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If you sell or have sold or otherwise transferred all of your Ordinary Shares and/or Warrants in Impax Environmental Markets plc (the "Company"), please forward this document and the accompanying Application Forms and Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulations including, but not limited to, Australia, Canada, Japan, the Republic of South Africa or the United States.

The public offer of transferable securities contained herein and the proposed admission to trading of the C Shares and Ordinary Shares to a regulated market require the production of a prospectus by the Company in this form.

The Directors of the Company, whose names appear on page 20, and the Company itself, accept responsibility for the contents of this document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in the document is, to the best of their and its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Dresdner Kleinwort Limited, which is authorised and regulated by the Financial Services Authority, is acting for the Company and for no-one else in connection with the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Dresdner Kleinwort Limited, or for affording advice in relation to the contents of this document or any matters referred to herein. Dresdner Kleinwort Limited is not responsible for the contents of this document. Dresdner Kleinwort Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of the reference to its name in the form and context in which it is included.

IMPAX ENVIRONMENTAL MARKETS PLC

(incorporated in England and Wales under the Companies Act 1985 with registered no. 4348393 and registered as an investment company under section 266 of the Companies Act 1985)

Placing, Open Offer and Offer for Subscription of up to 140 million C Shares at an Issue Price of 100p per share sponsored by



Dresdner Kleinwort

and

Notice of Extraordinary General Meeting

Persons receiving a copy of this document are directed to the section headed "Risk Factors" on pages 7 to 9 of this document which sets out the principal risk factors associated with an investment in the Company.

Applications have been made to the UK Listing Authority for the C Shares now being offered to be admitted to the Official List, and to the London Stock Exchange for the C Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission of the C Shares will become effective and dealings in the C Shares will commence on the London Stock Exchange on 21 September 2007.

This document should be read in its entirety before making any application for C Shares. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the memorandum and articles of association of the Company.

The procedure for Shareholders and Warrantholders to participate in the Open Offer and/or the Offer for Subscription is set out in the section headed "Action to be Taken" on pages 17 and 18 of this document and in the Application Forms at the end of and enclosed with this document. The procedure for application by new investors to participate in the Offer for Subscription is set out in the Application Form at the end of this document. To be valid, Application Forms must be completed and returned with the appropriate remittance so as to reach the Receiving Agent, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and, in any event, no later than 11 a.m. on 13 September 2007.

The Company has not been and will not be registered under the United States Investment Company Act 1940, as amended.

None of the C Shares or Ordinary Shares have been or will be registered under the United States Securities Act 1933, as amended, or the relevant securities laws of any state of the United States, or under any other relevant securities laws of Canada, Japan, the Republic of South Africa or Australia, and, accordingly, the Placing, Open Offer and Offer for Subscription are not being made and none of the C Shares or the Ordinary Shares arising on Conversion may be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States, Canada, Japan, the Republic of South Africa or Australia. The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company that would permit an offer of the C Shares or the Ordinary Shares arising on Conversion or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Overseas Shareholders and Overseas Warrantholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should read the paragraph entitled "Overseas Shareholders and Warrantholders" on page 16 of this document.

The information contained in this document has been prepared solely for the purpose of the Proposals and Admission of the C Shares and is not intended to be relied upon by any subsequent purchasers of C Shares and/or Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

If you are an existing Shareholder, your attention is drawn to the Notice of an Extraordinary General Meeting of the Company to be held at 10.30 a.m. on 20 September 2007 at 145-157 St John Street, London EC1V 4RU, which is set out on pages 71 to 73 of this document. To be valid, the Form of Proxy for use by Shareholders must be completed and returned in accordance with the instructions printed on it so as to be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible, but in any event no later than 10.30 a.m. on 18 September 2007. Your attention is drawn to the paragraph headed "Action to be Taken" on pages 17 and 18 of this document.

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SUMMARY

This summary should be read as an introduction to this document. Any decision to invest in the C Shares should be based on consideration of the full text of this document as a whole. If you bring a claim relating to the information contained in this document before a Court you might under the national legislation of the EEA States have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Introduction

The Company is a conventional investment trust which was launched on 22 February 2002. The Company has Ordinary Shares and Warrants in issue which are admitted to the Official List and to trading on the London Stock Exchange's Main Market.

The Company is proposing to raise up to £140 million before expenses by a Placing, Open Offer and Offer for Subscription of C Shares (the "Issue").

As at 13 August 2007, the Company had unaudited net assets of £274.2 million and the Ordinary Shares were trading at a 3.3 per cent. premium to NAV per Share (unaudited). The Ordinary Shares have regularly traded at a premium to NAV per Share (unaudited) since July 2005. The average premium to NAV per Share (unaudited) at which Ordinary Shares traded over the twelve months to 13 August 2007 was 3.4 per cent. (source: Thomson Datastream).

The Company has to date conducted its affairs so as to enable it to qualify as an investment trust for the purposes of section 842 of the Taxes Act and intends to continue to do so. It has been approved as such by HM Revenue and Customs in respect each of its accounting reference periods up to and including the period ended 31 December 2005. The Company is an investment company within the meaning of section 266 of the Companies Act.

Investment objective and policy

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.

Manager

The Company's investment manager is Impax Asset Management Limited. The Manager is a subsidiary of Impax Group plc, an investment management and financial advisory company, the shares of which are quoted on the AIM market of the London Stock Exchange.

The Manager provides fund management and advisory services within the Environmental Markets sector, particularly alternative energy, waste management and water treatment. The Manager has particular expertise in managing portfolios of listed stocks and private equity in the Environmental Markets sector.

Background to and reasons for the Issue

The Board believes that there continues to be significant demand for Ordinary Shares from investors who are unable to purchase sufficient shares in the secondary market. Consequently, the Board is taking the opportunity provided by this demand, the Company's strong performance since March 2003 and the premium to NAV per Share (unaudited) at which the Ordinary Shares are trading to expand the Company by making C Shares available to Qualifying Shareholders, Qualifying Warrantholders and new investors by means of the Issue to raise up to £140 million before expenses.

The Directors believe that the Proposals have the following principal benefits:

- Shareholders and Warrantholders will be able to subscribe for further shares in the Company;
- the market capitalisation of the Company will increase following the Issue and it is expected that the liquidity of the Ordinary Shares will be enhanced through a wider shareholder base;

- the Issue will increase the size of the Company and enable it to spread its fixed operating expenses over a larger number of Ordinary Shares; and
- the rate at which the management fee is payable by the Company to the Manager will be reduced to the extent that the Company's NAV exceeds £300 million.

The Issue

The Company is seeking to raise up to £140 million before expenses through the issue of C Shares which will convert into Ordinary Shares. The Issue is not being underwritten and will not proceed unless aggregate subscriptions are received which represent a minimum of £20 million (or such lesser amount as the Company and Dresdner Kleinwort may agree).

The C Shares will convert into Ordinary Shares, which will rank *pari passu* in all respects with the existing Ordinary Shares, on the basis set out in this document on the Conversion Date, which will not be later than 31 December 2007.

Qualifying Shareholders are entitled to apply under the Open Offer to subscribe for one C Share at the Issue Price in respect of every three Ordinary Shares held at the Record Date. Qualifying Warrantholders are entitled to apply under the Open Offer to subscribe for one C Share at the Issue Price in respect of every three Warrants held by them at the Record Date. Applicants can apply for less or more than their Open Offer Entitlement under the Open Offer but the Company cannot guarantee that any excess above any Open Offer Entitlement will be satisfied. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate in the interests of the Company.

Open Offer Shares which are not validly applied for under the Open Offer will be made available under the Placing and/or the Offer for Subscription. The Board may, at its discretion, in order to satisfy valid applications under the Open Offer, allot C Shares in excess of the aggregate Open Offer Entitlements of Qualifying Shareholders and/or Qualifying Warrantholders, in which case the number of C Shares available for the Placing and/or the Offer for Subscription will be reduced accordingly.

Company Portfolio

As at 13 August 2007, the Company's portfolio comprised 84 companies. Approximately 42 per cent. of the Company's portfolio by value is in the alternative energy and energy efficiency sector, 31 per cent. is in the waste technologies and resource management sector and the remaining 27 per cent. is in the water treatment and pollution control sector. Approximately 42 per cent. of the Company's portfolio by value is quoted on North American stock markets, 50 per cent. is quoted on European stock markets and 8 per cent. on stock markets elsewhere. Approximately 25 per cent. of the Company's portfolio by value is invested in companies capitalised at more than £1 billion, 66 per cent. in companies capitalised at between £100 million and £1 billion and the remaining 9 per cent. in companies capitalised at less than £100 million. Approximately 80 per cent. of the Company's portfolio by value is in companies which reported profits in their last published audited financial statements (source: information provided by the Manager).

Investment Outlook

The Directors believe, based on advice from the Manager, that the key drivers of the Environmental Markets, being market liberalisation, tightening environmental policy and falling costs of new technology, continue to generate attractive opportunities.

In the energy sector, these drivers have been reinforced by rising energy prices, concerns over energy security, blackouts and global power quality issues as well as increased government commitment to reducing carbon dioxide emissions. For example, this year there has been a landmark ruling by the US Supreme Court that carbon dioxide is a pollutant which the government has a legal duty to mitigate while, in Europe, the European Commission has proposed new targets for renewables of 20 per cent. by 2020.

In the water sector, spending looks set to increase as water utilities struggle to meet the ongoing demand for water in the face of high leakage rates and emerging water shortages. In addition they need to strengthen flood prevention measures as changing weather patterns have led to unusually high rainfall in certain parts of the world, notably the UK. Furthermore, increasingly stringent regulations on water quality continue to favour the adoption of new technologies.

In the waste sector, new legislation continues to add complexity to sectors offering alternative solutions to landfill disposal. In the UK there has been a further boost to landfill diversion as the

Chancellor increased the annual landfill tax escalator by 60 per cent. to £8 per tonne and raised the target to £48 by 2011. Meanwhile, higher commodity prices are further improving the economics for companies that are recycling materials such as metals, plastics, oils and paper as well as end-of-life products such as vehicles and electronic equipment.

Based on advice from the Manager, the Directors believe that corporate activity will continue to have a positive impact on the Company’s NAV, as companies seek acquisitions as a route into Environmental Markets. This year the sector has already seen high profile acquisitions in the renewable energy, meters, integrated waste management and salvage vehicle sectors. Based on advice from the Manager, the Directors believe this trend will continue to benefit the Company.

Finally, based on advice from the Manager, the Directors believe that pre-IPO private investments and Asia-Pacific markets also offer attractive new investment potential. The Company may invest up to 10 per cent. of its net assets into pre-IPO investments and, after one exit in April 2007, now has four such investments. Also, the Manager expects to continue to increase the Company’s exposure to companies quoted in the Asia-Pacific region particularly in Taiwan, Korea, Hong Kong and Singapore.

Conditions

The Issue is conditional upon the Placing Agreement between Dresdner Kleinwort and the Company becoming unconditional and not being terminated and the passing of resolution number 1 set out in the notice of the Extraordinary General Meeting.

New Articles of Association

A special resolution will be proposed at the Extraordinary General Meeting to adopt new articles of association in substitution for the existing articles to provide for the rights and restrictions attaching to the C Shares.

Financial Implications of the Issue

The following example is provided for the purpose of illustrating the basis on which the number of Ordinary Shares arising on Conversion will be calculated. The example is not, and is not intended to be, a forecast of the number of Ordinary Shares which will arise on Conversion.

The example illustrates the number of Ordinary Shares which would arise on the Conversion of 1,000 C Shares using assumed Net Asset Values attributable to the C Shares and Existing Ordinary Shares at the Calculation Date. The assumed Net Asset Value attributable to an Existing Ordinary Share is that at the close of business on 13 August 2007. The assumed Net Asset Value attributable to each C Share is on the basis that there are no returns on the Net Proceeds in the period to the Calculation Date.

	<i>Example</i>
Number of C Shares subscribed	1,000
Amount subscribed	£1,000
Net Asset Value attributable to a C Share at the Calculation Date	£0.9825
Net Asset Value attributable to an Existing Ordinary Share at the Calculation Date	£1.2363
Conversion Ratio	0.7947
Number of Ordinary Shares arising on Conversion	794

Fractions of Ordinary Shares arising on Conversion will be aggregated and sold for the benefit of the Company.

Risk Factors

Investment in the Company involves risks which include those summarised below.

The value of an investment in the Company, and any income derived from it, may fluctuate and can go down as well as up. There are no guarantees that the Company will achieve its investment objective or that the value of the Company's investments will increase. Investors may not get back the full value of their investment and the realisable values of the C Shares and Ordinary Shares may not reflect their quoted prices. Past performance of the Company, and of investments managed by the Manager, is not necessarily indicative of future performance.

The Company invests in companies in Environmental Markets. Such companies carry risks that governmental liberalisation may not occur as expected, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products and services are not adopted.

Some of the companies in which the Company invests may be adversely affected by fluctuations in the price of oil and gas.

The Company may invest in unquoted securities and companies with a small market capitalisation which generally have higher valuation uncertainties and liquidity risks than securities traded on a regulated market. The Company's portfolio is likely to have a higher volatility than main equity indices such as the FTSE 100 Index. Price movements of the Company's investments are highly correlated to performance of global equities in general and small and mid cap equities in particular. Consequently falls in stock markets are likely to negatively affect the performance of the Company's investments.

The market prices of C Shares and Ordinary Shares will be determined by supply and demand for those shares, will fluctuate and may not fully reflect the NAV per Share.

Any change in the Company's tax status, taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

The Company may invest in securities which are not denominated or quoted in sterling. Net asset values will be reported in sterling and dividends will be in sterling. Movements of exchange rates between sterling and other currencies in which the Company's investments are denominated or its borrowings drawn down may have an unfavourable or favourable effect on the return in the investments made by the Company.

Changes in economic conditions (including interest rates and rates of inflation), industry conditions, competition, legislation, political and diplomatic events and trends, tax laws, accounting practices and other factors can substantially and adversely affect the value of investments and the Company's performance and prospects.

If the Company were wound up, the C Shares and Ordinary Shares would rank behind the Company's liabilities and any return for Shareholders would depend on the Company's assets exceeding the entitlements of creditors.

NAV Data

Except where otherwise stated, all NAV data in this document is sourced from Thomson Datastream. Where information contained in this document has been sourced from Thomson Datastream, the Company confirms that such information has been accurately reproduced and so far as the Company is aware and is able to ascertain from the information published by Thomson Datastream, no facts have been omitted which would render the reproduced information inaccurate or misleading.

RISK FACTORS

The Directors consider the matters set out below to be those which potential investors should consider as the key risks specific to an investment in the C Shares and Ordinary Shares and more generally in investment companies of the same type and profile as the Company. Additional risks and uncertainties not currently known to the Company, or that the Company deems to be immaterial, may also have an adverse effect on its business. Prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing.

Investor Profile

The Placing will be marketed to institutional and sophisticated investors. The Offer for Subscription will be open to members of the public in the UK. Typical investors in the Company are expected to be UK and European based asset and wealth managers regulated or authorised by the FSA or the relevant local regulator, retail private clients who will invest through brokers and private individuals.

General

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment (which may be equal to the whole amount invested). Such an investment should be seen as long-term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.

The value of an investment in the Company, and any income derived from it, may fluctuate and can go down as well as up. There can be no guarantee that the value of the Company's investments will increase and investors may not get back the full value of their investment. There is no guarantee that the realisable value of the C Shares or Ordinary Shares will reflect the quoted price.

In the event of a winding-up of the Company, the C Shares and Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets exceeding the prior entitlements of creditors.

Past performance of the Company, and of investments managed by the Manager, is not necessarily indicative of future performance.

Environmental Markets

The Company's portfolio comprises, and will continue to comprise, investments in companies in Environmental Markets. Investing in companies in the Environmental Markets sector carries some particular risks:

- Governmental liberalisation of basic services and increased environmental legislation may not occur or may not occur at the rate or in the ways anticipated.
- The costs of technology in Environmental Markets may not continue to fall or may not maintain price competitiveness.
- The performance of investments in Environmental Markets companies is likely to be adversely affected if industrial and utility capital spending by their customers were to decrease or be deferred.
- The Company's portfolio may include newly established companies and companies whose future is dependent on widespread adoption of their products and services.

Furthermore, the performance of companies in which the Company invests may be adversely affected by changes in applicable law and regulation.

Oil Price

One of the sectors in which the Company invests is alternative energy and energy efficiency focused companies. The performance and value of some or all of such companies is affected by the price of oil and gas. The price of oil and gas has fluctuated widely in recent years and may continue to do so. Lower oil and gas prices may adversely affect the performance and value of some companies in which the Company has invested.

Portfolio

The Company may invest up to ten per cent. of its NAV in unquoted securities. Such securities generally have higher valuation uncertainties and liquidity risks than securities listed or traded on a

regulated market. The Company may invest in companies with a small market capitalisation. Such investments are likely to be subject to higher valuation uncertainties and liquidity risks than larger capitalisation securities. The Company's portfolio is likely to have a higher volatility than main equity indices such as the FTSE 100 Index. Securities in some of the investee companies may be illiquid. Valuations of companies in Environmental Markets may remain at current levels or may fall.

Price movements of the Company's investments are highly correlated to performance of global equities in general and small and mid cap equities in particular. Consequently falls in stock markets are likely to negatively affect the performance of the Company's investments.

Investment Objective

There is no guarantee that the Company's investment objective as described on page 21 of this document will be achieved or provide the returns sought by the Company. The Net Proceeds will be invested as soon as is reasonably practicable after their receipt by the Company, but the number, quality and size of investment opportunities may lead to delays in fully investing the Net Proceeds. If equity prices rise or fall before the Net Proceeds are fully invested, the returns to holders of C Shares will differ from the returns to the Company's existing shareholders.

Discount

The market prices of C Shares and Ordinary Shares will be determined by supply and demand in the stock market for those shares. The market prices of C Shares and Ordinary Shares will fluctuate and may not fully reflect the Net Asset Value per Share.

Dividends

The Company invests with the objective of achieving a high level of capital growth and it is expected that dividends, if any, are likely to be small. The Board intends only to pay dividends on the Ordinary Shares in order to maintain the Company's investment trust status. Dividends will depend on the amount and timing of income which the Company receives on its investments and, accordingly, the amount of dividends payable by the Company may fluctuate.

The amount of dividends and future dividend growth will depend on the Company's underlying portfolio and the available distributable reserves. Any change in the tax treatment of dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by Shareholders.

If the basis on which dividends could be paid by companies under UK law were to change the Company's ability to pay dividends could be adversely affected.

Gearing

At present the Company does not have any long-term or short-term borrowings. The Board has authorised the Manager to utilise short-term borrowings of up to 10 per cent. of NAV in order to provide liquidity for efficient portfolio management where the Manager sees fit. While there is no current intention to utilise long-term borrowings, the Company retains the ability and flexibility to do so in appropriate circumstances. Any long-term borrowings, and any borrowings in excess of 10 per cent. of NAV, would require the separate authorisation of the Board. Potential investors should be aware of the implications of any such gearing. Due to the gearing effect of any such borrowings, Shareholders would, to an exaggerated extent, suffer from any underperformance of the Company's assets compared to the cost of any borrowing (both in terms of Net Asset Value and market price depreciation) and conversely would benefit from any outperformance relative to any borrowing cost.

Reliance on and availability of the Manager and its key personnel

The Company's success depends to a significant extent upon the Manager. The loss or unavailability (whether temporary or permanent) of the services of any director, member of the investment committee or senior management team, or other key personnel of the Manager, could have a material adverse effect on the business, financial condition or results of operations of the Company.

Tax and Accounting

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to

Shareholders or alter the post-tax returns to Shareholders. Information in this document concerning the taxation of investors is based upon current tax law and practice which are subject to change.

Although it is intended that the Company will be managed so as to qualify as an investment trust and retain such status, there is no guarantee that such status will be maintained. If the Company fails to meet the requirements for approval as an investment trust, it will lose exemption in relation to corporation tax on capital gains made by the Company.

Foreign Currency Risk

To a large extent, the Company invests in securities which are not denominated or quoted in sterling, the base currency of the Company. The Net Asset Value per Share will be reported in sterling and dividends will be declared and paid in sterling. The movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated or its borrowings drawn down may have an unfavourable or favourable effect on the return otherwise experienced in the investments made by the Company. The Company will not normally hedge against foreign currency movements affecting the value of its investments, but the Manager will take account of this risk when making investment decisions.

Derivatives

The Company may use derivatives to protect value in the portfolio and reduce costs (although the Company does not do so currently). There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investment which are the subject of the hedge, on the other hand. In addition, an active market may not exist for a particular derivative instrument at any particular time. The Company will only enter into derivative transactions for the purposes of efficient portfolio management.

Investment in Investment Companies

The Company has no intention to invest in other investment companies. In the event that the Company decides to invest in other investment companies in the future, investors should be aware that such investments may include holdings in the shares of investment funds which are geared by loan facilities that rank ahead of the relevant shares, both for payment of interest and for capital. Investment in shares of investment companies which are geared present a higher investment risk as to their capital return. In addition, any increase or decrease in the value of the investment portfolio of the Company would be magnified by the movement of net asset value of the shares comprised within the portfolio.

If the Company invests in investment funds which are expected to be invested in whole or in part in shares of geared investment funds, a failure of such a fund to meet its projected dividend may have an adverse effect on the Company's ability to pay a dividend. Further, it may have an adverse effect on that fund's share price, which would adversely affect the value of the Company's assets.

Exchange controls and withholding tax

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments.

Economic Conditions

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, legislation, political and diplomatic events and trends, tax laws, accounting practices and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

EXPECTED TIMETABLE

Record Date for entitlement under the Open Offer	close of business on 13 August 2007
Open Offer Entitlements credited to CREST accounts of Qualifying CREST Shareholders and Qualifying CREST Warrantheolders	16 August 2007
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. 6 September 2007
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. 10 September 2007
Latest time and date for splitting of Application Forms under the Open Offer (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 11 September 2007
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or Offer for Subscription, or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 13 September 2007
Placing closes	14 September 2007
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 18 September 2007
Shares issued to investors pursuant to the Placing on a T+3 basis	18 September 2007
Extraordinary General Meeting	10.30 a.m. on 20 September 2007
Admission and commencement of dealings in C Shares	21 September 2007
Expected date for crediting of C Shares to CREST accounts in uncertificated form	21 September 2007
Expected date of despatch of definitive share certificates for C Shares in certificated form	not later than 28 September 2007

If you have any queries on the procedures for application under the Open Offer or Offer for Subscription, you should contact Capita Registrars, Corporation Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or, by telephone, on 0870 162 3121 or (+44) 20 8639 3399 if calling from overseas. Please note that Capita Registrars cannot give Shareholders or Warrantheolders financial, legal or tax advice in connection with the Open Offer or Offer for Subscription and that calls to the shareholder helpline may be monitored or recorded.

The dates set out in this expected timetable of events may be adjusted by the Company and Dresdner Kleinwort, in which event details of the new dates will be notified to the FSA, the London Stock Exchange and, where appropriate, to Shareholders and Warrantheolders.

Admission of the Ordinary Shares arising on Conversion to the Official List and to dealings in the London Stock Exchange's market for listed securities will occur on the Conversion Date.

The ISIN number of the C Shares is GB00B235SB28

LETTER FROM THE CHAIRMAN

Impax Environmental Markets plc

*(incorporated in England and Wales under the Companies Act 1985 with registered no. 4348393
and registered as an investment company under section 266 of the Companies Act 1985)*

Directors:

Richard Oliver Bernays (Chairman)
Dr Robert John Arnott
William Donald Brown
Keith Melville Niven

Registered Office:
145-157 St John Street
London
EC1V 4RU

15 August 2007

To Shareholders and Warrantholders

Dear Shareholder or Warrantholder,

Placing, Open Offer and Offer for Subscription of up to 140 million C Shares and Notice of Extraordinary General Meeting

Introduction

On 9 July 2007 the Company announced proposals for a Placing, Open Offer and Offer for Subscription of C Shares (the "Issue") which will convert into Ordinary Shares to raise up to £140 million before expenses. The Issue is not being underwritten and will not proceed unless subscriptions are received in aggregate for at least £20 million (or such lesser amount as the Company and Dresdner Kleinwort may agree).

This letter explains the background to and reasons for the Issue and contains further information about the Proposals. Notice of the Extraordinary General Meeting to be held on 20 September 2007, at which Shareholders' approval for the Proposals will be sought, is set out on pages 71 to 73 of this document.

Background

The Company is a conventional investment trust whose Ordinary Shares were admitted to the Official List on 22 February 2002. 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. The Company's investment manager is Impax Asset Management Limited.

As at 13 August 2007, the Company had unaudited net assets of £274.2 million. The Company's Net Asset Value per Share (unaudited) performance over various periods to 13 August 2007, compared with those of the FTSE All-Share and MSCI World indices, was as follows:

	<i>% return since 31 December 2002</i>	<i>% return since 31 December 2003</i>	<i>% return since 31 December 2004</i>	<i>% return since 31 December 2005</i>	<i>% return since 31 December 2006</i>	<i>% return since 22 February 2002¹</i>
NAV per Share (unaudited)	138.36	95.61	69.08	40.11	17.45	31.98
FTSE All-Share Index	83.13	57.11	43.85	21.81	7.65	42.23
MSCI World Index (sterling adjusted)	65.44	40.63	33.67	11.12	7.40	23.04

¹ The Company was listed on 22 February 2002

Source: Thomson Datastream

In October 2005 the Board announced proposals for an issue of convertible C shares (the “**2005 C Shares**”) by way of a placing and offer for subscription sponsored by Dresdner Kleinwort, and the Company raised £60 million before expenses, taking net assets to over £100 million for the first time. The 2005 C Shares were converted into Ordinary Shares in December 2005 with all shareholders receiving one Warrant for every five Ordinary Shares held at that time.

The 2005 C Share issue was followed by continuing strong demand for the Company’s Ordinary Shares. In early 2006 3,995,000 Ordinary Shares were issued at a price of 98p per share, 1 million Ordinary Shares were issued at a price of 104.25p per share, and a further 7,047,390 Ordinary Shares were issued at a price of 110p per Ordinary Share. On 15 June 2006 subscription rights conferred by Warrants were exercised resulting in the issue of 3,295,508 Ordinary Shares at an exercise price of 96p per Ordinary Share.

In August 2006 the Company raised £66 million pursuant to a new issue of convertible C shares (the “**2006 C Shares**”). The 2006 C Shares were converted into Ordinary Shares in October 2006. Subsequent to the issue of the 2006 C Shares the Company issued a further 3 million Ordinary Shares in October 2006 and 17 million Ordinary Shares in May 2007 at an issue price of 106.5p and 125.5p respectively.

On 15 June 2007 subscription rights conferred by Warrants were exercised resulting in the issue of 51,061 Ordinary Shares at an exercise price of 96p per Ordinary Share.

The Board believes that these fundraisings, in particular the issue of the 2005 C Shares and 2006 C Shares, are indicative of the emergence of the Environmental Markets sector into the mainstream and reinforced the Company’s position as a leading closed end fund investing in the high growth environmental sector. These issues have provided shareholders with increased liquidity in the Ordinary Shares and an increased size over which the Company can spread its fixed costs. As at the date of this document the Company has 217,407,088 Ordinary Shares and 19,763,321 Warrants in issue.

As at 13 August 2007, the Ordinary Shares were trading at a 3.3 per cent. premium to NAV per Share (unaudited). The average premium on the Ordinary Shares to NAV per Share (unaudited) over the twelve months to that date was 3.4 per cent. (source: Thomson Datastream).

The Proposals

The Board believes that there continues to be significant demand for Ordinary Shares from investors who are unable to purchase sufficient shares in the secondary market. Consequently, the Board is taking the opportunity provided by this demand, the Company’s strong performance since March 2003 and the premium to NAV per Share at which the Ordinary Shares are trading to expand the Company by making C Shares available to Qualifying Shareholders, Qualifying Warrant holders and new investors. The Proposals involve:

- a Placing, Open Offer and Offer for Subscription of C Shares to raise up to £140 million before expenses; and
- adoption of new Articles to provide for the rights and restrictions attaching to the C Shares.

The Issue

The Company is seeking to raise up to £140 million, before expenses, through the Placing, Open Offer and Offer for Subscription of C Shares. The Issue is not being underwritten and, as a result, will not proceed unless aggregate subscriptions are received which represent a minimum of £20 million (or such lesser amount as the Company and Dresdner Kleinwort may agree).

Pursuant to the Placing Agreement Dresdner Kleinwort will seek to place with certain existing and new investors up to 140 million C Shares at the Issue Price, less the number of C Shares required to satisfy valid applications under the Open Offer and Offer for Subscription, to the extent accepted by the Company.

Under the Open Offer, Qualifying Shareholders and Qualifying Warrantheolders are entitled to apply to subscribe for C Shares *pro rata* to their holdings of Ordinary Shares or Warrants on the following basis:

1 C Share for every 3 Ordinary Shares

1 C Share for every 3 Warrants

held at the Record Date. Entitlements of Qualifying Shareholders and Qualifying Warrantheolders to apply to subscribe for Open Offer Shares will be rounded down to the nearest whole number of C Shares. Accordingly, fractional entitlements to Open Offer Shares will not arise.

Valid applications under the Open Offer will be satisfied in full up to applicants' Open Offer Entitlements. Applicants can apply for less or more than their entitlements under the Open Offer but the Company cannot guarantee that any application for more than an Open Offer Entitlement will be satisfied as this will depend in part on the extent to which other Qualifying Shareholders and Qualifying Warrantheolders apply for only part of or none of their own Open Offer Entitlements. The Company may satisfy valid applications for more than the Open Offer Entitlement of applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it considers to be appropriate in the interests of the Company and having regard to any participation of relevant applicants in the Placing and/or Offer for Subscription. To the extent that the monies subscribed by an applicant in relation to any valid application for C Shares under the Open Offer exceeds the aggregate value, at the Issue Price, of the C Shares issued pursuant to that application, the excess subscription monies will be returned by the Company to that applicant (at the applicant's risk and without interest).

Holdings of Existing Ordinary Shares and Warrants traded on the London Stock Exchange in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer as will holdings under different designations and in different accounts, notwithstanding that Existing Ordinary Shares and Warrants held under the same designation and in the same account will not be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

The Open Offer is not a "rights issue". Invitations to apply under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the white Application Form and the blue Excess CREST Application Form are not documents of title and cannot be traded. Qualifying Shareholders and Qualifying Warrantheolders should be aware that, in the Open Offer, unlike in the case of a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders and Qualifying Warrantheolders.

Full terms and conditions of the Open Offer, together with details of how to apply, are set out on pages 74 to 84 of this document.

In order to satisfy valid applications under the Open Offer, the Board may, at its discretion, allot C Shares in excess of the aggregate Open Offer Entitlements of Qualifying Shareholders and Qualifying Warrantheolders, in which case the number of C Shares available for the Placing and the Offer for Subscription will be reduced accordingly.

To the extent that the Open Offer Shares are not validly applied for in full, the Open Offer Shares not so applied for will be made available under the Placing and/or the Offer for Subscription.

The latest time and date for applications under the Open Offer and Offer for Subscription is expected to be 11.00 a.m. on 13 September 2007.

The Issue is conditional, *inter alia*, on the Placing Agreement becoming unconditional, and not being terminated, Admission of the C Shares and the passing of resolution number 1 as set out in the Notice of Extraordinary General Meeting on pages 71 to 73 of this document. The result of the Issue will be announced on the date of the Extraordinary General Meeting.

The Directors intend to apply the Net Proceeds in making investments in accordance with the Company's investment objective as described above and subject to the investment restrictions described in Part IV of this document. Pending investment, the Net Proceeds will be invested in short-term money market instruments (including gilts and treasury bills) and cash with institutions (or wholly owned subsidiaries of institutions) which are rated A1 (or above) by Standard & Poor's or an equivalent rating agency.

C Shares

The Issue will be of a new class of shares, C Shares, at an issue price of 100p per share. An issue of C Shares is designed to overcome the potential disadvantages for existing Shareholders which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the assets representing the Net Proceeds from the issue of the C Shares will be accounted for and managed as a distinct pool of assets until the Conversion Date. By accounting for the Net Proceeds separately, holders of Existing Ordinary Shares will not be exposed to a portfolio containing a substantial amount of uninvested cash before the Calculation Date;
- the Net Asset Value of the existing Ordinary Shares will not be diluted by the expenses associated with the Proposals which will be borne by the subscribers for C Shares; and
- the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the relative investment performance and value of the pool of new capital attributable to the C Shares raised pursuant to the Issue up to the Calculation Date as compared to the assets attributable to the Ordinary Shares in issue at that time. As a result, the Net Asset Value attributable to the Ordinary Shares then in issue will not be adversely affected by Conversion.

The Net Proceeds and the investments made with them will be accounted for and managed as a separate pool of assets until the date on which at least 90 per cent. of the Net Proceeds have been invested or committed to be invested or, if earlier, 31 December 2007. The Conversion Ratio will then be calculated and the C Shares in issue will convert into a number of Ordinary Shares calculated by reference to the net assets then attributable to C Shares compared to the net assets at the same time attributable to Ordinary Shares then in issue. Entitlements to Ordinary Shares arising on Conversion will be rounded down to the nearest whole number. Full details of the C Shares and Conversion are set out in Part II of this document.

The C Shares will not carry any effective rights to dividends, nor will they carry voting rights, but the consent of C Shareholders as a class will be required in connection with the matters specified in paragraph 7 of Part II of this document. C Shareholders will be entitled to participate in a winding-up of the Company or upon a return of capital as specified in paragraph 3 of Part II of this document.

The Ordinary Shares arising on Conversion of the C Shares will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's new Articles which are summarised in Part IV of this document.

Example of Conversion mechanism

The following example illustrates the basis on which the number of Ordinary Shares arising on Conversion will be calculated. The example is not, and is not intended to be, a forecast of the number of Ordinary Shares which will arise on Conversion.

The example illustrates the number of Ordinary Shares which would arise on the Conversion of 1,000 C Shares held at the Conversion Date, using assumed Net Asset Values attributable to the C Shares and Ordinary Shares in issue at the Calculation Date. The assumed Net Asset Value attributable to an Ordinary Share is that at the close of business on 13 August 2007 (the latest practicable date prior to the publication of this document). The assumed Net Asset Value attributable to each C Share is on the basis that there are no returns on the Net Proceeds to the Calculation Date.

	<i>Example</i>
Number of C Shares subscribed	1,000
Amount subscribed	£1,000
Net Asset Value attributable to a C Share at the Calculation Date	£0.9825
Net Asset Value attributable to an Ordinary Share at the Calculation Date	£1.2363
Conversion Ratio	0.7947
Number of Ordinary Shares arising on Conversion	794

Amendment to Management Agreement

The Company and the Manager have entered into a conditional agreement to amend the Management Agreement. This agreement is conditional on Admission of the C Shares taking place.

Under the Management Agreement the Manager currently receives from the Company a management fee, paid monthly in arrears, at a rate of one twelfth of one per cent. for net assets not exceeding £200 million and one twelfth of 0.9 per cent. for net assets in excess of £200 million. If the amendment agreement becomes unconditional the management fee will be amended so that the monthly management fee will be calculated at one twelfth of one per cent. for net assets not exceeding £200 million, one twelfth of 0.9 per cent. of the net assets in excess of £200 million up to £300 million, one twelfth of 0.825 per cent. of the net assets in excess of £300 million up to £400 million and one twelfth of 0.8 per cent. of the net assets in excess of £400 million.

Benefits of the Proposals

The Directors believe that the Proposals have the following principal benefits:

- Shareholders and Warrantholders will be able to subscribe for further shares in the Company;
- the market capitalisation of the Company will increase following the Issue and it is expected that the liquidity of the Ordinary Shares will be enhanced through a wider shareholder base;
- the Issue will increase the size of the Company and enable it to spread its fixed operating expenses over a larger number of Ordinary Shares; and
- the rate at which the management fee payable by the Company to the Manager will be reduced to the extent that the Company's NAV exceeds £300 million and further reduced to the extent that the Company's NAV exceeds £400 million.

Extraordinary General Meeting

An EGM of the Company has been convened for 10.30 a.m on 20 September 2007 in order to obtain Shareholders' approval for implementation of the Proposals. Notice of that meeting is set out on pages 71 to 73 of this document.

Adoption of new Articles of Association

Paragraph (A) of special resolution number 1 in the notice of EGM provides for the adoption of new Articles of Association. The new Articles of Association will set out the rights and restrictions attaching to the C Shares.

Share Capital, Authority to Allot and Disapplication of Pre-emption Rights

The Company proposes by means of paragraph (B) of Special Resolution number 1 in the notice of EGM to consolidate £140 million of the Company's authorised but unissued share capital and to redesignate this as 140 million C Shares of £1 each. Paragraph (C) of this Special Resolution gives the Directors authority under Section 80 of the Act to allot the C Shares together with authority to allot the balance of the unissued share capital (being an aggregate nominal amount of up to £170,259,291.20). This authority will lapse on 19 September 2012.

By means of paragraph (D) of Special Resolution number 1, the Company seeks to disapply statutory pre-emption rights otherwise applicable to the C Shares. This paragraph (D) also disapplies the existing disapplication of statutory pre-emption rights for (i) any Ordinary Shares allotted pursuant to the exercise of the existing Warrants; (ii) shares issued in connection with an offer to Ordinary Shareholders by way of rights; and (iii) up to an aggregate nominal amount equal to 9.99 per cent. of the nominal amount of the issued share capital of the Company immediately following Conversion. This authority will lapse on 19 September 2012.

Authority to Repurchase Ordinary Shares

The Company also proposes to update the authority to make market purchases of the Company's shares which was granted at the Annual General Meeting of the Company on 3 May 2007. By means of special resolution number 2 in the notice of EGM, the Company seeks Shareholder approval for repurchases of up to (i) prior to the date of Conversion, 32,589,321 Ordinary Shares (or, if less, the aggregate number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the meeting) and 20,896,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission; and (ii) on or after the date of Conversion, 53,575,321 Ordinary Shares (or, if less, such number of Ordinary Shares as shall represent 14.99 per cent. of the Ordinary Shares in issue immediately following Conversion). Any repurchase made pursuant to the authority will be made at a price that is not less than 10p per Ordinary Share (being the par value of each Ordinary Share) and £1 per C Share (being the par value of each C Share) and not more than the higher of (i) 105 per cent. of the average of the middle market quotations for the shares of the class of that share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and (ii) the higher of the price of the last independent trade in shares of the class of that share and the highest then current independent bid for such shares on the London Stock Exchange. The authority being sought will last until the date of the next Annual General Meeting unless renewed or revoked prior to such time. Any Ordinary Shares or C Shares so purchased will be cancelled or, if the Directors so determine, held in Treasury.

Following the Issue, the increased size of the Company will provide the Board with the opportunity if required to utilise the share buyback powers on a more proactive basis.

Admission and Dealings

Applications have been made to the UK Listing Authority for up to 140 million C Shares to be admitted to the Official List and to the London Stock Exchange for the same number of C Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective, and that dealings in the C Shares will commence, on 21 September 2007.

Applications will be made to the UK Listing Authority for the Ordinary Shares arising on Conversion to be admitted to the Official List, and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. Admission of the Ordinary Shares arising on Conversion will become effective and dealings in them will commence on the London Stock Exchange by no later than 31 December 2007.

Certificates and CREST

The C Shares and the Ordinary Shares arising on Conversion will be issued in registered form and may be held in certificated or uncertificated form. Qualifying Non-CREST Shareholders who wish their C Shares and Ordinary Shares arising on Conversion to be held in uncertificated form (that is, in CREST) should ensure that they complete the details in Box 14 of the Non-CREST Application Form. Applicants under the Offer for Subscription who wish their C Shares and Ordinary Shares arising on Conversion to be held in uncertificated form (that is, in CREST) should ensure that they complete the details in Box 5 of the Offer for Subscription Application Form. Temporary documents of title will not be issued pending the despatch of definitive certificates for C Shares. Dealings in C Shares in advance of the crediting of the relevant CREST accounts or the issue of share certificates will be at the risk of the persons concerned.

Overseas Shareholders and Warranholders

Not all Ordinary Shareholders will be Qualifying Shareholders and not all Warranholders will be Qualifying Warranholders for the purposes of the Open Offer. Ordinary Shareholders and Warranholders who are located or resident in, or who are citizens of, or who have a registered address in, the United States, Canada, Japan, Australia or the Republic of South Africa will not qualify to participate in the Open Offer. The attention of Overseas Shareholders and Warranholders is drawn to paragraph 1.4 of the Terms and Conditions of Application under the Open Offer on page 83 of this document.

Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries other than the UK, are being sent this document and the accompanying documents in connection with their entitlement to attend and vote at the EGM. However, no such person may treat this document or any Application Form received by him as constituting an offer or invitation to acquire C Shares or Ordinary Shares, unless, in the relevant territory, such an offer or invitation can be made lawfully, to that person. The attention of such Shareholders and Warrantholders is drawn to paragraph 1.4 of the Terms and Conditions of Application under the Open Offer on page 83 of this document and paragraph 8 of the Terms and Conditions of Application under the Offer for Subscription on page 89 of this document.

Overseas Investors

None of the Ordinary Shares or the C Shares has been, or will be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities legislation of any state or other political sub-division of the United States and the relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, a US Person (as defined in the Securities Act) or any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares or C Shares in any jurisdiction in which such offer or solicitation is unlawful.

The making of the Offer for Subscription to Overseas Investors may be affected by the laws or regulatory requirements of the jurisdictions in which such investors reside. Overseas Investors who wish to subscribe for C Shares under the Offer for Subscription are referred to paragraph 8 of the Terms and Conditions of Application on page 89 of this document. Shareholders and potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

Costs and Expenses

The costs of the Issue will be borne out of the proceeds of the Issue and, accordingly, will effectively be borne by those subscribing for C Shares. The total costs of the Issue (including any commissions) will be 1.75 per cent. of the gross proceeds of the Issue. In the event that the Issue does not proceed, the Manager and Dresdner Kleinwort have each agreed to pay for one half of the costs and expenses incurred in respect of the Issue.

Risk Factors and Further Information

Your attention is drawn to the Risk Factors set out in this document and to the additional information set out in Parts I to V of this document and in the Terms and Conditions of Application under the Open Offer and the Offer for Subscription on pages 74 to 90 of this document.

Action to be Taken

Form of Proxy

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the EGM. Shareholders are urged to complete and return the Form of Proxy so as to be received by Capita Registrars at Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 10.30 a.m. on 18 September 2007. Submitting a Form of Proxy will not preclude an Ordinary Shareholder from attending the EGM and voting in person should they so wish.

Open Offer

Further details of the terms and conditions of the Open Offer and the procedure for application and payment under the Open Offer are set out on pages 74 to 84 of this document and on the accompanying personalised Non-CREST Application Form(s) or CREST Excess Application Form(s) enclosed with this document. Such application forms should be returned by post or by hand (during normal business hours only), together with a remittance of a fixed sum in sterling to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 13 September

2007, being the latest time for application and payment in full. Application forms received after that time may be treated as invalid. A reply paid envelope is also enclosed for your convenience.

Offer for Subscription

Shareholders, Warrantholders and any other person wishing to apply for C Shares under the Offer for Subscription are able to do so by completing and returning the Offer for Subscription Application Form included at the end of this document accompanied by a cheque or banker's draft payable to "Capita IRG Plc re: Impax Environmental Markets plc Offer for Subscription a/c" for the appropriate amount, by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case so as to be received as soon as possible, and in any event by 11.00 a.m. on 13 September 2007. The minimum application under the Offer for Subscription is £1,000.

Full details of the terms and conditions of the Offer For Subscription and the procedure for application and payment under the Offer for Subscription are set out on pages 85 to 90 of this document.

PEPs and ISAs

Any person wishing to apply for C Shares under the Open Offer or the Offer for Subscription through a PEP or ISA should contact their PEP or ISA manager as soon as possible.

The Ordinary Shares are, and the C Shares will be, a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager through an offer to the public (such as the Open Offer or the Offer for Subscription) or in the market. Although no new PEPs may be opened and no further subscriptions may be made to existing PEPs, the Ordinary Shares do, and the C Shares will, also qualify as an eligible security in an existing PEP, provided they are acquired by a PEP plan manager through an offer to the public (such as the Open Offer or the Offer for Subscription) or in the market, in either case from the proceeds raised from the sale of an existing PEP holding.

Shares in investment trusts, such as the Company, only qualify for the stocks and shares component of an ISA or PEP where the investments of the investment trust themselves continue to meet certain tests laid down by law. The Company manages its affairs so as to be a fully qualifying investment trust for ISA purposes. The Directors intend that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

Shareholders not wishing to apply for C Shares under the Open Offer or the Offer for Subscription need take no action in respect of the Application Forms but are urged to submit a Form of Proxy to vote at the EGM.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

Intentions of the Directors in Relation to the Open Offer

Keith Niven and Robert Arnott intend to apply under the Open Offer for their full Open Offer Entitlements, representing an aggregate subscription amount of £9,277. The other Directors do not intend to apply under the Open Offer for any of their Open Offer Entitlements.

None of the Directors intend to apply for C Shares under the Placing or the Offer for Subscription.

Recommendation to Shareholders

The Board considers that the Proposals are in the best interests of the Company and Shareholders as a whole. The Board has received financial advice from Dresdner Kleinwort in connection with the Placing, Open Offer and Offer for Subscription and, in giving that financial advice, Dresdner Kleinwort has placed reliance on the Board's commercial assessments.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the EGM, as they intend to do in respect of their own beneficial holdings of Ordinary Shares which amount in aggregate to 54,580 Ordinary Shares.

Yours faithfully,
Richard Bernays
Chairman

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Richard Oliver Bernays (Chairman) Dr Robert John Arnott William Donald Brown Keith Melville Niven all of 145-157 St John Street London EC1V 4RU
Manager	Impax Asset Management Limited Broughton House 6-8 Sackville Street London W1S 3DG
Administrators, Company Secretary and Registered Office	Cavendish Administration Limited 145-157 St John Street London EC1V 4RU
Sponsor, Broker and Financial Adviser	Dresdner Kleinwort Limited 30 Gresham Street London EC2P 2XY
Solicitors to the Company	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

THE COMPANY

Introduction

The Company is a conventional investment trust which was listed on 22 February 2002. As at 13 August 2007, the Company had unaudited net assets of £274.2 million. The Company has to date conducted its affairs so as to enable it to qualify as an investment trust for the purposes of section 842 of the Taxes Act and intends to continue to do so. It has been approved as an investment trust by HM Revenue and Customs in respect of its financial year ended 31 December 2005. The Company is an investment company within the meaning of section 266 of the Companies Act.

This document relates not only to the Issue but also to the issue of 3 million Ordinary Shares which was completed in October 2006 at an issue price of 106.5 pence per Ordinary Share and the issue of 17 million Ordinary Shares which was completed in May 2007 at an issue price of 125.5 pence per Ordinary Share. All such Ordinary Shares have been admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.

Market Rating

As at 13 August 2007, the Ordinary Shares had an unaudited NAV of 123.63p per Ordinary Share, and were trading at a 3.3 per cent. premium to NAV per Share (unaudited). The Ordinary Shares have regularly traded at a premium to NAV per Share (unaudited) since 12 July 2005. The average premium to NAV per Share (unaudited) at which the Ordinary Shares traded over the twelve months to 13 August 2007 was 3.4 per cent. (source: Thomson Datastream).

Investment Objective and Policy

The Company was established to enable investors to benefit from rapid and sustained growth anticipated by the Directors in the markets for cleaner and more efficient delivery of basic services of energy, water and waste. The Company's investments are 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.

Investment Opportunity

Environmental Markets have developed as a result of three principal factors: governmental policies to liberalise basic service industries; legislation designed to reduce or reverse environmental damage; and falling costs of technology. These three factors have created demand from global utilities, multinationals, government agencies and individuals for new technologies and new infrastructure solutions. In addition, the recent rise in energy and commodity prices has led to an increased interest in new technologies in Environmental Markets.

- Market Liberalisation

There has been a clear trend for governments of industrial nations to liberalise basic services in an effort to improve value for money, increase consumer choice, and access capital from the private sector. Liberalisation has led to opportunities for private sector companies which offer more efficient solutions.

- Environmental Policy

In order to reduce damage caused by industrial activity and consumer behaviour, governments have introduced environmental legislation. Early environmental laws such as the Clean Air Act (1970) in the United States focussed on "command and control" instruments, in which operators had to meet absolute limits on emissions or adopt best available technology. More recently, governments have also implemented policy based on economic instruments such as taxes, charges and tradeable "permits to pollute" which offer operators more flexibility and scope for innovation. In the waste sector, there has been an increase in the application of the principle of producer responsibility which requires industry and commerce involved in the manufacture, distribution and sale of particular goods (such as vehicles and electronic equipment) to take greater responsibility for the disposal and/or recovery of those goods at the end of their useful life.

- **Falling Costs of Technology**

The cost of technology used by companies in Environmental Markets has fallen in recent years, in some cases significantly, providing price competitiveness as well as added value. For example, in the electricity industry, costs of generation from wind have fallen by over 80 per cent. since 1980, and, in many locations, the costs of wind generation are now competitive with conventional forms of power generation. In the water sector, the use of microfiltration has increased dramatically over the last 15 years due to decreased system and membrane costs.

Environmental Markets

The three primary Environmental Markets addressed by the Company are as follows:

Alternative Energy and Energy Efficiency

Government liberalisation of power markets, particularly to improve value for money, has led to the creation of several new segments. Following severe power failures in North America, the UK, Denmark and Italy in recent years, demand for stand alone power and back-up systems based on wind, solar, flywheels, batteries and fuel cells has grown rapidly. Similarly, power generators concerned about the long-term price and availability of oil and gas are investing in alternative energy and energy efficiency.

Existing and planned environmental legislation has strengthened evolving markets. For example, in the United States, the Federal excise tax subsidies for biofuels have contributed to strong growth in this market, while building regulations to improve energy efficiency in Europe have helped to catalyse the markets for insulation materials. Also in Europe, following the Renewables Directive, which stipulates that twelve per cent. of gross internal energy in the European Union should, by 2010, come from renewable sources, larger markets for clean power have developed across the region. Meanwhile, despite resistance, there is a broad international consensus on policies to tackle global warming.

Aggregate revenues in alternative energy markets worldwide are estimated by the Manager to be US\$65 billion per annum. The Manager believes that these markets are growing strongly. Aggregate worldwide revenues of energy markets (not including the sale of fossil fuels) are estimated by the Manager to be in excess of US\$300 billion per annum.

Water Treatment and Pollution Control

The private sector has run water services in many countries since the mid-twentieth century and liberalisation has continued into the current decade. French, British, German and US water utilities now dominate international bids for provision of water supply, sewerage and treatment infrastructure, creating opportunities for Environmental Markets companies. This water outsourcing market is estimated by the Manager to have been growing at over 10 per cent. per annum.

In an attempt to cope with increasing water shortages and levels of pollution from heavy metals, fertilizers and sewage, governments continue to introduce water regulations which encourage the use of new technology-based solutions such as membranes and UV disinfection.

Aggregate revenues in new water treatment markets worldwide are estimated by the Manager to be greater than US\$70 billion per annum. The Manager believes that these markets are experiencing good growth. Aggregate revenues in the wider water infrastructure market are estimated by the Manager to be in excess of US\$400 billion per annum worldwide.

Waste Technologies and Resource Management

Throughout most developed countries, liberalisation of waste treatment and disposal has encouraged the introduction of competition into waste management. As in the water sector, public sector tenders for private sector waste services are now common, and the bidders, which are typically large companies, generate demand from companies in Environmental Markets. Rising living standards are leading to higher levels of waste generation per capita, and this trend has increased the pressure in developed countries to find alternative solutions to landfill disposal. Environmental legislation has been a strong factor in restructuring waste markets.

Aggregate revenues in waste technology markets worldwide are estimated by the Manager to be US\$60 billion per annum. The Manager believes that these markets are experiencing good growth. Aggregate annual revenues of the broader waste disposal and resource management markets are estimated by the Manager to be greater than US\$250 billion per annum.

Corporate Activity as a Driver of Value

The Manager believes that large diversified companies that are active in the energy, water and waste sectors are attracted by the current size and growth potential of Environmental Markets. Empirical evidence suggests that the preferred market entry for these companies is through acquisitions of established profitable companies typically with enterprise values of US\$200 million to US\$1,000 million. The Directors believe, based on advice from the Manager, that acquisition prices have reflected strong synergies such as wider distribution and lower cost of capital and this has led to good returns for investors in the company being acquired and, typically, an improved stock market rating of companies operating in similar markets.

The Environmental Markets Universe and the Company's Portfolio

The Manager has identified over 500 companies operating in the Environmental Markets sector the shares of which are quoted on stock markets around the world. As at 4 July 2007, these companies had an aggregate capitalisation in excess of US\$480 billion (approximately £240 billion).

As at 13 August 2007, the Company's portfolio comprised 84 companies. Approximately 42 per cent. of the Company's portfolio by value is in the alternative energy and energy efficiency sector, 31 per cent. is in the waste technologies and resource management sector and the remaining 27 per cent. is in the water treatment and pollution control sector. Approximately 42 per cent. of the Company's portfolio by value is quoted on North American stock markets, 50 per cent. is quoted on European stock markets and 8 per cent. on stock markets elsewhere. Approximately 25 per cent. of the Company's portfolio by value is capitalised at more than £1 billion, 66 per cent. is capitalised at between £100 million and £1 billion and the remaining 9 per cent. is capitalised at less than £100 million. Approximately 80 per cent. of the Company's portfolio by value is in companies which reported profits in their last audited financial statements (source: information provided by the Manager).

As at 13 August 2007 the Company's largest investments together comprising approximately 51 per cent. of the Portfolio are as summarised in the table below.

<i>Investment</i>	<i>Market Value (£)</i>	<i>% of Portfolio</i>
Itron Inc	6,960,473	2.57
Regal Beloit	6,942,072	2.56
Ormat Technologies Inc	6,342,989	2.34
Tomra Systems ASA	5,884,649	2.17
Chloride Group plc	5,883,293	2.17
Grupo Auxiliar	5,773,999	2.13
Grontmij NV	5,657,879	2.09
Mayr Melnhof Karton	5,577,420	2.06
Kingspan Group plc	5,434,579	2.01
LKQ Corp	5,419,737	2.00
Vestas Wind Systems	5,369,856	1.98
Mueller Water Products	5,352,968	1.98
Abengoa	5,313,275	1.96
Badger Meter Inc	5,167,434	1.91
Santec Inc Com NPV	5,096,106	1.88
Vacon Oyj	5,088,864	1.88
Clarcor Inc	5,068,528	1.87
Pall Corp	4,890,253	1.81
Canadian Hydro	4,813,863	1.78
Stericycle	4,807,184	1.77
Transpacific Industries	4,736,638	1.75
Rotork plc	4,582,060	1.69
Lassila & Tikanoja Oyj	4,553,852	1.68
Novozymes	4,480,486	1.65
Horiba Ltd	4,328,154	1.60
Covanta Holdings Corp	4,326,700	1.60

Investment Outlook

The Directors believe, based on advice from the Manager, that the key drivers of the Environmental Markets, being market liberalisation, tightening environmental policy and falling costs of new technology, continue to generate attractive opportunities.

In the energy sector, these drivers have been reinforced by rising energy prices, concerns over energy security, blackouts and global power quality issues as well as increased government commitment to reducing carbon dioxide emissions. For example, this year there has been a landmark ruling by the US Supreme Court that carbon dioxide is a pollutant which the government has a legal duty to mitigate while, in Europe, the European Commission has proposed new targets for renewables of 20% by 2020.

In the water sector, spending looks set to increase as water utilities struggle to meet the ongoing demand for water in the face of high leakage rates and emerging water shortages. In addition they need to strengthen flood prevention measures as changing weather patterns have led to unusually high rainfall in certain parts of the world, notably the UK. Furthermore, increasingly stringent regulations on water quality continue to favour the adoption of new technologies.

In the waste sector, new legislation continues to add complexity to sectors offering alternative solutions to landfill disposal. In the UK there has been a further boost to landfill diversion as the Chancellor increased the annual landfill tax escalator by 60% to £8 per tonne and raised the target to £48 by 2011. Meanwhile, higher commodity prices are further improving the economics for companies that are recycling materials such as metals, plastics, oils and paper as well as end-of-life products such as vehicles and electronic equipment.

Based on advice from the Manager, the Directors believe that corporate activity will continue to have a positive impact on the Company's NAV, as companies seek acquisitions as a route into Environmental Markets. This year the sector has already seen high profile acquisitions in the renewable energy, meters, integrated waste management and salvage vehicle sectors. Based on advice from the Manager, the Directors believe this trend will continue to benefit the Company.

Finally, based on advice from the Manager, the Directors believe that pre-IPO private investments and Asia-Pacific markets also offer attractive new investment potential. The Company may invest up to 10 per cent. of its net assets into pre-IPO investments and, after one exit in April 2007, now has four such investments. Also, the Manager expects to continue to increase the Company's exposure to companies quoted in the Asia-Pacific region particularly in Taiwan, Korea, Hong Kong and Singapore.

Manager

The Company's investment manager is Impax Asset Management Limited. The Manager is a subsidiary of Impax Group plc, an investment management and financial advisory company, the shares of which are quoted on the AIM market of the London Stock Exchange.

The Manager provides fund management and advisory services within the Environmental Markets sector, particularly alternative energy, waste management and water treatment. The Manager has particular expertise in managing portfolios of listed stocks and private equity in the Environmental Markets sector.

The Manager commenced advisory and non-discretionary fund management in 1998 and discretionary fund management in 2001. As at 13 August 2007, it managed or was investment advisor to eight funds of approximately £804.7 million in aggregate.

Ian Simm and Bruce Jenkyn-Jones are responsible for managing the Company's portfolio.

Ian Simm, aged 41, has 16 years' experience of Environmental Markets. He has a first class honours degree in natural sciences (physics) from Cambridge University and a Master's degree in Public Administration from Harvard University. Prior to joining the Impax Group in 1996 he was a project manager at McKinsey & Co. in the Netherlands where he advised on strategies for clients in environmentally sensitive industries. At Impax Group Ian Simm has been responsible for the inception and development of the investment management business. Ian Simm is Chief Executive of Impax Group plc.

Bruce Jenkyn-Jones, aged 41, has 16 years' experience of Environmental Markets. He has a chemistry degree from Oxford University, an MSc in Environmental Technology from Imperial College, London, and an MBA from I.E.S.E., Barcelona. Bruce Jenkyn-Jones spent five years with Environmental Resources Management Limited, a leading environmental consultancy. After working

as a utilities analyst at BT Alex. Brown, he joined Impax Group in February 1999. Since that time he has focused on the development of the listed equity business at Impax where he is now Director of Investments.

The Manager is paid a management fee by the Company, monthly in arrears, at a rate of one twelfth of one per cent. for net assets not exceeding £200 million or one twelfth of 0.9 per cent. for net assets in excess of £200 million. For the purposes of calculating the management fee net assets are calculated on the basis of bid prices rather than mid-market prices. The Manager does not receive any incentive or performance fees. The Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

The Company and the Manager have entered into a conditional agreement to amend the Management Agreement. This agreement is conditional on Admission of the C Shares taking place. If the amendment agreement becomes unconditional the management fee will be amended so that the monthly management fee will be calculated at one twelfth of one per cent. for net assets not exceeding £200 million, one twelfth of 0.9 per cent. on net assets in excess of £200 million up to £300 million, one twelfth of 0.825 per cent. on net assets of the Company in excess of £300 million up to £400 million and one twelfth of 0.8 per cent. on net assets of the Company in excess of £400 million.

Administration, Custody and Registrars

Cavendish Administration Limited acts as administrator and secretary of the Company. The Northern Trust Company is the custodian of the Company's securities and assets. Capita Registrars are registrars to the Company.

The agreements between the Company and each of the Manager, the Administrator, the Custodian and the Registrar are summarised in paragraph 7 of Part IV of this document.

Shareholder information

Copies of the audited financial statements of the Company, which are made up to 31 December in each year, are normally sent to shareholders in March. Shareholders are also sent, each September, copies of unaudited interim financial statements of the Company for the six months ending 30 June of each year.

The unaudited Net Asset Value per Ordinary Share is published daily through a regulatory news service. The unaudited Net Asset Value per Ordinary Share is calculated by the Administrator in accordance with the Company's accounting policies and industry accepted standards.

The unaudited Net Asset Value per C Share will be published weekly through a regulatory news service. The unaudited Net Asset Value per C Share will be calculated by the Administrator in accordance with the Company's accounting policies and industry accepted standards.

It is unlikely that Net Asset Value publications will be suspended by the Company. In the unlikely event that the Net Asset Value publications are suspended by the Company, a communication to this effect together with the reason for suspension will be made through a regulatory news service.

The value of the investments in the Company's portfolio is calculated by reference to the market bid quotations for those investments at the close of business each business day. Where such prices are not available, the value of such investments is calculated with reference to the Company's belief as to a fair asset trading price. The values of all other investments are calculated at their respective acquisition costs subject to such adjustments as the Company may deem appropriate.

The price of the Ordinary Shares and the C Shares will be published daily in the *Financial Times*.

The Directors

Richard Bernays (Chairman)

Richard Bernays, aged 64, is chairman of Hermes Pensions Management Limited. He is also chairman of Gartmore Global Growth Trust plc, Throgmorton Trust plc, and a director of Charter Pan-European Trust plc and WNS Group. Mr Bernays retired in March 2001 from the post of chief executive of Old Mutual International after 30 years in the financial services industry. Following a number of years in advertising, Richard Bernays joined Mercury Asset Management in 1971 and was responsible for the establishment and development of its unit trust arm from 1975 to 1985. He was vice chairman of Mercury Asset Management from 1987 to 1991 when he left to become chief executive of Hill Samuel Asset Management. He joined Old Mutual International in 1998.

Dr Robert Arnott

Dr Robert Arnott, aged 48. Following a D. Phil. in geology he joined Shell International in 1983 and worked in exploration and as an economist for Shell Expro. In 1991 he joined Hoare Govett as an oil analyst, and subsequently worked for UBS Warburg, Goldman Sachs and Morgan Stanley Dean Witter. In October 2000 he joined HSBC Investment Bank plc as head of Global Energy Equity Research. In December 2001 Dr Arnott joined Oxford Institute for Energy Studies as a Senior Research Fellow. He is currently Executive Chairman of DNO (U.K.) Limited.

William Brown

William Brown, aged 44. Mr Brown is a partner in Bluehone Investors LLP, a specialist smaller companies investment boutique which he founded in early 2005. He has been involved in the fund management sector since 1988, initially as a venture capitalist, and since 1995 has specialised in small publicly traded companies and was latterly Head of Small Companies at ISIS Asset Management (now F&C). He was responsible for the launch of four investment trusts including Active Capital Trust plc of which he remains manager. Mr Brown is a member of the AIM Advisory Group of the London Stock Exchange. He is a chartered accountant.

Keith Niven

Keith Niven, aged 59. Mr Niven retired from Schroder Investment Management Limited (“SIM”) in October 2001. He joined Schrodgers in 1973 and was appointed a director of SIM, its fund management arm, in 1985. Mr Niven held a number of posts in SIM, becoming joint vice chairman in 2000. He is non-executive chairman of Matrix Income & Growth VCT PLC and Matrix Income & Growth 3 VCT PLC and a non-executive director of Schroder Income Growth Fund plc, Schroder UK Growth Fund plc and Advance UK Trust plc. Mr Niven is a trustee of the Charities Aid Foundation (“CAF”), chairman of CAF’s Investment Advisory Committee and a non-executive director of CAF Bank Limited. He is also an investment adviser to the Rolls-Royce Pension Fund.

All of the Directors are non-executive and are considered to be independent.

Life of the Company

The Articles require that an ordinary resolution be proposed at the Annual General Meeting of the Company to be held in 2010 and, thereafter, at every third Annual General Meeting of the Company that the Company should continue as an investment trust for a further three year period. In the event that such a resolution is not passed, the Directors are required to draw up proposals for Shareholders’ approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of Shareholders.

Dividends

The primary objective of the Company is capital growth and, in line with expectations, the revenue generated by the Company’s investment portfolio continues to be modest. The Board’s intention remains to declare final dividends only in order to maintain investment trust status.

Gearing

At present the Company does not have any long-term or short-term borrowings. The Board has authorised the Manager to utilise short-term borrowings of up to 10 per cent. of NAV in order to provide liquidity for efficient portfolio management where the Manager sees fit. While there is no current intention to utilise long-term borrowings, the Company retains the ability and flexibility to do so in appropriate circumstances. Any long-term borrowings, and any borrowings in excess of 10 per cent. of NAV, would require the separate authorisation of the Board.

Foreign Currency

It is not generally the Company’s policy to hedge its foreign currency exposure. However, the Board reserves the right on occasion to enter into such hedging transactions with a view to protecting the sterling value of the Company’s investments against currency movements.

Accounting Policies

The Company’s finance costs and investment management fees are allocated between capital and revenue in line with the Board’s expectation for the long term split of the Company’s investment

portfolio returns between capital and revenue. The Company currently allocates three quarters of such costs wholly to capital and the Board currently intends that this allocation shall continue.

Taxation Status

The Directors intend to continue to conduct the affairs of the Company so as to qualify as an investment company, as defined under section 266 of the Companies Act, and an investment trust under section 842 of the Taxes Act. HM Revenue and Customs approval of the Company's status as an investment trust has been received in respect of each of its accounting reference periods since the launch of the Company up to and including the year ended 31 December 2005. This is, however, subject to review should there be an enquiry under Corporation Tax Self Assessment. In respect of each accounting period for which the requirements of section 842 of the Taxes Act are satisfied, the Company will be exempt from UK corporation tax on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

A guide to the general UK taxation position as at the date of this document is set out in Part V of this document.

If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Additional Information

Your attention is also drawn to the information set out in Parts II to V of this document.

PART II
DETAILS OF C SHARES

Resolution number 1 to be put forward at the Extraordinary General Meeting proposes the adoption of new Articles of Association which include provisions reflecting the rights and restrictions attaching to the C Shares set out in this Part II.

1. Definitions

The following definitions apply for the purposes of Part II of this document only:

“**Articles of Association of the Company**” means the Articles of Association of the Company proposed to be adopted at the Extraordinary General Meeting of the Company convened for 20 September 2007;

“**Auditors**” means the auditors from time to time of the Company;

“**business day**” means any day on which banks are generally open for business in London other than a Saturday;

“**Calculation Date**” means the earlier of:

- (i) close of business on the day to be determined by the Directors occurring not more than five business days after the day on which the Manager gives notice to the Directors that at least 90 per cent. of the assets attributable to the C Shareholders are invested in a portfolio of securities consistent with the Company’s investment policy;
- (ii) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent; and
- (iii) such date as the Directors may decide is necessary to enable the Company to comply with its obligations in respect of the Conversion process by 31 December 2007;

“**Conversion**” means conversion of the C Shares in accordance with paragraphs 6 and 9 below;

“**Conversion Date**” means the earlier of:

- (i) opening of business on 31 December 2007; and
- (ii) opening of business on a business day to be determined by the Directors being no more than 28 days after the Calculation Date;

“**Conversion Ratio**” is $\frac{A}{B}$ where:

$$A = \frac{C - D}{E} \text{ and}$$

$$B = \frac{(F - G) - (C - D)}{H}$$

and where C is the aggregate of:

- (i) the value of the investments of the Company attributable to the C Shareholders (other than investments which are subject to restrictions on transfer or a suspension of dealings which are to be valued in accordance with (ii) below) which are listed or dealt in on a stock exchange:
 - (a) calculated by reference to the market bid quotations for those investments at close of business on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in as derived from the relevant exchange’s or market’s recognised method of publication of prices for such investments where such published prices are available; or
 - (b) where such published prices are not available, the value of such investments of the Company attributable to the C Shareholders calculated by reference to the Directors’ belief as to a fair current trading price for those investments, after taking account of any other price publication services reasonably available to the Directors;
- (ii) the value of all other investments of the Company attributable to the C Shareholders at their respective acquisition costs, subject to such adjustments as the Directors may deem appropriate to be made for any variations in the value of such investments between the date of acquisition and the Calculation Date; and

(iii) the amount which in the Directors' opinion fairly reflects, at the Calculation Date, the value of the current assets of the Company attributable to the C Shareholders (including cash and deposits with or balances at a bank and including any income and other items of a revenue nature); and

'D' is the amount (to the extent not otherwise deducted from the assets attributable to the C Shares) which in the Directors' opinion fairly reflects the amount of the liabilities attributable to the C Shareholders on the Calculation Date;

'E' is the number of C Shares in issue on the Calculation Date;

'F' is the aggregate of:

(i) the value of all the investments of the Company (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (ii) below) which are listed or dealt in on a stock exchange:

(a) calculated by reference to the market bid quotations for those investments at the close of business on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in as derived from the relevant exchange's or market's recognised method of publication of prices for such investments where such published prices are available; or

(b) where such published prices are not available, the value of such investments of the Company calculated by reference to the Directors' belief of a fair current trading price for those investments, after taking account of any other price publication services reasonably available to the Directors;

(ii) the value of all other investments of the Company at the valuations adopted by the Directors as at the Calculation Date; and

(iii) the amount which, in the Directors' opinion, fairly reflects at the Calculation Date the value of the current assets of the Company (including cash and deposits with or balances at a bank and including any income and other items of a revenue nature);

(iv) the amount which would have been subscribed for Ordinary Shares by Warrantholders had all the outstanding Warrants been exercised as at the Calculation Date;

'G' is the amount which in the Directors' opinion fairly reflects the amount of the liabilities of the Company on the Calculation Date; and

'H' is the aggregate of the number of Ordinary Shares in issue on the Calculation Date together with the number of Ordinary Shares which would be issued had all the outstanding Warrants been exercised as at the Conversion Date;

provided that the Directors shall make such adjustments to the value or amount of 'A' and 'B' as the Auditors shall report to be appropriate having regard, *inter alia*, to the assets of the Company immediately prior to the Issue Date and/or to the reasons for the issue of the C Shares referred to in the Prospectus of the Company dated 15 August 2007;

"**C Shares**" means C Shares of £1 each in the capital of the Company carrying the rights set out in paragraphs 2 to 9 (inclusive) below;

"**C Share Surplus**" means the net assets of the Company attributable to the C Shareholders (including, for the avoidance of doubt, any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities (including the fees and expenses of the liquidation or return of capital (as the case may be)) as the Directors or the liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the C Shareholders;

"**Deferred Shares**" means redeemable deferred shares of 10p each in the capital of the Company arising on Conversion;

"**Force Majeure Circumstances**" means any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable notwithstanding that less than 90 per cent. of the assets attributable to the C Shareholders are invested in a portfolio of securities consistent with the Company's investment policy;

"**Issue Date**" means 21 September 2007 or, if later, the day on which the Company receives the Net Proceeds;

“**Managers**” means Impax Asset Management Limited or such other person as is from time to time the manager of the Company’s investments;

“**Ordinary Share Surplus**” means the net assets of the Company less the C Share Surplus;

“**Statutes**” means the Companies Act 1985, the Companies Act 2006 and every other statute for the time being in force concerning companies and affecting the Company;

References to “**Ordinary Shareholders**”, “**C Shareholders**” and “**Deferred Shareholders**” shall be construed as references to holders for the time being of Ordinary Shares, C Shares and Deferred Shares respectively.

For the purposes of Part II of this document, other than paragraph 3 below, assets attributable to the C Shares or the C Shareholders shall mean the net cash proceeds (after all expenses and commissions relating thereto) of the issue of the C Shares as invested in or represented by investments or cash or other assets from time to time less such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares.

References in Part II of this document to the Auditors certifying any matter shall be construed to mean certification of their opinion as to such matter whether qualified or not.

2. Dividends

- 2.1 The C Shareholders shall not be entitled to receive, in that capacity, and shall not be paid, any dividends.
- 2.2 No dividend or other distribution shall be declared, made or paid by the Company on any of its shares by reference to a record date falling on or before the Conversion Date.
- 2.3 The Ordinary Shares arising on Conversion of the C Shares shall rank in full for all dividends and other distributions declared after the Conversion Date.
- 2.4 The Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a cumulative dividend at a fixed rate of 0.1 per cent. of the nominal amount thereof (“**the Deferred Dividend**”) on the date six months after the Conversion Date (“**the Deferred Dividend Date**”) payable to the holders thereof on the Register on that date as holders of Deferred Shares but shall confer no other right on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the Deferred Dividend Date and shall then only be payable to those holders of Deferred Shares registered in the Register as holders of Deferred Shares on the Deferred Dividend Date.

3. Rights as to Capital

- 3.1 The capital and assets of the Company shall on a winding-up or on a return of capital prior, in each case, to Conversion be applied as follows:
 - (a) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares *pro rata* according to their holdings of Ordinary Shares; and
 - (b) the C Share Surplus shall be divided amongst the holders of the C Shares *pro rata* according to their holdings of C Shares.
- 3.2 The capital and assets of the Company shall on a winding-up or on a return of capital after Conversion be applied as follows:
 - (a) first, if there are for the time being Deferred Shares in issue, in paying to the Deferred Shareholders 1p in respect of each 100,000 Deferred Shares of which they are respectively the holders; and
 - (b) secondly, the surplus shall be divided amongst the Ordinary Shareholders *pro rata* according to their holdings of Ordinary Shares.

4. Voting Rights

Except as provided in paragraph 7 below the C Shares shall not carry any right to attend or vote at any General Meeting of the Company. The Deferred Shares shall not carry any right to attend or vote at any General Meeting of the Company. The voting rights of the Existing Ordinary Shares are not affected.

5. Redemption

- 5.1 The C Shares are issued on terms that the Deferred Shares but not the Ordinary Shares arising on Conversion shall be redeemable by the Company in accordance with the terms set out in the Articles of Association of the Company.
- 5.2 Immediately upon Conversion, the Company shall redeem all of the Deferred Shares for an aggregate consideration of 1p for every 100,000 Deferred Shares and the notice referred to in paragraph 9.2 below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be redeemed immediately upon Conversion for an aggregate consideration of 1p for every 100,000 Deferred Shares.
- 5.3 The Company shall not be obliged to issue share certificates to the Deferred Shareholders in respect of the Deferred Shares and shall not be obliged to account to any Deferred Shareholder for the redemption monies in respect of such shares unless the relevant holder applies to the Company in writing requesting payment of the said redemption monies.

6. Conversion

C Shares shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the provisions of paragraph 9 below.

7. Class Consents and Variation of Rights

Until Conversion the consent of each of (i) the holders of the C Shares as a class and (ii) the holders of the Ordinary Shares as a class shall be required to, and accordingly the special rights attached to the C Shares and the Ordinary Shares shall be deemed to be varied, *inter alia*, by:

- (a) any alteration to the Memorandum of Association or the Articles of Association of the Company; or
- (b) any alteration, increase, consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company (other than (i) on Conversion (ii) redemption of the Deferred Shares in accordance with the provisions of the Articles of Association of the Company or (iii) on the sub-division of any unissued C Shares in accordance with the provisions of the special resolution to be proposed at the Extraordinary General Meeting of the Company convened for 20 September 2007); or
- (c) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company; or
- (d) the passing of any resolution to wind up the Company; or
- (e) the selection of any accounting reference date other than 31 December.

8. Undertakings

Until Conversion and without prejudice to its obligations under the Statutes, the Company shall (i) procure that the Company's records and bank accounts shall be operated so that the assets attributable to the C Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to the Statutes, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shareholders, (ii) allocate to the assets attributable to the C Shareholders such proportion of the expenses and liabilities of the Company incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) as the Directors fairly consider to be allocable to the C Shares and (iii) give appropriate instructions to the Managers to manage the Company's assets so that such undertakings can be complied with by the Company.

9. The Conversion Process

9.1 The Directors shall procure that:

- (a) within ten business days of the Calculation Date the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
- (b) the Auditors shall be requested to certify, within ten business days of the Calculation Date, that such calculations:
 - (i) have been performed in accordance with the Articles of Association of the Company; and
 - (ii) are arithmetically accurate;

whereupon, subject to the proviso immediately after “H” contained in paragraph 1 above, such calculations shall become final and binding on the Company and all Shareholders.

9.2 The Directors shall procure that as soon as practicable following such certification a notice is sent to each C Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C Shareholder shall be entitled on Conversion of such C Shareholder’s C Shares.

9.3 On Conversion each C Share in issue shall automatically sub-divide into ten C Shares of 10 pence each and such C Shares of 10 pence each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such conversion being completed:

- (a) the aggregate number of Ordinary Shares into which the same number of C Shares of 10 pence each are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
- (b) each C Share of 10 pence which does not so convert into Ordinary Shares shall convert into one Deferred Share.

9.4 The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C Shareholders *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).

9.5 Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C Shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion. Share certificates in respect of the Deferred Shares will not be issued.

9.6 Forthwith upon Conversion, the rights attaching to the C Shares under the Articles of Association of the Company shall lapse.

PART III

FINANCIAL INFORMATION

Selected Financial Information

	<i>Year ended 31 December</i> <i>(Audited)</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Total net assets less current liabilities (£'000)	224,441	106,943	38,346
Undiluted NAV per Ordinary Share (p)	112.02	92.55	76.69
Diluted NAV per Ordinary Share (p)	110.58	92.55	76.69

Operating and financial review

The Company's published annual report and audited accounts for the three financial periods ended 31 December 2004, 31 December 2005 and 31 December 2006 (which have been incorporated in this document by reference) included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for that period.

<i>Nature of information</i>	<i>Annual report and accounts for the year</i> <i>ended 31 December</i>		
	<i>2006</i> <i>Page no(s)</i>	<i>2005</i> <i>Page no(s)</i>	<i>2004</i> <i>Page no(s)</i>
Chairman's statement	2	2-3	2
Manager's Report	4-6	4-6	3-6
Ten Largest Holdings	7-8	7-8	7-8
Structure of Portfolio	9	9	9
Details of Individual holdings	10-11	10-11	10-11

Statutory accounts for the year ended 31 December 2006

The Company's audited annual report and accounts for the three financial periods ended 31 December 2004, 31 December 2005 and 31 December 2006 (which have been incorporated in this document by reference) are available online at this URL: http://www.impax.co.uk/impax/funds/listed_funds/environmental_plc/ and are also available for inspection at the addresses referred to in paragraph 13 of Part IV of this document.

	<i>Year ended 31 December (Audited)</i>		
	<i>Page No(s)</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Independent Auditors' Report	26	24	24
Income Statement/Statement of Total Return	28	26	26
Balance Sheet	29	27	27
Reconciliation of Movements in Shareholders' Funds	30	—	—
Cash Flow Statement	31	28	28
Notes to the Accounts	32	29	29

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ("GAAP") and the Statement of Recommended Practice "Financial statements of investment trust companies" ("SORP"), issued by the Association of Investment Companies in December 2005.

Further details concerning the accounting policies of the Company can be found on pages 32, 29 and 27 of the statutory audited accounts of the Company for the years ended 31 December 2006, 31 December 2005 and 31 December 2004 respectively.

PART IV

GENERAL INFORMATION

1. Incorporation and Administration

- 1.1 The Company was incorporated and registered in England and Wales as a public limited company under the Companies Act on 7 January 2002 with the name Impax Environmental Markets plc and with registered number 4348393. The Company operates under the Companies Act and the regulations made thereunder and has no subsidiaries but may establish or acquire a subsidiary or subsidiaries to engage in transactions connected with its proposed activities. On 8 January 2002, it was granted a certificate of entitlement to do business and to borrow under section 117 of the Companies Act. Its registered office is 145-157 St John Street, London EC1V 4RU, telephone number +44 (0)20 7490 4355.
- 1.2 The Ordinary Shares in the Company are admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market. The Company is thereby subject to the listing, prospectus and disclosure and transparency rules of the UK Listing Authority and the rules of the London Stock Exchange.

2. Share Capital

- 2.1 As at the date of this document the authorised share capital of the Company is £192,000,000 divided into 1,920,000,000 Ordinary Shares of 10p each, of which 217,407,088 are in issue and fully paid.
- 2.2 In the period since 1 January 2004 the following allotments and changes to the share capital of the Company have been made:
- 2.2.1 On 14 November 2005, pursuant to special resolution passed at an extraordinary general meeting of the Company in connection with a prospectus dated 20 October 2005 (the "2005 Prospectus") the authorised share capital of the Company was increased from £20,000,000 divided into 200,000,000 ordinary shares of 10p each (of which 50,000,000 Ordinary Shares were in issue) to £102,000,000 divided into 80,000,000 2005 C Shares of £1 each and 220,000,000 Ordinary Shares of 10p each;
- 2.2.2 On 15 November 2005, 60,000,000 2005 C Shares were allotted and admitted to the Official List;
- 2.2.3 On 22 December 2005, pursuant to the terms of the 2005 Prospectus, the 60,000,000 2005 C Shares that had been issued were subdivided into 600,000,000 2005 C shares of 10p each and converted into 65,549,454 Ordinary Shares of 10p each and 534,450,546 Deferred Shares. Immediately upon conversion all of the Deferred Shares were redeemed by the Company for the consideration of 1p for every 100,000 Deferred Shares. The 20,000,000 unissued 2005 C Shares of £1 each were automatically reclassified and subdivided into 200,000,000 2005 C Shares of 10p each, pursuant to a special resolution passed by the Company at the extraordinary general meeting on 14 November 2005. The unissued 2005 C Shares of 10p each and the Deferred Shares were subsequently re-designated as Ordinary Shares of 10p each;
- 2.2.4 Upon conversion of the 60,000,000 2005 C Shares into 65,549,454 Ordinary Shares, the 2005 C Shareholders were issued with one Warrant for every five Ordinary Shares arising on conversion. In addition, the holders of Ordinary Shares on the Company's share register at the close of business on the business day prior to the date of conversion were also issued with one Warrant for every five Ordinary Shares then held. In aggregate, 23,109,890 Warrants were issued;
- 2.2.5 Immediately after the conversion referred to in paragraphs 2.2.3 and 2.2.4 above, the Company had 115,549,454 Ordinary Shares of 10p each in issue;
- 2.2.5 On 24 January 2006, an allotment of 3,995,000 Ordinary Shares of 10p each was made at an issue price of 98p per Ordinary Share resulting in an issued share capital of £11,954,445.40 divided into 119,544,454 Ordinary Shares of 10p each;
- 2.2.6 On 1 February 2006, an allotment of 1,000,000 Ordinary Shares of 10p each was made at an issue price of 104.25p per Ordinary Share resulting in an issued share capital of £12,054,445.40 divided into 120,544,454 Ordinary Shares of 10p each;

- 2.2.7 On 17 March 2006, pursuant to a special resolution passed by the Company at an extraordinary general meeting held on 15 March 2006, an allotment of 7,047,390 Ordinary Shares of 10p each was made at an issue price of 110p per Ordinary Share resulting in an issued share capital of £12,759,184.4 divided into 127,591,844 Ordinary Shares of 10p each;
- 2.2.8 On 15 June 2006 3,295,508 subscription rights conferred by Warrants were exercised resulting in the issue of 3,295,508 Ordinary shares of 10p each at an exercise price of 96p per Ordinary Share, resulting in an issued share capital of 130,887,352 Ordinary Shares of 10p each;
- 2.2.9 On 14 August 2006, pursuant to special resolution passed at an extraordinary general meeting of the company in connection with a prospectus dated 20 July 2006 (the “2006 Prospectus”) the authorised share capital of the Company was increased from £102,000,000 divided into 1,020,000,000 Ordinary Shares of 10p each to £192,000,000 divided into 90,000,000 2006 C Shares of £1 each and 1,020,000,000 Ordinary Shares of 10p each;
- 2.2.10 On 15 August 2006, 66,000,000 2006 C Shares were allotted and admitted to the Official List;
- 2.2.11 On 6 October 2006, pursuant to the terms of the 2006 Prospectus, the 66,000,000 2006 C Shares that had been issued were subdivided into 660,000,000 C Shares of 10p each and converted into 66,468,675 Ordinary Shares of 10p each and 593,531,325 Deferred Shares. Immediately upon conversion all of the Deferred Shares were redeemed by the Company for the consideration of 1p for every 100,000 Deferred Shares;
- 2.2.12 The 24,000,000 unissued 2006 C Shares of £1 each were automatically reclassified and sub-divided into 240,000,000 2005 C Shares of 10p each, pursuant to a special resolution passed by the Company at the extraordinary general meeting on 6 August 2006. The unissued 2006 C Shares of 10p each and the Deferred Shares were subsequently re-designated as Ordinary Shares of 10p each;
- 2.2.13 Immediately after the conversion referred to in paragraph 2.2.11 above, the Company had 197,356,027 Ordinary Shares in issue;
- 2.2.14 On 27 October 2006, an allotment of 3,000,000 Ordinary Shares of 10p each was made at an issue price of 106.5p per Ordinary Share resulting in an issued share capital of £20,035,602.7 divided into 200,356,027 Ordinary Shares of 10p each;
- 2.2.15 On 22 May 2007, an allotment of 17,000,000 Ordinary Shares of 10p each was made at an issue price of 125.5p per Ordinary Share resulting in an issued share capital of £21,735,602.7 divided into 217,356,027 Ordinary Shares of 10p each;
- 2.2.16 On 15 June 2007 51,061 subscription rights conferred by Warrants were exercised resulting in the issue of 51,061 Ordinary Shares of 10p each at an exercise price of 96p per Ordinary Share, resulting in an issued share capital of £21,740,708.8 divided into 217,407,088 Ordinary Shares of 10p each;
- 2.2.17 Immediately after the exercise of warrants referred to in paragraph 2.2.16 above, the Company had 19,763,321 Warrants in issue.
- 2.3 The Directors were authorised at the Annual General Meeting of the Company on 3 May 2007 as follows:
- (a) in substitution for any existing power under Section 80 of the Companies Act, but without prejudice to the exercise of any such power to the date of the Annual General Meeting, the Directors were generally and unconditionally authorised pursuant to Section 80 of the Companies Act to exercise all powers of the Company to allot relevant securities (as defined in Section 80(2) of the Companies Act) up to an aggregate nominal amount to £2,001,556 (provided that the Directors may not allot relevant securities of an aggregate nominal amount more than 9.99% of the nominal value of the issued share capital at the date of the Annual General Meeting) and that the authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2008 (the “Section 80 period”) but so that the Directors may at any time prior to the expiry of the Section 80 period, make an offer or agreement which would or might

require relevant securities to be allotted after the expiry of the Section 80 period and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority granted by the resolution had not expired;

- (b) in substitution for any existing power under section 95 of the Companies Act but without prejudice to the exercise of any such power prior to the date of the Annual General Meeting, the Directors were empowered, pursuant to section 95 of the Companies Act, to allot and make offers or agreements to allot securities (as defined in section 94(2) of the Companies Act) and/or to sell equity securities held as treasury shares pursuant to section 62D of that Act in each case, for cash pursuant to the authority and for the period of the authority conferred in paragraph 2.3(a) above, up to an aggregate nominal amount of £2,001,556 as if section 89(1) of the Act did not apply to such allotment (subject to a maximum of 9.99% of the aggregate nominal value of the issued share capital at the date of the Annual General Meeting).

2.4 If resolution number 1 in the Notice of the Extraordinary General Meeting is duly passed, the Directors will be authorised and empowered as follows:

- (a) pursuant to section 80 of the Companies Act, to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Companies Act) up to an aggregate nominal amount of £170,259,291.20 which authority shall expire on 19 September 2012;
- (b) pursuant to section 95 of the Companies Act, to allot equity securities (as defined in section 94(2) of the Companies Act) up to an aggregate nominal amount of £170,259,291.20, for cash pursuant to the authority referred to in paragraph 2.4(a) above as if sub-section 89(1) of the Companies Act did not apply to such allotments, which power shall expire on 19 September 2012 and provided further that such power shall be limited to the allotment or sale of equity securities: (i) pursuant to the Issue; (ii) arising from the exercise of Warrants to subscribe for Ordinary Shares; (iii) in connection with an offer of equity securities open for acceptance for a period fixed by the directors of the Company to the holders of Ordinary Shares on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of Ordinary Shares; and (iv) other than pursuant to sub-paragraphs 2(b)(i) to (iii) above, up to an aggregate nominal amount equal to 9.99 per cent. of the nominal amount of the issued share capital of the Company immediately following Conversion;
- (c) The Company also proposes to update the authority to make market purchases of the C Shares and Ordinary Shares which was granted at the Annual General Meeting of the Company on 3 May 2007. By means of special resolution number 2 in the notice of EGM, the Company seeks Shareholder approval for repurchases of up to (i) prior to the date of Conversion, 32,589,321 Ordinary Shares (or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the meeting) and 20,896,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission; and (ii) on or after the date of Conversion, 53,575,321 Ordinary Shares (or, if less, such number of Ordinary Shares as shall represent 14.99 per cent. of the Ordinary Shares in issue immediately following Conversion). Any repurchase made pursuant to the authority will be made at a price that is not less than 10p per Ordinary Share (being the par value of each Ordinary Share) and £1 per C Share (being the par value of each C Share) and not more than the higher of (i) 105 per cent. of the average of the middle market quotations for the shares of the class of that share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and (ii) the higher of the price of the last independent trade in shares of the class of that share and the highest then current independent bid for such shares on the London Stock Exchange. The authority being sought will last until the date of the next Annual General Meeting unless renewed or revoked prior to such time. Any Ordinary Shares or C Shares so purchased will be cancelled, or if the Directors so determine, held in Treasury.

- 2.5 Other than in connection with the Issue or on the exercise of outstanding Warrants or pursuant to present or future allotment authorities (where the Directors consider it in the best interests of the Company to utilise such authorities), the Directors have no present intention of issuing any of the authorised but unissued share capital of the Company.
- 2.6 The provisions of section 89 of the Companies Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the authorised but unissued capital of the Company except as referred to in paragraph 2.3 and, if the necessary resolution is passed, paragraph 2.4 above.
- 2.7 Save as disclosed in this paragraph 2.7 and in paragraphs 3, 7.5 and 7.6 below:
- (a) no share or loan capital of the Company has, since 1 January 2004, been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company since 1 January 2004 in connection with the issue or sale of any share or loan capital of the Company; and
 - (c) the Company has not granted any options over its share or loan capital or has agreed, conditionally or unconditionally, to grant any such options.
- 2.8 As at 13 August 2007, the Company did not have any Ordinary Shares held in treasury.

3. Warrants

3.1 Issue of Warrants in 2005

- 3.1.1 In connection with the 2005 Placing and Offer for Subscription, Warrants to subscribe for Ordinary Shares were issued on the basis of one Warrant for every five Ordinary Shares which resulted from conversion of the 2005 C Shares. In addition, holders of Ordinary Shares in issue before the conversion of the 2005 C Shares were issued with one Warrant for every five Ordinary Shares held at the close of business on the business day before the day on which the 2005 C Shares were converted into Ordinary Shares. Warrants were issued in registered form and may be held in either certificated form (“**Certificated Warrants**”) or uncertificated form (“**Uncertificated Warrants**”).

3.2 Subscription rights

- 3.2.1 Warrantheolders have the right to subscribe in cash for all or any of the Ordinary Shares for which the Warrantheolder is entitled under the Warrants (“**subscription rights**”) as follows:
- (a) on an annual basis, on 15 June in each of the years to 2010, or if such day is not a business day, then on the next business day; and
 - (b) in the circumstances provided for in paragraph 3.6.2 (permitted exercise of subscription rights following appointment of Trustee) and paragraph 3.10(h) (Takeover Offer);
- the appointed date in each case for the purposes of paragraph 3.2.1(a) or (b) being a “**subscription date**”.
- 3.2.2 The price (“**subscription price**”) payable by a Warrantheolder in respect of Ordinary Shares on the exercise of his subscription rights must be paid in full in cash on subscription.
- 3.2.3 The subscription price is 96 pence per share subject to adjustment as provided in paragraph 3.4 below.
- 3.2.4 In the case of subscription rights arising under:
- (a) paragraph 3.2.1(a) (“**annual subscription rights**”), Warrantheolders will be given at least 28 days’ (but no more than 56 days’) notice of reminder of their subscription rights in advance of each annual subscription date; and
 - (b) paragraph 3.2.1(b), Warrantheolders will be notified within 21 days after the occurrence of the events in consequence of which the relevant provisions of paragraphs 3.6.2 or 3.10(h) respectively are to apply.

A notice of reminder under paragraph 3.2.4(a) is referred to as a “**Reminder Subscription Notice**”. Such notice will include a statement in relation to Uncertificated Warrants as to the form of properly authenticated dematerialised instruction or other form of uncertificated notice prescribed by the Directors of the Company for the exercise of the subscription rights conferred by such Warrants.

- 3.2.5 The Company intends to publish its audited annual accounts within three months of its annual accounting reference date. Such accounts will be sent to Warrantholders at the same time as they are sent to holders of Ordinary Shares together with (subject to the date on which it is given being not less than 28 days (but not more than 56 days) prior to the next annual subscription date) a Reminder Subscription Notice pursuant to paragraph 3.2.4(a). Any delay in the publication of the audited annual accounts or any change of the accounting reference date of the Company will not affect the timing of the subscription date.
- 3.2.6 Failure of any Warrantholder to receive a Reminder Subscription Notice will not prejudice the rights of any Warrantholder to exercise his subscription rights in accordance with the terms of the instrument pursuant to which the Warrants were issued.

3.3 **Exercise of subscription rights**

- 3.3.1 In order to exercise (in whole or in part) the annual subscription rights in respect of Certificated Warrants the holder must lodge the relevant Warrant certificate(s) (or such other document as the Directors of the Company may in their absolute discretion accept) at the offices of the registrars of the Company (“**Registrars**”) during the period of 28 days ending on the relevant subscription date together with the relevant subscription notice on the reverse side of the Warrant certificate duly completed.
- 3.3.2 In order to exercise (in whole or in part) the annual subscription rights in respect of Uncertificated Warrants the holder must, within the period of 28 days ending on the relevant subscription date, send a properly authenticated dematerialised instruction or other form of uncertificated notice prescribed by the Directors of the Company, to the Company or such person as the Company may require (including without limitation, the Registrars or any sponsoring system-participant acting on behalf of the Company or the Registrars). The terms governing the giving of such instruction or notice and how it is to take effect will also be specified by the Directors of the Company, subject to the Uncertificated Regulations and the requirements of the applicable Relevant Electronic System. A properly authenticated dematerialised instruction or uncertificated notice in the prescribed form, once sent, may divest the holder of the power to transfer the Uncertificated Warrants concerned to another person.
- 3.3.3 Notwithstanding paragraph 3.3.2 above, the Directors of the Company may in their discretion permit holders of Uncertificated Warrants to exercise their subscription rights otherwise than by means of a properly authenticated dematerialised instruction, including without limitation in the circumstances where the Company or a person nominated by the Company for the purposes of paragraph 3.3.2 above is unable for any reason whatsoever to receive properly authenticated dematerialised instructions by means of a Relevant Electronic System.
- 3.3.4 Once given, a subscription notice exercising subscription rights in respect of Certificated Warrants and a properly authenticated dematerialised instruction or uncertificated notice in the prescribed form exercising such rights in respect of Uncertificated Warrants will be irrevocable, except with the consent of the Directors of the Company. To be effective, any such notice or instruction must comply not only with the above requirements but all statutory requirements for the time being applicable.

3.4 **Adjustments to subscription rights**

- 3.4.1 The subscription price (and or number of Warrants outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.4.
- 3.4.2 Where there occurs or arises an adjustment event (within the meaning of paragraph 3.4.3 below) the Directors of the Company may in their absolute discretion determine that the rights attaching to the Warrants be varied in some respect other than as

provided for in paragraph 3.4.4 (including to take account of a manifest error arising from an unforeseen circumstance) or that such alternative provision be made as a financial adviser of repute appointed by the Company (“**Financial Adviser**”) shall confirm in his opinion to be in all the circumstances fair and reasonable to holders of the Warrants and the opinion of the Financial Adviser in this respect shall be final and binding on all Warrantholders.

- 3.4.3 An “**adjustment event**” shall mean the occurrence of any of the following on or before the final subscription date or (where applicable) by reference to a record date on or before the final subscription date:
- (a) any consolidation or subdivision of the Ordinary Shares resulting in an alteration of the nominal value of such shares (“**Par Value Adjustment**”);
 - (b) the allotment of Ordinary Shares, credited as fully paid, by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) (“**Capitalisation Issue**”);
 - (c) an offer or invitation by the Company to all Ordinary Shareholders (subject to such exclusions as may be necessary to deal with any legal or practical problems in any jurisdiction) to subscribe in cash for Ordinary Shares, whether by way of a rights issue or otherwise (excluding any offer made in connection with any proposed scrip dividend), any such offer or invitation by the Company to subscribe for securities (excluding any options granted to an employee of the Company in his capacity as such) convertible into or exchangeable for Ordinary Shares or conferring rights to subscribe for Ordinary Shares and any such offer or invitation (not being an offer referred to in paragraph 3.4.3(d) below) made to Ordinary Shareholders by any person other than the Company (each being a “**Securities Offer**”);
 - (d) an offer made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with it) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becoming aware that as a result of any such offer the right to cast a majority of the votes exercisable at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons acting in concert with it as aforesaid (“**Takeover Offer**”). For this purpose, publication of a scheme of arrangement under the Companies Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall likewise be deemed to be an “**offer**”; and
 - (e) the making of any order or the passing of an effective resolution in general meeting for the winding-up of the Company (otherwise than for the purpose of a reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of Warrantholders) (“**Liquidation**”).

Provided that unless the Directors of the Company shall in their discretion decide otherwise in any particular instance, no adjustment will be made to the terms of the Warrants and no offer or invitation will be extended to holders of Warrants as a result of:

- (i) any issue or sale of shares or securities of the Company otherwise than to holders of Ordinary Shares *pro rata* to their holdings of such shares on a fixed record date, or
 - (ii) any purchase by the Company of Ordinary Shares otherwise than by a tender offer available to holders of Ordinary Shares *pro rata* to their holdings of such shares on a fixed record date.
- 3.4.4 In the event that any adjustment event referred to in paragraph 3.4.3 shall occur, the terms of the Warrants then issued and outstanding shall be adjusted (subject as otherwise determined in accordance with paragraph 3.4.2) as follows:

(a) *Par Value Adjustment*

The subscription price shall be adjusted by multiplying the subscription price in force prior to the Par Value Adjustment by a fraction of which the numerator is the nominal value of one Ordinary Share after, and the denominator is the nominal value of one Ordinary Share immediately before, the Par Value Adjustment. Such adjustment to the subscription price shall become effective on the date that the Par Value Adjustment takes effect and notice of the adjustment will be sent to each Warrantholder within 28 days together in the case of Certificated Warrants with any new Warrant certificate to which the holder becomes entitled pursuant to paragraph 3.4.5 below.

(b) *Capitalisation Issue*

The subscription price shall be adjusted by multiplying the subscription price in force immediately prior to the Capitalisation Issue by a fraction of which the numerator is the aggregate nominal value of the issued Ordinary Shares immediately before such Capitalisation Issue and the denominator will be the aggregate nominal value of the issued Ordinary Shares immediately after the Capitalisation Issue. Such adjustment to the subscription price shall become effective on the date of allotment of the Ordinary Shares pursuant to the Capitalisation Issue, and notice of the adjustment will be sent to each Warrantholder within 28 days together in the case of Certificated Warrants with any new Warrant certificate to which the holder becomes entitled pursuant to paragraph 3.4.5 below.

(c) *Securities Offer*

(i) If in the case of a Securities Offer made by the Company where the Directors of the Company resolve that such offer or invitation should not be extended to Warrantholders pursuant to paragraph 3.10(g), the subscription price will be adjusted as follows:

(aa) in a case of a Securities Offer under which new Ordinary Shares are offered by the Company for subscription at a price less than the market price of the Ordinary Shares at the date of the announcement (“**Announcement Date**”) of the terms of such offer, by multiplying the subscription price immediately prior to the Announcement Date by a fraction of which:

(i) the numerator is the number of Ordinary Shares in issue at the Announcement Date plus the number of Ordinary Shares which the aggregate amount payable for the total number of Ordinary Shares comprised in such offer would purchase at the market price on the Announcement Date; and

(ii) the denominator is the number of Ordinary Shares in issue on the Announcement Date plus the aggregate number of Ordinary Shares offered for subscription;

(bb) in the case of a Securities Offer under which securities convertible into, or exchangeable for, Ordinary Shares or conferring rights of subscription for Ordinary Shares, are offered by the Company and the price at which such securities are convertible into or exchangeable for Ordinary Shares or the price at which Ordinary Shares may be subscribed pursuant to the rights conferred by such securities, is less than the market price of the Ordinary Shares at the Announcement Date, by multiplying the subscription price immediately prior to the Announcement Date by a fraction of which:

(i) the numerator is the number of Ordinary Shares in issue on the Announcement Date plus the number of Ordinary Shares which the aggregate amount receivable by the Company for the Ordinary Shares to be issued on conversion, exchange or the exercise of the subscription rights conferred by the securities, would purchase at the market price on the Announcement Date; and

- (ii) the denominator is the number of Ordinary Shares in issue on the Announcement Date plus the number of Ordinary Shares to be issued on conversion, exchange or the exercise of the subscription rights conferred by the securities at the initial price at which they are convertible or exchangeable into Ordinary Shares or at which Ordinary Shares may be subscribed on the exercise of such subscription rights; and
 - (cc) in any other case, in such manner as the Financial Adviser shall confirm in its opinion to be fair and reasonable to Warrantholders.
 - (i) Any such adjustment of the subscription price shall become effective as at the record date for the offer or invitation concerned and notice of the adjustment will be sent to each Warrantholder within 28 days together in the case of Certificated Warrants with any new Warrant certificate to which the holder becomes entitled pursuant to paragraph 3.4.5 below.
 - (ii) For the purposes of this paragraph 3.4.4(c), the term “**market price**” shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately before the day on which the market price is to be ascertained, making an appropriate adjustment in the case referred to in paragraph 3.4.4(c)(i)(aa), if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days.
- (d) *Takeover Offer*
- (ii) The subscription price payable on the exercise of subscription rights following a Takeover Offer shall be reduced by an amount determined by the Financial Adviser in accordance with the following formula:

$$A = (B+C) - D$$
 Where:
 - A = the reduction in the subscription price;
 - B = the subscription price ruling on the date immediately before the date on which the adjustment referred to in this paragraph 3.4.4(d) becomes effective;
 - C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the five consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the Takeover Offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and
 - D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the Takeover Offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made.
 Provided that:
 - (aa) the subscription price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (aa), have reduced the subscription price to below the nominal value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights

pursuant to paragraph 3.10(h) below shall be adjusted in such manner as the Financial Adviser shall report to be appropriate to achieve the same economic result for the Warrantholders as if the subscription price had been reduced without regard to this proviso (aa);

- (bb) the reduction in the subscription price set out in this paragraph 3.4.4(d) shall protect the “**time value**” of the Warrants and their “**intrinsic value**” (being the excess of the market price of the Ordinary Shares over the subscription price, before any adjustments made under this paragraph 3.4.4(d)) and the Board and/or the Financial Adviser shall be entitled to make such further adjustments to the subscription price payable on any subsequent exercise of subscription rights pursuant to paragraph 3.10(h) below as it shall report to be appropriate to provide the intended protection; and
- (cc) no adjustment shall be made to the subscription price where the value of D exceeds the aggregate value of B and C in the above formula.
 - (i) Any adjustment of the subscription price pursuant to this paragraph 3.4.4(d) shall be effective as of the date on which the Company becomes aware in relation to the Takeover Offer, that control has become vested in the offeror and/or any company controlled by the offeror and/or persons acting in concert with it (as referred to in paragraph 3.4.3(d) above).
 - (ii) The Company will give notice to each Warrantholder within seven days of any adjustment of the subscription price made pursuant to this paragraph and, in the case of Certificated Warrants, if the Company considers it necessary or desirable, despatch new Warrant certificates in the manner prescribed in paragraph 3.4.5 below.

(e) *Liquidation*

- (iii) In the case of a Liquidation, for the purposes of determining whether paragraph 3.10(j) below shall apply and accordingly whether each Warrantholder should be treated as if his subscription rights had been exercised, the subscription price that would have been payable on such exercise shall be reduced by an amount determined by the Directors of the Company or the Financial Adviser in accordance with the following formula:

$$A = (B+C) - D$$

Where:

A = the reduction in the subscription price;

B = the subscription price which would have been applicable but for the application of this paragraph, if the subscription rights were exercisable immediately before the date on which the order or resolution for the winding-up of the Company shall have been made or passed (as the case may be) having taken into account any other adjustments previously made pursuant to this paragraph 3.4;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the five consecutive dealing days ending on the dealing day immediately before the date of the presentation of the petition for such order or the notice convening the meeting at which the resolution to wind up is passed or, if applicable and earlier, the date of the first announcement of the presentation of the petition or convening of the meeting, or the date of the first announcement of intent to present the petition or convene the meeting;

D = the amount (as determined by the Financial Adviser) of the assets available for distribution in the winding-up of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on the exercise of all subscription rights and the

subscription price which would be payable on the exercise of such subscription rights (subject to any adjustments previously made but ignoring adjustments to be made under this paragraph 3.4.4(e)).

Provided that the reduction in the subscription price set out in this paragraph 3.4.4(e) shall protect the “**time value**” of the Warrants and their “**intrinsic value**” (being the fully diluted asset value available to Warrantholders on the assumption that Warrantholders exercise their subscription rights, make payment for their subscription and the ordinary share capital is enlarged accordingly), in which connection the Board and/or Financial Adviser shall be entitled to make such further adjustments to the subscription price as it shall report to be appropriate to provide the intended protection.

- (iv) No adjustment will be made to the subscription price where the value of D exceeds the aggregate value of B and C in the above formula;

3.4.5 If the subscription price is adjusted in accordance with paragraphs 3.4.4(a), (b) or (c) (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3.4.4 (a) above), then:

- (i) the Company shall issue, for no payment, additional Warrants to each Warrantholder (“**Additional Warrants**”) at the same time as the adjustment of the subscription price takes effect;
- (ii) The number of Additional Warrants to which a Warrantholder will be entitled shall be the number of existing Warrants held by him before the Price Adjustment multiplied by the following fraction:

Where:

$$\frac{X - Y}{Y}$$

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment;

- (iii) fractions of Warrants will not be allotted to Warrantholders but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Warrantholders entitled thereto at their risk, save that amounts of less than £3.00 will be retained for the benefit of the Company;
- (iv) Warrant certificates relating to Additional Warrants in certificated form will be issued within 28 days of the adjustment taking effect or the Company will procure that appropriate instructions are given to enable the Additional Warrants in uncertificated form to be credited to the relevant account within the Relevant Electronic System.

3.4.6 No adjustment will be made to the subscription price pursuant to paragraph 3.4.4 (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3.4.3(a) above) if it would result in an increase in the subscription price and in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 3.4.6) be less than one per cent. of the subscription price then in force and on any adjustment the adjusted subscription price will be rounded down to the nearest 1p. Any adjustment not so made and any amount by which the subscription price is rounded down will be carried forward and taken into account in any subsequent adjustment.

3.4.7 If the subscription price is adjusted by reason of a consolidation of Ordinary Shares (as referred to in paragraph 3.4.4 (a) above), the number of Ordinary Shares for which each Warrantholder is entitled to subscribe will be reduced accordingly.

3.5 Allotment, ranking and admission of Ordinary Shares

3.5.1 Ordinary Shares issued following the exercise of subscription rights conferred by the Warrants will be allotted not later than 14 days from the relevant subscription date.

3.5.2 The Company will ensure that on the exercise of the subscription rights conferred by Certificated Warrants, the Ordinary Shares issued on subscription are issued in certificated form and that certificate(s) for such Ordinary Shares issued on subscription,

together with new certificate(s) for any balance of Warrants outstanding which remain exercisable following such exercise, will within 28 days of the subscription date be sent (at the risk of the person(s) entitled thereto) to the person(s) in whose name(s) the Warrants are registered at the subscription date (and if more than one, to the first-named holder, which shall be sufficient despatch to all).

- 3.5.3 The Company will ensure that on the exercise of the subscription rights conferred by Uncertificated Warrants, appropriate instructions are given to enable the Ordinary Shares issued on subscription to be credited in uncertificated form to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Uncertificated Warrants concerned were registered at the subscription date.
- 3.5.4 Ordinary Shares issued will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares in respect of profits attributable to the financial year ending on an annual accounting reference date of the Company that falls prior to the subscription date. Thereafter, the Ordinary Shares issued will rank in full for all dividends and other distributions declared, paid or made on Ordinary Shares in issue at the subscription date.
- 3.5.5 No fraction of an Ordinary Share will be issued on the exercise of any Warrant provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Ordinary Shares to be issued on the exercise of such Warrants, the number of Ordinary Shares arising on the issue of each Warrant (including for this purpose fractions) shall first be aggregated. Any fraction of an Ordinary Share arising on the exercise of subscription rights shall, subject as aforesaid, be aggregated and sold, if practicable, within the market. The net proceeds of such sale will be paid to the Warrantheolders entitled thereto in proportion to the fractions arising on the exercise of their subscription rights, save that amounts of less than £3.00 will be retained for the benefit of the Company.
- 3.5.6 For so long as Ordinary Shares are admitted to the Official List and trading on the London Stock Exchange's market for listed securities, it is the intention of the Company to apply to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares issued on exercise to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.
- 3.5.7 The Company will use all reasonable endeavours to obtain Admission for the Ordinary Shares issued on the exercise of subscription rights not later than 28 days after the applicable subscription date.

3.6 **Compulsory exercise of and expiry of Warrants**

- 3.6.1 If immediately after any subscription date (other than the final subscription date), subscription rights (inclusive of any subscription rights exercised on any earlier subscription date) have been exercised in respect of 75 per cent. or more of the Ordinary Shares to which all the Warrants relate (excluding the right to Ordinary Shares in respect of any Warrants purchased by the Company or any of its subsidiaries), the Company will be entitled at any time within the next following 14 days to serve notice in writing on Warrantheolders of its intention to appoint a trustee ("**Trustee**") for the purposes set out below upon the expiry of 14 days from the date of such notice ("**Trustee Notice**"). The period from the date of the Trustee Notice to 3.30 pm on the day 14 days after such date is referred to below as the "**Notice Period**".
- 3.6.2 The Trustee Notice will provide Warrantheolders that have not exercised their subscription rights, with a final opportunity to exercise such subscription rights at the subscription price (as adjusted in accordance with paragraph 3.4 above) at any time prior to the expiry of the Notice Period. The Trustee Notice will include details as to the manner of exercise of the subscription rights.
- 3.6.3 Insofar as any Warrantheolders do not exercise their subscription rights prior to the expiry of the Notice Period, the Trustee may then exercise such subscription rights and sell the Ordinary Shares allotted following such subscription in the market, if in the opinion of the Trustee the net proceeds of sale of such shares after deduction of all costs and expenses of the sale, exceed the costs of subscription.

- 3.6.4 In the event that the Trustee exercises any subscription rights pursuant to paragraph 3.6.3 above, the Trustee will distribute *pro rata* to the Warrantheolders entitled thereto, the net proceeds of such sale less all costs and expenses of the subscription and sale within two months of the subscription date, provided that entitlements of under £3.00 will be retained for the benefit of the Company. If the Trustee does not exercise the subscription rights pursuant to paragraph 3.6.3 above, (and the Trustee's decision in this respect will be final and binding on all Warrantheolders), all rights attaching to the Warrants will lapse.
- 3.6.5 If following the final subscription date any subscription rights remain unexercised, the Company will within seven days after such date appoint a Trustee who, provided that in his opinion the net proceeds of sale of the Ordinary Shares allotted on exercise of such subscription rights after deduction of all the costs and expenses of sale will exceed the costs of subscription, shall within the period of 14 days after the final subscription date exercise those subscription rights which shall not have been exercised on the terms (subject to any adjustments previously made pursuant to the terms of issue of the Warrants) and sell in the market the Ordinary Shares acquired on such subscription. The net proceeds of sale will be distributed to the persons entitled thereto in the manner prescribed in paragraph 3.6.4. If the Trustee does not exercise the subscription rights pursuant to this paragraph 3.6.5, (as to which the Trustee's discretion shall be final and binding on all Warrantheolders), all rights attaching to the Warrants will lapse.
- 3.6.6 The Trustee shall have no liability of any nature whatsoever where the Trustee has acted honestly and reasonably. The Trustee shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

3.7 Overseas Warrantheolders

- 3.7.1 Without prejudice to the generality of the final sentence of paragraph 3.3.4 above, the exercise of subscription rights by any holder or beneficial owner of Warrants who is a US Person or a person in Canada, Australia, the Republic of South Africa or Japan or the right of such a holder or beneficial owner of Warrants to receive the Ordinary Shares falling to be issued to him following the exercise of subscription rights, will be subject to such requirements, conditions, restrictions, limitations and/or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the United States (including, without limitation, the United States Securities Act of 1933 (as amended), the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts) and the securities laws of Canada, Australia, the Republic of South Africa and Japan.
- 3.7.2 As used herein, "**US Person**" means any person or entity defined as such in Rule 902 (o) under the United States Securities Act of 1933 (as amended) and, without limiting the generality of the foregoing, US Person includes a resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated branch or agency engaged in banking or insurance business and "**United States**" means the United States of America (including any State of the United States of America and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

3.8 Modification of Warrantheolder rights

- 3.8.1 The rights, terms and conditions of the Warrants may from time to time be altered or abrogated with the sanction of an extraordinary resolution of Warrantheolders. All the provisions of the Articles of Association of the Company as to general meetings shall apply (*mutatis mutandis*) as though the Warrants were a class of shares forming part of the capital of the Company but so that:
- (a) the necessary quorum shall be the requisite number of Warrantheolders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Ordinary Shares attributable to all outstanding Warrants;

- (b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every such Warrantholder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe;
- (c) any Warrantholder present in person or by proxy may demand or join in demanding a poll; and
- (d) if at any adjourned meeting, a quorum (as defined above) is not present, those Warrantholders (which may only be one Warrantholder) who are then present in person or by proxy shall be a quorum.

3.8.2 Modifications to the instrument pursuant to which the Warrants were issued which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of Warrantholders, may be made without the sanction of an extraordinary resolution of the Warrantholders. Notice of any such modifications will be given by the Company to Warrantholders within 28 days.

3.9 Purchase of Warrants

3.9.1 The Company will have the right to purchase Warrants in the market, by tender or by private treaty. The Company may also accept the surrender of Warrants at any time but:

- (a) purchases, (including purchases made for the surrender of Warrants), will be limited to a maximum price per Warrant which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made or, in the case of a purchase by tender, the date on which the tender is announced;
- (b) purchases made by tender will be available to all Warrantholders alike.

3.9.2 Warrants purchased or surrendered will be cancelled forthwith and will not be available for reissue or resale.

3.10 Other provisions

So long as any subscription rights remain exercisable:

- (a) the Company shall not (subject to paragraph 3.10(k) below and except with the sanction of an extraordinary resolution of the Warrantholders):
 - (i) make, pay or declare any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the any subscription date, make any Capitalisation Issue or any Securities Offer (except by extending to the Warrantholders any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 744 of the Companies Act) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such new shares shall rank for dividends or distributions) provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of a Capitalisation Issue nor make any Securities Offer if, in either case, the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount to nominal value;

- (d) the Company shall not (except with the sanction of an extraordinary resolution of the Warrantheolders or in connection with a purchase of own shares made in accordance with paragraph 3.10(k) or a reduction not involving any payment to shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;
- (f) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (including those of the Warrants) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares then in issue;
- (g) if, on a date (or by reference to a record date) on or before the final subscription date, a Securities Offer is made to the holders of Ordinary Shares, (except in the case of any offer by the Company or any other person to purchase Ordinary Shares (whether by tender offer or otherwise) and unless the Directors of the Company resolve otherwise (in which event the provisions of paragraph 3.4.4(c) shall apply)), the Company shall so far as it is able, procure that at the same time the same offer or invitation is made to the then Warrantheolders as if their subscription rights had been exercisable and had been exercised on the date immediately preceding the date of, or as the case may be, the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 3.4 (other than paragraph 3.4.4(c)) on which the same could have been exercised if such date had been on a subscription date;
- (h) subject as provided in paragraph 3.10(i) below, if at any time a Takeover Offer is made to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the final subscription date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons acting in concert with it, the Company shall give notice to the Warrantheolders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Warrantheolder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments pursuant to paragraph 3.4.4 above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall have become aware as aforesaid. The publication of a scheme of arrangement under section 425 of the Companies Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3.10(h) and reference herein to such an offer shall be read and construed accordingly. If any part of the 30 day period referred to above falls before 15 June the Warrants shall nevertheless be deemed to be exercisable during all that period for the purposes of this paragraph 3.10(h) and if any part of such period for the purposes of this paragraph 3.10(h) falls after the final subscription date, such date shall be deemed instead to be the last day of such 30 day period;
- (i) if under any Takeover Offer as referred to in paragraph 3.10(h) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Warrantheolder shall not have the right to exercise his subscription rights on the basis referred to in paragraph 3.10(h) above and, subject to the offer as referred to in paragraph 3.10(h) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its

associates, any Director of the Company shall be irrevocably authorised as attorney for the holders of Warrants who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:

- (i) to execute a transfer of the Warrants held by such holders in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Warrants shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;
- (j) in the event of a Liquidation each Warrantholder shall (if and on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights (taking into account any previous adjustments, but disregarding adjustments required under paragraph 3.4.4(e) above in respect of the Liquidation), which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date on which the order or resolution for the winding-up of the Company has been made or passed (as the case may be), his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to paragraph 3.4.4 above) on which the same could have been exercised if they had been exercisable and had been exercised immediately before the date on which the order or resolution for the winding-up of the Company has been made or passed (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the subscription price (subject to any adjustments pursuant to paragraph 3.4.4 above). Such sum shall, for the avoidance of doubt be payable out of the assets available in the winding-up without the Warrantholder having to make any subscription payment. Subject to the foregoing, all subscription rights will lapse on the liquidation of the Company;
- (k) notwithstanding paragraphs 3.10(a) to (j) above, the Company may, without the sanction of an extraordinary resolution of the Warrantholders:
- (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (ii) hold its Ordinary Shares in treasury (for the purposes of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003) and cancel or sell any such Ordinary Shares held in treasury; or
 - (iii) effect a reduction in its share premium account or capital redemption reserve in accordance with the provisions of the Companies Act.

3.11 General

3.11.1 For the purpose of these conditions, an “extraordinary resolution of the Warrantholders” means a resolution proposed at a meeting of the Warrantholders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

3.11.2 The provisions of the Articles of Association for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of shares shall, *mutatis mutandis*, apply to the Warrants.

3.11.3 Any reference in this summary to a statutory provision shall include that provision as from time to time modified or re-enacted.

3.11.4 Warrantholders are not entitled to attend or vote at meetings of shareholders.

3.11.5 The Directors of the Company shall be entitled at any time:

- 3.11.5.1 to require any Warrantholder whose Warrants are held in uncertificated form to convert such Warrants into certificated form; and/or

3.11.5.2 to require the operator of the Relevant Electronic System to suspend or remove Warrants that are held in uncertificated form from such system.

4. Directors' interests

4.1 The Directors, whose names appear in paragraph 4.2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

4.2 The Directors and their respective functions are set out below:

<i>Name</i>	<i>Function</i>
Richard Oliver Bernays	Chairman
Dr Robert John Arnott	Non-Executive Director
William Donald Brown	Non-Executive Director
Keith Melville Niven	Non-Executive Director

4.3 The business address of each of the Directors is c/o Impax Environmental Markets plc, 145-157 St John Street, London EC1V 4RU.

4.4 On 13 August 2007 (the latest practicable date prior to the publication of this document), save as disclosed in this paragraph 4.4, no Director had any interest, beneficial or otherwise, in the share capital of the Company nor, so far as is known to the Directors, or could with reasonable diligence be ascertained by the Directors, will any person having any connection with the Directors (within the meaning of Section 346 of the Companies Act), whether or not held through another party, have an interest in the share capital of the Company.

<i>Director</i>	<i>Ordinary Shares</i>	<i>Warrants</i>
Richard Oliver Bernays	23,887	4,777
Dr Robert John Arnott	7,500	1,500
William Donald Brown	7,500	1,500
Keith Melville Niven	15,693	3,138

4.5 The total remuneration receivable by the Directors and paid by the Company to the Directors in respect of the Company's accounting period ended 31 December 2006 was £65,000. The Chairman received £22,500 and the other Directors each received £13,000 with effect from 13 March 2006. Prior to this date the fees of the Chairman were £18,000 per annum and the fees of the other directors were £12,000 per annum. With effect from 1 March 2007, the fees of the Chairman have been £25,000 per annum, the chairman of the Audit Committee £18,000 and the other directors £16,000 per annum. It is estimated that the aggregate remuneration and benefits in kind payable by the Company to the Directors for the current financial year will amount to £72,000 (plus any VAT and employers' national insurance payable thereon).

4.6 There are no service contracts in existence between the Company and the Directors, nor are any such contracts proposed. The Directors were appointed as non-executive directors for an initial fixed term period of one year, subject to renewal, by letters dated 8 January 2002 and their appointment is subject to Articles of Association. No member of the Company's management body (being the Board of Directors) has a service contract which provides for benefits on termination of employment. The terms of appointment of each of the Directors provide that the Directors shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years thereafter. The terms also provide that a Director may resign by notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office. The Company's policy is for the Directors to be remunerated in the form of fees payable quarterly in arrears, to the Director personally or to a specified third party. The Directors' appointments can be terminated without notice. Copies of the Directors' letters of appointment are available for inspection at the address specified in paragraph 13 of this Part IV. The provisions of the Companies Act relating to the retirement of directors of companies aged over 70 apply to the Company.

- 4.7 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any such waiver as at the date of this document.
- 4.8 No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.
- 4.9 The total emoluments receivable by the Directors will not be varied as a consequence of the Issue.
- 4.10 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which has been effected by the Company since the date of its incorporation and remains in any way outstanding or unperformed.
- 4.11 There are no actual or potential conflicts of interest arising out of the Issue between the duties of the Directors to the Company and their respective private interests or other duties.
- 4.12 In addition to their Directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships, at any time in the past five years:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Richard Oliver Bernays	Charter Pan-European Trust plc Gartmore Global Trust plc GFM Cossack Bond Company Limited Engandscot Limited Hermes Pensions Management Ltd MAF Trust National Provident Life Fund-Supervisory Board Taikoo Developments Limited The Throgmorton Trust plc WNS Group	Addaction CLC Properties (Cheltenham) Limited CLC Services Limited CLC Sports Services Limited Firecrest Capital Limited Gartmore Capital Strategy Fund Limited Halkin Capital Management India Public Sector Fund Limited Martin Currie Income & Growth Trust plc Planestation Group plc Singer & Friedlander AIM3 VCT plc Singer & Friedlander Group plc
Keith Melville Niven	Advance UK Trust plc CAF Bank Limited CAF Nominees Limited Matrix Income & Growth VCT PLC Matrix Income & Growth 3 VCT PLC Schroder Income Growth Fund plc Schroder UK Growth Fund plc Trossachs Community Trust Limited	Cornerstone VCT plc Healthstar Group plc Pennthorpe School Trust Limited
Dr Robert John Arnott	DNO UK Limited	Vienco Group Limited Oil Flow Solutions Ltd. Vienco Oil & Gas Limited
William Donald Brown	Bluehone General Partner (DCP) Limited Bluehone Investors LLP Bluehone Limited Bluehone Partner Limited Bluehone Ventures Limited Bluehone Ventures Nominees Limited Landround plc Target Dealing Company Limited WB (No.1) Limited	

- 4.13 As at the date of this document, none of the Directors:
- has any convictions in relation to fraudulent offences for at least the previous five years;
 - has been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory liquidation for at least the previous five years;

- has been subject to any official public incrimination of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the previous five years;
- has been at any time in the previous five years a director or partner of any companies or partnerships except for those disclosed in paragraph 4.12 above (or their respective subsidiaries);
- has been a partner in any partnership which, while he was a partner or within twelve months of ceasing to be a partner, was the subject of any compulsory liquidation, administration or partnership voluntary arrangement;
- has had any asset belonging to him or to a partnership of which he was a partner at the time of such event or within twelve months after his ceasing to be such a partner made the subject of any receivership; or
- has received any public criticism by any statutory or regulatory authorities, including designated professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.14 The Company maintains directors' and officers' liability insurance on behalf of the directors at the expense of the Company.

5. Significant Shareholdings

5.1 As at the close of business on 13 August 2007 (the latest practicable date prior to publication of this document) insofar as is known to the Company, the following persons, directly or indirectly, were interested in three per cent. or more of the Ordinary Shares in the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares in the Company before the Issue</i>
Universities Superannuation Scheme Limited	20,147,930	9.27
Newton Investment Management Limited	19,818,850	9.12
Aegon UK Group of Companies	10,796,586	4.97
London Pension Fund Authority	10,071,011	4.63
Rathbone Brothers plc	9,949,974	4.58
Legal & General Group plc	6,825,463	3.14

Those interested directly or indirectly in three per cent. or more of the issued ordinary share capital of the Company will not have different voting rights from other holders of Ordinary Shares.

5.2 Save as disclosed in sub-paragraph 5.1 above, the Company is not aware of any person who, as at the close of business on 13 August 2007, was directly or indirectly interested in three per cent. or more of the issued share capital of the Company.

5.3 The Directors are not aware of any person who immediately prior to or immediately following completion of the Issue could, directly or indirectly, jointly or severally, exercise control over the Company. For this purpose, joint control means control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of the Company.

6. Memorandum and Articles of Association

6.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as an investment trust company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, which is available for inspection as specified in paragraph 13 of this Part IV.

6.2 *Articles of Association*

The Articles were adopted on 14 August 2006 and contain (amongst others) the following provisions:

(a) Voting rights

Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Unless the Board otherwise determines, no member, or person to whom any of that member's shareholding is transferred other than by a transfer approved under the Articles, may vote at any general meeting or at any separate meeting of holders of any class of shares in the Company either in person or by proxy in respect of any share in the Company held by him if he or any other person appearing to be interested in the share has been given a notice under Section 212 of the Act and has failed to give the Company the information required by such notice within 14 days of such notice.

(b) Continuation Resolutions and Duration

At the annual general meeting of the Company to be held in 2010 and at every third annual general meeting of the Company convened thereafter the members shall be asked to approve the continuation of the Company as an investment trust (a "continuation resolution") by ordinary resolution. In the event that a continuation resolution is not passed the Directors shall, within three months, put forward proposals for consideration by shareholders for the reorganisation, winding-up or reconstruction of the Company.

(c) Dividends

Subject to the provisions of every statute for the time being in force concerning companies and affecting the Company (the "Statutes"), the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but not exceeding the amount recommended by the Board.

If it appears to the Board that they are justified by the financial position of the Company, the Board may pay: (i) interim dividends; or (ii) at intervals settled by it, any dividend payable at a fixed date.

Except in so far as the rights attaching to any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. There are no fixed dates on which any entitlement to dividends or interest arises.

Dividends may be satisfied, wholly or partly, by the distribution of assets and may be declared or paid in any currency. The Board may, if authorised by an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

The Company may cease to send any cheque, warrant or financial instrument through the post for any dividend or other monies payable in respect of a share if in respect of at least two consecutive dividends payable on that share the cheques, warrants or other financial instruments have been returned undelivered or remain uncashed. The Company must resume sending cheques, warrants or other financial instruments if the shareholder or person entitled by transmission claims the arrears.

Any dividend unclaimed for twelve years from the date when it became due for payment will be forfeited and revert to the Company.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of share capital of the Company will be entitled to receive payment of any dividend or other distribution if he or any person

appearing to be interested in such shares has been given notice under Section 212 of the Act and has failed to give the Company the information required by such notice within 14 days of such notice.

(d) Return of capital

On a winding-up, a liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide among the members the whole or any part of the assets of the Company (whether the assets are of the same kind or not).

(e) Issue of shares

Subject to the provisions of the Act and the Articles of Association, all unissued shares shall be at the disposal of the Directors and they may offer, allot, grant options over, issue warrants to subscribe for or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

(f) Purchase of own shares

Subject to the Statutes and to any rights conferred on the holder of any class of shares, the Company may purchase all or any of its shares of any class (including any redeemable shares). The Ordinary Shares do not however, carry any right for the holder to require redemption of his shares by the Company.

(g) Transfer of shares

Subject to the restrictions of the Articles which are detailed in this paragraph (g) below, a member may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the Board may approve or, in the case of shares in uncertificated form, in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system (as defined therein) (the "Regulations"). An instrument or transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. Subject to the Statutes, the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

Subject to the Statutes, the Board may refuse to register the transfer of a share which is not fully paid without giving any reason for doing so.

The Board may also refuse to register the transfer of a share if: (i) it is held in certificated form and it is not lodged, duly stamped (if necessary), at the Company's registered office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) if it is not in respect of one class of share only; (iii) if it is not in favour of four or fewer transferees; or (iv) if it is in favour of a minor, bankrupt or person of mental ill health. In the case of shares held in uncertificated form, the Board may refuse to register a transfer in any other circumstances permitted by the Regulations.

If the Board refuses to register a transfer, it shall, within two months from the date on which the transfer was lodged, or, in the case of shares held in uncertificated form, the relevant operator instruction was received, send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods (not exceeding thirty days in any calendar year) as the Board may determine.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. Any instrument of transfer, which is registered, may be retained by the Company, but any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of relevant share capital (as defined by Section 198(2) of the Act) in the Company will be entitled to transfer any such shares otherwise than pursuant to an excepted transfer (as defined in the Articles) if he or any person appearing to be interested in such shares has been given notice under Section 212 of the Act and has failed to give to the Company the information required by the notice within the

applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

(h) Borrowing Powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control of the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Company and its subsidiary undertakings (the "Group") (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to one third of the aggregate of:

- (i) the amount paid up on the share capital of the Company;
- (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account as shown in the latest audited consolidated balance sheet and profit and loss account of the Group (or, if the Company has no subsidiary undertakings, of the Company alone) but subject to deductions and adjusted as specified in the relevant Article.

Until such an audited balance sheet and profit and loss account of the Group (or the Company, as the case may be) shall have been prepared as aforesaid the Directors may borrow up to an amount equal to one third of an amount equal to the initial net asset value of the Company.

(i) Rights of pre-emption

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights, in addition to that provided for by the Act.

(j) Variation of Rights

Subject to the provisions of the Statutes, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

(k) Alteration of Share Capital

The Company may by ordinary resolution increase, consolidate and divide and sub-divide its share capital. Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

(l) Distribution of realised capital profits

The Directors shall establish a reserve to be called the capital reserve and shall either carry to the credit of such reserve or apply in providing for depreciation or contingencies from time to time all surpluses arising from the sale, realisation, repayment or revaluation of, or other dealings with, any investments or other capital assets of the Company (including, for the avoidance of doubt, any increase in value of any investments in any subsidiary undertaking or amounts that may be paid by way of subscription, capital contribution or otherwise under any subscription or similar agreement or arrangement) in excess of the book value of the same and all other monies in the nature of capital profits. Any loss realised on the sale, realisation, repayment or revaluation of, or other dealings with, any investments or other capital assets of the Company (including, for the avoidance of doubt, any diminution in value of any investments in any subsidiary undertaking or amounts that may be paid by way of subscription, capital contribution or otherwise under any subscription or similar agreement or

arrangement) and any other sums incurred in connection with the management of the assets of the Company (including any proportion of the expenses of management or administration of the Company's investments or of the finance costs of any borrowings of the Company) which, in the opinion of the Directors, are reasonably and fairly apportioned to capital may be debited, except in so far as the Directors shall in their discretion decide to make good the same out of other reserves of the Company, together in each case with any taxation relevant to capital transactions, to the capital reserve. No part of the capital reserve shall be available for distribution as dividend (within the meaning of section 842 of the Taxes Act) or for distribution (within the meaning of section 263 of the Act). Notwithstanding this, the Company may make redemptions or purchases of its own shares out of capital profits in accordance with the provisions of Chapter VII of Part V of the Act.

(m) Members Resident Abroad

Any member with a registered address outside the United Kingdom is not entitled to the notices or other documents from the Company unless he has given the Company an address within the United Kingdom at which such notices or other documents may be served on or delivered to him.

(n) Directors

Unless otherwise determined by an ordinary resolution of the Company the number of Directors shall be not less than two and shall not be subject to any maximum.

Until otherwise determined by ordinary resolution, the Directors shall be paid such fees for their services as Directors as the Directors may determine, not exceeding £125,000 in aggregate per annum or such larger amount as the Company may by ordinary resolution determine. The Directors may also be paid all expenses properly incurred by them in connection with the discharge of their duties as Directors.

Unless otherwise determined by ordinary resolution of the Company, a person shall be disqualified from being appointed or reappointed a Director, and a Director shall be required to vacate that office, by reason of the fact that he has attained the age of 70 years.

A Director shall not vote (or be counted in a quorum of a meeting) in respect of any matter in which he (including any person connected with that Director) has an interest which is to his knowledge a material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum at any meeting) on:

- (i) any matter in which he is interested by virtue of an interest in shares, debentures or securities of the Company or otherwise in or through the Company;
- (ii) the giving to him of any guarantee, security or indemnity in respect of money lent, obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;
- (iii) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;
- (iv) any contract concerning another company in which he and any connected person do not, to his knowledge, hold an interest in shares representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company;
- (v) any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any Directors as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and
- (vi) any contract concerning any insurance which the Company is empowered to purchase or maintain for the benefit of any Directors or for persons who include Directors.

(o) *Convening of and attendance at general meetings*

Annual and extraordinary general meetings shall be held at such time and place as the Board may determine, subject to statutory requirements. The Board has absolute discretion to require that members or proxies attending a general meeting should submit to such searches or other security arrangements as the Board considers appropriate.

7. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company in the two years immediately preceding the publication of this document and are, or may be, material and there are no other contracts entered into by the Company which contain any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

- 7.1 The Management Agreement dated 15 February 2002 between the Company and the Manager under which the Manager has been appointed as the investment manager of the Company and agrees to provide the investment management services required by the Company. In providing these services the Manager is subject to the overall supervision of the Directors.

The Manager receives from the Company a management fee, paid monthly in arrears (plus VAT, if applicable), at a rate of one twelfth of one per cent. of the net assets of the Company for net assets not exceeding £200 million or one twelfth of 0.9 per cent. for net assets in excess of £200 million calculated on the basis of the bid prices of investments. The Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. Paragraph 7.9 of this Part IV sets out the terms pursuant to which the Manager and the Company have agreed to amend the Management Agreement, subject to Admission of the C Shares occurring.

The Management Agreement is subject to twelve months' notice on either side. The Company may terminate the agreement with immediate effect and without payment of compensation if, *inter alia*, the Manager goes into liquidation or commits a material breach of its obligations under the agreement which is not remedied. The Company may also terminate with immediate effect if, *inter alia*, either of Ian Simm or Bruce Jenkyn-Jones ceases to have primary conduct or the responsibility for the provision of investment services to the Company (save that if the cessation is only in respect of one of them then the Manager has the right to request the Company's consent to a suitable replacement, which consent must not be unreasonably withheld or delayed). The Company may also terminate the agreement on not less than 180 days' notice if there is a change of control of the Manager.

In the event that the Directors' proposal that the Company be wound up is passed in circumstances where a continuation resolution has not been passed, the Company shall be entitled to terminate the agreement on giving notice to the Manager but without payment of compensation.

The Management Agreement contains provisions indemnifying the Manager against any liability not due to its negligence, default etc.

- 7.2 The Administration Agreement dated 15 February 2002 between the Company and Cavendish Administration Limited (the "Administrator") under which the Administrator provides administration services and acts as Company Secretary to the Company in the United Kingdom. The Administrator's services include responsibility for the determination and calculation of the Net Asset Value of the Company. The Administrator receives a monthly secretarial fee at a rate of £1,666.67 plus a monthly administration fee equal to one twelfth of 0.075 per cent of the net asset value of the Company at the end of the month in respect of which the administration fee is calculated. Up until 28 February 2007, the administration fee was capped at £80,000 per annum.

Following a review of the above fees, the Remuneration and Management Engagement Committee recommended, and the Board approved, that the secretarial fee and the administration fee cap should both be increased in line with the change in the UK retail price index since the Company's launch in February 2002. It was also agreed that an annual retail price index adjustment will be made to the secretarial fee and the administration fee cap going forward, with the first annual adjustment to be made on 31 December 2007. These changes were made effective from 1 March 2007.

The Cavendish fees are subject to applicable VAT.

- 7.3 The Custody Agreement dated 15 February 2002 between the Company and The Northern Trust Company (the “Custodian”) under which the Custodian has agreed to provide custodian services to, and be responsible for the safekeeping of the assets of, the Company. The Custodian is entitled to receive annual fees comprising a standing charge of £3,750 and a holding charge equal to between 0.01 and 0.07 per cent. of the value of the assets of the Company payable monthly in arrears and fees of between £10 and £65 per transaction. The Custodian is also entitled to reimbursement of its reasonable out-of-pocket expenses (excluding the fees of any sub-custodian). The agreement is terminable by the Custodian giving ninety days’ notice or the Company giving thirty days’ notice.
- 7.4 The Registrar’s Agreement dated 15 February 2002 between the Company and Northern Registrars (now known as Capita Registrars) (the “Registrar”) whereby the Registrar has agreed to act as the Company’s registrar. The Registrar receives from the Company for its services an annual fee at the rate of whichever is the greater of £1,500 per annum or the amount of £1.25 per annum per shareholder on the Company’s Register.
- 7.5 An Agreement, dated 20 October 2005, between the Company, the Manager and Dresdner Kleinwort whereby Dresdner Kleinwort agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for 2005 C Shares under the Placing at 100p per share and to act as sponsor in relation to the 2005 Placing and Offer for Subscription. For its services in connection with the 2005 Placing and Offer for Subscription, Dresdner Kleinwort was entitled to a commission of 1.75 per cent. of monies raised less an amount equal to the expenses incurred by the Company in connection therewith.

Dresdner Kleinwort is also entitled to deferred placing commission, payable on 31 December 2006 and each subsequent anniversary until 2009, at the rate of 0.1 per cent. of the NAV of the Company as at 31 December in the relevant year (except for the year ending 31 December 2005, when the rate was 0.1 per cent. of the Net Asset Value of the Company as at 31 December 2005 multiplied by a fraction of which the numerator is the Net Asset Value of the Company immediately prior to the issue of the 2005 C Shares and the denominator is the Net Asset Value of the Company immediately after the issue of the 2005 C Shares) provided that Dresdner Kleinwort continue to make a market in the Company’s shares. Dresdner Kleinwort also receive an annual brokerage fee equal to 0.05 per cent. on the first £50 million of the Company’s market capitalisation, and 0.03 per cent. on any market capitalisation thereafter.

Under the 2005 Placing Agreement, the Company and the Manager gave certain warranties and indemnities to Dresdner Kleinwort concerning, *inter alia*, the accuracy of the information contained in the 2005 Prospectus.

- 7.6 A Placing and Offer for Subscription Agreement, dated 20 July 2006, between the Company, the Manager and Dresdner Kleinwort whereby Dresdner Kleinwort agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for the 2006 C Shares and to act as sponsor in relation to the 2006 Placing and Offer for Subscription (the “**2006 Placing Agreement**”). For its services in connection with the 2006 Placing and Offer for Subscription, Dresdner Kleinwort was entitled to a commission of 1.75 per cent. of monies raised less an amount equal to the expenses incurred by the Company in connection therewith.

If Dresdner Kleinwort continues to make a market in the Company’s shares as evidenced by Dresdner Kleinwort’s name appearing on the list of market makers on Reuters page IEM.L, the Company shall:

- (a) in respect of the calendar years 2007, 2008 and 2009, pay to Dresdner Kleinwort an annual deferred commission of an amount equal to 0.1 per cent. of the net asset value of the Company as at 31 December in each year;
- (b) in respect of the calendar year 2006, pay to Dresdner Kleinwort an annual deferred commission of an amount equal to 0.1 per cent. of the net asset value of the Company as at 31 December 2006 multiplied by a fraction of which the numerator is the net asset value of the Company immediately prior to the issue of the Issue Shares and the denominator is the net asset value of the Company immediately after the issue of the Issue Shares.

If Dresdner Kleinwort is the Company’s broker, the Company shall pay to Dresdner Kleinwort a further annual deferred commission of an amount equal to the aggregate of:

- (a) 0.05 per cent. of the market capitalisation of the Company as at 31 December in each year, up to a market capitalisation of £50 million; and
- (b) 0.03 per cent. of the market capitalisation of the Company as at 31 December in each year in respect of the market capitalisation in excess of £50 million.

Under the 2006 Placing Agreement the Company and the Manager gave certain warranties and indemnities to Dresdner Kleinwort concerning, *inter alia*, the accuracy of the information contained in the 2006 Prospectus.

- 7.7 The Placing and Offer Agreement, dated 15 August 2007, between the Company, the Manager and Dresdner Kleinwort whereby Dresdner Kleinwort has agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for C Shares under the Placing at the Issue Price and to act as sponsor in relation to the Issue. For its services in connection with the Issue, Dresdner Kleinwort will be entitled to a commission of 1.75 per cent. of monies raised less an amount equal to the expenses incurred by the Company in connection therewith.

The deferred commission arrangements contained in the 2006 Placing Agreement described in paragraph 7.6 above are expressly stated to remain in force save that, in respect of the calendar year 2007, the Company shall pay to DKIB an annual deferred commission of an amount equal to 0.1 per cent. of the net asset value of the Company as at 31 December 2007 multiplied by a fraction of which the numerator is the net asset value of the Company immediately prior to the Issue and the denominator is the net asset value of the Company immediately after the Issue.

Under the Placing and Offer Agreement, which may be terminated by Dresdner Kleinwort in limited circumstances prior to Admission, the Company and the Manager have given certain warranties and indemnities to Dresdner Kleinwort concerning, *inter alia*, the accuracy of the information contained in this document.

- 7.8 An agreement dated 20 July 2006 between the Company and the Manager to amend the Management Agreement. Pursuant to this agreement the management fee payable to the Manager was amended so as to be calculated at the monthly rate of one twelfth of one per cent. for net assets not exceeding £200 million and a reduced monthly rate of one twelfth of 0.9 per cent. for net assets in excess of £200 million. In addition, for the purposes of calculating the management fee payable to the Manager, net assets would be calculated on the basis of bid prices rather than mid-market prices.
- 7.9 A conditional agreement dated 15 August 2007 between the Company and the Manager to amend the Management Agreement. This agreement is conditional on Admission of the C Shares taking place. Under the Management Agreement (as amended pursuant to the 2006 Amendment Agreement) the management fee, which is paid monthly in arrears, is calculated at the rate of one twelfth of 1 per cent. (plus VAT, if applicable) of the net assets of the Company up to net assets of £200 million and one twelfth of 0.9 per cent. of the net assets of the Company in excess of £200 million. If the amendment agreement becomes unconditional the management fee will be amended so that the management fee will be calculated at the monthly rate of one twelfth of 1 per cent. for net assets up to £200 million, one twelfth of 0.9 per cent. for net assets exceeding £200 million up to £300 million, one twelfth of 0.825 per cent. for net assets exceeding £300 million up to £400 million and one twelfth of 0.8 per cent. for net assets in excess of £400 million.

8. Investments

As at 13 August 2007 (being the latest practicable date prior to the posting of this document), the Company's ten largest investments were as set out below. Save as set out below, as at 13 August 2007, the Company had no investments which represented more than 5 per cent. of its gross assets.

<i>Name of Company</i>	<i>Holding</i>	<i>% of Company</i>	<i>Book Cost (£)</i>	<i>Cost Price (pence)</i>	<i>Current Price (pence)</i>	<i>Market Value (£)</i>	<i>% of Portfolio</i>
Itron Inc	166,105	0.65	4,115,049	2,477.38	4,190.41	6,960,473	2.57
Regal Beloit	268,900	0.87	5,780,441	2,149.66	2,581.66	6,942,072	2.56
Ormat Technologies Inc	304,291	0.86	5,352,974	1,759.16	2,084.51	6,342,989	2.34
Tomra Systems ASA	1,555,500	0.87	6,076,257	390.63	378.31	5,884,649	2.17
Chloride Group plc	3,654,219	1.47	3,511,638	96.1	161	5,883,293	2.17
Grupo Auxiliari	284,500	0.12	2,560,055	899.84	2,029.53	5,773,999	2.13
Grontmij NV	244,584	5.51	3,672,331	1,501.46	2,313.27	5,657,879	2.09
Mayr Meinhof Karton	104,866	0.87	4,724,952	4,505.70	5,318.62	5,577,420	2.06
Kingspan Group plc	462,550	0.27	4,596,135	993.65	1,174.92	5,434,579	2.01
LKQ Corp	364,000	0.69	3,512,006	964.84	1,488.94	5,419,737	2.00

9. Litigation

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) involving the Company which may have or have had, during the twelve months preceding the date of this document, a significant effect on the financial position or profitability of the Company.

10. General

- 10.1 The C Shares are to be issued at the Issue Price. The ISIN number of the Ordinary Shares is GB0031232498 and of the C Shares is GB00B235SB28.
- 10.2 The Company is being advised by Dresdner Kleinwort which is authorised and regulated in the UK by the FSA. Dresdner Kleinwort has given and has not withdrawn its consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.
- 10.3 There has been no significant change in the financial or trading position of the Company since 31 December 2006, being the end of the last period for which the audited financial statements for the year ended on that date has been published.
- 10.4 The Company has not had any employees since its incorporation and does not own any premises.
- 10.5 The costs and expenses of, or incidental to, the Issue and Admission of the C Shares are to be paid out of the proceeds of the Issue and, on the assumption that the Issue is fully subscribed, will amount in aggregate to £2.45 million, representing 1.75 per cent. of the gross proceeds of the Issue. On that basis, the net proceeds of the Issue would be £137,550,000.
- 10.6 The current auditors of the Company are Ernst & Young LLP, Chartered Accountants and Registered Auditors, 1 More London Place, London SE1 2AF. Ernst & Young LLP have audited the Company's annual accounts for the financial years ended 31 December 2004, 2005 and 2006 and no other information contained in this document.
- 10.7 The C Shares and Ordinary Shares arising on conversion of C Shares will be in registered form. Temporary documents of title will not be issued in respect of the C Shares, Ordinary Shares arising on conversion of C Shares. The C Shares and Ordinary Shares arising on conversion of C Shares will be capable of being held in either certificated or uncertificated form in accordance with the Articles.
- 10.8 The C Shares are to be paid for in cash. Multiple applications for C Shares under the Open Offer and Offer for Subscription are not permitted and will be rejected.
- 10.9 It is the Directors' intention to conduct the affairs of the Company so that the Company's income will be wholly or mainly eligible investment income (as defined in section 842 of the Taxes Act).
- 10.10 Under the Offer for Subscription, C Shares will be available to the public (other than certain Overseas Investors) in conjunction with the application for Admission.
- 10.11 There are no arrangements under which future dividends are waived or agreed to be waived.
- 10.12 The Ordinary Shares are traded on the London Stock Exchange. No application is being made for the C Shares or Ordinary Shares arising on conversion of C Shares to be listed or dealt in on any stock exchange other than the London Stock Exchange.

10.13 Working capital

The Company believes that the working capital available to it is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

10.14 Capitalisation and Indebtedness

The following table shows the audited capitalisation and indebtedness of the Company as at 31 December 2006 (being the last date in respect of which the Company has published audited financial information) and as at 31 July 2007 (being the latest practicable date prior to the publication of this document).

	<i>31 December 2006¹ £000</i>	<i>31 July 2007 £000</i>
Total Current Debt		
Guaranteed	Nil	Nil
Secured	Nil	Nil
Unguaranteed/Unsecured	Nil	Nil
Total Non-Current Debt (excluding current portion of long term debt)		
Guaranteed	Nil	Nil
Secured	Nil	Nil
Unguaranteed/Unsecured	Nil	Nil
Shareholders' Equity	224,441	277,067
Share capital	20,036	21,741
Share Premium	127,796	147,246
Legal reserve	44,125	44,125
Other reserves	32,484	63,955

Sources:

- 1 Derived from the Company's published audited accounts for the period ended 31 December 2006.
- 2 Extracted from unaudited internal management accounting records maintained by Cavendish on behalf of the Company on a basis consistent with the Company's accounting policies.

Save as disclosed in the above table, as at 31 July 2007 (being the latest practicable date prior to the publication of this document), there has been no material change in the audited capitalisation and indebtedness of the Company as at 31 December 2006 (being the last date in respect of which the Company has published audited accounts).

The following table shows the Company's unaudited net indebtedness as at 31 July 2007 (being the latest practicable date prior to the publication of this document).

	<i>2007 £ 000</i>
A. Cash	8,145
B. Cash equivalent	Nil
C. Securities	270,364
D. Liquidity (A + B + C)	278,509
E. Current Financial Receivable	Nil
F. Current Bank debt	Nil
G. Current portion of non-current debt	Nil
H. Other current financial debt	Nil
I. Current Financial Debt (F) + (G) + (H)	Nil
J. Net Current Financial Indebtedness (I) – (E) – (D)	Nil
K. Non-current Bank loans	Nil
L. Bonds Issued	Nil
M. Other non-current loans	Nil
N. Non-current Financial Indebtedness (K) + (L) + (M)	Nil
O. Net Financial Indebtedness (J) + (N)	Nil
Other Current Liabilities	(1,442)

There are no outstanding profit forecasts and estimates in respect of the Company.

- 10.15 The Manager is or may be a promoter of the Company. Save as disclosed in paragraphs 7.1, 7.8 and 7.9 of this Part IV no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company or is intended to be paid or given.
- 10.16 The Manager is a private company and was incorporated in England and Wales under the Companies Act 1985 on 18 June 1998 with the registered number 3583839. The Manager is regulated by the FSA. Its registered office and principal place of business is Broughton House, 6-8 Sackville Street, London W15 3DG, telephone number +44 (0)20 7434 1122.
- 10.17 The Remuneration and Management Engagement Committee of the Company accepts that due to the size of the Manager and its proximity with the corporate finance side of its parent company, Impax Group plc, there are times when certain investee companies may be included on a stop list and as such will restrict the Company's ability to trade in them. The Board regularly monitors this position and believes that this does not have a materially adverse impact on the Company.
- 10.18 The principal place of business and the registered office of the Company is 145-157 St John Street, London EC1V 4RU.
- 10.19 The Administrator was incorporated and registered in England and Wales as a private limited company under the Companies Act on 29 July 1993 with the name Cavendish Administration Limited and with registered number 2840515. Its registered office and principal place of business is 145-157 St. John Street, London EC1V 4RU, telephone number +44 (0)20 7490 4355.
- 10.20 The Custodian was registered as a branch office in England and Wales on 18 April 1969 under the name The Northern Trust Company and branch number BR001960. Its registered office address and principal place of business is 50 Bank Street, Canary Wharf, London E14 5NT, telephone number +44 (0)20 7982 2000. It is a branch office of The Northern Trust Company, which is registered as a public company in the State of Illinois at 50 South LaSalle Street, Chicago, Illinois 60675, USA under the State of Illinois Bank Charter and is registered in England and Wales as a foreign company under number FC006465. The Custodian is regulated by the FSA.
- 10.21 The issue of C Shares is not underwritten. Save in relation to the Open Offer and the Offer for Subscription, the C Shares have not been marketed nor made available, in whole or in part, to the public in conjunction with the Issue.
- 10.22 In the event that the Issue is fully subscribed, the net assets of the Company will increase from £274.2 million as at 13 August 2007 to £411.8 million. If the Issue had been undertaken on the first day of the Company's last completed financial year, the Company's earnings in that financial year would have increased.
- 10.23 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by written instrument. The Articles permit the holding of C Shares under the CREST system. The Directors intend to apply for the C Shares to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in the C Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request to Capita Registrars.
- 10.24 Applications have been made to the UK Listing Authority for the C Shares now being offered to be admitted to the Official List, and to the London Stock Exchange for the C Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission of the C Shares will become effective and dealings in the C Shares will commence on the London Stock Exchange on 21 September 2007. Applications will be made to the UK Listing Authority for the Ordinary Shares arising on Conversion to be admitted to the Official List, and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. Admission of the Ordinary Shares arising on Conversion will become effective and dealings in them will commence on the London Stock Exchange by no later than 31 December 2007.
- 10.25 The Company's Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts and interim report. Where non-audit services are provided

by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding. The Audit Committee comprises Richard Bernays, Robert Arnott, William Brown and Keith Niven, with Keith Niven as Chairman. The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary of the Company. The principal duties of the Audit Committee are to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the half yearly and annual reports and accounts, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

There were two Audit Committee meetings during the year ended 31 December 2006.

- 10.26 The Company's Remuneration and Management Engagement Committee meets formally on at least an annual basis for the purpose, amongst other things, of considering the appointment and remuneration of the investment manager and of suppliers of services to the Company, as well as the fees of non-executive Directors. The Remuneration and Management Engagement Committee comprises Richard Bernays, Robert Arnott, William Brown and Keith Niven, with Robert Arnott as Chairman. The Remuneration and Management Engagement Committee has formal terms of reference and copies of these are available on request from the Company Secretary of the Company. The principal duties of the Remuneration and Management Engagement Committee are to review the appointment and remuneration of the Manager, to review the fees payable to the Board of Directors and to review the fees payable to the Company's other main service providers.

There was one meeting of the Remuneration and Management Engagement Committee during the year ended 31 December 2006.

- 10.27 The Company's Nomination Committee has been established for the purpose of identifying and putting forward candidates for the office of Director of the Company. The Nomination Committee meets as and when it is required. No Directors have been appointed since the Company's launch on 22 February 2002. Bill Brown is chairman of the Nominations Committee. The Nominations Committee considers job specifications and will assess whether candidates have the necessary skills and time available to devote to the job. There was one meeting of the Nominations Committee during the year ended 31 December 2006.
- 10.28 In accordance with the Listing Rules, any material change in the Company's investment policy will only be made with the approval of Shareholders.
- 10.29 The Company complies with the corporate governance obligations which apply to UK registered companies.
- 10.30 Except where otherwise stated, all NAV data in this document is sourced from Thomson Datastream. Where information contained in this document has been sourced from Thomson Datastream, the Company confirms that such information has been accurately reproduced and so far as the Company is aware and is able to ascertain from the information published by Thomson Datastream, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11. Investment Restrictions

11.1 In accordance with the Listing Rules and Prospectus Rules:

- (a) The Directors intend to direct the affairs of the Company so that it satisfies the conditions for approval by HM Revenue and Customs as an investment trust set out in section 842 of the Taxes Act. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in section 842 of the Taxes Act.
- (b) In accordance with the Listing Rules and, in the case of (i), section 842 of the Taxes Act:
 - (i) distributable income will be principally derived from investments. Neither the Company nor any subsidiary which the Company may acquire will to a significant extent, be a dealer in investments nor will conduct a trading activity which is significant in the context of the Group as a whole;

- (ii) the Company will not take legal or management control of investments in its portfolio. The Company will be a passive investor and will not seek to control, or be actively involved in the management of, any companies or businesses in which it invests;
- (iii) the Company will maintain an adequate spread of risk and not more than 15 per cent. of the Company's gross assets will be lent to or invested in, either directly or indirectly, the securities of any one company or group (including loans to or shares in the Company's own subsidiaries) at the time the loan or investment is made and any existing holding in the company concerned will be aggregated with the proposed new investment for this purpose;
- (iv) dividends will not be paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (v) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited; and
- (vi) not more than ten per cent. of the value of the Company's gross assets immediately following Admission will be invested in other listed investment companies (including listed investment trusts).

12. Availability of Prospectus

Copies of this document can be obtained during normal business hours until the Issue closes from any of the following:

Dresdner Kleinwort Limited
30 Gresham Street
London EC2P 2XY

Impax Asset Management Limited
Broughton House
6-8 Sackville Street
London W1S 3DG

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

13. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of CMS Cameron McKenna LLP at Mitre House, 160 Aldersgate Street, London EC1A 4DD during business hours on any Business Day up to the date of Admission:

- 13.1 the memorandum of association of the Company and the Articles;
- 13.2 a draft of the articles of association proposed to be adopted at the EGM;
- 13.3 this document;
- 13.4 the consent letter referred to in paragraph 10.2 of this Part IV; and
- 13.5 the audited report and accounts of the Company for the periods ended 31 December 2004, 31 December 2005 and 31 December 2006.

In addition, copies of this document are available, for inspection only, from the Document Viewing Facility, UK Listing Authority, the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Dated: 15 August 2007

PART V
TAXATION

The following statements are intended only as a general guide to certain aspects of United Kingdom tax legislation and of what is understood to be the current practice of HM Revenue & Customs. As such, they do not constitute tax advice, or other legal advice, to any Shareholder or potential investor. They apply solely to potential individual and corporate investors and existing individual and corporate Shareholders (and not, for example, collective investment schemes, pension funds or insurance companies) who are resident or ordinarily resident for United Kingdom tax purposes in the United Kingdom, who will hold their C Shares as an investment (other than under a personal equity plan or an individual savings account or as “employment related securities” as defined in section 421B(8) of the Income Tax (Earnings and Pensions) Act 2003 and rather than as securities to be realised in the course of a trade) and who will be the beneficial owners of their C Shares. Potential investors and existing Shareholders who are in any doubt about their own tax position, or who are resident in (or otherwise subject to taxation in) a jurisdiction outside the United Kingdom, should consult their own professional advisers.

The Company

In order for the Company to continue to qualify, for tax purposes, as an investment trust, the Company must satisfy the various conditions set out in section 842 of the Income and Corporation Taxes Act 1988. The issue of the C Shares and their subsequent Conversion will not prejudice the Company’s ability to satisfy the conditions under this section.

Shareholders

Capital Gains Tax

Neither the Placing nor the Offer for Subscription constitutes a reorganisation of share capital for the purposes of United Kingdom taxation of chargeable gains. Accordingly, the acquisition cost of the C Shares subscribed for under the Offer for Subscription will normally be an amount equal to their subscription price. The C Shares acquired by existing Shareholders will constitute a holding of shares separate from their holding of existing Ordinary Shares.

It is arguable that the Open Offer is not, strictly speaking, a reorganisation of the share capital of the Company for the purposes of United Kingdom taxation of chargeable gains. However, HM Revenue and Customs may be prepared to treat it as such as a matter of practice. While HM Revenue and Customs’ treatment of the Open Offer cannot therefore be guaranteed, and specific confirmation has not been requested in relation to the Open Offer, HM Revenue and Customs’ published practice in broadly equivalent circumstances suggests that reorganisation treatment should apply in respect of the issue of the C Shares under the Open Offer to each Qualifying Shareholder up to their Open Offer Entitlement. Accordingly, the cost of any C Shares subscribed for by a Qualifying Shareholder up to each Shareholder’s Open Offer Entitlement should generally be added to the base cost of such Shareholder’s Existing Ordinary Shares (i.e. the Shareholder’s existing Ordinary Shares and the C Shares up to the Shareholder’s Open Offer Entitlement should be treated as the same asset for the purposes of United Kingdom taxation of chargeable gains). C Shares issued in excess of a Shareholder’s Open Offer Entitlement will not be treated as the same asset as the Shareholder’s existing Ordinary Shares. In these circumstances, the price paid for those C shares will constitute that Shareholder’s base cost for the purposes of United Kingdom taxation of chargeable gains.

If the Open Offer is not treated as a reorganisation, C Shares allotted to a Shareholder pursuant to the Open Offer will not be treated as the same asset as the Shareholder’s existing Ordinary Shares. In these circumstances, the price paid for all of the C Shares will constitute the Shareholder’s base cost for the purposes of United Kingdom taxation of chargeable gains.

Depending on the individual circumstances of an investor who subscribes for C Shares under the Open Offer or Offer for Subscription, a subsequent sale or other disposal of those C Shares may give rise to the realisation by the investor of a chargeable gain (or, as the case may be, allowable loss) for the purposes of United Kingdom taxation of chargeable gains.

Taper relief may be available to a Shareholder who is an individual. This may operate to reduce the percentage of any gain which becomes chargeable on the subsequent disposal of C Shares provided that such Shareholder has retained those C Shares for the relevant period. Where the issue of C Shares up to a Shareholder’s Open Offer Entitlement has been treated as a reorganisation, the deemed period of ownership (since 6 April 1998) of the Shareholder’s holding of those C Shares, is

determined by reference to the holding period of the Shareholder's Existing Shares when assessing the availability of taper relief. For C Shares issued in excess of a Shareholder's Open Offer Entitlement and for C Shares acquired pursuant to the Offer for Subscription, taper relief will apply from the date of their acquisition. If the issue of the C Shares pursuant to the Open Offer is not treated as a reorganisation, taper relief will apply from their date of acquisition.

In the case of a Shareholder within the charge to United Kingdom corporation tax, the subscription price for the new shares will qualify for indexation allowance from the date on which the relevant Shareholder paid or became liable to pay for such C Shares (and not, where the issue of those shares has been treated as a reorganisation, at the time the C Shares were deemed to be acquired).

Shareholders who are not resident or ordinarily resident in the United Kingdom for the purpose of United Kingdom taxation will not normally be liable to United Kingdom taxation on chargeable gains arising from a disposal of their C Shares unless they carry on a trade, profession or vocation in the United Kingdom through a branch or agency (or in the case of a corporate shareholder, a permanent establishment) in connection with which the C Shares are held. Such C Shareholders, however, may be subject to foreign taxation depending upon their personal circumstances.

The conversion of C Shares will constitute a reorganisation of share capital for the purposes of United Kingdom taxation of chargeable gains. Accordingly, no liability to United Kingdom taxation in respect of capital gains will arise. Instead, the Ordinary Shares arising on Conversion will be treated for the purposes of taxation or chargeable gains as the same asset as the C Shares and as having been acquired on the same date as that on which the C Shares were acquired.

Dividends

The tax treatment of any dividend paid by the Company on the C Shares will be the same as that of any dividend paid by the Company on its Existing Ordinary Shares. A summary of that tax treatment is as follows.

The Company will not be required to withhold any United Kingdom income tax from any dividend which it pays.

A Shareholder who is an individual and is resident in the United Kingdom for tax purposes will be entitled to a tax credit equal to one-ninth of any dividend which the Shareholder receives from the Company. The individual will be taxable on the total of the dividend and the related tax credit (the "gross dividend"), which, with certain other investment income, will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend calculated as 32.5 per cent. of the gross dividend less the related tax credit. So, for example, a dividend of £90 will carry a tax credit of £10 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5 per cent. of £100, namely £32.50, less the tax credit of £10, leaving a net tax charge of £22.50.

A Shareholder who is not liable to tax on dividends received from the Company will not be entitled to claim payment of the tax credit in respect of those dividends.

A Shareholder that is a company within the charge to corporation tax will not generally be taxable on any dividend it receives from the Company.

Stamp Duty and Stamp duty Reserve Tax

No stamp duty or stamp duty reserve tax will be payable on the issue of C Shares, unless they are issued to persons to whom the depository receipt or clearance service charge to stamp duty reserve tax applies.

In the latter case, stamp duty reserve tax will generally be imposed at the rate of 1.5 per cent. of the subscription price for the C Shares.

A subsequent transfer or sale of C Shares (other than a transfer or sale to a person to whom the depository receipt or clearance service charge applies) will generally be liable either to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the consideration actually paid for the transfer or sale or, if an unconditional agreement to transfer the C Shares is not completed by a duly stamped instrument of transfer, to stamp duty reserve tax at the rate of 0.5 per cent. of the consideration actually paid.

Liability to pay any stamp duty or stamp duty reserve tax chargeable on a transfer of C Shares will, in general, be that of the purchaser or transferee of the relevant C Shares.

Paperless transfers of C Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the consideration actually paid), rather than being liable to stamp duty; and the stamp duty reserve tax chargeable on relevant transactions settled within the CREST system (or reported through that system for regulatory purposes) is collected by CREST.

If C Shares are transferred or sold to any persons to whom the depository receipt or clearance service charge to stamp duty or stamp duty reserve tax applies, stamp duty or (as the case may be) stamp duty reserve tax will normally be payable, by the purchaser or transferee, at the rate of 1.5 per cent. of the amount or value of the consideration paid for the transfer or sale.

No stamp duty or stamp duty reserve tax will be payable by holders of C Shares on the conversion of those shares into new Ordinary Shares.

DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them except where the context otherwise requires:

“2005 C Shares”	C Shares of £1 each in the capital of the Company issued in November 2005
“2005 C Shareholder”	holder of 2005 C Shares
“2005 Placing and Offer for Subscription”	the placing and offer for subscription of the 2005 C Shares
“2006 Amendment Agreement”	the amendment agreement entered into in connection with the Management Agreement, details of which are set out in paragraph 7.8 of Part IV
“2006 C Shareholder”	holder of 2006 C Shares
“2006 C Shares”	C Shares of £1 each in the capital of the Company issued in August 2006
“2006 Placing and Offer for Subscription”	the Placing and Offer for Subscription of the 2006 C Shares
“Administration Services Agreement”	the administration services agreement dated 15 February 2002 between the Company and the Administrator
“Administrator”	Cavendish Administration Limited, which provides administration and company secretarial services on behalf of the Company
“Admission”	the admission of the C Shares to the Official List and to trading on the London Stock Exchange’s Main Market for listed securities
“Application Forms”	the Offer for Subscription Application Form, the Non-CREST Application Form and the CREST Excess Application Form
“Articles”	the articles of association of the Company as amended from time to time
“Board” or “Directors”	the Directors of the Company or the board of Directors of the Company
“Business Day”	a day on which the London Stock Exchange is open for business
“C Shareholder”	holder of C Shares
“C Shares”	C Shares of £1 each in the capital of the Company to be issued under the Issue
“Calculation Date”	the date as at which the NAVs of the Ordinary Shares and C Shares are taken for the purposes of calculating the Conversion Ratio
“Canada”	Canada, its possessions, provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
“Capita Registrars”	a trading name of Capita IRG Plc
“Companies Act” or “Act”	the Companies Act 1985 and the Companies Act 2006 as amended from time to time
“Company”	Impax Environmental Markets plc
“Conversion”	the conversion of C Shares into Ordinary Shares referred to in paragraph 9 of Part II of this document
“Conversion Date”	the time and date referred to in paragraph 1 of Part II of this document
“Conversion Ratio”	the ratio at which the C Shares convert into Ordinary Shares

“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations
“CREST Excess Application Form”	the application form on which Qualifying CREST Shareholders may apply to subscribe for C Shares under the Open Offer in excess of their Open Offer Entitlements
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time
“Custodian”	Northern Trust Company, which acts as custodian for the Company
“Dresdner Kleinwort”	Dresdner Kleinwort Limited
“Environmental Markets”	those segments within basic services industries which are characterised by cleaner or more efficient solutions, particularly alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management
“Euroclear”	Euroclear UK & Ireland Limited, the operators of CREST
“Excluded Territories”	each of Australia, Canada, the Republic of South Africa, Japan and the United States and each other jurisdiction outside the United Kingdom where the extension or availability of the Placing, Open Offer or Offer for Subscription would breach any applicable law
“Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this document
“Existing Warrants”	the Warrants in issue as at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company notice of which is set out on pages 71 to 73 of this document or any adjournment of that meeting
“FSA”	the Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000 as amended from time to time
“Impax Group”	Impax Group plc
“gearing”	the proportion of Net Asset Value represented by the Company’s borrowings
“ISA”	an Individual Savings Account
“Issue”	the issue of C Shares pursuant to the Placing, Open Offer and Offer for Subscription
“Issue Price”	100p per share at which the C Shares are to be issued
“Listing Rules”	the listing rules made by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Management Agreement”	the management agreement dated 15 February 2002 between the Company and the Manager (as amended)
“Manager”	Impax Asset Management Limited
“NAV” or “Net Asset Value”	the aggregate value of the net assets of the Company (that is, the value of its assets less the value of its liabilities) calculated in accordance with the Company’s accounting policies or, where the context requires, the part of that amount attributable to a particular class of shares
“NAV per Share” or “Net Asset Value per Share”	the aggregate value of the net assets of the Company divided by the number of Ordinary Shares in issue adjusted to take account of the dilution (if any) which would arise from the exercise of all the Warrants in issue

“Net Proceeds”	the net cash proceeds of the Issue (after deduction of all expenses and commissions relating to the Proposals)
“Non-CREST Application Form”	the application form on which Qualifying non-CREST Shareholders and Qualifying non-CREST Warranholders may apply for C Shares under the Open Offer
“Offer for Subscription”	the offer for subscription of C Shares as described in this document
“Offer for Subscription Application Form”	the application form to be completed by new investors in connection with the Offer for Subscription and which is found at the end of this document
“Official List”	the official list of the UK Listing Authority
“Open Offer”	the invitation to subscribe for C Shares at the Issue Price and under which Qualifying Shareholders and Qualifying Warranholders are entitled to subscribe for C Shares in aggregate at the Issue Price
“Open Offer Entitlement”	the <i>pro rata</i> entitlement of (i) a Qualifying Shareholder under the Open Offer to subscribe at the Issue Price for C Shares on the basis of 1 C Share for every 3 Ordinary Shares held by such Shareholder at the Record Date and (ii) a Qualifying Warranholder under the Open Offer to subscribe of the Issue Price for C Shares on the basis of 1 C Share in respect of every 3 Warrants held by them at the Record Date
“Open Offer Shares”	the C Shares for which Qualifying Shareholders and/or Qualifying Warranholders are entitled to subscribe under the terms of the Open Offer
“Ordinary Shares”	ordinary shares of 10p each of the Company
“Overseas Investor”	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“Overseas Shareholder”	a Shareholder who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“Overseas Warranholder”	a Warranholder who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
“PEP”	a personal equity plan
“Placing Agreement”	the agreement dated 15 August 2007 between Dresdner Kleinwort and the Company a summary of which is set out in paragraph 7.7 of Part IV of this document
“Placing”	the placing by Dresdner Kleinwort of up to 140 million of C Shares as described in this document
“Proposals”	the proposed Issue and the proposed passing of the Resolutions of the EGM (including the adoption of new Articles)
“Prospectus”	this document
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Qualifying CREST Shareholder”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the Record Date are in uncertificated form
“Qualifying CREST Warranholder”	Qualifying Warranholders whose Warrants on the register of Warranholders of the Company at the Record Date are in uncertificated form
“Qualifying Non-CREST Shareholder”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the Record Date are in certificated form

“Qualifying Non-CREST Warrantholder”	Qualifying Warrantholders whose Warrants on the register of Warrantholders of the Company at the Record Date are in certificated form
“Qualifying Shareholder”	holders of Ordinary Shares on the Register at the close of business on the Record Date, other than certain Overseas Shareholders who are prevented by legal or regulatory requirements from applying for C Shares under the Open Offer
“Qualifying Warrantholder”	holders of Warrants on the Warrant Register at the close of business on the Record Date, other than certain Overseas Warrantholders who are prevented by legal or regulatory requirements from applying for C Shares under the Open Offer
“Receiving Agent”	Capita Registrars
“Record Date”	the record date in respect of entitlements under the Open Offer, being the close of business in London on 13 August 2007
“Register”	the register of members of the Company
“Registrar”	Capita Registrars
“Resolutions”	the resolutions to be proposed at the EGM, as set out in the Notice of Extraordinary General Meeting on pages 71 to 73 of the document
“Shareholder”	a holder of Ordinary Shares
“Statutes”	the Companies Act 1985, the Companies Act 2006 and every other statute for the time being in force concerning companies and affecting the Company
“Taxes Act”	the Income and Corporation Taxes Act 1988 (as amended)
“UK Listing Authority”	the FSA in its capacity as the competent authority for listing under FSMA
“United States” or “USA”	the United States of America, its states, territories and possessions, including the District of Columbia
“Warrant”	a warrant to subscribe for an Ordinary Share on the terms summarised in paragraph 3 of Part IV of this document
“Warrantholder”	a holder of a Warrant
“Warrant Register”	the register of Warrantholders

NOTICE OF EXTRAORDINARY GENERAL MEETING

IMPAX ENVIRONMENTAL MARKETS PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4348393)

Notice is hereby given that an Extraordinary General Meeting of the above-named company ("Company") will be held at 10.30 a.m. on 20 September 2007 at 145-157 St John Street, London, EC1V 4RU to consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

1. THAT:

- (A) new articles of association (in the form produced to the meeting and signed by the Chairman for the purpose of identification) be adopted in place of the existing articles of association;
- (B) £140 million of the authorised but unissued share capital of the Company be and is hereby consolidated and redesignated as C Shares of £1 each having attached thereto the rights and privileges and being subject to the limitations and restrictions as set out in the articles of association adopted by this resolution provided that if and to the extent that any of such C Shares are not issued pursuant to the Issue (as described in the Company's prospectus dated 15 August 2007, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification) then each such C Share shall be reclassified and subdivided into 10 ordinary shares of 10p each and provided further that each unissued Deferred Share of 10p each in the capital of the Company on the date falling one month after the Conversion Date (as defined in the new articles of association) shall be reclassified as an ordinary share of 10p;
- (C) the directors of the Company be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 as amended (the "**Act**"), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £170,259,291.20 such authority to expire on 19 September 2012 (unless previously revoked, varied or extended by the Company in general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors of the Company may allot relevant securities in pursuance of any such offer or agreement as if the authority had not expired;
- (D) the directors of the Company be empowered (pursuant to Section 95(1) of the Act) to allot and make offers or agreements to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority referred to in sub-paragraph (C) of this resolution above, and to sell equity securities (as defined in Section 94 of the Act) which before the sale were held by the Company as treasury shares (within the meaning of Section 162A of the Act), as if Section 89(1) of the Act did not apply to any such allotment or sale, provided that such power is limited to the allotment or sale of equity securities up to an aggregate nominal amount of £170,259,291.20 expiring on 19 September 2012 unless previously revoked, varied or extended by the Company in general meeting (the "**Section 89 Period**") and provided further that such power shall be limited to the allotment or sale of equity securities:
 - (a) pursuant to the Placing, Open Offer and Offer for Subscription of C Shares;
 - (b) arising from the exercise of warrants to subscribe for Ordinary Shares in the Company (referred to in the prospectus relating to the Company dated 20 October 2005);
 - (c) in connection with an offer of equity securities open for acceptance for a period fixed by the directors of the Company to the holders of Ordinary Shares on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the

directors of the Company may consider necessary or expedient to deal with any legal problems under or resulting from the application or apparent application of the laws of any territory or in connection with treasury shares, fractional entitlements or otherwise howsoever); and

- (d) other than pursuant to sub-paragraphs (D)(a), (b) or (c) of this resolution, up to an aggregate nominal amount equal to 9.99 per cent. of the nominal amount of the issued share capital of the Company immediately following the conversion of the C Shares into new Ordinary Shares pursuant to the Placing, Open Offer and Offer for Subscription of C Shares as defined in the Prospectus;

save that the Company may, at any time prior to the expiry of the Section 89 Period, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold after the expiry of the Section 89 Period and the directors of the Company may allot or sell equity securities in pursuance of such an offer or agreement as if the Section 89 Period had not expired; and

- 2. THAT subject to the passing of resolution number 1 set out in the notice convening this meeting, in substitution for all existing powers under Section 166 of the Act, the Company be generally and unconditionally authorised in accordance with Section 166 of the Act to make one or more market purchases (within the meaning of Section 163 of the Act) of shares in the capital of the Company provided that:

- (a) the maximum aggregate number of shares authorised to be purchased is (i) prior to the date of Conversion (as defined in the Prospectus), 32,589,321 Ordinary Shares (or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital immediately following the meeting) and 20,986,000 C Shares (or, if less, the number representing 14.99 per cent. of the C Shares in issue immediately following Admission (as defined in the Prospectus); and (ii) on or after the date of Conversion 53,575,321 Ordinary Shares (or, if less, such number of Ordinary Shares as shall represent 14.99 per cent. of the Ordinary Shares in issue immediately following Conversion of the C Shares as provided for in the articles of association of the Company adopted pursuant to this resolution);
- (b) the minimum price which may be paid for an Ordinary Shares is 10p and for a C Share is £1;
- (c) the maximum price (exclusive of expenses) which may be paid for a share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations for the shares of the class of that share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that share is purchased; and (ii) the higher of the price of the last independent trade in shares of the class of that share and the highest then current independent bid for such shares on the London Stock Exchange;
- (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company unless such authority is renewed or revoked prior to such time; and
- (e) the Company may make a contract to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract.

By Order of the Board

Cavendish Administration Limited

Company Secretary

Registered Office:

145-157 St John Street
London EC1V 4RU

Dated: 15 August 2007

Notes:

1. Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies (who need not be a member/members of the Company) to attend and, on a poll, to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. A form of proxy is enclosed with this document. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach Capita Registrars at Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered in the register of members of the Company at 10.30 a.m. on 18 September 2007 in order to be entitled to attend and vote at the Extraordinary General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

TERMS AND CONDITIONS OF, AND PROCEDURE FOR APPLICATION UNDER, THE OPEN OFFER

1.1 *Procedure for Application and Payment*

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have a Non-CREST Application Form in respect of your Open Offer Entitlement or your Open Offer Entitlement has been credited to your CREST account and you have a CREST Excess Application Form.

Qualifying CREST Shareholders and/or Qualifying CREST Warranholders who are CREST sponsored members should refer to their CREST sponsor, as only this CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on CREST procedures referred to below.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form and Qualifying Warranholders who hold their Warrants in certificated form will be allotted C Shares in certificated form to the extent that their entitlement to C Shares arises as a result of holding Existing Ordinary Shares or Warrants in certificated form. Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form and Qualifying Warranholders who hold their Warrants in uncertificated form will be allotted C Shares in uncertificated form to the extent that their entitlement to C Shares arises as a result of holding Existing Ordinary Shares or Warrants in uncertificated form.

Qualifying Shareholders and Qualifying Warranholders who do not wish to apply for C Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the Extraordinary General meeting by completing and returning the enclosed white Form of Proxy.

All enquiries in connection with Application Forms should be addressed to Capita Registrars on 0870 162 3121 or (+44) 20 8639 3399 if calling from overseas. Capita Registrars cannot provide financial, legal or tax advice. If you are in any doubt as to the action you should take you should immediately seek your own personal finance advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a regulatory information service giving details of the revised dates.

(a) *If you have a Non-CREST Application Form in respect of your entitlement under the Open Offer General*

If you are a Qualifying non-CREST Shareholder and/or Qualifying non-CREST Warranholder, you will have received a Non-CREST Application Form with this document showing the number of Existing Ordinary Shares and/or Warrants registered in your name at the close of business on the Record Date and the number of C Shares for which you are entitled to apply under the Open Offer. Qualifying non-CREST Shareholders and Qualifying non-CREST Warranholders may also apply for less or more than their Open Offer Entitlements. Beneficiaries of *bona fide* market claims may also hold Non-CREST Application Forms by virtue of their *bona fide* market claims.

The instructions and other terms set out in the Non-CREST Application Form form part of the terms of the Open Offer.

Market claims

Applications to acquire C Shares pursuant to the Open Offer may only be made on the Non-CREST Application Form and may only be made by the Qualifying Shareholder(s) and/or Qualifying Warranholder(s) named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares or Warrants through the market prior to the date upon which the Existing Ordinary Shares and Warrants were marked “ex” the entitlement to participate in the Open Offer. Application Forms may be split, but only to satisfy *bona fide* market claims, up to 3.00 p.m. on

11 September 2007. The Non-CREST Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder or Qualifying non-CREST Warrantholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares and/or Warrants prior to the date upon which the Existing Ordinary Shares and Warrants were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire C Shares under the Open Offer may be a benefit which may be claimed by the purchaser or transferee. Qualifying non-CREST Shareholders and Qualifying non-CREST Warrantholders who have sold or transferred all or part of their holdings should complete Box 10 on the Non-CREST Application Form and immediately send it either to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee (in the case of a sale or transfer of all the relevant holding) or to Capita Registrars (in the case of a sale or transfer of part only of the relevant holding) in accordance with the instructions for transfer and splitting set out in the Non-CREST Application Form. The Non-CREST Application Form should not, however be forwarded to or transmitted in or into any Excluded Territory. The beneficiary of the claim should follow the procedures set out in the accompanying Non-CREST Application Form.

Excess Applications

Qualifying non-CREST Shareholders and Qualifying non-CREST Warrantholders may apply to acquire C Shares under the Open Offer in excess of their Open Offer Entitlements by completing Box 3 of the Non-CREST Application Form. Valid applications by Qualifying non-CREST Shareholders and Qualifying non-CREST Warrantholders will be satisfied in full up to their Open Offer Entitlements but applications by Qualifying non-CREST Shareholders and Qualifying non-CREST Warrantholders in excess of their Open Offer Entitlements may be subject to scaling back by the Board on the basis described on page 13 above. Excess subscription monies (being the amount by which the monies subscribed by an applicant in relation to a valid application for C Shares under the Open Offer exceeds the aggregate value at the Issue Price of the C Shares issued pursuant to that application) will be returned to the relevant applicant (at the applicant’s sole risk and without interest).

Application procedures

Qualifying non-CREST Shareholders and Qualifying non-CREST Warrantholders, wishing to apply to subscribe C Shares under the Open Offer should complete the Non-CREST Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply paid envelope or delivered by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, with a cheque or banker’s draft for the subscription monies in respect of the C Shares applied for in pounds sterling drawn on a branch in the United Kingdom, the Channel Islands or Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker’s drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or banker’s drafts must bear the appropriate UK bank sort code number in the top right hand corner and must be for the full amount payable on application. Applications must be received by Capita Registrars (at the address detailed above) no later than 11.00 a.m. on 13 September 2007, after which time Non-CREST Application Forms will not be valid. Once submitted, applications are irrevocable. If the Application Form is being sent by post in the UK, Qualifying Shareholders and Qualifying Warrantholders are recommended to allow at least four working days for delivery. Cheques, which must be drawn on a personal account where you have sole or joint title to the funds, should be made payable to “Capita IRG Plc re: Impax Environmental Markets plc”. It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured.

The Company may, in its sole discretion, reject, or treat as valid and binding on the person by whom or on whose behalf it is lodged, a Non-CREST Application Form not completed in accordance with the relevant instructions or which is not accompanied by a valid power of attorney where required, or which otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any Non-CREST Application Form received after 11.00 a.m. on 13 September 2007 but not later than 8 a.m. on 17 September 2007 with the envelope bearing a legible postmark not later than 13 September 2007 or applications in respect of which remittances are received before 11.00 a.m. on 13 September 2007 from authorised persons (as defined in the Financial Services and Markets Act 2000) specifying the C Shares applied for and undertaking to lodge the Non-CREST Application Form in due course but, in any event, within two business days. Multiple applications will not be accepted.

Cheques and banker's drafts are liable to be presented for payment upon receipt. If they are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions of the Open Offer are not fulfilled on or before 8.00 a.m. on 21 September 2007, or such later time and/or date as the Company may determine (being no later than 8.00 a.m. on 31 October 2007), the Open Offer will lapse and all application monies will be returned without interest by crossed cheque in favour of the first named applicant through the post at the risk of the applicant(s) as soon as is practicable after that date. Interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Deposit of Open Offer Entitlements into CREST

A Qualifying non-CREST Shareholder's and Qualifying non-CREST Warrantholder's entitlement under the Open Offer as shown by the Open Offer Entitlement set out in his Non-CREST Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder or Qualifying Warrantholder named in the Non-CREST Application Form or into the filename of a person entitled by virtue of a *bona fide* market claim). Normal CREST procedures (including timings) apply in relation to any such deposit subject as set out in the Non-CREST Application Form.

A holder of a Non-CREST Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 13 September 2007. In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing a Non-CREST Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Non-CREST Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 10 September 2007, so as to enable the person holding the Open Offer Entitlement in CREST following the deposit to take all necessary steps in connection with applying in respect of the Open Offer Entitlement prior to 11.00 a.m. on 13 September 2007.

Delivery of a Non-CREST Application Form with a CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder or Qualifying Warrantholder named in the Non-CREST Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant Qualifying Shareholder(s) and/or Qualifying Warrantholder(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 3 of the Non-CREST Application Form, and a declaration to the Company and Capita Registrars from the relevant Qualifying Shareholder(s) and/or

Qualifying Warrantholder(s) that it/they is/are not citizen(s) or resident(s) of an Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

Effect of valid application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering a Non-CREST Application Form the applicant:

- (i) agrees that all applications and contracts resulting there from under the Open Offer shall be governed by and construed in accordance with the laws of England;
 - (ii) gives the representations and warranties, confirmations and authorities set out and contained in such Application Form; and
 - (iii) represents and warrants that if the applicant received some or all of the applicant's Open Offer Entitlement from a person other than the Company, the applicant is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim.
- (b) *If your Open Offer Entitlement has been credited to your stock account in CREST*

General

Each Qualifying CREST Shareholder and Qualifying CREST Warrantholder will receive a credit to his stock account in CREST of his Open Offer Entitlement.

The CREST account to be credited will be an account under the CREST participant ID and CREST member account ID that apply to the Existing Ordinary Shares and/or Warrants held on the Record Date by the Qualifying CREST Shareholder and/or Qualifying CREST Warrantholder in respect of which the Open Offer Entitlement has been allocated. If for any reason the Open Offer Entitlement cannot be admitted to CREST by, or the stock accounts for Qualifying CREST Shareholders and/or Qualifying CREST Warrantholders cannot be credited by, 3.00 p.m. or such later time as the Company may decide on 16 August 2007, a Non-CREST Application Form will be sent to each Qualifying CREST Shareholder and/or Qualifying CREST Warrantholder in substitution for the credit to his CREST account of his Open Offer Entitlement. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Non-CREST Application Forms will apply to Qualifying CREST Shareholders who receive a Non-CREST Application Form.

Market claims

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be submitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying CREST Shareholder or Qualifying CREST Warrantholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

Excess Applications

Qualifying CREST Shareholders and Qualifying CREST Warrantholders may apply to acquire C Shares under the Open Offer in excess of their Open Offer Entitlements. Qualifying CREST Shareholders and Qualifying CREST Warrantholders wishing to apply to acquire excess C Shares may do so by completing a CREST Excess Application Form in accordance with the instructions printed on it. Valid applications by Qualifying CREST Shareholders and Qualifying CREST Warrantholders will be satisfied in full up to their Open Offer Entitlements but applications in excess of the Open Offer Entitlements of Qualifying CREST Shareholders and Qualifying CREST Warrantholders may be subject to scaling back by the Board on the basis described on page 13 above. Excess subscription monies (being the amount by which the monies subscribed by an applicant in relation to a

valid application under a CREST Excess Application Form for C Shares under the Open Offer in excess of the applicant's Open Offer Entitlement exceeds the aggregate value at the Issue Price of the C Shares issued pursuant to that application) will be returned to the relevant applicant (at the applicant's sole risk).

Completed CREST Excess Application Forms should be posted in the accompanying reply paid envelope or delivered by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, with a cheque or bankers' draft for the subscription monies in respect of the C Shares applied for by way of the CREST Excess Application Form in pounds sterling drawn on a branch in the United Kingdom, Channel Islands or Isle of Man of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies. Such cheques or banker's drafts must bear the appropriate UK sort code number in the top right hand corner and must be for the full amount payable on application. Applications must be received by Capita Registrars (at the address detailed above) no later than 11.00 a.m. on 13 September 2007, after which time CREST Excess Application Forms will not be valid. Once submitted, applications are irrevocable. If the Application Form is being sent by post in the UK, Qualifying Shareholders and Qualifying Warrantholders are recommended to allow at least four working days for delivery. Cheques, which must be drawn on a personal account where you have sole or joint title to the funds, should be made payable to "Capita IRG Plc re: Impax Environmental Markets plc". It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured.

The Company may, in its sole discretion, reject, or treat as valid and binding on the person by whom or on whose behalf it is lodged, a CREST Excess Application Form not completed in accordance with the relevant instructions or which is not accompanied by a valid power of attorney where required, or which otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any CREST Excess Application Form received after 11.00 a.m. on 13 September 2007 but not later than 8.00 a.m. on 17 September 2007 with the envelope bearing a legible postmark not later than 13 September 2007 or applications in respect of which remittances are received before 11.00 a.m. on 13 September 2007 from authorised persons (as defined in the Financial Services and Markets Act 2000) specifying the C Shares applied for and undertaking to lodge the CREST Excess Application Form in due course but, in any event, within two business days. Multiple applications will not be accepted.

Cheques and banker's drafts are liable to be presented for payment upon receipt. If they are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions of the Open Offer are not fulfilled on or before 8.00 a.m. on 21 September 2007, or such later time and/or date as the Company may determine (being no later than 8.00 a.m. on 31 October 2007), the Open Offer will lapse and all application monies will be returned without interest by crossed cheque in favour of the first named applicant through the post at the risk of the applicant(s) as soon as is practicable after that date. Interest earned on monies held in the separate bank account will be retained for the benefit of the Company. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

USE Instructions

Qualifying CREST Shareholders and Qualifying CREST Warrantholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or part of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction to CRESTCo which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (i) above.

Content of USE instruction

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00B235S785;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as a CREST receiving agent. This is 9RA01;
- (vi) the member account ID of Capita Registrars in its capacity as a CREST receiving agent. This is IMPAX;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 13 September 2007; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 September 2007.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction: (i) a contact name and telephone number (in the free format shared note field); and (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 13 September 2007 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional on or before 8.00 a.m. on 21 September 2007 or such later time and/or date as the Company may determine (being no later than 8.00 a.m. on 31 October 2007), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder or Qualifying CREST Warrantholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

Withdrawal of Open Offer Entitlements from CREST

A Qualifying CREST Shareholder's and/or Qualifying CREST Warrantholder's Open Offer Entitlement held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in a Non-CREST Application Form. Normal CREST procedures (including timings) apply in relation to any such withdrawal. The recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 6 September 2007, so as to enable the person acquiring the Open Offer Entitlement following the withdrawal (as shown in the

relevant Non-CREST Application Form) to take all necessary steps in connection with applying in respect of the Open Offer Entitlement prior to 11.00 a.m. on 13 September 2007.

Validity of application

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 13 September 2007 will constitute a valid application under the Open Offer.

CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 13 September 2007. In this connection CREST members and (where applicable) their CREST sponsors are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question.

Effect of valid application

A Qualifying CREST Shareholder or Qualifying CREST Warrantholder who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) agree that the Open Offer Shares to which he will become entitled be issued to him on the terms and subject to the conditions set out in this document and subject to the memorandum and articles of association of the Company;
- (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) represent and warrant that he is not, and is not applying on behalf of any person who is, a resident of or a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory and he is not applying with a view to reoffering, reselling, transferring or delivering directly or indirectly any of the Open Offer Shares which are the subject of the application to, or for the benefit of, a person who is a resident of or a corporation, partnership or other entity created or organised in or under any laws of an Excluded Territory and he is not acting on behalf of any such person on a non-discretionary basis or (a) person(s) otherwise

prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or he is exempt from, and the application is a transaction not subject to, the registration requirements of the US Securities Act or the applicable law or regulations of any other Excluded Territory;

- (v) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- (vii) represent and warrant that he is the Qualifying Shareholder and/or Qualifying Warranholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim.

By completing and delivering a CREST Excess Application Form to acquire C Shares in excess of his Open Offer Entitlement, the applicant:

- (i) agrees that all applications and contracts resulting therefrom under the Open Offer shall be governed by and construed in accordance with the laws of England;
- (ii) gives the representations and warranties, confirmations and authorities set out and contained in such Application Form; and
- (iii) represents and warrants that if the applicant received some or all of the applicant's Open Offer Entitlement from a person other than the Company, the applicant is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim.

Company's discretion as to the rejection and validity of applications

The Company may in its sole discretion:

- (i) reject, or treat as valid (and binding on the CREST member concerned), an application which does not comply in all respects with the requirements as to validity set out or referred to in this document;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "**first instruction**") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this

discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, (or any part of CREST), or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

1.2 *Withdrawal rights*

Qualifying Shareholders and/or Qualifying Warranholders wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such a person is a CREST member, the Participant ID and the Member Account ID of such CREST member, with Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Capita Registrars after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Qualifying Shareholder and/or Qualifying Warranholder of its subscription in full and the allotment of Open Offer Shares to such Qualifying Shareholder and/or Qualifying Warranholder becoming unconditional. In such event Shareholders and Warranholders are advised to seek independent legal advice.

1.3 *Money Laundering Regulations*

- (a) Under the Money Laundering Regulations 2003, Capita may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of Euro 15,000 of C Shares. Capita may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita may verify the details against the applicant's identity, but also may request further proof of identity. Capita reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.
- (b) Payments must be made by cheque, bankers' draft or money order in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques, bankers' drafts or money orders to be cleared through the facilities provided for members of any of these companies. Such cheques, bankers' drafts or money orders must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Capita IRG Plc re: Impax Environmental Markets plc. Third party cheques will not be accepted with the exception of building society cheques, bankers' drafts or money orders where the building society or bank has entered the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp and authorised signature. The account name should be the same as that shown on the application.
- (c) You agree that, in order to ensure compliance with the Money Laundering Regulations 2003, the Receiving Agent may, in its absolute discretion, require verification of identity from any person lodging an Application Form who either:
 - (i) tenders payment by way of bankers' draft or money order (in which case verification of your identity may be required); or
 - (ii) appears to the Receiving Agent to be acting on behalf of some other person (in which case verification of the identity of any person on whose behalf you appear to be acting may be required).

Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.

- (d) If you are making the application as agent for one or more persons, you should provide evidence with the Application Form that you are subject to the Money Laundering Directive, confirming your regulated status and naming the regulatory authority of your home state or jurisdiction.

1.4 *Overseas Shareholders and Warrantholders*

The distribution of this document and the making of the Open Offer to persons located or resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be restricted by the law or regulatory requirements of the relevant jurisdiction. Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Any Shareholder or Warrantholder who is in any doubt as to his or her position should consult an appropriate professional adviser without delay.

Receipt of this document and/or the white Application Form and/or the blue Excess CREST Application Form will not constitute an invitation to subscribe for Open Offer Shares in those jurisdictions in which it would be illegal to make such an invitation or any related offer and/or acceptance and, in those circumstances, this document and/or the white Application Form and/or the blue Excess CREST Application Form will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or the white Application Form and/or the blue Excess CREST Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, or use the white Application Form and/or the blue Excess CREST Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such a white Application Form and/or the blue Excess CREST Application Form could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or the white Application Form and/or the blue Excess CREST Application Form should not, in connection with the Open Offer or otherwise, distribute or send the same to any person in, or citizen or resident of, or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or the white Application Form and/or the blue Excess CREST Application Form is received by any person in any such territory, or by their agent or nominee in any such territory, he or she must not seek to apply for Open Offer Shares. Any person who does forward this document and/or the white Application Form and/or the blue Excess CREST Application Form into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 1.4.

Any person (including, without limitation, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares must satisfy himself/herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 1.4 are intended as a general guide only and any Shareholder or Warrantholder who is in any doubt as to his/her position should consult his/her appropriately authorised professional adviser without delay.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of share certificates for Open Offer Shares, or in the case of a credit of Open Offer Shares in CREST to a CREST Member whose registered address would be, in the United States, Canada, Japan, the Republic of South Africa, Australia or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or shares.

Qualifying Shareholders and/or Qualifying Warrantholders in jurisdictions outside the United Kingdom other than the United States, Canada, Japan, the Republic of South Africa or Australia may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares in accordance with the instructions set out in this document and the white Application Form and/or blue Excess CREST Application Form. Such Qualifying Shareholders and/or Qualifying Warrantholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Shares.

Notwithstanding any other provision of this document or the white Application Form and/or blue Excess CREST Application Form, the Company reserves the right to permit any Qualifying Shareholder and/or Qualifying Warrantholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied at any time prior to 11.00 a.m. on 13 September 2007 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

If you are in any doubt as to your eligibility to take up Open Offer Shares, you should contact an appropriate professional adviser immediately.

1.5 *Times and dates*

The times and dates set out in the expected timetable of principal events at the beginning of this document may be adjusted by agreement between the Company and Dresdner Kleinwort, in which event details of the new times and dates will be notified to a Regulatory Information Service and, where appropriate, to Qualifying Shareholders and Qualifying Warrantholders.

1.6 *Governing law*

The terms and conditions of the Open Offer as set out in this section of the document and the white Application Form and/or blue Excess CREST Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and the white Application Form and/or blue Excess CREST Application Form.

By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and the white Application Form and/or blue Excess CREST Application Form, Qualifying Shareholders and Qualifying Warrantholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

2. Admission to trading and dealing arrangements

Applications will be made to (i) the UK Listing Authority for the C Shares and the Ordinary Shares arising on Conversion to be admitted to the Official List and (ii) to the London Stock Exchange's main market for listed securities for such shares to be admitted to trading. It is expected that Admission will become effective and that dealings in the C Shares will commence by 8.00 a.m. on 21 September 2007.

Subject to the satisfaction of the conditions of the Issue, the C Shares will be registered in the names of the persons to whom they are issued, either:

- (a) in certificated form, with the relevant share certificate expected to be despatched by post, at the applicant's risk, by 28 September 2007; or
- (b) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 21 September 2007 unless the Company exercises its right to issue such Open Offer Shares in certificated form.

The result of the Open Offer will be announced on a Regulatory Information Service.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk.

**TERMS AND CONDITIONS OF APPLICATION
UNDER THE OFFER FOR SUBSCRIPTION**

1. Introduction

If you apply for C Shares under the Offer for Subscription, you will be agreeing with the Company, Dresdner Kleinwort and Capita Registrars (the “**Receiving Agent**”) as set out in these Terms and Conditions of Application.

2. Offer to Acquire C Shares

2.1 Your application must be made on the Application Form attached at the end of this document. By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- (i) offer to subscribe for the aggregate value, at the issue price of £1 per C Share, specified in Box 2 of your Application Form (or such lesser amount for which your application is accepted) on the terms, and subject to the conditions, set out in this document (including these Terms and Conditions of Application) and the memorandum and Articles of the Company;
- (ii) agree that, in consideration of the Company and Dresdner Kleinwort agreeing that they will not, prior to Admission, offer for subscription any C Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked and that this paragraph 2 shall constitute a collateral contract between you, the Company and Dresdner Kleinwort which will become binding upon dispatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
- (iii) warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to have the C Shares applied for in uncertificated form credited to a CREST account or to receive a certificate for the C Shares applied for in certificated form or to enjoy or receive any rights in respect of such securities unless and until you make payment in cleared funds for the C Shares subscribed for by you and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot such C Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds of the remittance, once honoured, which accompanied your Application Form, without interest);
- (iv) agree that the crediting to a CREST account of any C Shares in uncertificated form to which you may become entitled may be delayed by, and that any certificate in respect of any C Shares in certificated form to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form, may become entitled and monies returnable may be retained by, the Receiving Agent:
 - (a) pending clearance of your remittance;
 - (b) pending investigation of any suspected breach of the warranties contained in subparagraph 6(i), (ii), (vi), (viii) or (ix) of these Terms and Conditions of Application or any other suspected breach of these Terms and Conditions of Application; or
 - (c) pending any verification of identity which is, or which Dresdner Kleinwort or the Receiving Agent consider may be, required for the purposes of the Money Laundering Regulations 2003;

and any interest accruing on any retained monies shall accrue to and for the benefit of the Company;

- (v) agree, on the request of Dresdner Kleinwort or the Receiving Agent, to disclose promptly in writing to them such information as Dresdner Kleinwort or the Receiving Agent may request in connection with your application and authorise Dresdner Kleinwort and the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- (vi) agree that, if evidence of identity satisfactory to Dresdner Kleinwort and/or the Receiving Agent is not provided to the Receiving Agent within a reasonable time in the opinion of Dresdner Kleinwort following a request therefor, the Company or Dresdner Kleinwort may terminate the agreement with you to allot C Shares and, in such case, the C Shares which would otherwise have been allotted to you may be re-allotted and your application monies will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn, without interest;
- (vii) agree that you are not applying on behalf of a person engaged in money laundering;
- (viii) undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form;
- (ix) undertake to pay interest at the rate described in paragraph 3.3 of these Terms and Conditions of Application if the remittance accompanying your Application Form is not honoured on first presentation;
- (x) authorise the Receiving Agent to credit the CREST account specified in Box 5 of the Application Form with the number of C Shares for which your application is accepted or, if that box is not completed, send a definitive certificate in respect of the number of C Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Application Form;
- (xi) agree that in the event of any difficulties or delays in the admission of the C Shares to CREST or the use of CREST in relation to the Issue, the Company and Dresdner Kleinwort may agree that all of the C Shares should be issued in certificated form;
- (xii) authorise the Receiving Agent to send a crossed cheque for any monies returnable by post to your address (or that of the first-named applicant) as set out in your Application Form;
- (xiii) confirm that you have read and complied with paragraph 8 of these Terms and Conditions of Application; and
- (xiv) agree that your Application Form is addressed to the Company and Dresdner Kleinwort.

2.2 Any application may be limited, scaled down or rejected in whole or in part.

3. Acceptance of your Offer

- 3.1 Dresdner Kleinwort may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) either:
- (i) by notifying the UK Listing Authority of the basis of allocation (in which case the acceptance will be on that basis); or
 - (ii) by notifying acceptance to the Receiving Agent.
- 3.2 The basis of allocation will be determined by Dresdner Kleinwort in consultation with the Company. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down or limit any application. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with them in some other manner to apply in accordance with these Terms and Conditions of Application. The Company reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received through the post after 11.00 a.m. on 13 September 2007.
- 3.3 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. Dresdner Kleinwort may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the cheque accompanying your application is not

honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by Dresdner Kleinwort to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer for Subscription is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by Dresdner Kleinwort plus 2 per cent. per annum.

- 3.4 The Company reserves the right in its absolute discretion (but shall not be obliged) to accept applications for less than £1,000.

4. Conditions

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:

- (i) the passing of the resolution numbered 1 in the Notice of Extraordinary General Meeting set out on pages 71 to 73 of this document at the EGM as a special resolution;
- (ii) admission of the C Shares by 8.00 a.m. on 21 September 2007 (or such later time or date, not being later than 31 October 2007, as the Company and Dresdner Kleinwort may agree); and
- (iii) the Placing Agreement referred to in paragraph 7.7 of Part IV of this document becoming unconditional and the obligations of Dresdner Kleinwort thereunder not being terminated.

- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

5. Return of Application Monies

If any application is rejected, or is accepted in part only or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned, without interest, by returning your cheque, or by crossed cheque in favour of the first-named applicant, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

6. Warranties

By completing an Application Form, you:

- (i) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (ii) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any such territory or jurisdiction and that you have not taken any action or omitted to take any action which will or may result in the Company, Dresdner Kleinwort or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription in respect of your application;
- (iii) confirm that, in making an application, you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and, accordingly, you agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any such other information or representation;

- (iv) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained in it;
- (v) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or Dresdner Kleinwort;
- (vi) warrant that you are not under the age of 18 on the date of your application;
- (vii) agree that all documents and monies sent by post to, by or on behalf of the Company, Dresdner Kleinwort or the Receiving Agent will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address (or in the case of joint applicants, the address of the first-named applicant) as set out in your Application Form;
- (viii) warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services); and
- (ix) confirm that you have reviewed the restrictions contained in paragraph 8 of these Terms and Conditions of Application and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions in that paragraph.

7. Money Laundering

- 7.1 Under the Money Laundering Regulations 2003, Capita may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of Euro 15,000.00 of C Shares. Capita may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita may verify the details against the applicant's identity, but also may request further proof of identity. Capita reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.
- 7.2 Payments must be made by cheque, bankers' draft or money order in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques, bankers' drafts or money orders to be cleared through the facilities provided for members of any of these companies. Such cheques, bankers' drafts or money orders must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Capita IRG Plc re: Impax Environmental Markets plc Offer for Subscription". Third party cheques, bankers' drafts or money orders will not be accepted with the exception of building society cheques, bankers' drafts or money orders where the building society or bank has entered the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp and authorised signature. The account name should be the same as that shown on the application.
- 7.3 You agree that, in order to ensure compliance with the Money Laundering Regulations 2003, the Receiving Agent may, in its absolute discretion, require verification of identity from any person lodging an Application Form who either:
- (i) tenders payment by way of bankers' draft or money order (in which case verification of your identity may be required); or
 - (ii) appears to the Receiving Agent to be acting on behalf of some other person (in which case verification of the identity of any person on whose behalf you appear to be acting may be required).

Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.

- 7.4 If you are making the application as agent for one or more persons, you should provide evidence with the Application Form that you are subject to the Money Laundering Directive, confirming your regulated status and naming the regulatory authority of your home state or jurisdiction.

8. Overseas Investors

- 8.1 If you receive a copy of this document or an Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom wishing to make an application for C Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.2 None of the C Shares or Ordinary Shares have been, or will be registered under the laws of Canada, Japan, the Republic of South Africa or Australia or under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities legislation of any state or other political sub-division of the United States, Canada, Japan, the Republic of South Africa or Australia and the relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of the United States, the Republic of South Africa, Canada, Australia or Japan. Accordingly, no C Shares may be offered, sold or delivered, directly or indirectly, in, into or within the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, a US Person (as defined in Regulation S of the Securities Act), except in transactions that are exempt from the registration requirements under the Securities Act or other applicable laws. In making your application under the Offer for Subscription you will, unless the Company and Dresdner Kleinwort agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, the Republic of South Africa or Australia and that you are not subscribing for such C Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any C Shares or Ordinary Shares arising on Conversion in the United States or to any US Person or a resident of Canada, Japan, the Republic of South Africa or Australia. No application will be accepted if it bears an address in the United States, Canada, Japan, the Republic of South Africa or Australia.

9. Miscellaneous

- 9.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the C Shares and the Offer for Subscription.
- 9.2 The rights and remedies of the Company, Dresdner Kleinwort and the Receiving Agent pursuant to these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 9.3 The Company reserves the right to delay the closing time of the Offer for Subscription from 11.00 a.m. on 13 September 2007 by giving notice to the UK Listing Authority. In this event, the revised closing time will be published in such manner as Dresdner Kleinwort, in consultation with the Company, determines subject, and having regard, to the requirements of the UK Listing Authority.
- 9.4 Dresdner Kleinwort may terminate the Placing Agreement prior to Admission becoming effective in accordance with its terms. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned to you, without interest.
- 9.5 You agree that Dresdner Kleinwort is acting for the Company in connection with the Issue and for no-one else and that Dresdner Kleinwort will not treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of C Shares or concerning the suitability of C Shares or Ordinary Shares arising on Conversion for you or otherwise in relation to the Issue.

- 9.6 You authorise the Receiving Agent or any person authorised by it or the Company, as your agent, to do all things necessary to effect registration of any C Shares and Ordinary Shares arising on Conversion for which your application is accepted into your name(s) and authorise any representative(s) of the Receiving Agent to execute and/or complete any document required therefor.
- 9.7 You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law and that you irrevocably submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Dresdner Kleinwort or the Receiving Agent to bring any action, claim or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 9.8 The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Placing Agreement (as the same may be altered from time to time in accordance with its terms).
- 9.9 Save where the context requires otherwise, terms used in these Terms and Conditions of Application shall bear the same meanings as are ascribed to them elsewhere in this document.
- 9.10 No commissions are available to intermediaries applying under the Open Offer or Offer for Subscription on behalf of clients.

**PROCEDURE FOR APPLICATION
UNDER THE OFFER FOR SUBSCRIPTION**

Before completing the Application Form, ALL APPLICANTS should read notes 1-5, 7 and 8 below. JOINT APPLICANTS should also read note 6 below.

1. Personal Details

Fill in (in BLOCK CAPITALS) the full name and address of the applicant in Box 1. If this application is being made jointly with other persons, please read note 6 below before completing Box 1.

2. Application

Fill in (in figures) the fixed sum, in sterling, being the aggregate value at the Issue Price of the C Shares that you wish to apply for under the Offer for Subscription in Box 2. Your application must be for a minimum aggregate value of £1,000. Multiple applications are not permitted.

3. Signature

The applicant(s) named in Box 1 must date and sign Box 3.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

4. How to Pay

Attach a cheque or banker's draft for the exact amount shown in Box 2 to your completed Application Form. Your cheque or banker's draft must be made payable to "Capita IRG Plc re: Impax Environmental Markets plc Offer For Subscription a/c" and crossed "A/C Payee".

Your payment must relate solely to this application. No receipt will be issued.

Your cheque or banker's draft must be drawn in sterling on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

Applications with a value of €15,000 (or the sterling equivalent) or greater, which are to be settled by way of a third party payment (e.g. banker's draft or building society cheque), will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 2003. For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 11.00 a.m. on 13 September 2007, your application may not be accepted.

5. CREST

If you wish to register your C Shares directly into your CREST account you should insert the relevant details in Box 5. If you do not complete Box 5, you will receive your C Shares in certificated form.

6. Joint Applicants

If you make a joint application, you will not be able to transfer your C Shares into an ISA. If you are interested in transferring your C Shares into an ISA, you should apply in your name only.

If you do wish to apply jointly, you may do so with up to three other persons. The first applicant must complete the first entry in Box 1 and also Box 3. All other persons who wish to join in the application must complete the remaining entries in Box 1 and sign and date the corresponding entry in Box 3.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) must be enclosed for inspection. Certificates, cheques or other correspondence will be sent to the first applicant in Box 1.

7. Contact Telephone Number

Insert in Box 4 a daytime contact telephone number, including STD (and, if different, from the person named in Box 1, the name of the person to contact) in the case of any queries regarding your application.

8. Instructions for Delivery of Completed Application Forms

Completed Application Forms should be returned, by post to or by hand only (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, **so as to be received by no later than 11.00 a.m. on 13 September 2007, together, in each case, with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least four Business Days for delivery. Application Forms received after 11.00 a.m. on 13 September 2007 may be returned.**

IMPAX ENVIRONMENTAL MARKETS PLC
OFFER FOR SUBSCRIPTION APPLICATION FORM

IMPORTANT: Before completing this form, you should read the notes set out in the “Procedure for Application” section of this document. All applicants must complete Boxes 1 to 4 and if applicable Box 5.

Box 1

First Applicant

Title	Surname
Forename(s)	
Address	
	Postcode
Date of Birth	

Joint applicant (if applicable)

Title	Surname
Forename(s)	
Date of Birth	

Joint applicant (if applicable)

Title	Surname
Forename(s)	
Date of Birth	

Joint applicant (if applicable)

Title	Surname
Forename(s)	
Date of Birth	

Please return the completed form, by post or by hand only (during normal business hours) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 11.00 a.m. on 13 September 2007. If you have a query concerning completion of this Application Form, please call Capita Registrars on 0870 162 3121 or, if calling from outside the UK, on +44 20 8639 3399.

2. Application

I/We offer to subscribe for the number of C Shares at the issue price of 100 pence per C Share for which my/our application is accepted on and subject to the terms and conditions of application set out in the prospectus dated 15 August 2007 and subject to the memorandum and articles of the Company.

£

Write, in figures, the aggregate value, at the issue price of 100 pence per C Share that you wish to subscribe for (minimum of £1,000)

3. Signatures

All applicants must sign here (in the order they appear above). Any person signing this Application Form under a Power of Attorney must enclose the original or certified copy of such document for inspection

First or sole holder: Usual signature	<input type="text"/>	Third holder (if any) Usual signature	<input type="text"/>
Date	<input type="text"/>	Date	<input type="text"/>
Second holder (if any) Usual signature	<input type="text"/>	Fourth holder (if any) Usual signature	<input type="text"/>
Date	<input type="text"/>	Date	<input type="text"/>

4. Contact Telephone Number

(Contact Name)	<i>(Insert a daytime contact telephone number, including STD (and, if different, from the person named in Box 1 above, the name of the person to contact), in the case of any queries regarding your application)</i>
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5. **CREST Details** (Only complete this section if you wish to register the C Shares issued pursuant to your application directly into your CREST account)

(CREST participant ID)	(CREST Member Account ID)
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How to Pay

(Pin your cheque or banker's draft at the top of the first page for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "**Capita IRG Plc re: Impax Environmental Markets plc Offer For Subscription a/c**" and crossed "**A/C Payee**". Your payment must relate solely to this application. No receipt will be issued. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared on first presentation. Please also see note 7 in the "**Terms and Conditions of Application**" section of the prospectus, and the additional notes above, relating to compliance with the requirements of the UK Money Laundering Regulations.)

United Kingdom Money Laundering Regulations – Applications in Excess of €15,000 (or the pounds sterling equivalent)

If you use a building society cheque, banker's draft or money order, you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp and authorised signature.

Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained within a reasonable time, your application will be rejected.

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