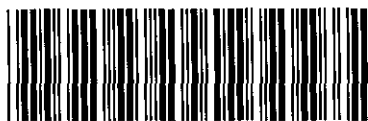


**Company Number: 3583839**

**IMPAX ASSET MANAGEMENT LIMITED**  
**Directors' Report and Financial Statements**  
**for the year ended 30 September 2006**

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# **IMPAX ASSET MANAGEMENT LIMITED**

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# **IMPAX ASSET MANAGEMENT LIMITED**

## **COMPANY INFORMATION**

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**Directors** J Keith R Falconer  
Ian R Simm  
Bruce Jenkyn-Jones  
Peter V E Roszbach

**Secretary** Jacqueline A Brown

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

**Auditors** MRI Moores Rowland LLP  
3 Sheldon Square  
London  
W2 6PS

## **IMPAX ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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The directors present their report and financial statements for the year ended 30 September 2006.

#### **Principal activities and review of the business**

*The principal activity of the company during the year was the provision of investment services to funds specialising in the environmental infrastructure and technology sectors.*

The fundamental drivers of the business: alternative energy, water treatment and waste management, continue to strengthen. Demand for capital in these sectors is building rapidly and the company is seeing significant deal flow, particularly from companies it has known for many years. The company plans to establish scaleable funds to exploit a range of investment opportunities and to use third parties to distribute its products.

The directors consider assets under management ("AUM"), turnover and profitability to be the key performance indicators of the company. Turnover for the year was £3,512,192 (2005: £1,170,882). This reflects the growth in AUM from £170m at 30 September 2005 to £434m at 30 September 2006.

#### **Results and dividends**

The results for the year under review are set out on page 7. No dividend was declared for the year ended 30 September 2006 (2005: £nil).

#### **Risk Assessment**

The company is exposed to a variety of financial and operation risks as detailed below.

##### **Liquidity and Cash flow risk**

*The company produces a cashflow forecast covering a twelve month period to manage its liquidity requirements. These forecasts are subject to regular review by management.*

##### **Interest rate risk**

The company has interest bearing assets, but no such liabilities. Interest bearing assets include cash balances that earn interest at a floating rate.

##### **Currency risk**

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

Certain of the company's assets and liabilities are denominated in foreign currency. Exchange differences that arise from the revaluation of assets and liabilities are taken to the profit and loss account.

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## **IMPAX ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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#### **Financial Instruments**

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

#### **Operational risk**

The company's ultimate parent, Impax Group plc, has put in place measures to minimise and manage risks to the disruption of the company's business and to ensure the safety of its staff. Please refer to the directors' report of Impax Group plc for further details.

#### **Creditor payment policy**

The company seeks to maintain good terms with all of its trading partners. In particular, it is the company'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 company for the year ended 30 September 2006 were 1 (2005: 30), 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 company by its suppliers in the year and the amounts due, at the year-end, to trade creditors within one year.

#### **Directors**

The following directors have held office since 1st October 2005:

Bruce Jenkyn-Jones  
Ian R Simm  
J Keith R Falconer  
Peter V E Rossbach

#### **Directors' interests**

None of the directors held any interest in the company's shares.

The interests of Ian R Simm, and J Keith R Falconer in the share capital of the ultimate parent company, Impax Group plc, are shown in the report and accounts of that company.

## **IMPAX ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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#### **Auditors**

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

#### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

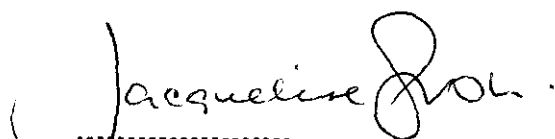
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

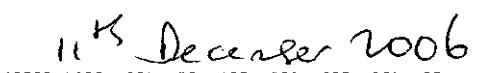
#### **Statement of disclosure to auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the company'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 company's auditors are aware of that information.

On behalf of the board

  
Jacqueline A Brown  
Secretary

  
Date

## **IMPAX ASSET MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006**

---

To the shareholders of Impax Asset Management Limited.

We have audited the financial statements of Impax Asset Management Limited for the year ended 30 September 2006 set out on pages 7 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by the 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**

As described in the Statement of Director's Responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the director's 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and 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.

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**IMPAX ASSET MANAGEMENT LIMITED**

**INDEPENDENT AUDITORS' REPORT (continued)  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30th September 2006 and of its profit for the year then ended; and
- the information given in the directors' report is consistent with the financial statements; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*MRI Moores Rowland LLP*

11.12.06

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**MRI Moores Rowland LLP**

Chartered Accountants

Registered Auditor

3 Sheldon Square, London, W2 6PS



**IMPAX ASSET MANAGEMENT LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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	<b>Notes</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
Turnover	2	3,512,192	1,170,882
Operating costs		(2,614,457)	(680,585)
Operating profit	3	<u>897,735</u>	<u>490,297</u>
Interest receivable and similar income	4	47,272	21,976
Interest payable and similar charges	5	<u>(10,800)</u>	<u>(10,800)</u>
Profit on ordinary activities before taxation		934,207	501,473
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation		<u>934,207</u>	<u>501,473</u>

---

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

There are no recognised gains and losses other than those passing through the profit and loss account.

# IMPAX ASSET MANAGEMENT LIMITED

## BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Notes	£	2006 £	£	2005 £
<b>Fixed assets</b>					
Investments	7		5		5
Tangible assets	8		<u>140</u>		<u>871</u>
			145		876
<b>Current assets</b>					
Debtors	9	943,176		705,746	
Cash at bank and in hand		<u>2,485,016</u>		<u>688,085</u>	
		3,428,192		1,393,831	
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,699,424)</u>		<u>(600,001)</u>	
<b>Net current assets</b>			1,728,768		793,830
			<u>1,728,913</u>		<u>794,706</u>
<b>CAPITAL &amp; RESERVES</b>					
Called up share capital	12		10,000		10,000
Capital redemption reserve	13		180,000		-
Profit and loss account	13		1,538,913		784,706
<b>Shareholders' funds</b>	14		<u>1,728,913</u>		<u>794,706</u>
Equity interests			1,728,913		794,706
Non-equity interests			<u>-</u>		<u>-</u>
			1,728,913		794,706

The financial statements were approved by the board on 11<sup>th</sup> December 2006

.....  
Ian R Simm  
Director

## **IMPAX ASSET MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006**

---

#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable accounting standards.

During the year FRS 25 "Financial Instruments: Disclosure and Presentation" came into effect. This standard has required the company to reclassify its Redeemable Non-Cumulative Preference Share Capital as a liability from its previous equity classification. As this standard has to be applied retrospectively, the comparative information has also been adjusted.

##### **1.3 Turnover**

Turnover represents the invoiced value of fees, exclusive of value added tax.

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	33.3%	straight line
------------------	-------	---------------

##### **1.5 Fixed asset investments**

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

##### **1.6 Pensions**

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

##### **1.7 Deferred taxation**

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. The deferred tax balance has not been discounted.

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

##### **1.8 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

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# IMPAX ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

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### 1 Accounting policies (continued)

#### 1.9 Consolidation

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Impax Group plc, a company registered in England and Wales, and is included in the consolidated accounts of that company.

#### 1.10 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.

#### 1.11 Cashflow

The company has taken advantage of the exemption relating to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, provided that consolidated financial statements in which those subsidiary undertakings are included are publicly available.

### 2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Operating profit

Operating profit is stated after charging:

Depreciation of tangible assets

Auditors' remuneration - audit \*

(Profit)/loss on currency exchange

*\*Auditors' remuneration is charged to Impax Group plc.*

**2006**  
**£**

**2005**  
**£**

730

1,471

-

-

(11,017)

5,439

### 4 Interest Receivable

Bank interest

**2006**  
**£**

**2005**  
**£**

47,272

21,976

### 5 Interest Payable

Interest on Preference Shares (see note 12)

**2006**  
**£**

**2005**  
**£**

10,800

10,800

# IMPAX ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

### 6 Taxation on profit on ordinary activities

	2006 £	2005 £
<b>Current tax charge</b>	-	-
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	934,207	501,473
Tax at 30% on profit on ordinary activities before taxation (2005: 30%)	280,262	150,442
Effects of:		
Non deductible expenses	6,766	816
Capital allowances	(211)	(281)
Receipt in respect of group relief	(286,817)	(150,977)
<b>Current tax charge</b>	-	-

### 7 Fixed asset investments

	Shares in Group undertakings £
<b>Cost</b>	
At 1 October 2005 and 30 September 2006	5

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of incorporation	Class	% Shares held
The Recycling Fund (GP) Limited	England & Wales	Equity	100
Impax New Energy Investors (GP) Limited	England & Wales	Equity	100
Impax Carried Interest Partner (GP) Limited	Scotland	Equity	100

# IMPAX ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

### 7 Fixed asset investments (continued)

The aggregate of the capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
The Recycling Fund (GP) Limited	571	299
Impax New Energy Investors (GP) Limited	2	-
Impax Carried Interest Partner (GP) Limited	1	-

### 8 Tangible fixed assets

#### Cost

As at 1 October 2005  
Additions  
As at 30 September 2006

#### Office Equipment £

8,054  
-  
8,054

#### Depreciation

As at 1 October 2005  
Charge for the period  
As at 30 September 2006

7,183  
731  
7,914

#### Net book value

As at 30 September 2006  
  
As at 30 September 2005

140  
  
871

### 9 Debtors

Trade debtors  
Amounts owed by group undertakings  
Other debtors  
Prepayments and accrued income

#### 2006 £

406,558  
197,917  
1,281  
337,420  
943,176

#### 2005 £

148,804  
374,774  
596  
181,572  
705,746

# IMPAX ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

10	Creditors: amounts falling due within one year	2006 £	2005 £
	Trade creditors	197	205,811
	Amounts owed to group undertakings	782,774	-
	Taxation and other social security	59,050	48,866
	Accruals and deferred income	857,403	165,324
	Redeemable Non-Cumulative Preference Shares	-	180,000
		<u>1,699,424</u>	<u>600,001</u>

### 11 Pension costs

The Group operates 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 charge represents contributions payable by the Group to the funds and amounted to £39,206 (2005: £19,196). Nil contributions (2005: nil) were payable to the funds at year end.

12	Share Capital	2006 £	2005 £
	<b>Authorised</b>		
	10,000 Ordinary shares of £1 each	10,000	10,000
	290,000 Redeemable Non-Cumulative Preference shares of £1 each	290,000	290,000
		<u>300,000</u>	<u>300,000</u>

### Allotted, called up and fully paid

#### Equity

10,000 Ordinary shares of £1 each	10,000	10,000
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#### Liability

Nil (2005: 180,000) Redeemable Non-Cumulative Preference shares of £1 each	-	180,000
	<u>10,000</u>	<u>190,000</u>

Interest is payable on the preference shares at the rate of 6% per annum.

During the year the criteria for redemption of the Redeemable Non-Cumulative Preference Shares was met and therefore they were redeemed. The shares are deemed to have been cancelled on the redemption date and are therefore eliminated from share capital. In accordance with the Companies Act 1985 a capital redemption reserve is created to reflect this cancellation but to preserve total equity in order to safeguard creditors.

# IMPAX ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

### 13 Statement of movements on reserves

	Capital redemption reserve £	Profit & Loss account £
Balance 1 October 2005	-	784,706
Retained profit for the year	-	934,207
Redemption of Redeemable Non-Cumulative Preference shares	180,000	(180,000)
Balance 30 September 2006	<u>180,000</u>	<u>1,538,913</u>

### 14 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	<u>934,207</u>	<u>501,473</u>
Net addition to shareholders' funds	934,207	501,473
Opening shareholders' funds	<u>794,706</u>	<u>293,233</u>
Closing shareholders' funds	<u>1,728,913</u>	<u>794,706</u>

### 15 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	685,301	340,918
Company pension contributions to money purchase schemes	<u>20,080</u>	<u>11,046</u>
	<u>705,381</u>	<u>351,964</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	253,271	160,333
Company pension contributions to money purchase schemes	<u>7,500</u>	<u>5,517</u>
	<u>260,771</u>	<u>165,850</u>

The emoluments for J Keith R Falconer are borne in full elsewhere in the Impax group of companies. Full details of the total remuneration for J Keith R Falconer and Ian R Simm are shown in the accounts of Impax Group plc.



## IMPAX ASSET MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

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#### 16 Employees

##### Number of employees

The average monthly number of employees (including executive directors) during the period was:

	2006	2005
Fund management	<u>11</u>	<u>6</u>

##### Employee Costs

	2006 £	2005 £
Wages and salaries	1,167,540	528,296
Social security costs	144,362	62,905
Other pension costs	<u>39,206</u>	<u>19,196</u>
	<u>1,351,108</u>	<u>610,397</u>

#### 17 Parent company

The immediate and ultimate parent company is Impax Group plc, an AIM listed company, registered in England and Wales. Impax Group plc prepares group financial statements and copies can be obtained from Companies House Crown Way, Maindy, Cardiff CF14 3U2.

#### 18 Related party transactions

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

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

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

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions within group companies on the grounds that the consolidated financial statements are prepared by the ultimate parent company.

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**IMPAX ASSET MANAGEMENT LIMITED****DETAILED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	Year ended 30 September 2006	Year ended 30 September 2005
	£	£
<b>Revenue</b>		
Advisory Fees	48,112	38,304
IEM plc income	1,283,409	397,091
IEM Ireland income	398,841	251,443
ASN income	183,386	44,873
INEF income	1,198,370	106,181
Wrap Income	245,000	245,000
PVMTI Income	155,074	87,990
<b>Total revenue</b>	<b>3,512,192</b>	<b>1,170,882</b>
<b>Direct costs</b>		
Project expenses	116,165	(47,064)
Management Charges - Impax Capital Limited	815,600	-
<b>Total direct costs</b>	<b>931,765</b>	<b>(47,064)</b>
<b>Gross profit</b>	<b>2,580,427</b>	<b>1,217,946</b>
<b>Interest received</b>	<b>47,272</b>	<b>21,976</b>
<b>Interest paid</b>	<b>(10,800)</b>	<b>(10,800)</b>
<b>Administrative expenses</b>		
Payroll	1,351,108	610,397
Other HR Costs	62,055	22,832
Compliance/FSA	13,947	17,578
Printing	482	1,914
Irrecoverable VAT	7,305	11,750
Office provisions	1,090	1,651
Telephone	10,994	4,916
Business development	96,824	14,898
Conferences and Seminars	15,043	6,657
Subscriptions	8,938	1,863
Online services	32,238	25,764
Professional fees	91,783	-
Bank charges	1,171	519
Depreciation	731	1,471
Foreign exchange (gain)/loss	(11,017)	5,439
<b>Total administrative expenses</b>	<b>(1,682,692)</b>	<b>(727,649)</b>
<b>Net profit</b>	<b>934,207</b>	<b>501,473</b>