trust	26	(18,970)	357,000	–	376,750
Accrued cash equivalent of share options receivable by NOMAD		–	50,004	–	50,004
Balance at 30 September 2007		(167,771)	894,359	3,965,546	4,949,879

CONSOLIDATED CASHFLOW STATEMENT

Year ended 30 September 2007

	Note	2007	2006 (restated)
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		1,611,242	456,502
Adjustments for:			
Depreciation of property, fixtures & equipment		16,715	12,323
Amortisation of intangible assets		5,998	–
Revaluation of investment		(40,251)	7,000
Movement on treasury shares		(18,970)	(76,101)
Movement on share premium		18,970	76,101
Share-based transactions		407,004	332,867
Translation differences		(156,707)	(131,579)
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL		1,844,001	677,113
Decrease in receivables		140,443	201,793
Increase in payables		1,381,542	660,299
NET CASH GENERATED BY OPERATING ACTIVITIES		3,365,986	1,539,205
Investing activities:			
Interest received		209,412	137,699
Interest paid		–	(51,582)
Purchase of investments		(1,506,851)	(255)
Purchase of property, fixtures & equipment		(80,031)	(23,616)
NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES		(1,377,470)	62,246
Financing activities:			
Share capital issued		19,750	80,750
NET CASH GENERATED BY FINANCING ACTIVITIES		19,750	80,750
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,008,266	1,682,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,545,388	(1,438,901)
Non-cash transactions:			
Conversion of loan stock		–	2,302,088
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	4,553,654	2,545,388

COMPANY CASHFLOW STATEMENT

Year ended 30 September 2007

	Note	2007 £	2006 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit/(loss)		227,623	(1,204,139)
Adjustments for:			
Depreciation of property, fixtures & equipment		16,315	9,599
Revaluation of investment		(26,269)	–
Movement on treasury shares		(18,970)	(76,101)
Movement on share premium		18,970	76,101
Share-based transactions		407,004	332,867
Translation differences		(142,033)	(123,487)
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL		482,640	(985,160)
(Increase)/decrease in receivables		(310,590)	385,851
Increase in payables		1,389,349	265,427
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES		1,561,399	(333,882)
Investing activities:			
Interest received		15,894	36,707
Interest paid		–	(51,582)
Sale of investments		–	180,000
Purchase of investments		(1,506,851)	(253)
Purchase of property, fixtures & equipment		(39,489)	(23,616)
NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES		(1,530,446)	141,256
Financing activities:			
Share capital issued		19,750	80,750
NET CASH GENERATED BY FINANCING ACTIVITIES		19,750	80,750
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		50,703	(111,876)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(4,264)	(2,194,476)
Non-cash transactions:			
Conversion of loan stock		–	2,302,088
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	46,439	(4,264)

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

1. ACCOUNTING POLICIES

Presentation of Financial Statements

Impax Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 6 of the financial statements. The nature of the Group's operations and its principal activities are set out in the directors' report on pages 9 to 14.

The Group and the Company have not applied the following IFRS and IFRIC that are applicable to the Group and Company and that have been issued but are not yet effective.

IAS 1 – Amendment to IAS 1 (Revised), Presentation of Financial Statements, effective for financial year beginning 1 January 2007

IFRS 7 – Financial Instruments: Disclosures, effective for financial year beginning 1 January 2007

IFRS 8 – Operating Segments, effective for financial year beginning 1 January 2009

IFRIC 8 – Scope of IFRS 2, Share-based Payment, effective for financial year beginning 1 May 2006

IFRIC 10 – Interim Financial Reporting and Impairment, effective for financial year beginning 1 November 2006

IFRIC 11 – Group and Treasury share transactions, effective for financial period beginning 1 March 2007

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group or Company, except for additional disclosures when the relevant Standards come into effect.

Basis of accounting

The 2007 financial statements are the Group's first consolidated financial statements prepared under International Financial Reporting and Accounting Standards. The disclosure required by IFRS 1 concerning the transition from UK GAAP to International Financial Reporting Standards is given in Note 30. The financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary.

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.

All intra-group transactions and balances are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

1. **ACCOUNTING POLICIES (continued)**

Investments that are held by the Group are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital and similar organisations to be excluded from the scope of IAS 28 Investments in Associates provided that those investments upon initial recognition are designated as fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised in profit or loss in the period of change.

Going concern

The accounts have been prepared on a going concern basis.

Revenue recognition

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that its value might be impaired.

On disposal of a subsidiary, the attributable amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

Positive goodwill arising on acquisitions before the date of the transition to International Financial Reporting Standards has been retained at the previous UK GAAP amount subject to being tested for impairment at that date.

Impairment

At the balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense, unless the relevant asset is land and buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.

1. ACCOUNTING POLICIES (continued)

Depreciation of property, fixtures and equipment

Depreciation is provided on property, fixtures and equipment by equal instalments over their estimated useful lives on a straight-line basis:

Leasehold improvements	3 years
Office equipment	3 years
Office fixtures & fittings	4 years

Amortisation of intangible fixed assets

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

Licences	4 years

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Benefits received and receivable as an incentive to enter into operating leases are also spread on a straight line basis over the lease term.

Segment Report

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group's asset management division is the Group's principle business segment. Although a small corporate finance segment exists, the activity of this division is deemed immaterial for the purpose of providing a segmented business analysis. However, the Group has deemed it appropriate to provide segmented geographical analysis.

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.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that creates a residual interest in the assets of Group.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. **ACCOUNTING POLICIES (continued)**

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts.

Trade payables

Trade payables are stated at their nominal value less any discount or rebate received.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event from which it is likely that an outflow of economic benefits will occur which can be reasonably quantified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 income statement. 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$ 1.98: £1 (2006: US$1.80: £1); the rate ruling at the balance sheet date was US$ 2.05: £1 (2006: US$1.87: £1).

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax is based on taxable profits for the year after all potential reliefs available have been utilised. Taxable profits differ from net profits as reported in the income statement because it excludes items that are taxable or deductable in other years and items that are not taxable or deductable. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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.

The carrying amounts of deferred tax assets is reviewed at each balance sheet date and 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 tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

1. ACCOUNTING POLICIES (continued)

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 SIC 12 "Consolidation – special purpose entities", 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 IAS 32 "Financial instruments: disclosure and presentation" until such time as they vest unconditionally to participating employees.

The fair value of employee services received in exchange for the grant of shares is recognised as an expense. The total amount to be expensed rateably over the performance period is determined by reference to the fair value of the shares determined at the grant date.

Share-based payments – other goods and services

Goods or services (other than employee services) received in exchange for share-based payment are measured directly at their fair value and are recognised as an expense. Proceeds received on exercise of options, net of any directly attributable transaction costs, are credited to equity.

Corresponding amounts

Certain comparative information presented in the financial statements for the year ended 30 September 2006 has been reclassified in order to achieve comparability with the presentation used in the financial statements for the year ended 30 September 2007.

Critical accounting judgements and key sources of estimation uncertainty

(a) ***Critical judgements in applying the Group's accounting policy***
In the process of applying the Group's accounting policies which are described above, management has made a significant judgement on the accounting treatment of investments where the group owns more than 20% of the ordinary shares of another company. Management has not had to make any further significant judgements on the amounts recognised in the financial statements.

(b) ***Key sources of estimation uncertainty***
Investments in subsidiaries and calculation of goodwill

The Company determines whether investments in subsidiaries are impaired at least on an annual basis and measures the recoverable amount of the investments whenever there is an indication that the investments may be impaired. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Company to make an estimate of the expected future cashflow from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cashflows.

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

Revenue relates solely to the principal activities of the Group.

	Consolidated revenue 2007	2006 (restated)
	£	£
UK	6,772,827	3,540,040
Europe	341,868	299,990
USA	–	–
	7,114,695	3,840,030

	Consolidated operating profit 2007	2006 (restated)
	£	£
UK	1,611,787	457,482
Europe	–	–
USA	(545)	(980)
	1,611,242	456,502

	Consolidated net assets 2007	2006 (restated)
	£	£
UK	6,661,945	4,617,514
Europe	913	(10,747)
USA	1,384,312	1,880,977
	8,047,170	6,487,744

3. OPERATING PROFIT

	2007	2006 (restated)
	£	£
Operating profit is stated after charging/(crediting):		
Staff costs and other operating charges	4,943,632	2,867,654
Long term incentive scheme charge*	357,000	316,200
Operating leases, property rental	125,700	129,612
Depreciation of property, fixtures and equipment	16,715	12,323
Amortisation of intangible assets	5,998	–
Auditors' remuneration – audit fees	67,022	55,000
Auditors' remuneration – tax compliance	13,515	4,224
Auditors' remuneration – other	2,392	2,532
Exchange differences	11,730	(11,017)
Movement in fair value of current investments	(40,251)	7,000

* Further details are set out in note 26.

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006 (restated)
	£	£
Bank interest	209,412	137,699

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006 (restated)
	£	£
Interest on Loan Stock	–	51,582
Amortisation of issue costs of Loan Stock	–	46,939
	–	98,521

6. TAXATION

	2007	2006
	£	£
Analysis of charge for the year		
Current tax:		
UK corporation tax on profits of the period	288,218	–
Deferred tax:		
Release/(realisation) of deferred tax asset	243,057	(388,255)
Taxation	531,275	(388,255)

	2007	2006 (restated)
	£	£
Factors affecting the tax charge for the year		
Current tax:		
Profit on ordinary activities before taxation	1,820,654	495,680
Tax at 30% on profit on ordinary activities before taxation	546,196	148,704
Effects of:		
Non-deductible expenses	118,713	111,660
Capital allowances	(9,540)	(4,717)
Non-chargeable income	–	(3,240)
Losses utilised	(367,151)	(252,407)
Total current tax	288,218	–

The Group has tax losses of approximately £2.7 million (2006: £4.0 million) available for offset against future taxable profits in the UK. A deferred tax asset of £145,198 (2006: £388,255) has been recognised in respect of £483,994 (2006: £1,294,183) of such losses due to the predictability of future profit streams.

IMPAX

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 Income Statement in these Financial Statements. The parent company's profit for the year amounted to £243,517 (2006: loss of £1,265,953).

8. EARNINGS PER SHARE

In order to show results from operating activities on a comparable basis, an adjusted profit per share has been calculated which excludes the long-term incentive scheme charge of £357,000 (2006: £316,200).

	Profit for the year	Ordinary shares in issue (weighted average)	Earnings per share
2007	£		
Basic	1,289,379	107,616,084	1.20p
Diluted	1,646,379	107,616,084	1.53p
2006 (restated)			
Basic	883,935	55,592,580	1.59p
Diluted	1,200,135	55,592,580	2.16p

During 2006 £2,442,906 Convertible Unsecured Loan Stock was converted into 53,743,932 ordinary shares. Had this conversion taken place at the beginning of that year the earnings per share for 2006 would have been as follows:

	Profit for the year	Ordinary shares in issue (weighted average)	Earnings per share
2006 (restated)	£		
Basic	883,935	100,488,893	0.88p
Diluted	1,200,135	100,488,893	1.19p

9. GOODWILL – GROUP

	Goodwill (restated) £
Cost	
At 1 October 2006 and 30 September 2007	2,830,097
Amortisation	
At 1 October 2006 and 30 September 2007	1,201,000
Net book value	
At 1 October 2006 and 30 September 2007	1,629,097

Goodwill arose on the acquisition of Impax Capital Limited on 18 June 2001. Management assess the carrying value of goodwill annually based on the results and forecasts of this company and Impax Asset Management Limited which, combined, are considered to be one cash-generating unit.

10. OTHER INTANGIBLE ASSETS – GROUP

	Licences £
Cost	
At 1 October 2006	–
Additions	40,543
At 30 September 2007	40,543
Amortisation	
At 1 October 2006	–
Charge for the year	5,998
At 30 September 2007	5,998
Net book value	
30 September 2007	34,545
30 September 2006	–

11. PROPERTY, FIXTURES AND EQUIPMENT

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
Additions	5,921	33,567	39,488
At 30 September 2007	15,760	179,369	195,129
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
Charge for year	4,061	12,654	16,715
At 30 September 2007	7,288	140,635	147,923
Net book value			
At 30 September 2007	8,472	38,734	47,206
At 30 September 2006	6,612	17,821	24,433
At 30 September 2005	4,535	8,605	13,140

11. PROPERTY, FIXTURES AND EQUIPMENT (continued)

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
Additions	5,921	33,567	39,488
At 30 September 2007	15,760	61,287	77,047
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
Charge for year	4,061	12,254	16,315
At 30 September 2007	7,288	22,553	29,841
Net book value			
At 30 September 2007	8,472	38,734	47,206
At 30 September 2006	6,612	17,421	24,033
At 30 September 2005	4,535	5,481	10,016

12. INVESTMENTS

GROUP

	Other Investments £
Cost at 1 October 2006 and 30 September 2007	14,357

COMPANY

	Other investments £	Subsidiary undertakings £	Total £
Cost at 1 October 2006 and 30 September 2007	13,362	3,215,428	3,228,790

12. 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.

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	27.76%	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 17.66% 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. TRADE AND OTHER RECEIVABLES

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade receivables	819,990	464,017	–	–
Amounts owed by Group undertakings	–	–	2,204,214	1,593,820
Other receivables	393,367	333,431	27,604	70,346
Loans receivable	1,384,312	1,880,977	–	204,739
Prepayments and accrued income	371,375	431,062	46,135	90,976
Deferred tax asset	145,198	388,255	–	–
	3,114,242	3,497,742	2,277,953	1,959,881

At the balance sheet date the Group has unused tax losses of £2.7 million (2006: £4.0 million). A deferred asset of £145,198 (2006: £388,255) has been recognised in respect of £483,994 (2006: £1,294,183) of such losses due to the predictability of future profit streams.

Included in Group other receivables is an amount due after more than one year of £65,094 (2006: £65,094). Included in Group loans receivable is an amount due after one year of £1,208,531 (2006: £1,528,413).

Included in Company amounts owed by Group undertakings is an amount due after more than one year of £1,006,725 (2006: £1,328,406). Included in Company loans receivable is an amount due after one year of £nil (2006: £44,483).

14. CURRENT ASSET INVESTMENTS

GROUP

	Unlisted investment £	Listed investment £	Total £
Cost or Valuation			
At 1 October 2006	11,344	61,408	72,752
Additions	–	1,506,851	1,506,851
Revaluation	–	40,251	40,251
At 30 September 2007	11,344	1,608,510	1,619,854
Net book value			
At 30 September 2007	11,344	1,608,510	1,619,854
At 30 September 2006	11,344	61,408	72,752

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 in 2005.

14. CURRENT ASSET INVESTMENTS (continued)

40,096 shares of Ivanhoe were released from escrow account in April 2007. Of these, 30,100 were sold in November 2007 for £34,440 realising a profit of £6,056 on the year-end valuation. The remaining 40,095 shares, representing 50% of the shares held at year end, are held in an escrow account 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.

On 21 May 2007, the Company made an investment of €2,200,000 (£1,506,851) in the Impax Absolute Return Fund ("IARF"). The investment took the form of a subscription of 22,000 Euro Class A shares in the IARF, at €100 per share. The IARF, which is managed by a subsidiary undertaking of the Company, launched on 21 May 2007 and had a total net asset value ("NAV") of £3,284,195 at 30 September 2007. The Group's investment in the IARF represents 45.88% of the NAV at 30 September 2007. The Directors are of the opinion that this investment does not constitute an associate undertaking due to insignificant control and influence.

This listed investment is revalued to market value.

COMPANY

	Total
	£
Cost or Valuation	
At 1 October 2006	–
Additions	1,506,851
Revaluation	26,269
At 30 September 2007	1,533,120
Net book value	
30 September 2007	1,533,120
30 September 2006	–

15. TRADE AND OTHER PAYABLES

	Group 2007	Group 2006	Company 2007	Company 2006
	£	£	£	£
Bank loans and overdraft	30	4,264	–	4,264
Trade payables	65,435	17,351	24,305	1,128
Amounts owed to Group undertakings	–	–	1,475,265	589,113
Taxation and other social security	210,828	113,274	–	–
Corporation tax payable	288,218	–	–	–
Other payables	55,005	70,034	31,305	18,578
Accruals and deferred income	2,346,299	1,095,366	652,754	177,980
	2,965,815	1,300,289	2,183,629	791,063

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

16. DEFERRED TAXATION

The Group has tax losses of approximately £2.7 million (2006: £4.0 million) available for offset against future taxable profits in the UK. A deferred tax asset of £145,198 (2006: £388,255) has been recognised in respect of £483,944 (2006: £1,294,183) 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.

17. ORDINARY SHARES

	2007 £	2006 £
Authorised		
248,341,664 ordinary shares of 1p each (2006: 148,341,664 ordinary shares of 1p each)	2,483,417	1,483,417
Nil (2006: 35,485,764) deferred shares of 24p each	–	8,516,583
Total authorised share capital	2,483,417	10,000,000
Allotted and fully paid		
109,499,098 ordinary shares of 1p each (2006: 107,524,098 ordinary shares of 1p each)	1,094,991	1,075,241
Nil (2006: 35,485,764) deferred ordinary shares of 24p each	–	8,516,583
Total allotted and fully paid share capital	1,094,991	9,591,824

At the Annual General Meeting of the Company held on 9 February 2007 shareholders passed a resolution to increase the authorised share capital of the Company 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.

The allotted and fully paid share capital of Impax Group plc was, by virtue of a special resolution and with the sanction of an Order of the High Court of Justice dated 22 August 2007, reduced from £11,000,000, being 248,341,664 ordinary shares of 1p each and 35,485,764 deferred shares of 24p each, to £2,483,417 being 248,341,664 ordinary shares of 1p each.

On 14 September 2007, 1,975,000 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 to trading on AIM.

18. RESERVES

During the year, the Company carried out a balance sheet reorganisation which was approved by shareholders in June 2007 and which received High Court approval on 22 August 2007. The result of this reorganisation was to eliminate the deficit on reserves by cancellation of the deferred shares and share premium account. The surplus arising from this cancellation created a special reserve of £3,788,477.

The Company gave undertakings to the Court to maintain this special reserve until all creditors outstanding on 22 August 2007 had either been paid or given their consent to the Company to transfer the balance to revenue reserves. The Company has now made creditor payments and obtained the necessary consents to enable it to transfer £3,788,477 from the special reserve to revenue reserves.

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32, the assets and liabilities of the EBT have been included in the Company's and Group's accounts resulting in the inclusion of £167,771 treasury shares, £18,970 share premium and £827,688 included in other reserves.

On 31 May 2006, the Company appointed Landsbanki Securities (UK) Limited ("Landsbanki"), (formerly Bridgewell Securities Limited) as nominated advisor and broker ("NOMAD") to the Group. For the twelve months following their appointment they received an option over 500,000 shares in the Company, exercisable at 20p within three years. For the period between twelve and twenty-four months following their appointment they will receive a further option over 388,215 shares in the Company exercisable at 25.76p within three years.

In 2007, £50,004 (2006: £16,667) was charged to the Income statement and credited to other reserves to reflect the cash equivalent of this compensation.

19. FINANCIAL COMMITMENTS

At 30 September 2007 the Group and Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007	**2006**	**2007**	**2006**
	£	**£**	**£**	**£**
Expiry date:				
Within one year	–	–	–	–
Between one and two years	–	–	–	–
Between two and five years	119,212	119,212	6,488	6,488
Over five years	–	–	–	–
	119,212	119,212	6,488	6,488

20. DIRECTORS' EMOLUMENTS

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

	Fees/Salary	Other	Pension	Bonus	2007 Total	2006 Total
	£	£	£	£	£	£
Keith Falconer	75,000	–	–	70,000	145,000	107,917
Nigel Taunt	125,000	9,733	80,161	34,476	249,370	157,276
Ian Simm	180,000	4,404	347,400	–	531,804	260,771
Melville Haggard	21,205	2,104	1,060	–	24,369	116,282
David Kempton	20,000	–	–	–	20,000	20,000
Simon Morris	20,000	–	–	–	20,000	20,000
	441,205	16,241	428,621	104,476	990,543	682,246

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

21. EMPLOYEES

Number of employees

The average number of persons (including Directors) employed during the year was 20 (2006: 19).

Employment costs

	2007	2006
	£	£
Wages and salaries	2,686,287	1,757,057
Social security costs	323,467	219,292
Pensions	522,640	61,361
	3,532,394	2,037,710

22. 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 £522,640 (2006: £61,361). Contributions totalling £471,144 (2006: £11,954) were payable to the funds at the year end and are included in trade and other payables.

23. FINANCIAL INSTRUMENTS

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

As permitted by IAS 32, short-term receivables and payables 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 trade and other receivables is an amount denominated in Euros of €573,352 (£399,270), (2006: €394,023 (£269,879)).

Included in Group loans receivable is an amount denominated in US Dollars of $2,834,628 (£1,384,095), (2006: $3,521,189 (£1,880,977)).

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 Group 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 Group at any time. The Group 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.

24. 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, 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

Year ended 30 September 2007

25. 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.

26. 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 September 2007 the Company allotted 1,975,000 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 78,035 Ordinary Shares for £19,750 to provide funding relating to the purchase of Ordinary Shares by the EBT. Following the sale the EBT is interested in 16,777,045 Ordinary Shares representing 15.32% of the Ordinary Shares in issue at 30 September 2007. The potential beneficiaries of the EBT include the executive directors and employees of the Group and their respective families.

On 30 September 2007 7,270,000 of the Ordinary Shares held by the EBT vested to employees and their families.

The allocation of Ordinary Shares to employees and their families via the EBT by the Company in 2005, 2006 and 2007 as part of the long-term incentive scheme has given rise to a charge of £357,000 (2006: £316,200) to the income statement for the year. This forms part of a total charge of £1,069,539, being:

– £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the 2005 share award

– £485,143 evenly spread over the three years to 30 September 2008, which is the performance period for the 2006 share award

– £120,932 evenly spread over the three years to 30 September 2009 which is the performance period for the 2007 share award

It is calculated in accordance with the requirements of IFRS 2 "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 SIC 12 "Consolidation – special purpose entities" and IAS 32, the assets and liabilities of the EBT have been included in the Company's and Group's accounts resulting in the inclusion of £167,771 treasury shares, £18,970 share premium, £4,025 retained earnings and £827,688 included in other reserves.

For the year ended 30 September 2007, the following transactions were undertaken by the EBT.

26. EMPLOYEE BENEFIT TRUST (continued)

	2007 £	2006 £
Purchase of 1,975,000 (2006: 8,075,000) Ordinary Shares in the Company	(19,750)	(80,750)
Sale of 78,035 (2006: 464,920) Ordinary Shares in the Company	19,750	80,750
Cash remaining under control at year end	–	–

The market value of ordinary shares held in the EBT at 30 September 2007 was £5,409,952 (2006: £2,641,214).

27. ULTIMATE CONTROLLING PARTY

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

28. 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. On 20 March 2007 the partnership terminated and the fund's assets were distributed to its limited partners. As a result the subsidiary undertaking ceased to act as the fund's manager. During the year the Group received £254,583 (2006: £245,000) from the fund in the form fees payable in accordance with the terms of the partnership termination agreement. At 30 September 2007 the Group was owed £105,977 (2006: £6,776) 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 £1,401,276 (2006: £898,379) from the fund in the form of management fees. At 30 September 2007 the Group was owed £58,784 (2006: £191,142) by the fund in respect of reimbursable fund 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 £341,745 (2006: £299,990) from the fund in the form of management fees. At 30 September 2007 the Group was owed £28,754 (2006: the Group owed the fund £19,216) in respect of reimbursable fund expenses.

All balances were unsecured.

29. CASH AND CASH EQUIVALENTS

For the purposes of the cashflow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2007 £	2006 £
GROUP		
Cash at bank and in hand	4,553,684	2,549,652
Bank overdraft	(30)	(4,264)
	4,553,654	2,545,388

29. CASH AND CASH EQUIVALENTS (continued)

	2007	2006
	£	£
COMPANY		
Cash at bank and in hand	46,439	–
Bank overdraft	–	(4,264)
	46,439	(4,264)

30. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the first year that the Group has presented its financial statements under International Financial Reporting Standards. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 September 2006 and the date of transition to International Financial Reporting Standards was therefore 1 October 2005.

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

	UK GAAP 30 September 2006	IFRS 3 Goodwill	IFRS 30 September 2006
	£	£	£
Non-current assets			
Goodwill	1,346,493	282,604	1,629,097
Property, plant and equipment	24,433	–	24,433
Fixed asset investments	14,357	–	14,357
	1,385,283	282,604	1,667,887
Current assets			
Trade and other receivables due after one year	1,593,507	–	1,593,507
Trade and other receivables due within one year	1,904,235	–	1,904,235
Investments	72,752	–	72,752
Cash and cash equivalents	2,549,652	–	2,549,652
	6,120,146	–	6,120,146
Current liabilities	(1,300,829)	–	(1,300,829)
Net current assets	4,819,857	–	4,819,857
Total net assets	6,205,140	282,604	6,487,744
Capital and reserves attributable to equity holders of the parent			
Ordinary shares	9,591,824	–	9,591,824
Share premium	2,723,483	–	2,723,483
Exchange equalisation reserve	(845,410)	–	(845,410)
Treasury shares	(148,801)	–	(148,801)
Other reserves	487,355	–	487,355
Retained earnings	(5,603,311)	282,604	(5,320,707)
Total Equity	6,205,140	282,604	6,487,744

30. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

	UK GAAP 30 September 2006 £	IFRS 3 Goodwill £	IFRS 30 September 2006 £
Revenue	3,840,030	–	3,840,030
Operating expenses			
Goodwill amortisation	(282,604)	282,604	–
Long term incentive scheme charge	(316,200)	–	(316,200)
Revaluation of investments	(7,000)	–	(7,000)
Other operating expenses	(3,060,328)	–	(3,060,328)
	(3,666,132)	282,604	(3,383,528)
Operating profit			
Continuing operations	173,898	282,604	456,502
Net interest receivable	39,178	–	39,178
Profit on ordinary activities before taxation	213,076	282,604	495,680
Taxation	388,255	–	388,255
Profit attributable to the Group	601,331	282,604	883,935

Effect of the change to IFRS on the Consolidated Cashflow Statement for the year ended 30 September 2006

Other than presentational items, there are no differences arising on the transition to IFRS.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Impax Group plc will be held at the offices of Landsbanki Securities (UK) Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR at 10.30 a.m. on 27 February 2008 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 2007.
2. To re-elect, as a Director, Mr I R Simm who retires by rotation and offers himself for re-election.
3. To re-appoint Mazars LLP as Auditors and to authorise the Directors to fix their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to the resolution 4 as an ordinary resolution and as to the resolution 5 as a special resolution:

4. 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 31 January 2008) 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 £364,997 provided that this authority shall expire on the fifth anniversary of the date of passing of this 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.
5. That, subject to the passing of, and pursuant to, the Ordinary Resolution numbered 4 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:

   5.1 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;

   5.2 the allotment (otherwise than pursuant to paragraph 5.1) of equity securities for cash up to an aggregate nominal amount of £54,749.55 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
Company Secretary

21 December 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, speak and vote in his or her stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. 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. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
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 of authority) must be deposited at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 10.30 a.m. on 25 February 2008.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of Members at 6.00 p.m. on 25 February 2008 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
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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