IMPAX

Impax Environmental Markets plc

Half-yearly Financial Report

for the six months ended 30 June 2010

KEY FEATURES

Investment Objective

The Company's objective is to enable investors to benefit from rapid and sustained growth anticipated by the directors in the markets for cleaner or more efficient delivery of basic services of energy, water and waste. Investments are made predominantly in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management.

Financial Information

	At 30 June 2010	*At 31 December 2009*	*% change*
Net assets	**£391.3m**	*£393.8m*	*(0.6%)*
Number of Ordinary Shares in issue*	**322,656,336**	*304,936,283*	*+5.8%*
Net asset value ("NAV") per Ordinary Share	**121.3p**	*127.2p^*	*(4.7%)*
NAV per Ordinary Share (excluding current year net revenue)	**120.9p**	*126.5p^*	*(4.4%)*
MSCI World Index (sterling)	**695.9**	*723.6*	*(3.8%)*
MSCI World Small Cap Index (sterling)	**121.4**	*117.8*	*+3.1%*
Ordinary Share price (mid-market)	**112.0p**	*119.1p*	*(6.0%)*
Ordinary Share price discount to NAV	**(7.7%)**	*(6.4%)*	–

^ Diluted for 18,666,085 Warrants in issue at 31 December 2009. All of these Warrants were subsequently exercised on 22 June 2010.

* Excluding shares held in treasury.

CHAIRMAN'S REVIEW AND HALF-YEARLY MANAGEMENT REPORT

The first half of 2010 has been another volatile period for global equity markets with the problems in the European sovereign debt market being the principal concern for investors. Against this backdrop, the environmental sector has experienced mixed performance. Energy efficiency companies have continued to lead the sector but renewable energy has suffered due to lower power prices in key markets and increased uncertainty around policy and regulation in Europe and the United States.

Over the six months period from 1 January until 30 June 2010, the net asset value ("NAV") per Ordinary Share of Impax Environmental Markets plc ("IEM", or the "Company") decreased from 126.5p to 120.9p, a fall of 4.4%, the MSCI World Index (priced in Pounds Sterling) declined by 3.8% and the MSCI World Small Cap Index rose by 3.1%. The IEM share price fell 6.0% to 112.0p and typically traded at a discount to NAV of between 7% and 10%, with the occasional spike up to 13%. The Board responded by buying back 946,032 Ordinary Shares at an average discount of 9%.

The Deepwater Horizon rig explosion in the Gulf of Mexico on 20 April represented a major economic, political and environmental event for the energy sector in general, and is also having significant implications for environmental markets generally. As well as triggering increased market activity for IEM companies involved in hazardous waste management, water treatment and environmental consultancy, the accident has also highlighted the risks associated with fossil fuel exploration from US "domestic" sources, a hitherto central component of President Obama's policy on energy security. It is too early to suggest that the incident will presage a wholesale change in US energy policy. However, it is likely that support for renewable energy, electric vehicles and biofuels will be included in the forthcoming Energy Bill, and the prospects for further expansion of environmental markets in the US appear strong.

The continuation resolution, which must be put forward every three years, was passed unanimously at the Company's Annual General Meeting held on 11 May 2010. I am also pleased to report that the conversion of all of the Company's outstanding Warrants has been successfully concluded. The mid market price of the Ordinary Shares at the close of business on the final subscription date was 114.5p, representing a 19.2% premium to the subscription price. On 25 June 2010, the Company issued 18,666,085 new Ordinary Shares in respect of all the exercised Warrants at the subscription price of 96p per Ordinary Share. As a consequence, at 30 June 2010 the Company's cash balances totalled, in aggregate, approximately 8% of net assets.

Equity markets have started the second half of the year positively, with the MSCI World and MSCI World Small Cap Indices rising 3.0% and 2.7% respectively during the month of July. The NAV per Ordinary Share of IEM increased 1.5% to 122.7p while the share price fell 0.6% to 111.3p, reflecting a marginal increase in the discount to 9%. The second quarter earnings season is now underway, with early indications that the majority of companies continue to beat expectations and many companies upgrading forecasts for the full year. With positive earnings momentum and a portfolio valuation below the historical range, the Directors continue to believe that IEM shares offer a compelling proposition for investors seeking to benefit from the long term growth potential of the environmental markets.

Richard Bernays
4 August 2010

Against the backdrop of continued market volatility, IEM achieved a respectable performance in the first half of 2010 (the "Period"). The Energy Efficiency segment generated the strongest outperformance, driven in particular by gains in companies exposed to industrial recovery. Accelerating merger and acquisition (M&A) activity was also a positive highlight, with three companies taken over in the Period, including a "top ten" holding acquired at an 85% premium following a bidding war. We expect this activity to accelerate as large industrials seek exposure to the secular growth of environmental markets and see value in the multiples of potential targets. Renewable and Alternative Energy remains the weakest sector and is discussed below.

Investment Approach & Portfolio Structure

The Impax investment process continues to focus on bottom-up stock picking, informed by a thematic analysis of key developments in both environmental markets and in the broader economy. We remain very positive on the prospects for the Asia Pacific region, where stocks typically offer compelling growth at reasonable valuations. Industrial energy efficiency and late cycle sectors such as testing and monitoring also remain active themes, although IEM remains well diversified by sector.

The Company started the year with 87 listed companies in the portfolio. Subsequently, we made 5 new investments and sold out of 8 stocks, leaving 84 listed companies in the portfolio on 30 June 2010, plus 6 unlisted investments.

Alternative Energy and Energy Efficiency

(i) Renewable and Alternative Energy ("RAE")

The policy environment in "developed markets" remained challenging over the Period. In the United States, climate change and energy legislation continued to face delays, despite President Obama's support. The oil spill in the Gulf of Mexico has brought environmental issues back to the top of the priority list. However, the outlook for new legislation remains uncertain due in particular to the short time before the summer recess and the contentious nature of certain aspects, such as cap and trade for carbon emissions, and off-shore drilling.

In Europe, certain member states have moved to reduce subsidies for renewables, driven by the large amounts of money involved and by the need for fiscal austerity. In relation to solar, the cuts also reflect a rapid decline in system prices over the last two years following technological advances and industry overcapacity. Uncertainty on subsidy levels has led to distortions of the market, providing a challenging backdrop for renewables holdings. These challenges have led to underperformance by *Gamesa* (wind turbines, Spain), *EDP Renovaveis* (wind developer, Portugal) and *Sunpower* (solar equipment, United States).

Asian policy news, however, continues to be encouraging, especially in China where the Premier has emphasised the commitment to delivering 15% of energy consumption from clean sources by 2020. Furthermore, the government reiterated that a key focus of the forthcoming Five Year Plan will be energy, and, as promised at the Copenhagen Summit, there will be accelerated development for renewable energy. The Indian market also remained strong, driven by a supportive regulatory environment and by power shortages, leading to outperformance by *Greenko* (renewable IPP, India).

Other portfolio movements included selling out of *PV Crystallox* (solar, United Kingdom) and adding *Renesola* (solar, China) in recognition of the cost advantage of Asian manufacturers.

(ii) Energy Efficiency ("EE")

The broad EE theme continued to see positive policy momentum over the Period, in part due to the cost-cutting potential of many EE measures. In the US, President Obama called on Congress to pass a US$6 billion, two year programme of rebate incentives for homeowners who make energy efficiency investments in their homes. In addition, the transport efficiency sector was boosted by the introduction of new greenhouse gas emission targets and tighter fuel economy standards, starting with cars manufactured in 2012.

Chinese authorities are also focused on EE in order to deliver the goal within the current Five Year Plan of reducing the country's energy intensity by 20% between 2006 and the end of 2010. So far energy intensity has only fallen 14% in the last four years, and to meet the target the government is planning to shut down inefficient coal-fired power stations, increase power tariffs for energy intensive industries, and promote ultra high voltage power grid projects to increase capacity and minimise transmission losses. In Korea, the government has mandated that 2% of GDP over the next five years will be invested in environment related industries, with a particular emphasis on EE.

As noted above, M&A activity was a highlight for the EE subsector during the Period. Emerson Electric's bid to take over *Chloride* (uninterruptible power supply, United Kingdom) was finally accepted following a bidding war against rival ABB. We expect more M&A activity to make a positive contribution to performance as the economic environment continues to provide large companies with compelling takeover opportunities. Other key contributors to performance were efficient power electronics companies *Vacon* (frequency converters, Finland) and *Lem* (transducers, Switzerland), which benefitted from a recovery in the industrials sector.

Portfolio movements included selling out of *Esco Technologies* (smart grid, United States) due to the anticipated loss of a material contract.

Waste Technologies and Resource management

(i) Waste Management & Technologies ("WMT")

Activity in the WMT sector was largely focused on the hazardous waste segment, due to opportunities arising from the oil spill in the Gulf of Mexico. *Clean Harbors* (hazardous waste management, United States), which is providing clean up services to capture and remove oil from the incident, was a particular beneficiary. *Stericycle* (medical waste, United States) also outperformed following contract wins and regulatory approval for a meaningful acquisition, while investors were also attracted by the company's defensive growth characteristics in a volatile market.

Also in the United States, the Environmental Protection Agency ("EPA") drafted proposals to regulate the ash by-products of coal-fired electricity production. The proposals are now out for public comment and we expect more stringent regulations when the rule is finalised. This should increase the opportunities for *Clean Harbors*, and provide clarity for new investment *Headwaters* (recycled materials, United States) which has a leading position in the marketing of fly-ash as a replacement for cement, together with other building products made from recycled materials.

Elsewhere, *Shanks* (waste management, United Kingdom) underperformed following the rejection of a takeover bid from a private equity investor, while concerns about Chinese economic growth put pressure on commodity prices, negatively affecting *Sims Metal Management* (metals recycler, Australia). During the period we sold out of *Energy Development*s (waste-to-energy, Australia) which was acquired by a VC fund at the end of 2009.

(ii) Environmental Support Services ("ESS")

Uncertainty on government and corporate budgets has impacted upon the ESS sector, and especially environmental consultants such as *RPS Group* (United Kingdom) and *ICF International* (United States). Although market fundamentals remain challenging, ESS companies have generated strong cash flow, leaving them with strong balance sheets and capacity for further acquisitions, and at more attractive valuations than 12 months ago.

During the period we sold out of *Stantec* (environmental consultancy, Canada).

Water Treatment and Pollution Control

(i) Water Infrastructure & Technologies ("WIT")

The need for investment in water infrastructure persisted as a theme in the WIT sector over the first half of 2010. The New York Times reported that 700 water mains break daily in the United States, around one every two minutes. Federal action to tackle the problem includes a proposed 2011 budget currently calling for US$1.3 billion for the Drinking Water State Revolving Fund. In addition, an effort to remove caps on bond levels for water infrastructure projects is now making its way through Congress in an attempt to help meet the EPA's estimated investment gap of more than US$500 billion over the next 20 years. In Japan, a recent survey found that around 38,000km of water pipes have exceeded their stipulated service life of 40 years.

Evidence of stimulus funding allocated to water infrastructure is beginning to flow to companies, especially in the United States where several listed companies have commented positively on this development. Portfolio holding *Pentair* (water infrastructure) has notable exposure to these opportunities. M&A activity was also an active theme, with *Spice* (utility services, United Kingdom) currently subject to a takeover bid from a venture capital fund.

During the period we added *GLV* (water treatment technology, Canada), which has been an active consolidator in the water technology space and has a strong management team. *GLV* successfully acquired previous portfolio holding Christ Water in 2009. We also bought *Watts Water* (water infrastructure, United States), and *Jain Irrigation* (irrigation technology, India), the Fund's first investment listed in the Indian water sector.

(ii) Pollution Control ("PC")

In the United States, the EPA proposed strict new limits on air pollution caused by SO_2 and NO_x emitted by power plants. The rule is part of a push from the Obama Administration to incentivise the retirement or upgrading with pollution control equipment of old, dirty coal-fired plants. Early next year a further proposal is expected to place more demands on these plants, boosting the market opportunity for pollution control equipment and services.

Following strength in early cycle PC holdings in 2009, late cycle companies exposed to future capacity expansion or renewal performed strongly during the first half of 2010. The testing and monitoring space was a key beneficiary, e.g. *Horiba* (Japan) and *Dionex* (United States).

Portfolio movements included selling out of *Plant Health Care* (agricultural pollution control, United Kingdom) following a second profit warning.

Unquoted Companies

Our investments in unquoted companies have achieved further positive progress in the Period. Despite volatile financial markets four of our companies raised additional debt or equity finance and two companies justified an upward movement in their valuations.

Since 1 January 2010 IEM has contributed £1.3m to two financing rounds, and the total value of the unquoted investments rose to £18.8m as of 30 June 2010. This represents 4.8% of IEM's net assets at the Period end. With IPO markets closed, portfolio companies are likely to raise further debt and equity finance from private sources.

Outlook

At the time of writing, the signals on economic recovery in the United States, sovereign risk in Europe and the stability of growth in Asia are mixed. Nevertheless momentum behind environmental legislation remains broadly positive, particularly due to increased focus in the US on environmental policy, and in China where the twelfth Five Year Plan, due before calendar year end, is expected to include substantial policy and spending for the environmental sector.

The Q1 earnings season was positive for the portfolio, with most companies meeting or beating expectations and many upgrading forecasts for the full year. Despite positive momentum in earnings, portfolio valuations remain well below the historical range. With M&A activity also re-emerging as an important theme in the sector, we remain positive on the outlook for the Company.

We will continue to post monthly updates on sector news and on the Company's performance at www.impax.co.uk.

Impax Asset Management Limited
4 August 2010

Chloride (United Kingdom) 2.6% of net assets

Chloride is the leading European specialist in the power protection marketplace. The company's range of uninterruptible power supplies ("UPS") and software protects mission-critical applications in a variety of sectors worldwide. As these UPS markets continue to grow, Chloride has gained market share through a combination of superior technology and an innovative service-oriented product offering, as well as expansion into Asia. Chloride's strong technology and market position led to a bid approach by Emerson (the United States market leader) in 2008 at a significant premium. This bid has now been accepted, and the acquisition process is underway.
http://www.chloridepower.com/

LKQ (United States) 2.5%

LKQ is the largest provider of recycled light vehicle original equipment manufacturer ("OEM") products in the United States, with a strategic distribution network across the country. The insurance industry's focus on reducing claim costs provides favourable industry dynamics for LKQ's business. This cost cutting initiative, plus the growing availability of recycled OEM parts has seen the market share of the alternative parts in the mechanical replacement market rise from 20% to 80% in the last 30 years. Collision replacement parts are poised for similar growth. LKQ is well positioned to take advantage of the trends supporting industry growth, including high frequency of collisions, high cost of vehicle repair and the desire of insurance companies to reduce their claims expenses. The business has benefitted from good pricing power, the recovery in commodity prices and the United States' vehicle 'scrappage' scheme.
http://www.lkqcorp.com/

Pall Corp (United States) 2.4%

Pall is a filtration and fluid management specialist, solving complex contamination, separations, purification and detection problems for diverse customers. These solutions enable customers to remove pathogens from water and food, minimise waste, and in some cases develop breakthrough technologies. Pall's business mix is considerably diversified, helping to protect it from exposure to any individual industry or economy. The company has a reputation for product innovation, aggressive geographical expansion and for targeting high value added niches. As with all filtration businesses, Pall has a substantial replacement parts business, which has defensive characteristics in times of economic uncertainty. The company is well positioned to take advantage of global drivers such as increasing energy and water needs, environmental awareness, emerging pathogens, customer innovation and regulatory requirements. Pall continues to expand into higher-growth regions such as South America, Eastern Europe and Asia.
http://www.pall.com/

Clean Harbors (United States) 2.4%

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. The core United States business also benefits from a high market share of disposal facilities, which is expected to provide pricing power. The company should also profit from the gradual closure of industrial customers' in-house disposal facilities, which represent a significant proportion of the market today but are becoming uneconomical due to their inability to comply with increasingly stringent environmental regulations. Clean Harbors continues to look to expand market share in North America, and the recent acquisition of Eveready, a Canadian industrial services company, offers further growth potential.
http://www.cleanharbors.com/

Itron Inc. (United States) 2.3%

Itron is the world's leading provider of intelligent metering, data collection and utility software solutions. The company employs a number of key technologies including automated meter reading (AMR), energy management systems and transmission and distribution software. Itron has built up a strong position through organic growth and acquisitions. The market opportunity in AMR alone is potentially huge; of the 2.65 billion meters installed worldwide, just 8% are automated. Funds from the US economic stimulus programme focused on the "smart grid" and water infrastructure, and legislation such as the EU directive to replace 80% of electric meters with smart meters by 2020, are benefitting the company.
http://www.itron.com/

Ormat Technologies (United States/Israel) 2.1%

Ormat is a leading player in the geothermal power market. The company has a dual strategy of owning and operating power plants (with ca. 500 MW installed generating capacity and a sizeable development pipeline), and selling geothermal generation equipment to third parties. Geothermal power, which harnesses the heat of the earth, has huge potential. The company estimates an immediate global potential of 148,000 MW, compared to the current installed capacity of 9,500 MW. A largely untapped resource, the ability to deliver base load power, low technology risks and compelling economics, should drive strong growth in geothermal power. Legislative support is also strong; state renewable energy targets in the United States encourage geothermal development and Federal support has been increasingly favourable. As the market leader in this segment, Ormat should be a key beneficiary of this growth.
http://www.ormat.com/

Horiba (Japan) 2.1%

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semiconductor industries. Automotive is the largest of the four business segments, where Horiba enjoys an 80% global market share in engine emission measuring systems. Growth will be driven by tightening regulations for the automotive space,

which should lead to a recovery in capex by the car manufacturers. The other key driver is the anticipated recovery of the semiconductor market to which Horiba has some exposure through its air monitoring and water quality products. With a strong management team and a strong balance sheet, Horiba is well positioned to grow.
http://www.horiba.com/

China Everbright International (Hong Kong) 2.0%

China Everbright International is primarily engaged in environmental protection project investments in China, such as waste-to-energy, solid waste disposal, and water treatment. Operations are structured around four segments: environmental energy, environmental water, environmental construction and environmental technology. China Everbright International has a sound track record in both the wastewater and waste-to-energy businesses, and as such is well positioned to secure new projects. The company continues to benefit from the Chinese government's strong commitment to tackle pollution in key provinces.
http://www.ebchinaintl.com/

Clarcor (United States) 1.8%

Clarcor is a global provider of filtration products, filtration systems and services that clean the air and fluids in engines, manufacturing plants, and for the power sector. The company has the industry's broadest product range and its largest sales force. The business model is focused on a consumable, disposable product that is continually purchased, used and then repurchased to ensure a stable source of recurring business. Management's goal is to achieve compounded annual growth rates in earnings per share of 10% to 15% over a three to five year period driven by internal growth programmes, cost reduction initiatives and acquisitions.
http://www.clarcor.com/

Vacon (Finland) 1.8%

Vacon design, manufacture and sell AC drives used to control electric motors or to help generate power from renewable sources. The company has R&D and production facilities in Finland, the United States, China and Italy, and sales offices in more than 25 countries. Product focus is on process efficiency, energy savings and the total cost of ownership, and as much as 7% of annual revenues are invested into R&D. The company estimates that if all AC motors in the world were equipped with Vacon AC drives, the combined savings would be about 30% in the total energy consumption of AC motors. For many years, Vacon has been growing three times faster than the global AC drive market, and is now one of the biggest manufacturers in the world. The market drivers are based on rising energy prices, increasing automation, and falling electronics prices. There is substantial room for future growth as only about 10% of the electric motors in the world are controlled by AC drives.
http://www.vacon.com/

TOP TEN HOLDINGS IN COMPANIES

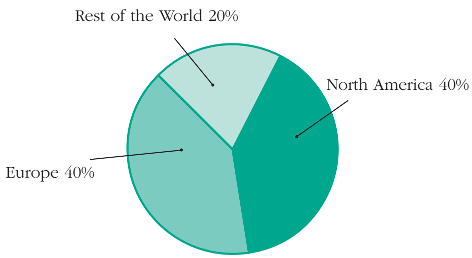
AS AT 30 JUNE 2010

	Valuation £'000	Percentage of net assets
Chloride Group	10,279	2.6%
LKQ	9,889	2.5%
Pall Corp	9,359	2.4%
Clean Harbors	9,254	2.4%
Itron	8,851	2.3%
Ormat Technologies	8,259	2.1%
Horiba	8,070	2.1%
China Everbright International	7,761	2.0%
Clarcor	7,195	1.8%
Vacon	7,202	1.8%
Top ten holdings	**86,119**	**22.0%**
Other holdings	274,343	70.1%
Total holdings	**360,462**	**92.1%**
Cash	30,894	7.9%
Other net liabilities	(96)	0.0%
Net assets	**391,260**	**100.0%**

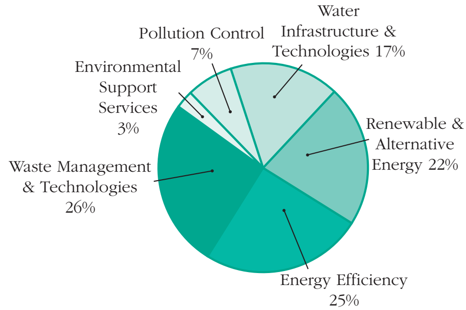
STRUCTURE OF PORTFOLIO

AS AT 30 JUNE 2010

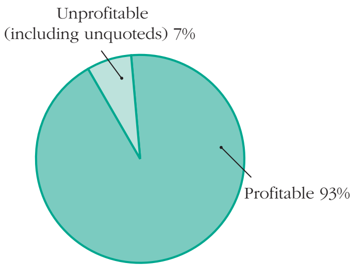
BREAKDOWN BY REGION



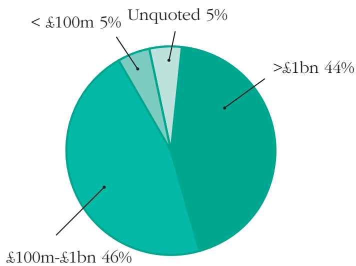
BREAKDOWN BY ENVIRONMENTAL MARKETS CLASSIFICATION



BREAKDOWN BY PROFITABILITY



BREAKDOWN BY MARKET CAPITALISATION



DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the half-yearly financial report has been prepared under the guidance issued by the Accounting Standards Board on "Half-yearly financial reports".

- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

Richard Bernays
Chairman of the Board of Directors

INCOME STATEMENT

	Six months ended 30 June 2010		
	(unaudited)	(unaudited)	(unaudited)
	Revenue	Capital	Total
	£'000	£'000	£'000
Gains/(losses) on investments	–	(17,037)	(17,037)
Income (see note 4)	2,409	–	2,409
Investment management fees	(460)	(1,381)	(1,841)
Other expenses	(351)	–	(351)
Return on ordinary activities before taxation	**1,598**	**(18,418)**	**(16,820)**
Taxation	(267)	–	(267)
Return on ordinary activities after taxation	**1,331**	**(18,418)**	**(17,087)**
Return per Ordinary Share (see note 5)			
– undiluted	0.44p	(6.04p)	(5.60p)
– diluted	0.44p	(6.04p)	(5.60p)

The total column of the Income Statement is the profit and loss account of the Company.

All capital and revenue items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

A Statement of Total Recognised Gains and Losses is not required, as all gains and losses of the Company have been reflected in the above statement.

INCOME STATEMENT

CONTINUED

Six months ended 30 June 2009			*Year ended 31 December 2009*		
(unaudited) Revenue £'000	*(unaudited) Capital £'000*	*(unaudited) Total £'000*	*(audited) Revenue £'000*	*(audited) Capital £'000*	*(audited) Total £'000*
–	*11,522*	*11,522*	*–*	*91,687*	*91,687*
2,746	*–*	*2,746*	*4,217*	*–*	*4,217*
(352)	*(1,056)*	*(1,408)*	*(779)*	*(2,335)*	*(3,114)*
(312)	*–*	*(312)*	*(582)*	*–*	*(582)*
2,082	***10,466***	***12,548***	***2,856***	***89,352***	***92,208***
(308)	*–*	*(308)*	*(480)*	*105*	*(375)*
1,774	***10,466***	***12,240***	***2,376***	***89,457***	***91,833***
0.58p	*3.43p*	*4.01p*	*0.78p*	*29.33p*	*30.11p*
0.58p	*3.43p*	*4.01p*	*0.78p*	*29.31p*	*30.09p*

BALANCE SHEET

	At 30 June 2010 (unaudited) £'000	*At 30 June 2009 (unaudited) £'000*	*At 31 December 2009 (audited) £'000*
Fixed assets			
Investments at fair value through profit and loss (see note 3)	360,462	*301,617*	*386,748*
Current assets			
Income receivable	310	*134*	*136*
Sales – future settlements	2	*765*	*187*
Other debtors	26	*29*	*39*
Cash at bank and in hand	30,894	*13,104*	*7,378*
	31,232	*14,032*	*7,740*
Creditors: amounts falling due within one year			
Purchases – future settlements	(20)	*(840)*	*(219)*
Accrued liabilities	(414)	*(360)*	*(429)*
	(434)	*(1,200)*	*(648)*
Net current assets	30,798	*12,832*	*7,092*
Total net assets	**391,260**	***314,449***	***393,840***
Capital and reserves: Equity			
Share capital	32,451	*30,585*	*30,585*
Share premium	16,035	*246,487*	*–*
Share purchase reserve	288,745	*43,573*	*289,858*
Capital reserve	52,233	*(8,340)*	*70,651*
Revenue reserve	1,796	*2,144*	*2,746*
Shareholders' funds	**391,260**	***314,449***	***393,840***
Net assets per Ordinary Share (see note 6)	121.26p	*102.65p*	*127.24p*

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Six months ended 30 June 2010 (unaudited)

	Share Capital £'000	Share Premium Account £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2010	30,585	–	289,858	70,651	2,746	393,840
Share buy backs (see note 9)	–	–	(1,113)	–	–	(1,113)
Exercise of warrants	1,866	16,035	–	–	–	17,901
Dividend paid (May 2010)	–	–	–	–	(2,281)	(2,281)
Profit for the year	–	–	–	(18,418)	1,331	(17,087)
Closing shareholders' funds as at 30 June 2010	**32,451**	**16,035**	**288,745**	**52,233**	**1,796**	**391,260**

Six months ended 30 June 2009 (unaudited)

	Share Capital £'000	*Share Premium Account £'000*	*Share Purchase Reserve £'000*	*Capital Reserve £'000*	*Revenue Reserve £'000*	*Total £'000*
Opening shareholders' funds as at 1 January 2009	*30,541*	*246,110*	*44,125*	*(18,806)*	*2,960*	*304,930*
Share buy backs	–	–	*(552)*	–	–	*(552)*
Exercise of warrants	*44*	*377*	–	–	–	*421*
Dividend paid (May 2009)	–	–	–	–	*(2,590)*	*(2,590)*
Profit for the year	–	–	–	*10,466*	*1,774*	*12,240*
Closing shareholders' funds as at 30 June 2009	***30,585***	***246,487***	***43,573***	***(8,340)***	***2,144***	***314,449***

Year ended 31 December 2009 (audited)

	Share Capital £'000	*Share Premium Account £'000*	*Share Purchase Reserve £'000*	*Capital Reserve £'000*	*Revenue Reserve £'000*	*Total £'000*
Opening shareholders' funds as at 1 January 2009	*30,541*	*246,110*	*44,125*	*(18,806)*	*2,960*	*304,930*
Share buy backs	–	–	*(748)*	–	–	*(748)*
Exercise of warrants	*44*	*377*	*(6)*	–	–	*415*
Cancellation of share premium	–	*(246,487)*	*246,487*	–	–	–
Dividend paid (May 2009)	–	–	–	–	*(2,590)*	*(2,590)*
Profit for the year	–	–	–	*89,457*	*2,376*	*91,833*
Closing shareholders' funds as at 31 December 2009	***30,585***	**–**	***289,858***	***70,651***	***2,746***	***393,840***

CASH FLOW STATEMENT

	Six months ended 30 June 2010 (unaudited) £'000	*Six months ended 30 June 2009 (unaudited) £'000*	*Year ended 31 December 2009 (audited) £'000*
Operating activities			
Cash inflow from investment income and bank interest	2,235	*2,894*	*4,339*
Cash outflow from management expenses	(2,195)	*(2,033)*	*(3,955)*
Cash inflow from recovery of VAT on management fees	–	*343*	*371*
Cash inflow from disposal of investments	62,004	*33,468*	*79,379*
Cash outflow from purchase of investments	(52,545)	*(28,634)*	*(79,354)*
Cash outflow from net foreign exchange losses	(224)	*(279)*	*(478)*
Cash outflow from taxation	(267)	*(308)*	*(375)*
Net cash flow from operating activities	**9,008**	***5,451***	***(73)***
Equity dividends paid	**(2,281)**	***(2,590)***	***(2,590)***
Financing			
Proceeds of share issues	17,919	*420*	*420*
Expenses of share issues	(17)	*–*	*(5)*
Share buy backs	(1,113)	*(551)*	*(748)*
Net cash flow from financing	**16,789**	***(131)***	***(333)***
Increase/(decrease) in cash	**23,516**	***2,730***	***(2,996)***
Opening balance at start of period	7,378	*10,374*	*10,374*
Closing balance at end of period	**30,894**	***13,104***	***7,378***

1 Accounting Policies

The accounts have been prepared in accordance with applicable UK accounting standards, UK Generally Accepted Accounting and the Statement of Recommended Practice "Financial statements of investment trust companies" issued by the Association of Investment Companies in January 2009.

The accounting policies and presentation in these accounts are consistent with those applied in the Annual Report for the year ended 31 December 2009.

2 Investment Company Status

The Company manages its affairs to enable it to qualify as an investment trust for taxation purposes under section 1158 of the Corporation Tax Act 2010.

3 Investments

Securities of companies quoted on regulated stock exchanges have been classified as "fair value through profit or loss" and are initially recognised on the trade date and measured at fair value. Investments are measured at subsequent reporting dates at fair value by reference to their market bid prices. Any unquoted investments are measured at fair value which is determined by the directors in accordance with the International Private Equity and Venture Capital guidelines.

4 Income

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Income from investments:			
Dividends from UK investments	309	*297*	*886*
Dividends from overseas investments	2,065	*2,442*	*3,260*
Loan note interest	35	*6*	*6*
Total	2,409	*2,745*	*4,152*
Other income:			
Interest receivable	–	*1*	*34*
Other income	–	–	*31*
Total income	**2,409**	***2,746***	***4,217***

5 Return per Ordinary Share

Return per Ordinary Share is based on the net return attributable on ordinary activities after taxation attributable to the weighted average of 304,915,907 (six months ended 30 June 2009: 305,031,137, year ended 31 December 2009: 305,015,304) Ordinary Shares in issue (excluding treasury shares) during the period.

There was no dilution to return per Ordinary Share in the six months ended 30 June 2010 or the six months ended 30 June 2009. In the year ended 31 December 2009, the diluted return per Ordinary Share is based on the net return attributable on ordinary activities after taxation attributable to the weighted average of 305,177,359 Ordinary Shares in issue (excluding treasury shares) during that period.

6 Net Assets per Ordinary Share

Net assets per Ordinary Share for the six months ended 30 June 2010 is based on the net assets of the Company attributable to the 322,656,336 Ordinary Shares in issue (excluding treasury shares) at the end of the period. Net assets per Ordinary Share for the six months ended 30 June 2009 and the year ended 31 December 2009 have been based on the net assets of the Company plus the amount which would have been subscribed by Warrantholders had all the outstanding Warrants been exercised at the end of each of those periods divided by the number of Ordinary Shares which would have been in issue (excluding treasury shares) had all the Warrants been exercised at the end of each relevant period. All Warrants were exercised on 22 June 2010 and therefore nil remained outstanding at 30 June 2010.

7 Dividend

The final dividend for the year ended 31 December 2009 of 0.75p per Ordinary Share was paid on 18 May 2010 (year ended 31 December 2008 dividend of 0.85p per share was paid on 18 May 2009). In accordance with UK accounting standards the dividend for the year ended 31 December 2009 has been recognised in the Half-yearly financial report for the six months ended 30 June 2010.

8 New Share Issues

On the final subscription date of 15 June 2010, 14,158,825 Warrants were exercised. A total of 4,507,260 Warrants were not exercised by Warrantholders on that date and a trustee was appointed to act on their behalf. The trustee subsequently exercised the Warrants and the Ordinary Shares arising from their exercise were sold in the market. The net proceeds of the sale of those Ordinary Shares less attributable costs have since been returned pro rata to the relevant Warrantholders. On 25 June 2010, the Company issued 18,666,085 new Ordinary Shares in respect of all the exercised Warrants at the subscription price of 96p per Ordinary Share.

At 30 June 2010, the Company's issued share capital was 324,509,373 Ordinary Shares. The Company was holding 1,853,037 of these shares in Treasury. Therefore, the total number of Ordinary Shares with voting rights in the Company was 322,656,336.

9 Purchase of Own Shares

During the six months ended 30 June 2010 946,032 Ordinary Shares were bought back at an aggregate cost of £1,113,607. These Shares are being held in treasury.

10 Related Party Transactions

Fees payable to the Manager are shown in the Income Statement. At 30 June 2010 the fee accrual outstanding to the Manager was £303,661.

11 Cancellation of Share Premium Account

As described in the circular dated 13 May 2009, the Company applied to the Court for the cancellation of its share premium in order to create additional distributable reserves which would be available for the buy back of its own Ordinary Shares. The cancellation was approved by shareholders on 4 June 2009, confirmed by the Court on 8 July 2009 and became effective on 15 July 2009. An amount of £246,486,789 was transferred from the share premium account to share purchase reserves on the effective date.

12 Status of this Report

These financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The Half-yearly financial report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. The report will be available in electronic format on the Manager's website (www.impax.co.uk).

The Half-yearly financial report was approved by the Board on 4 August 2010.

The Company's statutory accounts for the year ended 31 December 2009 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

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Charles Berry
William Brown
Keith Niven

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