IMPAX GROUP PLC

REPORT AND ACCOUNTS 30 September 2005

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CHAIRMAN'S STATEMENT

Your Group has made outstanding progress in developing the business, and the first thing I wish to do is to congratulate my colleagues who have worked so successfully on your behalf. They were set and have fulfilled very challenging objectives, and with the Group now on a secure footing, we are implementing a plan to grow shareholder value significantly over the next few years.

Last year, I commented on the favourable growth prospects for our chosen sectors – renewable energy, water and waste. Rising energy costs, unusual weather patterns and a growing commitment to combat climate change have reinforced these prospects. Conversations with investors suggest that they are increasingly aware of the growth opportunities in environmental markets, and therefore I believe we have a sound platform for the further expansion of our business.

RESULTS FOR THE PERIOD

The successful development of the business is not reflected in the financial results for the period ended 30 September 2005, principally because two significant fund raisings took place close to or just after the year end. Turnover for the year was £1,725,060, almost unchanged from last year (2004: £1,737,805). The operating loss for the year was £220,383 (2004: £293,430) before two significant non-cash charges: £282,604 (2004: £282,604) for amortisation of goodwill; and £154,488 (2004: £nil) for shares awarded in the Group's Employee Benefit Trust. In addition, the Group made an exceptional profit of £129,216 from the sale of shares that it had previously received in lieu of corporate finance fees.

ASSET MANAGEMENT

The asset management division produced strong underlying fund performance and expanded significantly during the year, securing three new mandates. In spite of only a partial contribution from new assets, revenue increased 49% over the previous year to £1,170,882.

The funds under management rose from £69 million at the end of September 2004 to £170 million one year later, with the most significant contributor being Impax New Energy Investors LP (the "New Energy Fund"), which raised €60 million (£41 million) of capital commitments in its first closing. As at 30 November 2005 total assets under management were £229 million.

Against a backdrop of rapid growth in environmental markets and rising company earnings, the listed equity funds that we manage recovered strongly in the period. In particular, the net asset value of Impax Environmental Markets plc ("IEM"), an investment trust quoted on the London Stock Exchange, rose 39% over the year, significantly ahead of the MSCI World Index, which grew 20% in the same period. On 14 November 2005 we were able to complete the fund raising for an additional £60 million of capital for IEM, taking its total net assets to £105 million.

My interim statement reported that in December 2004 we completed fund raising for and commenced management of Impax Environmental Markets (Ireland) ("IEMI"), an open-ended investment fund listed on the Irish Stock Exchange, and that we assumed management of the Amsterdam-listed ASN Milieufonds in April 2005. I am pleased to report that both these funds have performed well. IEMI has grown from £16.3 million at launch to £26.5 million at 30 November 2005 and the ASN fund has expanded from €6.9 million at the start of the financial year to €28.4 million at 30 November 2005.

On 19 August 2005 we announced the first closing of 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. This fund has a target size of €125 million and we are continuing to market it to potential new investors.

CORPORATE FINANCE

As part of our strategy to create a fast-growing investment management company, we have made significant personnel changes at Impax Capital Limited ("IC"). Earlier in the year we set up a small team focused primarily on M&A activity, while other IC staff supported the Group's fund raising activities. Following the launch of the New Energy Fund, two IC staff members were reassigned to the asset management team, and Melville Haggard joined DEFRA's Waste Implementation Programme on a one-year secondment.

The M&A team, led by Nigel Taunt, completed five deals during the year: two business acquisitions, two disposals and one financing/ partnership transaction. With the benefit of the sale of shares referred to above, the corporate finance activity made a positive financial contribution.

EMPLOYEE BENEFIT TRUST

An important action in the year was to establish an Employee Benefit Trust. The purpose of establishing this incentive arrangement is to motivate and incentivise eligible participants to achieve value for shareholders.

PROSPECTS

The considerable potential for Impax is beginning to be realised. In the year just started, the Group will have the full benefit of the New Energy Fund and the increased contribution from the enlarged investment trust.

We have an excellent, committed team, led by Ian Simm and they, with a highly supportive and hard working Board, will endeavour to build further shareholder value in the coming year.

J Keith R Falconer

9 December 2005

OFFICERS AND ADVISERS

DIRECTORS	J Keith R Falconer (*Chairman*) Ian R Simm Nigel D W Taunt Melville E V Haggard David L Kempton (*Non-Executive*) J Simon T Morris (*Non-Executive*)
SECRETARY	Jacqueline A Brown
BANKERS	Lloyds TSB 39 Threadneedle Street London EC2R 8PT
AUDITORS	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS
REGISTERED OFFICE	Broughton House 6-8 Sackville Street London W1S 3DG
REGISTRARS	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
NOMINATED ADVISER AND BROKER	Marshall Securities Limited Crusader House 145-157 St John Street London EC1V 4RE
COMPANY NUMBER	3262305

DIRECTORS' PROFILES

Keith Falconer, aged 50, 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 39, 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 52, is Managing Director of Impax Capital Limited ("IC"). He joined the Group in January 2002, originally as Finance Director with responsibility for the Group's exit from the oil business, before being appointed MD of the corporate finance business in August 2003. Nigel qualified as a Chartered Accountant in 1977. From 1992 to 1998 he was Finance Director of Yorkshire Environmental ("YE") and was a director of several other environmental 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, incineration and renewable energy.

Melville Haggard, aged 56, joined Arbuthnot Latham as a graduate trainee before moving to Lloyds Bank International where he worked in loan syndications and project and export finance. In 1988, he joined Bank Tokyo–Mitsubishi to lead its structured finance operations in London and underwrote financings across the energy, aircraft, transportation and property sectors, including two of the UK's largest renewable energy projects. Melville is currently on secondment to the Waste Implementation Programme at the Department for Environment Food and Rural Affairs ("DEFRA"). He is a graduate of Cambridge University and has a MBA from INSEAD. He is a Governor of the Clothworkers' Foundation.

David Kempton, aged 63, joined the board as a Non-Executive Director on 3 June 2004. An engineer by training, he was commercial director of Chamberlain Industries plc. In 1976 he established Kemray Engineering in the UK which was purchased by Taskforce Group plc which itself was acquired by Adia (Switzerland) where he remained a director until 1989. He formed a private investment company, Kempton Holdings, and acquired a 50% holding in ESL, a medical instrumentation company, which was acquired by GE in 1999. Previously a director of Merseyside and Cheshire NHS Ambulance Trust, he is now on the board of Hartest Holdings plc, Neptune-Calculus VCT and a number of other companies.

Simon Morris, aged 58, 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 40, is a Director of IAM. His principal responsibility is for the management of listed equity portfolios and he has 14 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 47, is a Director of IAM and Director of Investments for Impax New Energy Investors LP. Prior to joining Impax in 2003, he was based in continental Europe acting as interim CFO in the energy and utility sectors. From 1997 to 2000, he was Senior Investment Officer at AMI Asset Management, making private equity and sub-debt investments in the utility sector. Before AMI, he held positions as an adviser to the European Bank for Reconstruction and Development, Vice President of Project Finance at Mitsui Bank in New York, and within the energy project finance teams at Lowrey Lazard and at Standard and Poor's in New York. Peter holds both a Bachelor's degree and a Master's in Public Policy from Harvard University.

Bill Corry, aged 36, is a member of the IAM executive team. Prior to joining Impax in 2004, he spent 3 years focused on new business development, assessing joint ventures, partnerships and M&A with Centrica and NRG Energy. He has also worked for an equity boutique specialising in turnarounds, and Goldman Sachs on fixed income derivatives. Bill is a graduate of Bristol University and has an MBA from IESE (Barcelona).

Edmond Beale, aged 40, is a member of the IC executive team. Prior to joining Impax in 2001, he was a manager at CDC Capital Partners, working on private equity and loan investments. Before CDC, he was at Chase Manhattan Bank, based in London, and worked in the Project Finance Department on a number of energy related transactions. Edmond is a graduate of Cambridge University and has a Master's in Development Economics from Manchester University.

Jacqueline Brown, aged 43, is Group Company Secretary and is responsible for the Group's finance function. Prior to joining Impax in June 2005, she held a number of Financial Controller positions primarily within the financial services and media sectors. She qualified as an ACA with BDO Stoy Hayward in 1989 and has a BSc in Biochemistry from UMIST.

DIRECTORS' REPORT

The Directors submit their Report and the Accounts for the year to 30 September 2005.

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.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £593,214 (2004 loss: £695,771).

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

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 2005 were 26 (2004: 17), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year-end, to trade creditors within one year.

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors of the Company during the year and at the date of this report are set out below. The Directors' interests and those of their connected persons in the Ordinary Shares and Convertible Unsecured Loan Stock ("Loan Stock") of the Company, all of which are beneficial, at 30 September 2005 and 30 September 2004 were:

	Loan Stock		**Ordinary Shares**	
	30 Sept 2005	**30 Sept 2004**	**30 Sept 2005**	**30 Sept 2004**
Keith Falconer	£205,000	£200,000	1,819,263	1,210,000
Ian Simm	£9,000	£5,000	173,976	173,976
Nigel Taunt	£14,000	£10,000	205,000	205,000
Melville Haggard	£5,000	£5,000	70,313	70,313
David Kempton	£60,000	£60,000	677,367	658,277
Simon Morris	–	–	360,197	275,000

There have been no changes to the above holdings since 30 September 2005.

Ian Simm, a Director of Impax Group plc, is interested in 5.8% of the capital of Impax Carried Interest Partner LP, a subsidiary of the Group.

Peter Rossbach, a Director of a Group subsidiary, is interested in 29.4% of the capital of Impax Carried Interest Partner LP, a subsidiary of the Group.

The Executive Directors and their families are potential beneficiaries of the Employee Benefit Trust described below.

DIRECTORS' REPORT

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 5 September 2005 the Company allotted 8,200,000 Ordinary Shares at a price equal to the nominal value of 1p per share to Sanne Trust Company Limited, trustee of the EBT. The EBT subsequently sold 930,000 Ordinary Shares to provide funding relating to the purchase of Ordinary Shares by the EBT. Following the sale the EBT is interested in 7,270,000 Ordinary Shares representing 15.91% of the Ordinary Shares in issue at 30 September 2005. The potential beneficiaries of the EBT include the Executive Directors and employees of the Group and their respective families.

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

SUBSTANTIAL SHARE INTERESTS

The following interests in three per cent or more of the issued ordinary share capital have been notified to the Company as at 2 December 2005:

	Number	**Percentage**
Impax Group Employee Benefit Trust	7,270,000	15.9%
UBS Investment Bank	4,524,811	9.9%
F&C Asset Management plc	2,985,979	6.5%
AXA S.A. and its Group companies	2,950,000	6.5%
Asset Value Investors	2,500,000	5.5%
Keith Falconer	1,819,263	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 and 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

The Board has consisted of a Chairman, two Non-Executive Directors and three Executive Directors during the year. Details of the current Board members are given on page 5 of this report. The Board meets at least 6 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:

– 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. These matters include accounting standards and policies, internal financial control procedures and the Company's Financial Statements and Reports, which are intended for publication. The Audit Committee is comprised of the two Non-Executive Directors: David Kempton (Chairman) and Simon Morris.

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;

DIRECTORS' REPORT

- Travel: the Group encourages staff to minimise travel and to select public transport where appropriate; and
- Paper and materials use: the Group has a system to recover office paper and encourages staff to avoid wastage of other materials.

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

- Appointed a Health, Safety and Environment officer, who has day-to-day responsibility for co-ordinating the implementation of policy;
- Adopted a monitoring programme to check compliance with the Environmental Policy; and
- Incorporated training and discussion of the Environmental Policy in its induction and periodic appraisals of all staff.

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

REMUNERATION REPORT

The Remuneration Committee is comprised of the two Non-Executive Directors: David Kempton (Chairman) and Simon Morris. The committee last met in November 2005.

Emoluments

Total Directors' emoluments for the year were £518,259 (2004: £419,623) and details of each Director's remuneration are shown in Note 23 to the financial statements.

Remuneration Policy

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

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

AUDITORS

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

By order of the Board

J A Brown
Secretary

9 December 2005

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 2005, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Financial Statements have been prepared under the historical cost convention 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 8. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance. Where a company is fully listed, there are additional responsibilities for auditors contained in the Listing Rules of the Financial Services Authority.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if 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 United Kingdom Auditing Standards 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

INDEPENDENT AUDITORS' REPORT
to the Shareholders of Impax Group plc

irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 September 2005 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

9 December 2005

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 PROFIT AND LOSS ACCOUNT
Year ended 30 September 2005

	Note	2005 £	2004 £
TURNOVER	2	1,725,060	1,737,805
Operating loss	2/3	(657,475)	(576,034)
Profit on disposal of investment	4	129,216	–
		(528,259)	(576,034)
Interest receivable and similar income		131,140	66,612
Interest payable and similar charges	5	(196,095)	(186,349)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(593,214)	(695,771)
Tax on loss on ordinary activities	6	–	–
LOSS FOR THE YEAR	19	(593,214)	(695,771)
LOSS PER SHARE	8		
Basic		(1.56)p	(1.91)p
Adjusted		(0.75)p	(1.14)p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2005

	2005 £	2004 £
Loss for the financial year	(593,214)	(695,771)
Currency translation differences	47,142	(259,708)
Total recognised losses for the year	(546,072)	(955,479)

CONSOLIDATED BALANCE SHEET
As at 30 September 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Intangible fixed assets	9		1,629,097		1,911,701
Tangible fixed assets	10		13,140		15,567
			1,642,237		1,927,268
CURRENT ASSETS					
Debtors due after one year	13	2,041,998		2,236,134	
Debtors due within one year	13	1,283,384		844,037	
Investments	14	79,752		–	
Cash at bank and in hand		863,187		1,002,100	
		4,268,321		4,082,271	
CREDITORS – amounts falling due within one year	15	(635,726)		(476,088)	
NET CURRENT ASSETS			3,632,595		3,606,183
TOTAL ASSETS LESS CURRENT LIABILITIES			5,274,832		5,533,451
CREDITORS – amounts falling due after more than one year – Convertible unsecured loan stock	16		(2,302,088)		(2,255,505)
	2		2,972,744		3,277,946
CAPITAL AND RESERVES					
Called up share capital	18		8,973,635		8,891,556
Share premium	19		759,069		758,791
Exchange equalisation reserve	19		(713,831)		(760,973)
Treasury shares	19		(72,700)		–
Other reserve	19		231,213		–
Profit and loss account	19		(6,204,642)		(5,611,428)
EQUITY SHAREHOLDERS' FUNDS	21		2,972,744		3,277,946

Approved by the Board on 9 December 2005

J Keith R Falconer
Chairman

BALANCE SHEET

As at 30 September 2005

	Note	2005 £	2005 £	2004 £	2004 £
FIXED ASSETS					
Tangible fixed assets	11		10,016		8,075
Fixed asset investments	12		3,408,537		3,386,623
			3,418,553		3,394,698
CURRENT ASSETS					
Debtors due after one year	13	1,976,904		2,171,040	
Debtors due within one year	13	381,713		334,204	
Cash at bank and in hand		107,613		510,014	
		2,466,230		3,015,258	
CREDITORS – amounts falling due within one year	15	(534,258)		(274,639)	
NET CURRENT ASSETS			1,931,972		2,740,619
TOTAL ASSETS LESS CURRENT LIABILITIES			5,350,525		6,135,317
CREDITORS – amounts falling due after more than one year – Convertible unsecured loan stock	16		(2,302,088)		(2,255,505)
			3,048,437		3,879,812
CAPITAL AND RESERVES					
Called up share capital	18		8,973,635		8,891,556
Share premium	20		759,069		758,791
Exchange equalisation reserve	20		(590,696)		(634,607)
Other reserve	20		154,488		–
Profit and loss account	20		(6,248,059)		(5,135,928)
EQUITY SHAREHOLDERS' FUNDS	21		3,048,437		3,879,812

Approved by the Board on 9 December 2005

J Keith R Falconer
Chairman

CONSOLIDATED CASHFLOW STATEMENT

Year ended 30 September 2005

	Note	2005 £	2004 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	(640,047)	(349,112)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	27	(18,016)	(38,302)
TAX PAID	27	–	(32,741)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	231,495	(12,903)
ACQUISITIONS AND DISPOSALS	27	–	515,325
MANAGEMENT OF LIQUID RESOURCES	27	–	60,736
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(426,568)	143,003
FINANCING	27	82,000	–
(DECREASE)/INCREASE IN CASH	28	(344,568)	143,003

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	Note	2005 £	2004 £
(DECREASE)/INCREASE IN CASH IN YEAR		(344,568)	143,003
DECREASE IN CASH ON DEPOSIT IN YEAR		–	(60,736)
CHANGES IN NET DEBT RESULTING FROM CASHFLOWS		(344,568)	82,267
NON CASH TRANSACTIONS			
– conversion of Loan Stock		(46,583)	44,495
– movement on Treasury reserve		(72,700)	–
– movement on Other reserve		231,213	–
TRANSLATION DIFFERENCES		47,142	(299,914)
MOVEMENT IN NET DEBT IN THE YEAR		(185,496)	(173,152)
NET DEBT AT BEGINNING THE YEAR		(1,253,405)	(1,080,253)
NET DEBT AT END OF THE YEAR	28	(1,438,901)	(1,253,405)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting conventions

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

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

Going concern

The accounts have been prepared on a going concern basis.

Turnover

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

Goodwill

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

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

Depreciation of tangible fixed assets

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

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

Leasing

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

Fixed asset investments

Fixed asset investments are stated at the lower of cost and net realisable 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 instruments

In relation to the disclosures made in Note 29:

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

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Liquid resources

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

Foreign currencies

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

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

The average rate ruling in the accounting period was US$1.85: £1 (2004: US$1.70: £1); the rate ruling at the balance sheet date was US$1.76: £1 (2004: US$1.80: £1).

Deferred tax

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

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

Deferred expenses

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

Employee Share Ownership Trust

In accordance with Urgent Issues Task Force (UITF) Abstract 38 “Accounting for ESOP trusts”, 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 UITF 38 “Accounting for ESOP trusts” until such time as they vest unconditionally to participating employees.

Corresponding Amounts

Certain comparative information presented in the financial statements for the year ended 30 September 2004 has been reclassified in order to achieve comparability with the presentation used in the financial statements for the year ended 30 September 2005.

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

Turnover relates solely to the principal activities of the Group.

	Consolidated turnover 2005 £	Consolidated turnover 2004 £
Europe		
Asset management and corporate finance advisory	1,725,060	1,737,805

	Consolidated operating loss 2005 £	Consolidated operating loss 2004 £
Europe		
Asset management and corporate finance advisory	(374,871)	(293,430)
Goodwill amortisation	(282,604)	(282,604)
	(657,475)	(576,034)

	Consolidated net assets 2005 £	Consolidated net assets 2004 £
Europe		
Asset management and corporate finance advisory	655,318	840,061
United States		
Loans receivable	2,317,426	2,437,885
	2,972,744	3,277,946

3. OPERATING LOSS

	2005 £	2004 £
Operating loss is stated after charging:		
Staff costs and other operating charges	1,933,430	1,857,389
Goodwill amortisation	282,604	282,604
Employee Benefit Trust charge*	154,488	–
Operating leases, property rental	126,044	107,360
Depreciation of tangible fixed assets	7,542	5,949
Auditors' remuneration – audit fees	49,900	45,000
Auditors' remuneration – non audit fees	10,000	9,500
Exchange differences	5,672	6,037
Revaluation of listed and unlisted investments	(22,145)	–
Write back impairment of unlisted investment (see Note 4)	(165,000)	–
	2,382,535	2,313,839

* 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.

NOTES TO THE ACCOUNTS

3. OPERATING LOSS (continued)

The issue of Ordinary Shares to the EBT by the Company gave rise to a charge of £154,488 to the profit and loss account for the year. This forms part of a total charge of £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the share award. It is calculated in accordance with the requirements of UITF 17 "Employee share schemes" 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.

Further details are set out in Note 32.

4. EXCEPTIONAL ITEMS

	2005	2004
	£	£
Profit on disposal of listed investment	129,216	–

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

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

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

Further details are set out in Note 14.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest on Loan Stock	145,225	139,410
Amortisation of issue costs of Loan Stock	46,939	46,939
Other loans	3,931	–
	196,095	186,349

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

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005	2004
	£	£
UK taxation is based on loss for the year at a rate equivalent to 30% (2004: 30%):	–	–
Current year tax charge	–	–

	2005	2004
	£	£
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(593,214)	(695,771)
Tax at 30% of loss on ordinary activities before taxation	(177,964)	(208,731)
Effects of:		
Capital gains	56,901	–
Current year trading losses utilised	(56,901)	–
Non-deductible expenses	162,147	9,069
Capital allowances	(3,927)	(4,725)
Not chargeable income	(49,500)	–
Amortisation	84,781	84,781
(Losses utilised)/losses carried forward	(15,537)	119,606
Current year tax charge	–	–

The Group has tax losses of approximately £5.0 million (2004: £4.4 million) available for offset against future taxable profits in the UK. Given the pre-tax loss for the year ended 2005, the Directors consider it inappropriate to recognise a deferred tax asset at this point in time.

7. PARENT COMPANY

The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these Financial Statements. The parent company's loss for the year amounted to £1,112,131 (2004: £801,574).

8. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of £593,214 and on the weighted average number of ordinary shares in issue of 38,065,022 (2004: loss of £695,771 on shares in issue of 36,377,018).

In order to show results from operating activities on a comparable basis, an adjusted loss per share has been calculated which excludes goodwill amortisation of £282,604 (2004: £282,604), exceptional items of £129,216 (2004: £nil) and EBT charge of £154,488 (2004: £nil).

NOTES TO THE ACCOUNTS

9. INTANGIBLE FIXED ASSETS – GROUP

	Goodwill £
Cost	
At 1 October 2004 and 30 September 2005	2,830,097
Amortisation	
At 1 October 2004	918,396
Charge for the year	282,604
At 30 September 2005	1,201,000
Net book value	
At 30 September 2005	1,629,097
At 30 September 2004	1,911,701

10. TANGIBLE FIXED ASSETS – GROUP

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 October 2004	–	126,910	126,910
Additions	4,749	366	5,115
At 30 September 2005	4,749	127,276	132,025
Depreciation			
At 1 October 2004	–	111,343	111,343
Charge for year	214	7,328	7,542
At 30 September 2005	214	118,671	118,885
Net book value			
At 30 September 2005	4,535	8,605	13,140
At 30 September 2004	–	15,567	15,567

11. TANGIBLE FIXED ASSETS – COMPANY

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 October 2004	–	8,828	8,828
Additions	4,749	366	5,115
At 30 September 2005	4,749	9,194	13,943
Depreciation			
At 1 October 2004	–	753	753
Charge for year	214	2,960	3,174
At 30 September 2005	214	3,713	3,927
Net book value			
At 30 September 2005	4,535	5,481	10,016
At 30 September 2004	–	8,075	8,075

12. FIXED ASSET INVESTMENTS – COMPANY

	Subsidiary undertakings £
Cost at 1 October 2004	3,386,623
Additions	21,914
Cost at 30 September 2005	3,408,537

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
Impax New Energy Investors SCA****	LUX	92.4%	Financial services
Impax Carried Interest Partner LP*****	UK	55.9%	Financial services

* 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

**** This company is owned 92.4% by Impax New Energy Investors Management SARL

***** This company is owned 55.9% by Impax Carried Interest Partner (GP) Limited

NOTES TO THE ACCOUNTS

13. DEBTORS

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade debtors	284,670	498,908	–	–
Amounts owed by Group undertakings	–	–	1,969,254	2,211,326
Other debtors	446,537	79,957	62,985	28,172
Loans receivable	2,317,426	2,437,885	234,833	212,856
Prepayments and accrued income	276,749	63,421	91,545	52,890
	3,325,382	3,080,171	2,358,617	2,505,244

Included in Group other debtors is an amount due after more than one year of £65,094 (2004: £65,094). Included in Group loans receivable is an amount due after one year of £1,976,904 (2004: £2,171,040).

Included in Company amounts owed by group undertakings is an amount due after more than one year of £1,742,071 (2004: £1,958,184). Included in Company loans receivable is an amount due after one year of £234,833 (2004: £212,856).

14. CURRENT ASSET INVESTMENTS – GROUP

	Unlisted investment £	Listed investment £	Total £
Cost			
At 1 October 2004	165,000	–	165,000
Transfer	(138,877)	138,877	–
Disposals	(14,779)	(92,614)	(107,393)
Revaluation	–	22,145	22,145
At 30 September 2005	11,344	68,408	79,752
Provision for impairment			
At 1 October 2004	165,000	–	165,000
Write back on disposal	(165,000)	–	(165,000)
At 30 September 2005	–	–	–
Net book value			
At 30 September 2005	11,344	68,408	79,752
At 30 September 2004	–	–	–

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 cash, shares in Ivanhoe and shares in Ensyn. The Group received £236,609 from the cash consideration and part disposal of its holding in Ivanhoe during the year. The profit arising from these transactions is set out in Note 4 to the financial statements.

14. CURRENT ASSET INVESTMENTS – GROUP (continued)

The remaining shares in Ivanhoe are held in an escrow account, 50% until April 2007 and the balance until April 2008.

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

15. CREDITORS – amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade creditors	248,448	38,400	24,962	10,173
Amounts owed to Group undertakings	–	–	386,284	59,893
Taxation and other social security	42,685	43,957	–	–
Other creditors	92,893	390,121	36,636	200,963
Accruals and deferred income	251,700	3,610	86,376	3,610
	635,726	476,088	534,258	274,639

16. CREDITORS – amounts falling due after one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Loan Stock	2,442,906	2,443,263	2,442,906	2,443,263
Less costs of issue	(140,818)	(187,758)	(140,818)	(187,758)
	2,302,088	2,255,505	2,302,088	2,255,505

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

Subject to certain limitations, the Company may purchase Loan Stock in the market or by private treaty. If not previously converted or redeemed by the Company, the Loan Stock will be repaid at par with accrued interest on 31 March 2009.

The expenses related to the issue of the Loan Stock are being amortised in the profit and loss account over a period of five years.

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

17. DEFERRED TAXATION

The Group has material un-provided deferred taxation assets at the balance sheet date as set out in Note 6. The Group has no un-provided deferred tax liabilities at the balance sheet date.

NOTES TO THE ACCOUNTS

18. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
148,341,664 ordinary shares of 1p each (2004: 148,341,664 ordinary shares of 1p each)	1,483,417	1,483,417
35,485,764 (2004: 35,485,764) deferred shares of 24p each	8,516,583	8,516,583
Total authorised share capital	10,000,000	10,000,000
Allotted and fully paid		
45,705,166 ordinary shares of 1p each (2004: 37,497,312 ordinary shares of 1p each)	457,052	374,973
35,485,764 (2004: 35,485,764) deferred shares of 24p each	8,516,583	8,516,583
Total allotted and fully paid share capital	8,973,635	8,891,556

On 9 March 2005, £357 of Loan Stock was converted into 7,854 ordinary shares of 1p and £278 of share premium reserve.

On 5 September 2005, 8,200,000 ordinary shares of 1p were issued to the trustees of the Impax Group Employee Benefit Trust as part of the Company's employee incentive arrangements as approved at the Company's EGM on 4 February 2005.

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

19. RESERVES – GROUP

	Treasury shares £	Other reserve £	Share premium reserve £	Exchange equalisation reserve £	Profit and loss account £
At 1 October 2004	–	–	758,791	(760,973)	(5,611,428)
Loss for the year	–	–	–	–	(593,214)
Exchange differences on consolidation	–	–	–	47,142	–
Conversion of Loan Stock	–	–	278	–	–
Issue of shares to Employee Benefit Trust	(72,700)	231,213	–	–	–
At 30 September 2005	(72,700)	231,213	759,069	(713,831)	(6,204,642)

The treasury shares relate to the holding of 7,270,000 ordinary shares in the Company by the EBT.

20. RESERVES – COMPANY

	Other reserve	Share premium reserve	Exchange equalisation reserve	Profit and loss account
	£	£	£	£
At 1 October 2004	–	758,791	(634,607)	(5,135,928)
Exchange differences	–	–	43,911	–
Loss for the year	–	–	–	(1,112,131)
Conversion of Loan Stock	–	278	–	–
Issue of shares to Employee Benefit Trust	154,488	–	–	–
At 30 September 2005	154,488	759,069	(590,696)	(6,248,059)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2005	Group 2004	Company 2005	Company 2004
	£	£	£	£
Loss for the financial year	(593,214)	(695,771)	(1,112,131)	(801,574)
Conversion of Loan Stock	357	91,434	357	91,434
Issue of Shares – EBT	82,000	–	82,000	–
Treasury Shares – EBT	(72,700)	–	–	–
Other Reserve – EBT	231,213	–	154,488	–
Translation adjustments	47,142	(259,708)	43,911	(184,001)
Net reduction in shareholders' funds	(305,202)	(864,045)	(831,375)	(894,141)
Opening shareholders' funds	3,277,946	4,141,991	3,879,812	4,773,953
Closing shareholders' funds	2,972,744	3,277,946	3,048,437	3,879,812

22. FINANCIAL COMMITMENTS

At 30 September 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	–	–	7,800	–
Between two and five years	129,500	–	–	10,400
Over five years	–	119,212	–	–
	129,500	119,212	7,800	10,400

NOTES TO THE ACCOUNTS

23. DIRECTORS' EMOLUMENTS

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

	Fees/Salary	Other	Pension	Bonus	2005 Total	2004 Total
	£	£	£	£	£	£
Keith Falconer	50,000	–	–	–	50,000	37,500
Nigel Taunt	100,000	7,662	5,000	10,000	122,662	111,382
Ian Simm	110,333	2,800	5,517	50,000	168,650	121,891
Melville Haggard	122,500	9,447	5,000	10,000	146,947	113,070
David Kempton	15,000	–	–	–	15,000	5,000
Simon Morris	15,000	–	–	–	15,000	5,000
Stuart Bickerstaff (*resigned 22 January 2004*)	–	–	–	–	–	5,833
Neville A. Brown (*resigned 30 June 2004*)	–	–	–	–	–	12,435
Geirr Frostman (*resigned 30 June 2004*)	–	–	–	–	–	7,512
	412,833	19,909	15,517	70,000	518,259	419,623

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

24. EMPLOYEES

Number of employees

The average number of persons (including Directors) employed during the year was 19 (2004: 15).

Employment costs

	2005	2004
	£	£
Wages and salaries	1,297,082	975,545
Social security costs	147,293	108,011
Pensions	47,586	41,061
	1,491,961	1,124,617

25. PENSION COSTS

The Group offers employees a choice of defined contribution personal pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounted to £47,586 (2004: £41,061). Contributions totalling £1,137 (2004: £5,913) were payable to the funds at the year end and are included in creditors.

26. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating loss	(657,475)	(576,034)
Write back impairment of unlisted investment	(165,000)	–
Revaluation of listed/unlisted investment	(22,145)	–
Depreciation charges	7,542	5,949
Amortisation of goodwill	282,604	282,604
Increase in debtors	(245,211)	(73,032)
Increase in creditors	159,638	11,401
Net cash outflow from operating activities	(640,047)	(349,112)

27. ANALYSIS OF CHANGES IN CASHFLOWS DURING THE YEAR

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	131,140	66,612
Interest paid	(149,156)	(104,914)
	(18,016)	(38,302)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(5,114)	(12,903)
Proceeds from sale of investments	236,609	–
	231,495	(12,903)
Acquisitions and disposals		
Net proceeds from disposal of subsidiaries	–	332,755
Repayments received	–	182,570
	–	515,325
Management of liquid resources		
Cash held on deposit to support oil activities	–	60,736
	–	60,736
Financing		
Issue of share capital	82,000	–
	82,000	–
Taxation		
Tax paid	–	(32,741)
	–	(32,741)

28. ANALYSIS OF CHANGES IN NET DEBT

	1 October 2004 £	Cash flow £	Translation difference £	Non-cash transactions £	30 September 2005 £
Cash at bank and in hand	1,002,100	(344,568)	47,142	158,513	863,187
Debt due after one year	(2,255,505)	–	–	(46,583)	(2,302,088)
Net debt	(1,253,405)	(344,568)	47,142	111,930	(1,438,901)

29. FINANCIAL INSTRUMENTS

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

As permitted by FRS13, short-term debtors and creditors have been excluded from these disclosures, other than the currency disclosures. Certain financial assets such as investments in subsidiary companies are also excluded from the scope of these disclosures.

The Group does not trade in financial instruments.

Currency risk

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

Included in Group loans receivable is an amount denominated in US Dollars of $4,083,304 (£2,317,426), (2004: $4,385,268 (£2,437,885)).

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.

30. CONTINGENT ASSETS AND LIABILITIES

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

In 2004, a production note of US$5,400,000 was issued as part of the consideration for the disposal of the Company's US subsidiary company, Kern River Holdings Inc. Kern River Holdings Inc. held and operated the Nukern oil field. The production note is based on payments of US$4 per barrel, with minimum quarterly payments rising from US$60,000 (£34,000) in 2005 to US$120,000 (£68,000) 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.

31. CAPITAL COMMITMENT

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

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

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

32. EMPLOYEE BENEFIT TRUST

On 4 February 2005 shareholders approved the establishment by the Company of the Impax Group Employee Benefit Trust (the "EBT") as part of the Company's employee incentive arrangements.

On 5 September 2005 the Company allotted 8,200,000 Ordinary Shares at a price equal to the nominal value of 1p per share to Sanne Trust Company Limited, trustee of the EBT. The EBT subsequently sold 930,000 Ordinary Shares to provide funding relating to the purchase of Ordinary Shares by the EBT. Following the sale the EBT is interested in 7,270,000 Ordinary Shares representing 15.91% of the Ordinary Shares in issue at 30 September 2005. The potential beneficiaries of the EBT include the executive directors and employees of the Group and their respective families.

The issue of Ordinary Shares to the EBT by the Company gave rise to a charge of £154,488 to the profit and loss account for the year. This forms part of a total charge of £463,464 evenly spread over the three years to 30 September 2007, which is the performance period for the share award. It is calculated in accordance with the requirements of UITF 17 "Employee share schemes" 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.

In accordance with the requirements of UITF 37 "Purchases and sales of own shares" and UITF 38 "Accounting for ESOP trusts", the EBT has been consolidated in the Group's accounts resulting in the inclusion of £72,700 Treasury Shares and £231,213 Other Reserve as set out in Note 19.

For the year ended 30 September 2005, the following transactions were undertaken by the EBT:

	2005	**2004**
	£	**£**
Drawdown of bank loan	86,000	–
Purchase of 8,200,000 Ordinary Shares in the Company	(82,000)	–
Bank loan charges and fees	(4,000)	–
Sale of 930,000 Ordinary Shares in the Company	86,000	–
Repayment of bank loan	(86,000)	–
Cash remaining under control at year end	–	–

The market value of ordinary shares held in the EBT at 30 September 2005 was £763,350 (2004: £nil).

NOTES TO THE ACCOUNTS

33. RELATED PARTY TRANSACTIONS – GROUP AND COMPANY

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

Impax New Energy Investors LP is a related party of the Group by virtue of the Company being a limited partner in the fund and a subsidiary undertaking acting as the fund's manager. During the year the Group received £106,181 from the fund in the form of management fees. At 30 September 2005 the Group was owed £274,234 by the fund in respect of management fees and reimbursable establishment costs.

NOTICE OF MEETING

Notice is hereby given that the ninth Annual General Meeting of Impax Group plc ("the Company") will be held at the offices of Marshall Securities Limited, Crusader House, 145-157 St John Street, London EC1V 4RE at 11.30 a.m. on 3 February 2006 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 2005.
2. To re-elect, as a Director, Mr J K R Falconer who retires by rotation and offers himself for re-election.
3. To re-elect, as a Director, Mr M E V Haggard who retires by rotation and offers himself for re-election.
4. To re-appoint MRI Moores Rowland LLP as Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

As Special Business

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

6. That the Directors be and are hereby generally and unconditionally authorised (in substitution for all existing authorities, save for that granted by resolution 2 passed at the extraordinary general meeting held on 4 February 2005) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £152,350.55 provided that this authority shall expire on the fifth anniversary of the date of passing of this ordinary resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
7. That, subject to the passing of, and pursuant to, the Ordinary Resolution numbered 6 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:

    7.1 the allotment of equity securities in connection with a rights issue or open offer in favour of ordinary shareholders and, if the Directors in their sole discretion so resolve, holders of 5.5 per cent. convertible loan stock 2009 of the Company ("the Loan Stock"), where the equity securities attributable to the respective interests of all ordinary shareholders and, if the Directors so resolve, holders of the Loan Stock, are proportionate to:-

    7.1.1 the respective numbers of Ordinary Shares held by them; and

    7.1.2 if the Directors so resolve, to the respective numbers of Ordinary Shares into which holdings of the Loan Stock would convert were conversion rights exercisable and exercised in full at the conversion rate then applicable;

    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;

    7.2 the allotment (otherwise than pursuant to paragraph 7.1) of equity securities for cash up to an aggregate nominal amount of £22,852.58 provided that this power shall, unless previously

NOTICE OF MEETING

revoked or varied by the Company in general meeting, expire fifteen months from the date of passing of this resolution or, if earlier, on the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Jacqueline A Brown
Secretary

20 December 2005

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

NOTES:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his or her place. A proxy need not be a member of the Company. A form of proxy is enclosed for the use of members. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the above meeting should he or she so decide.
2. The form of proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power of authority) must be deposited at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11.30 a.m. on 1 February 2006 or, in the case of an adjourned meeting, not less than 48 hours before the time appointed for holding such an adjourned meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on the day preceding the meeting, or the adjourned meeting, shall be entitled to attend or vote at the above meeting, or adjourned meeting, in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the register of members after 6.00p.m. on the day preceding the meeting or adjourned meeting shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
4. The following are available for inspection at the registered office of the Company during normal business hours Monday to Friday inclusive and will also be available at the place of the meeting from 15 minutes before the start of the meeting until the conclusion of the meeting:

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

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

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