


Impax Environmental Markets plc
Annual Report and Accounts 2013

IMPAX

Contents

Front cover images (from top to bottom): Light Emitting Diodes (LEDs), water treatment facilities, waste recycling, agricultural irrigation system.

Investment Objective, Financial Information and Performance Summary

Investment objective

The Company's objective is to enable investors to benefit from growth 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 (which includes sustainable food, agriculture and forestry).

Financial information

	At 31 December 2013
Net assets	£386.0m
Net asset value ("NAV") per Ordinary Share	167.9p
Ordinary Share price	150.0p
Ordinary Share price discount to NAV	10.7%

Performance summary

	% change[1]
Share price total return per Ordinary Share[2]	47.4%
NAV total return per Ordinary Share[2]	34.1%
FTSE ET100 Index[2]	40.7%
MSCI AC World Index[2]	20.5%

[1]Year to 31 December 2013
[2]Total return in pounds sterling

Further financial information can be found in the financial record on page 42.

Chairman's Statement

Richard Bernays
Chairman

Against a backdrop of improving economic conditions and rising investor confidence, I am pleased to report that Impax Environmental Markets plc ("IEM" or the "Company") performed strongly during 2013 and is well positioned for the future. At the start of the year, investors were particularly concerned about the health of the global economy in general, and a range of regional issues such as the potential for a hard landing in China, the future of the Euro and the prospect of a sustained recession, particularly in Europe. As many of these worries faded, corporate earnings accelerated and there was a strong pick-up in capital expenditure, particularly in sectors linked to resource efficiency such as energy, infrastructure and pollution control.

Meanwhile, a sequence of notable events including the drought in the Western United States, Typhoon Haiyan in the Philippines in November and a second consecutive winter of severe flooding in parts of the United Kingdom, have provided further evidence of the vulnerability to the environment of many communities and much business activity. This is leading to raised expectations of accelerated expenditure for goods and services that reduce environmental damage and/or mitigate its impact.

Governments still have much work to do to mitigate and adapt to climate change. The next milestone is the Paris Climate Summit in December 2015 at which 190 countries will aim to finalise a new global climate agreement that will follow the current Kyoto Protocol. The high profile debate ahead of this meeting is likely to highlight the case for substantial investment in energy efficiency and renewable energy, and further underpin high growth investment opportunities for IEM.

Investment Performance

For the 12 months ended 31 December 2013 (the "Period"), the Company's net asset value ("NAV") per share achieved a total return of 34.1% and ended the year standing at 167.9p. Strong investment performance, together with the successful implementation of a discount control policy, resulted in the narrowing of the discount by almost 8% to close the year at 10.7%. During the year IEM's share price returned 47.4% (total return) and ended the year at 150.0p. This was achieved during a period in which Sterling strengthened relative to most of the currencies in which the Company's investments are denominated.

The Company significantly out-performed its global comparator index, the MSCI All Countries World Index ("MSCI ACWI"), which rose by 20.5% (total return, GBP) over the Period.

IEM seeks to invest in high quality businesses with long term growth strategies and the potential to deliver strong performance. In 2013 there was considerable exuberance in certain environmental markets which led to the FTSE ET100 index (which replaced the FTSE ET50 as our sector comparator index) enjoying a total return of 40.7% (GBP). These environmental indices were inflated by a small number of constituents with market capitalisations which we believe may be unsustainable. For example, the share price of the US electric car manufacturer Tesla, which is not owned by the Company, rose by over 340% in 2013 and now represents approximately 6% of the FTSE ET100 index. Last year Tesla sold just 21,000 cars, but is valued at roughly half the value of Ford and a third of the value of General Motors. The latter sold more than 9 million vehicles last year.

Discount and Buybacks

During the year, the discount to NAV at which the Company's Ordinary Shares traded ranged from 8% to 20%. On 31 May 2013, and after dialogue with a number of shareholders, the Board announced that it would make use of its share buyback powers to seek to narrow the discount, targeting an initial level of 10% or less, in normal market conditions. This has been successful and has resulted in the narrowing of the discount which closed the year at 10.7%. During the period the Company has bought back 40,940,484 of its own Ordinary Shares at an average discount to NAV of 14%, reducing the number of shares in issue by approximately 15%. The buybacks during the year have enhanced the NAV per Ordinary Share by approximately 3.7p, equivalent to 2.2% of NAV per Ordinary Share at the year end. At 31 December 2013 the Company had a total of 94,679,109 Ordinary Shares held in treasury, equating to 29% of the Ordinary Shares in issue. On 13 February 2014, the Company cancelled 50 million of the Ordinary Shares held in treasury leaving 45,698,109 shares in treasury which can be resold at a premium to NAV.

Dividend

The Company's net revenue for the year was £3.2 million, equivalent to 1.3p per share. As a result, the directors are recommending a dividend for the year ended 31 December 2013 of 1.2p per share (2012: 0.9p). If approved at the Company's AGM this dividend will be paid on 28 May 2014 to shareholders on the register as at the close of business on 25 April 2014. As the primary objective of the Company is capital growth, it should not be assumed that this level of dividend will be paid in future years.

Board of Directors

The Board has always planned for succession, in line with best corporate governance practice. As previously reported, I will retire after the Company's Annual General Meeting ("AGM") in May 2014. I have chaired the Company since its inception in 2002, and after 12 years at the helm I am handing over to John Scott who was appointed to the Board in February 2013. He has many years' experience in investment banking and specifically in investment trusts.

Vicky Hastings was appointed by the Board following the last AGM and will therefore stand for election by shareholders at the next AGM.

Revolving credit facility

Following a review, the Board and the Manager agreed that the Company should introduce a modest level of gearing. Post the year end, the Company entered into a £30 million, two year, multi-currency, revolving credit facility with The Royal Bank of Scotland plc. To date the Company has drawn down approximately 50% of the facility and it is our current intention to draw down the balance in the coming months. At time of writing this report, the Company is 3% geared.

Alternative Investment Fund Managers Directive ("AIFMD")

As I highlighted in the Company's Half-year report, Alternative Investment Fund Managers are required to seek authorisation from the Financial Conduct Authority by July 2014. The Board and the Manager have agreed that the Manager will be the Company's Alternative Investment Fund Manager. As described below, under AIFMD, the Company is also required to appoint a depositary.

Custodian and depositary

In preparation for the requirement to appoint a depositary under AIFMD, the Manager conducted a review of the Company's custody arrangements and the Company's depositary requirements under the directive. Following the completion of that review the Manager made a recommendation to the Board for the Company to appoint BNP Paribas Securities Services as the Company's custodian and, in due course, its depositary. The Board approved these changes and BNP Paribas Securities Services was appointed as the Company's custodian with effect from 24 January 2014. Subject to finalisation of terms, it is expected that BNP Paribas Securities Services will be appointed as the Company's depositary before the end of June 2014.

Audit tender

During the financial year, in line with corporate governance best practice, the Company's Audit Committee conducted an audit tender and recommended that the renewed appointment of Ernst & Young LLP should be put forward to shareholders. The Report of the Audit Committee provides further detail on the audit tender process.

Outlook

As at 31 March 2014 the NAV has risen 3.3% and the share price has risen by 3.2%. During this period the MSCI ACWI and FTSE ET100 indices have gained by 0.4% and 5.2% respectively.

The Board remains positive on the outlook for global equity markets for 2014 and the longer term, although we foresee periods of volatility and recognise the scope for some consolidation, following strong performance at the end of 2013. We are particularly confident of the prospects for the environmental end-markets in which the Company invests.

I am pleased to be able to hand over to my successor, John Scott, after such a positive year for the Company, and I am optimistic that the recovery still has considerably further to go and that our markets will outperform global equities. We have seen investor interest returning to our markets, as well as strong catalysts for continued outperformance.

Richard Bernays
Chairman
4 April 2014

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Last year was a strong year for global equity markets as economic data continued to strengthen in the United States, China avoided a hard landing and economic conditions continued to stabilise across Europe.

Environmental markets significantly out-performed broader equity markets with returns spread across the spectrum of environmental sub-sectors and geographies. Performance was particularly strong in the Energy Efficiency and Water Infrastructure sub-sectors and there was a substantial recovery in renewable energy companies, a major area of weakness in recent years.

Drivers of Environmental Markets and Key Developments

We believe that the drivers underpinning the Company's investment thesis will continue to strengthen over many years to come. Population growth, increasing scarcity of natural resources, tightening environmental regulation, inadequate infrastructure – particularly in developing markets – and the increased incidence of extreme weather events all underpin a requirement for substantial investment. In the following section we review the key developments across our markets during the Period and assess their impact, prospects for the future and some of the resulting investment opportunities.

Pollution Control in Asia

Mounting pollution issues, such as the severe winter smogs that continue to blight many large Chinese cities, are proving to be a major catalyst for investment in the Pollution Control sub-sector. Media attention has focused on studies highlighting both the health and economic implications of severe air pollution which may reduce average life expectancy by more than five years and GDP by up to 3%. We have identified numerous investment opportunities in companies involved in the design, development, manufacture and installation of equipment and services which reduce, prevent or clean up air pollution. These include city gas, filtration for the automotive, truck and industrial markets and companies selling to the rail and metro sectors. With this in mind, we added ENN Energy Holdings (pollution control solutions, China) during the Period.

Global Wind and Solar Energy Markets

As signalled at the half year, the economic fundamentals for renewable energy markets continue to improve. Subsidy reductions are well understood, consolidation of the historical overcapacity is well advanced, and the substantially reduced technology costs are driving growth in new regions and in unsubsidised markets. This has led to stabilisation of pricing and margin recovery for the companies involved, resulting in strong performance for this sub-sector. In the wind sector, we added to our holding in Vestas early in the year, which performed strongly. We also established two new positions in the solar sector: GCL Poly and Meyer Burger, both of which have demonstrated good share price appreciation. We continue to look for differentiated opportunities within the renewable energy sector with reasonable valuations and robust balance sheets.

Metal Recycling

We remain optimistic on the outlook for US metal recyclers, after several years of depressed scrap markets and a slower than anticipated start to their recovery. Profitability of recyclers was held back in 2013 by soft demand for scrap steel and over-capacity in scrap processing. Global steel production is expected to recover in 2014, with a rebound in Europe predicted to offset a slowdown in China, and scrap markets should also benefit from increased commercial construction.

Sustainable Food, Agriculture & Forestry

In the half-yearly financial report the Company reported that FTSE had added Sustainable Food, Agriculture & Forestry ("SFAF") as a new sector within its Environmental Markets classification system. Impax has an experienced, specialist team covering these markets, and in the second half of the year we identified interesting investment opportunities for inclusion in the portfolio, making initial investments in Trimble Navigation (US) and Nutreco (Netherlands). Trimble was a pioneer in the application of global positioning system ("GPS") technology to improve productivity in agriculture. Nutreco produces yield enhancing animal and fish nutrition.

Policy and Regulation in Environmental Markets

In recent years we have seen the ratchet of building regulations, energy efficiency standards and pollution limits continue to tighten. As the global economy recovers, companies exposed to these themes are seeing their earnings start to rise strongly as houses get built, cars roll off the production lines, and long-delayed infrastructure projects move forward.

In the United States, the fiscal cliff package was approved early in 2013. This included US$18 billion of green tax provisions, the reinstatement of buildings energy efficiency programmes and tax provisions for biofuels. These steps are creating a wide range of opportunities in, for example, catalytic convertors, urban transport, natural gas infrastructure and water treatment.

In China, the government continues to focus on tackling the country's increasingly dire pollution problems, and environmental protection has been elevated to a "pillar industry" which will receive government support in the form of tax breaks and subsidies. Following this announcement, there has been an acceleration in the roll-out of related infrastructure projects and the subsequent strong performance by portfolio companies involved in sanitation and clean water markets. The opportunity was further strengthened in November, when proposals for increased government investment in water infrastructure were confirmed at the third Communist Party Plenum.

In January 2014, the European Commission announced its long awaited 2030 targets for the reduction of greenhouse gases and the transition to clean energy. According to the proposals, EU member states will be required to cut carbon dioxide emissions by 40% against 1990 levels by 2030, while the European Union would adopt a binding target to source at least 27% of its energy from renewable sources by the same date. Although there are no binding targets for energy efficiency, this area continues to be a major theme for the Company, representing approximately 15% of the portfolio, and was a major contribution to performance during the Period.

Absolute Performance Contributors and Detractors

Contributors

There were broad-based positive contributions from most sub-sectors and geographies.

Many of our holdings benefited from the upturn in the global economy with pollution control, energy efficiency and water infrastructure stocks continuing their long-term strong performance. Kingspan (building insulation products, Ireland) was helped by improving European construction markets as well as the successful integration of its substantial 2012 acquisitions. Nibe (ground source heat pumps, Sweden) also performed well due to successful management execution and signs of stabilisation in its core home market.

Vacon (power electronics, Finland) continued to gain market share, in a market which delivered strong growth and the company's performance and good margins demonstrated successful execution of a number of internal initiatives. Pentair (water infrastructure, US) benefited from its successful integration of the Tyco Flow business acquired in 2012. Vestas made the largest absolute contribution to performance.

Renewable energy was one of the strongest performing sub-sectors as the long term global outlook for the sector improves.

The Company's small-cap holdings in particular Regenersis, demonstrated another year of strong returns.

Detractors

There were few severe detractors during the Period from portfolio stocks. However, not holding Tesla, for the reasons explained by the Chairman, did have a negative impact on the Company's relative performance versus the FTSE ET100 of approximately 4%.

Our holdings in water utilities underperformed due to investors' preference for less defensive stocks. In the second half of the period, light emitting diode ("LED") companies were weaker performers as the industry continued to suffer from over-capacity and delayed capital expenditure, albeit with improvement towards the end of year, which has accelerated into 2014. We maintain our long term positive outlook for LEDs as they gain traction in general lighting markets.

Our North American holdings also lagged somewhat due to their more expensive valuations versus European and Asian companies.

Portfolio Activity and Current Structure

The sub-sector breakdown for IEM is set out on page 10, along with the comparison with the FTSE ET100.

The portfolio was slightly more concentrated at the end of the Period with 67 listed holdings, reduced from 73 at the start, reflecting our growing conviction in core holdings. Today, the portfolio remains well diversified by both geography and by sub-sector (see page 10), and has a positive bias towards hazardous waste, water infrastructure, pollution control and a number of energy efficiency sub-sectors.

As outlined by the Chairman on page 3, the Company now has a debt facility which we expect to invest across existing holdings over the coming months.

Manager's Report continued

Unquoted Companies

At 31 December 2013, the value of the Company's investments in unquoted companies was £11.0m, representing 2.8% of net assets. The valuations of unquoted holdings are regularly reviewed and we continue to work towards exits for these assets.

Movements in the year were as follows:

	£m
Valuation at 1 January 2013	11.5
Additional investments net of recoveries	0.0
Net valuation and FX changes	(0.5)
Valuation at 31 December 2013	11.0

Board of Directors

We would like to take this opportunity to thank Richard Bernays, who will retire as Chairman in May. Richard agreed to chair the Company at its launch in February 2002 at a time when "environmental markets" were largely unknown among the investor community and Impax Asset Management had only a limited track record. Under his leadership, the Company's net assets expanded from £50 million at launch to £383 million at the end of 2013, and IEM has become the leading investment trust dedicated to this rapidly expanding area of the economy.

We wish Richard all the best for the future, and look forward to the Company's further development as John Scott takes the helm.

Outlook for 2014

We expect a healthy global macro-economic environment with improving GDP growth for 2014, albeit with the likelihood of some periods of volatility. Emerging markets are currently giving investors cause for concern while the reduction of the Federal Reserve's quantitative easing programme ("tapering"), in the United States may reduce risk appetite for investing in emerging markets and increase currency risk.

The year ahead looks promising for environmental markets, which are attractively valued compared to wider global equity markets. Fundamentals continue to improve and many valuations appear to reflect significant discounts to merger and acquisition multiples. The IPO markets are also reawakening for environmentally themed firms. We are particularly optimistic on the outlook for water infrastructure, hazardous waste management and energy efficiency and we also anticipate a modest increase in our exposure to renewables.

With so many compelling long term opportunities evident across environmental markets in most regions, we believe that IEM is well positioned for further growth in 2014 and beyond.

Impax Asset Management Limited
4 April 2014

Investment Policy, Results and Other Information

Investment policy

(i) Objective and policy

The Company's objective is to enable investors to benefit from growth 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 (which includes sustainable food, agriculture and forestry).

(ii) Asset allocation

Investments are selected on an individual basis but each investment is categorised according to three primary environmental markets that are the focus of the Company's investment policy.

Alternative Energy and Energy Efficiency

In the alternative energy and energy efficiency sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- wind turbine manufacturing;
- solar panel manufacturing and integration;
- renewable energy developers and independent power producers;
- biofuels;
- meters, utility software and demand side management;
- industrial energy efficiency;
- buildings energy efficiency;
- transport energy efficiency;
- businesses relating to the trading of carbon and other environmental assets; and
- fuel cells, flywheels, superconductors, supercapacitors and other new energy technologies.

As at 31 December 2013, the Company had investments totalling in aggregate £159m by value invested in this sub-sector representing 41.4% of the Company's portfolio at that time.

Waste Technologies and Resource Management

In the waste technologies and resource management sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- recycling equipment and systems;
- recycling of commodities including metals, plastics, oils, paper and vehicles;
- integrated waste management;
- hazardous waste management;
- sustainable food, agriculture and forestry; and
- environmental consultancy.

As at 31 December 2013, the Company had investments totalling in aggregate £99m by value invested in this sub-sector representing 26.1% of the Company's portfolio at that time.

Water Treatment and Pollution Control

In the water treatment and pollution control sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- water treatment technologies involved in filtration, purification and separation;
- water infrastructure including pumps, valves and actuators; and
- environmental sensing, testing and monitoring and
- air pollution control technologies.

As at 31 December 2013, the Company had investments totalling in aggregate £125m by value invested in this sub-sector representing 32.5% of the Company's portfolio at that time.

(iii) Risk diversification

The Company has the following maximum exposures in place in order to ensure that there is a reasonable diversification of risk in the Company's portfolio:

(a) Not more than 10% of the Company's Net Asset Value will be invested in any one company at the time of investment.

(b) The Company will not make an investment if as a consequence of that investment individual holdings of five per cent or more would in aggregate represent more than 40% of NAV.

The Company did not exceed either of the above maximum exposures during the year ended 31 December 2013. The Company held investments in 67 quoted companies as at 31 December 2013, the largest one being Clean Harbors which represented 3.3% of net assets at that time.

The Company does not have prescriptive limits on the maximum amounts that can be invested in the sub-sectors listed above. The directors believe that the imposition of such limits could impact on efficient portfolio management.

To a limited extent, the Company invests in participatory notes providing economic exposure to underlying shares or securities when it is impracticable or not in the best interests of the Company to invest directly in those shares or securities. Participatory notes are equity linked notes issued by a third party broker providing long only exposure to underlying shares or securities. The Board has set a current maximum limit for investment into participatory notes at 5% of net assets, subject to a further limit of 2% of net assets per broker (both limits at time of investment).

(iv) Gearing

The Board has authorised the Manager to utilise short-term borrowings of up to 10% of net assets in order to provide liquidity for efficient portfolio management where the Manager sees fit. The Company has the flexibility to enable it to take out long-term borrowings in appropriate circumstances. Any long-term borrowings and any borrowings in excess of 10% of net assets require the separate authorisation of the Board. In January 2014 the Board approved the Company entering into a £30 million two year multi-currency revolving credit facility.

Investment Policy, Results and Other Information continued

The borrowings of the Company 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; and

(ii) the total of the capital and revenue reserves of the Company, including any share premium account, capital redemption reserve and credit balance on the profit and loss account as shown in the latest audited balance sheet and profit and loss account of the Company subject to certain adjustments detailed in the Company's Articles of Association.

The Company did not have any borrowing facilities in place during the year ended 31 December 2013 but as stated above entered into a £30 million two year multi-currency revolving credit facility after the year end.

Results and dividend

The Company's revenue return after tax for the year amounted to £3,156,000 (2012: £2,637,000). The directors expect the Company normally to generate returns in the form of capital gains rather than revenue. In order to meet the investment trust qualifying requirements, the directors are proposing that the Company will pay a final dividend of 1.2p per Ordinary Share (2012: 0.9p per Ordinary Share) absorbing £2,685,603 (2012: £2,309,469) based on the Ordinary Shares in issue (excluding shares held in Treasury) at the date of this report. It should not be assumed that this level of revenue return or dividend will be repeated in future years. If approved at the Annual General Meeting, the final dividend will be paid on 28 May 2014 to shareholders on the register at the close of business on 25 April 2014.

The Company made a capital return after tax of £96,485,000 (2012: £19,715,000). Therefore the total return after tax for the Company was £99,641,000 (2012: £22,352,000).

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) Achievement of net asset value and share price growth over the long term

The Board monitors the net asset value ("NAV") and share price and compares with various other indices on a total return basis. A review of performance is undertaken at each quarterly Board meeting and the reasons for relative under and over performance against various comparators is discussed.

The Chairman's statement on pages 2 and 3 incorporates a review of the highlights during the year. The Manager's report on pages 4 to 6 gives details on investments made during the year and how performance has been achieved.

(ii) Maintenance of a reasonable level of discount or premium of share price to net asset value

The Manager and the Company's Broker monitor the discount on an ongoing basis and keep the Board updated as and when appropriate. At quarterly Board meetings the Board reviews the discount level and the impact of share buybacks. The Board has issued a statement on the discount level at which it is targeting the Company's shares to trade during normal market conditions (see page 14). The Board sets parameters under which the Company's shares can be bought and each share buyback is reported to the Board when conducted.

(iii) Maintenance of reasonable level of ongoing charges

The Board receives monthly management accounts which contain analysis of expenditure and are reviewed at quarterly Board meetings. The Remuneration Committee formally reviews the fees payable to the Company's main service providers on an annual basis.

Quantitative analysis of the above KPIs is shown in the next section below.

Investment performance

The performance of the Company is shown below:

	1 year to 31 December 2013	3 years to 31 December 2013	5 years to 31 December 2013	10 years to 31 December 2013
NAV of the Company[1]	34.1%	19.7%	76.6%	164.5%
Share price of the Company[1]	47.4%	18.5%	85.7%	186.4%
MSCI AC World	20.5%	24.9%	74.0%	116.0%
FTSE ET100	40.7%	10.0%	42.5%	N/A
FTSE All-Share Index	20.8%	31.0%	95.2%	131.6%

Note: Index numbers are net total returns for the MSCI index and total returns for the FTSE indices, in all cases in sterling terms.
[1]Total return

Discount

The Company's shares traded at an average discount to NAV of 12.8% during the year ended 31 December 2013 and within a range of 8% to 20%. The year end discount to NAV was 10.7%.

Ongoing charges

Based on the Company's average net assets during the year ended 31 December 2013, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.13% (2012: 1.16%).

Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Manager's Report, the Board considers that the principal risks and uncertainties faced by the Company fall into the following main categories.

(i) Market risks

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 Company invests in companies with small market capitalisations, which are likely to be subject to higher valuation uncertainties and liquidity risks than larger capitalisation securities. The Company also invests in unquoted securities which generally have higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.

The Company invests in securities which are not denominated or quoted in sterling. Movements of exchange rates between sterling and other currencies in which the Company's investments are denominated may have an unfavourable effect on the return on the investments made by the Company.

Risk mitigation
There are inherent risks involved in stock selection. The Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Manager spreads the investment risk over a wide portfolio of investments in three main sectors and at the year end the Company held investments in 67 quoted companies plus 5 unquoted companies. The Company will not normally hedge against foreign currency movements affecting the value of its investments, but the Manager takes account of this risk when making investment decisions.

Further detail on the financial implications of market risk is provided in note 14 to the accounts.

(ii) Environmental Markets
The Company invests in companies in Environmental Markets. Such companies carry risks that governments may alter the regulatory and financial support for environmental improvement, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products or services are not adopted.

Risk mitigation
The Company invests in a broad portfolio of assets which are spread amongst several environmental market sectors. The Manager has a rigorous investment process which takes into account relevant factors prior to investment decisions taking place. As well as reviews of the portfolio and relevant industry matters at quarterly Board meetings, the Board has an annual strategy day at which the overall strategy of the Company is discussed.

(iii) Corporate governance and internal control risks (including loss of investment trust status)
The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Manager, performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to shareholders and loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments.

Risk mitigation
Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis.

The control of risks related to the Company's business areas is described in detail in the corporate governance report on pages 17 to 20.

Environmental matters
The Company is an investment company. The Company makes a statement on its social and environmental policy in the Corporate Governance Statement and the Manager's detailed policy on environmental, social and governance issues can be found on its website (www.impaxam.com).

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Company invests in companies to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste.

Employees
The Company has no employees other than the Directors. As at 31 December 2013 the Company had five directors of which three are male and two are female. The Board's policy on diversity is contained in the corporate governance report (see page 19).

Social, community and human rights issues
The Manager proactively screens the Company's investable universe as part of the Environmental Social and Governance analysis for any breaches of the principles of the UN Global Compact, including human rights, labour rights, environmental breaches and corruption. Any non-compliant companies are excluded from investment.

Outlook
The outlook for the Company is discussed in the Chairman's Statement on page 3.

Strategic Report
The Strategic Report was approved by the Board of Directors on 4 April 2014.

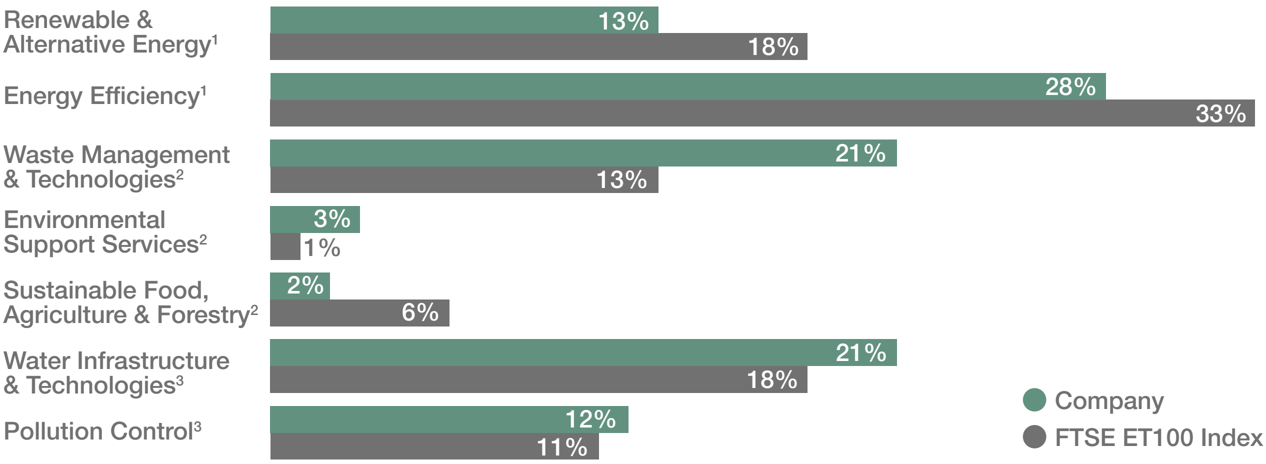
For and on behalf of the Board
Julia Le Blan
Director

4 April 2014

Structure of the Portfolio

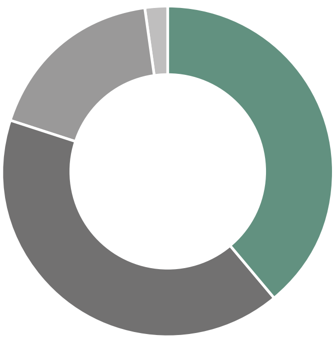
As at 31 December 2013

Breakdown by Environmental Markets Classification System



Investment policy classification
[1]Alternative Energy and Energy Efficiency
[2]Waste Technologies and Resource Management
[3]Water Treatment and Pollution Control

Breakdown by Region



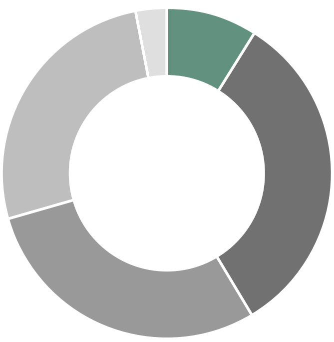
- North America 39%
- Europe 41%
- Asia Pacific 18%
- Rest of World 2%

Breakdown by Company Profitability[1]

- Unprofitable (including unquoteds) 3%
- Profitable 97%

[1]based on next 12 months earnings estimates

Breakdown by Market Capitalisation



- Less than US$500m 9%
- US$500m-2bn 32%
- US$2bn-5bn 29%
- More than US$5bn 26%
- Unquoted 3%

Ten Largest Investments

As at 31 December 2013

Clean Harbors

(United States) 3.3% of net assets (2012: 2.5%)

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. The company continues to profit from the gradual closure of industrial customers' in-house disposal facilities, which are becoming uneconomical due to their inability to comply with increasingly stringent environmental regulations.

http://www.cleanharbors.com

Pentair

(United States) 3.0% (2012: 2.1%)

Pentair is a manufacturer of pumps, filters, valves and flow control products, principally for municipal and industrial water and wastewater markets. It is benefiting from its transformative merger with the flow control business of Tyco International in 2012. This deal roughly doubled its size and is driving earnings growth through expansion in international and high-growth regions.

http://www.pentair.com

Kingspan

(Ireland) 3.3% (2012: 2.7%)

Kingspan is a manufacturer of insulated panels and boards, and environmental housing solutions such as solar hot water and rainwater harvesting. It is benefiting from a recovery in the UK construction market and from its timely acquisitions in 2012 that built presence in mainland Europe and the Gulf region. It remains a high quality business that is poised to benefit over the longer term from increasing regulatory focus on energy efficient buildings.

http://www.kingspan.com

Horiba

(Japan) 2.7% (2012: 1.8%)

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semiconductor industries. The company is benefiting from recoveries in car manufacturers' capital expenditure and the semiconductor market. Over the longer-term it continues to benefit from tightening regulations in the automotive sector space. Horiba has a strong management team and balance sheet and is well positioned to grow.

http://www.horiba.com

Pall Corp

(United States) 3.0% (2012: 2.4%)

Pall is a filtration and fluid management specialist, providing solutions for complex contamination, separations, purification and detection. The company continues to execute well on its strategic plan to increase margins and has an attractive defensive business model. In addition, Pall remains a potential M&A target among the US industrial peer group.

http://www.pall.com

Nibe Industrier

(Sweden) 2.7% (2012: 2.6%)

NIBE Industrier provides heating products such as ground source heat pumps, electric heating applications and wood-burning stoves. It has an excellent long-term track record, generating consistently high returns-on-equity over many years. It is benefiting from a recovery in its Nordic home market, improvements in the larger European markets such as Germany and France which currently have lower penetration rates for heat pumps, and its expansion into the UK market.

http://www.nibe.com

Ten Largest Investments continued

Clarcor

(United States) 2.3% (2012: 2.3%)

CLARCOR is a global manufacturer of filtration products for the transportation, industrial and environmental markets. CLARCOR has strong growth potential from the introduction of new products and the further penetration of emerging markets with existing products, notably Brazil and China. It made a large acquisition in 2013, acquiring an air filtration business from GE that is a leading supplier for gas turbine applications.

http://www.clarcor.com

Rinnai

(Japan) 2.2% (2012: 1.6%)

Rinnai is Japan's largest manufacturer of gas appliances such as energy efficient water heaters. It is using its expertise developing products in resource-poor Japan to expand into overseas markets such as Australia, China, South Korea and the United States that are becoming more focused on resource efficiency.

http://www.rinnai.com

Vacon

(Finland) 2.2% (2012: 2.6%)

Vacon develops and manufactures energy efficient AC (alternating current) drives and renewable energy inverters. It was founded in Western Finland in 1993 and has grown to become a top ten AC drive manufacturer. Vacon competes against companies such as ABB and Siemens but is the only manufacturer dedicated to AC drives. The penetration rate of electric motors remains relatively low so market growth is expected to remain above GDP.

http://www.vacon.com

Regenersis

(United Kingdom) 2.1% (2012: 1.2%)

Regenersis repairs and refurbishes consumer electronics such as mobile phones, laptops and tablets. Its profitability has turned around dramatically in recent years, led by a hands-on activist investor, and its future growth is aligned to strong drivers in internet-enabled televisions, set-top boxes and smartphones.

http://www.regenersis.com

Details of Individual Holdings

As at 31 December 2013

Company	Sector	Country	Current value £'000	% of Net Assets
Clean Harbors	Waste Management & Technologies	United States	12,927	3.3%
Kingspan	Energy Efficiency	Ireland	12,636	3.3%
Pall Corp	Water Infrastructure & Technologies	United States	11,665	3.0%
Pentair	Water Infrastructure & Technologies	United States	11,554	3.0%
Horiba	Pollution Control	Japan	10,603	2.7%
NIBE Industrier	Energy Efficiency	Sweden	10,442	2.7%
Clarcor	Pollution Control	United States	8,736	2.3%
Vacon	Energy Efficiency	Finland	8,662	2.2%
Rinnai	Energy Efficiency	Japan	8,644	2.2%
Regenersis	Waste Management & Technologies	United Kingdom	8,127	2.1%
Ensyn[1]	Renewable & Alternative Energy	United States	8,091	2.1%
Schnitzer Steel Industries	Waste Management & Technologies	United States	8,076	2.1%
LKQ	Waste Management & Technologies	United States	7,941	2.1%
Watts Water Technologies	Water Infrastructure & Technologies	United States	7,857	2.0%
Lee & Man Paper	Waste Management & Technologies	Hong Kong	7,511	1.9%
Umicore	Pollution Control	Belgium	7,166	1.9%
Kemira	Water Infrastructure & Technologies	Finland	7,141	1.9%
Companhia de Saneamento Basico do Estado de Sao Paolo	Water Infrastructure & Technologies	Brazil	6,974	1.8%
California Water Service	Water Infrastructure & Technologies	United States	6,800	1.8%
Xylem	Water Infrastructure & Technologies	United States	6,781	1.8%
Borg Warner	Energy Efficiency	United States	6,755	1.7%
Itron	Energy Efficiency	United States	6,715	1.7%
Tomra Systems	Waste Management & Technologies	Norway	6,627	1.7%
Abengoa	Renewable & Alternative Energy	Spain	6,346	1.6%
Shanks Group	Waste Management & Technologies	United Kingdom	6,263	1.6%
Top twenty five holdings			211,040	54.5%
Other quoted holdings			169,809	44.0%
Other unquoted holdings			2,866	0.8%
Total holdings in companies			383,715	99.3%
Cash			2,946	0.8%
Other net assets			(663)	(0.1%)
Grand total			385,998	100.0%

All the above holdings are quoted unless otherwise stated.
[1]Unquoted

The Company also held unquoted warrants in Xebec with nil value as at 31 December 2013.

The Company held the following investments in unquoted companies:

Company	Country	Current value £'000	% of Total Net Assets
Ensyn	United States	8,091	2.1%
New Earth Recycling & Renewable	United Kingdom	2,497	0.7%
Pelamis Wave Power	United Kingdom	369	0.1%
Emergya Wind Technologies	Netherlands	–	–
STE	United Kingdom	–	–
Total		10,957	2.9%

Directors' Report

The directors present their report and accounts for the year ended 31 December 2013.

Strategic Report
The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 13.

Corporate Governance
The Corporate Governance Statement on pages 17 to 20 forms part of this report.

Legal and Taxation status
The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust under the rules applicable to accounting periods beginning on or after 1 January 2012. The Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. The Company has received approval of investment trust status for the year ended 31 December 2012. In the opinion of the directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2013.

Alternative Investment Fund Managers Directive ("AIFMD")
The Company is classified as an alternative investment fund under AIFMD and is therefore required to have an alternative investment fund manager ("AIFM"). The Board and the Manager have agreed that the Manager will be the AIFM of the Company and an application for authorisation as an AIFM has been made.

Share issues
The authority to issue new shares for cash granted at the Annual General Meeting held on 21 May 2013 will expire at the conclusion of the forthcoming Annual General Meeting.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 22,357,640 Ordinary Shares (representing approximately 9.99% of the shares in issue, excluding Treasury Shares, at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the Annual General Meeting. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 10% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

Discount Control
The Board made the following statement on 31 May 2013:

"The Board remains fully committed to addressing the discount to net asset value at which the Company's shares currently trade in a proactive and decisive manner. To that end, the Board will make use of its share buyback powers to seek to narrow the discount, initially targeting in the near term (and in normal market conditions) a discount level of 10% or less."

Renewal of authority to purchase own shares
During the year ended 31 December 2013 the Company purchased 40,940,484 of its own Ordinary Shares and since the year end a further 6,030,000 Ordinary Shares have been bought back. These shares were purchased at a discount to net asset value.

The authority for the Company to purchase its own shares granted by the Annual General Meeting held on 21 May 2013 will expire at the conclusion of the forthcoming Annual General Meeting. The directors recommend that a new authority to purchase up to 33,547,660 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding Treasury Shares, at the date of the Annual General Meeting are purchased) is granted and a resolution to that effect will be put to the Annual General Meeting.

Any Ordinary Shares purchased will either be cancelled or, if the directors so determine, held in Treasury.

At the date of this report, the Company holds 45,698,109 shares in Treasury.

Policy on Sale of Treasury Shares
Any Ordinary Shares held in Treasury will not be sold at less than net asset value.

Continuation Vote
The Articles of Association require that an ordinary resolution be proposed at every third Annual General Meeting of the Company that the Company should continue as an investment trust for a further three year period. The next vote for the continuation of the company will be proposed at the Annual General Meeting to be held in 2016. 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.

Market Information
The Company's share capital is listed on the London Stock Exchange. The market price is shown daily in the Financial Times. The NAV per share is calculated in sterling for each business day that the London Stock Exchange is open for business. The daily NAV per share is published through a regulatory information service.

Banking Arrangements
Lloyds Bank was the Company's banker throughout the year.

Bank Loan
The Company did not have any borrowing facilities in place and did not utilise any borrowings during the year.

Following the year end, on 8 January 2014, the Company entered into a two year multi-currency revolving credit facility with The Royal Bank of Scotland plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to £30 million. The Company has made initial drawdowns of £7.5 million on 10 January 2014 and US$12 million on 14 January 2014.

Custody

Custody of the Company's investments was contracted to The Northern Trust Company throughout the year.

Following the year end, the Company moved the custody of its investments from The Northern Trust Company and appointed BNP Paribas Securities Services as its custodian as part of the Company's preparations for AIFMD. The transition completed on 21 February 2014.

Depositary

A depositary is required to be appointed in order for obligations to be fulfilled under AIFMD. Subject to finalisation of terms, the Company is intending to appoint BNP Paribas Securities Services as its depositary on or before 1 July 2014.

Retail Distribution of Investment Company Shares via Financial Advisers and other Third Party Promoters

New Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to ordinary retail investors have taken effect from 1 January 2014. As a result of the new rules, certain investment products are classified as 'non-mainstream pooled investment products' and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its shares, being shares in an investment trust, is not restricted as a result of the new FCA rules described above.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by financial advisers to ordinary retail investors and intends to continue to do so for the foreseeable future.

Management

Since its launch the management of the Company's investments has been contracted to Impax Asset Management Limited ("IAM"), which is regulated by the Financial Conduct Authority.

The Manager is appointed under a contract subject to twelve months' notice.

The Manager is entitled to remuneration each month at a rate equivalent to one twelfth of one per cent on the net assets up to and including £200 million; plus one twelfth of 0.9% on the net assets in excess of £200 million and up to £300 million; plus one twelfth of 0.825 per cent on the net assets in excess of £300 million and up to £400 million; plus one twelfth of 0.8 per cent on net assets in excess of £400 million.

Management Engagement

In accordance with the Listing Rules, the Board confirms that it has reviewed whether to retain IAM as the Manager of the Company. It has been concluded that, given the Manager's depth of knowledge in the sector and the overall performance of the Company within the environmental sector, it is in the best interests of shareholders as a whole to continue with IAM's engagement.

Company Secretary and Administrator

Cavendish Administration Limited ("Cavendish") was the secretary of the Company for the entire year under review. Cavendish is also responsible for administrative matters.

Capital Structure and Voting Rights

At the year end the Company's issued share capital comprised 324,509,373 Ordinary Shares of 10p nominal value. Of these shares 94,679,109 were held in Treasury. Each Ordinary Share held entitles the holder to one vote. Ordinary Shares held in Treasury do not hold voting rights. All shares, excluding those held in Treasury, carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

On 13 February 2014, the Company cancelled 50 million shares held in Treasury. At the date of this report 45,698,109 Ordinary Shares were held in Treasury.

Since the year end, the Company has purchased 6,030,000 of its own Ordinary Shares. Shares held in Treasury do not carry voting rights.

There are no restrictions on the transfer of Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

Significant Shareholders

The directors have been notified of, or have identified, as at 31 December 2013, the following shareholdings comprising 3% or more of the issued share capital (excluding Treasury Shares) of the Company:

	Holding	%
Universities Superannuation Scheme	24,063,832	10.5
1607 Capital Partners LLC	16,290,383	7.1
East Riding of Yorkshire Council	14,928,368	6.5
AEGON UK Group of Companies	13,167,000	5.7
Rathbone Brothers plc	11,089,898	4.8
Church Commissioners for England	11,051,666	4.8
Newton Investment Management Limited	9,979,012	4.3

The only significant change since the year end of which the Board is aware is Newton Investment Management Limited which no longer has a disclosable interest.

Settlement of Ordinary Share Transactions

Ordinary share transactions in the Company are settled by the CREST share settlement system.

Anti-bribery and Corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Directors' Report continued

Notice of General Meetings

Resolution 14 in the notice to the Annual General Meeting is required to reflect the requirements of the Shareholder Rights Directive. The regulations in this Directive have generally increased the notice period for general meetings to 21 days. The Company is currently able to call General Meetings, other than an Annual General Meeting, on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have approved the calling of meetings on 14 days' notice.

Resolution 14 seeks such approval. The approval would be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will ensure that it offers the facility for shareholders to vote by electronic means, and that this facility is accessible to all shareholders, if it is to call general meetings on 14 days' notice.

Going Concern

The directors have adopted the going concern basis in preparing the accounts. The following is a summary of the directors' assessment of the going concern status of the Company.

Operational resources

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2013, the Company held £2.9m in cash and £372.8m in quoted investments. It is estimated that approximately 83% by value of the quoted investments held at the year end could be realised in one month under normal market conditions. The total expenses (excluding taxation) for the year ended 31 December 2013 were £4.2m, which represented approximately 1.13% of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 31 March 2014 were £388.1m.

Auditor Information

Each of the directors at the date of the approval of this report confirms that:

(i) So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
(ii) The director has taken all steps that he ought to have taken as director to make himself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as the Company's auditors will be put forward at the forthcoming Annual General Meeting.

By order of the Board
Anthony Lee
For and on behalf of
Cavendish Administration Limited
Company Secretary

4 April 2014

Corporate Governance

Introduction

This Corporate Governance statement forms part of the Directors' Report.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") as issued in February 2013. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive (UK Code provision A.2.1)
- executive directors' remuneration (UK Code various provisions of section D)
- the need for an internal audit function (UK Code provision C.3.6)

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

Composition

At the date of this report, the Board consists of five non-executive directors including the Chairman. Mr Bernays was appointed as a director of the Company upon its incorporation. Mrs Le Blan and Mr Rickett were appointed on 27 January 2011. Mr Scott was appointed on 7 February 2013. Mrs Hastings was appointed on 21 May 2013. All the directors have served during the entire period since their appointment. Mr Bernays is Chairman of the Company. Mrs Le Blan has been appointed as the Board's senior independent director.

The Board believes that during the year ended 31 December 2013 its composition was appropriate for an investment company of its nature and size. Mr Niven and Mr Berry retired as directors at the Annual General Meeting held in May 2013. Mr Bernays intends to retire from the role of Chairman and as a director at the Company's Annual General Meeting to be held in May 2014 and it is the Board's intention that Mr Scott will assume the role of Chairman at that time. All of the directors are independent of the investment manager. The directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

Richard Bernays (Chairman) Mr Bernays has been involved in the investment trust industry for many years and has just retired as Chairman of Throgmorton Trust and Gartmore Global Trust and as a director of Charter European Trust. 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.

Vicky Hastings Mrs Hastings has worked for 25 years in the investment management industry. Her roles have included being an Investment Director at JO Hambro Capital Management; Chief Investment Officer at Merrill Lynch Private Investors and a fund manager in the Merrill Lynch European Equity team. She is a director of Edinburgh Investment Trust plc and Henderson Global Trust plc and has recently been appointed as a Special Trustee of Moorfields Eye Hospital.

Julia Le Blan Mrs Le Blan is a chartered accountant and has worked in the financial services industry for over 30 years. She retired from Deloitte in 2009, where she had been a Tax Partner since 1990. During that time, she acted as tax adviser to international financial institutions, including clients in banking, securities and fund management and she led the mergers and acquisitions function for financial services tax. She was also the firm's expert on the taxation of investment trust companies. Mrs Le Blan is a non-executive director of JPMorgan US Smaller Companies Investment Trust plc, Investors Capital Trust plc and Aberforth UK Smaller Companies Trust Plc.

William Rickett, C.B. Mr Rickett was Director General, Energy in the Department of Energy & Climate Change and chairman of the Governing Board of the International Energy Agency until October 2009. He had previously been a Director General in the Department for Transport and in the Cabinet Office. He started his civil service career in the Department of Energy in 1975 and, among other things, led the team privatising the electricity industry from 1987 to 1990. He was Private Secretary to the Prime Minister from 1981 to 1983 and also spent two periods on secondment to the private sector. He is now a Director of Cambridge Economic Policy Associates Ltd, Eggborough Power Ltd, Helius Energy plc, Greencoat UK Wind plc and Smart DCC Ltd.

Corporate Governance continued

John Scott Mr Scott is a former investment banker who spent 20 years with Lazard and is currently a director of several investment trusts, and has been Chairman of Scottish Mortgage Investment Trust since 2010 and Chairman of Alpha Insurance Analysts since April 2013. Until March 2013 he was Deputy Chairman of Endace Ltd. of New Zealand and in November 2012 he retired after 12 years as a non-executive director of Miller Insurance. Mr Scott was appointed a director on 7 February 2013.

The Board does not believe that the service tenure of non-executive directors should be strictly limited to nine years. The Board recognises the benefits to the Company of having longer serving directors together with progressive refreshment of the Board. Mr Bernays will retire at the Annual General Meeting and will not stand for re-election.

In line with the AIC Code, the Board has decided that each director should be subject to annual re-election by shareholders, although this is not required by the Company's Articles of Association. All of the directors with the exception of Mr Bernays will stand for re-election or, in the case of Mrs Hastings, election.

The Board recommends all the directors for re-election (or, as the case may be, election) for the reasons highlighted above and in the performance appraisal section of this report.

The directors have appointment letters which do not state any specific term. They are subject to re-election by shareholders at a maximum interval of three years. Copies of the directors' appointment letters are available on request from the Company Secretary.

A policy of insurance against directors' and officers' liabilities is maintained by the Company.

A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Board Committees

The Board decides upon the membership and chairmanship of its committees.

Audit Committee

A report on page 24 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Remuneration Committee

All of the directors are members of this committee. The Remuneration Committee has been established to meet formally on at least an annual basis to consider the fees of the non-executive directors and of other suppliers of services to the Company.

Mr Rickett is the chairman of the Remuneration Committee. The Remuneration Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

A directors' remuneration report is included on page 21 of these financial statements.

Management Engagement Committee

All of the directors are members of this committee. The Management Engagement Committee has been established to conduct a formal annual review of the Manager, assessing investment and other performance, the level and method of the Manager's remuneration and the continued appointment of the Manager as investment manager to the Company.

Mr Bernays is chairman of the Management Engagement Committee. The Management Engagement Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

Nominations Committee

All of the directors are members of this committee. The Nominations Committee has been established for the purpose of identifying and putting forward candidates for the office of director of the Company. The Nominations Committee meets as and when required. The Nominations Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job.

During the year, upon the recommendation of the Nominations Committee, the Board appointed Mr Scott and Mrs Hastings as directors of the Company following a director search conducted with the assistance of a third party recruitment consultant. The process included a careful consideration of the future requirements of the Company and the necessary skills and experience required from prospective directors.

Mr Bernays is chairman of the Nominations Committee. The Nominations Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

Meeting attendance

	Main Board	Audit committee	Remuneration committee	Management engagement committee	Nominations committee
Number held	5	3	1	1	2
Richard Bernays	5/5	non-member	1/1	1/1	2/2
Charles Berry	2/3	1/1	1/1	1/1	1/1
Vicky Hastings	2/2	2/2	0/0	0/0	0/0
Julia Le Blan	5/5	3/3	1/1	1/1	2/2
Keith Niven	3/3	1/1	1/1	1/1	1/1
William Rickett	5/5	3/3	1/1	1/1	2/2
John Scott	3/4	2/2	0/0	0/0	1/1

Note: meetings attended/eligible to attend.

In addition, there were two Board meetings to deal with administrative matters/share buy backs and two Board sub-committee meetings to deal with the formal approval of documents.

Board Diversity
The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Performance Appraisal
A formal annual performance appraisal process is performed on the Board, the committees, the individual directors and the Company's main service providers.

The last external evaluation of the Board was completed in March 2012. The Board does not believe it is necessary to conduct an external evaluation every year and the most recent evaluation completed in March 2014 was an internal appraisal. A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman was carried out by the senior independent director and the results reported back to the Chairman. The results of the most recent internal performance appraisal were positive and demonstrated that the directors showed the necessary commitment for the fulfilment of their duties. The directors consider that Mr Scott is an appropriate and able replacement for the current Chairman when he retires at the Annual General Meeting.

Internal Control
The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

Financial aspects of internal control
The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the Manager, the Administrator and the Company's custodian to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include monthly production of management accounts and NAV calculations, monitoring of performance at regular Board meetings, supervision by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the Company other than for investment purposes. Payment of management and administration fees is authorised only by directors after they have studied the financial data upon which those fees are based.

The Statement of Directors' Responsibilities in respect of the accounts is on page 26 and a Statement of Going Concern is on page 16. The Report of the Independent Auditors is on pages 27 and 28.

Other aspects of internal control
The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Manager and the Company's secretary and administrator (the "Administrator").

The Manager reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. The Manager reports directly to the Audit Committee concerning the internal controls applicable to the Manager's dealing, investment and general office procedures.

Directors receive and consider monthly reports from the Administrator, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures and secretarial matters. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Corporate Governance continued

This contact with the Manager and the Administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year and again, formally, at year end.

Shareholder Relations

The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Board also welcomes direct feedback from shareholders. The Chairman is available to meet shareholders and has met several during the course of the last year.

Exercise of Voting Powers and Stewardship Code

The Company and the Manager believe that proxy voting is a key component in the ongoing dialogue with investee companies. As such, voting is an important aspect of the Manager's investment process. The Company and the Manager support the UK Stewardship Code issued by the Financial Reporting Council. The Manager has published its proxy voting policy and statement of compliance with the principles of best practice of the Stewardship Code on its website. The Board regularly reviews the voting decisions made by the Manager on the Company's behalf.

Social and environmental policy

The Company has no staff, premises, manufacturing or other operations. The Company invests in companies which contribute to the cleaner or more efficient delivery of basic services of energy, water and waste. The Manager's core expertise is within the environmental sector and the Manager takes a close interest in ensuring effective governance of investee companies. The Company and the Manager believe that a thorough understanding of environmental, social and governance issues is likely to enhance perspectives on both the opportunities and risks offered by individual investments. The Manager's detailed policy on environmental, social and governance issues can be found on its website (www.impaxam.com).

Directors' Remuneration Implementation Report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

This year, the Remuneration Report is presented differently to previous years as a result of changes in the regulations applicable to the current financial year. As well as additional new disclosures, the Remuneration Report contains a separate Policy Report which must be approved by a vote of Shareholders held, at a minimum, every three years, or less if the Company wishes to change its remuneration policy. The Policy Report sets out the principles the Company follows in remunerating Directors and the result of the Shareholder vote on the Policy Report is binding on the Company. The Policy Report is set out on page 23. The Policy Report will be put forward for approval by shareholders at the forthcoming Annual General Meeting.

The Directors' Remuneration Implementation Report will be put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Implementation Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board and the Remuneration Committee.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 27.

Remuneration Committee

The Company currently has five non-executive directors.

During the year ended 31 December 2013, the fees payable to the directors were: £30,000 to the Chairman, £24,000 to the Chairman of the Audit Committee and £20,000 to the other directors. The Board believes that the current fee level is appropriate given the size of the Company and the responsibilities of the directors. The level of the fees payable has remained unchanged since March 2010.

The Remuneration Committee comprises the whole Board. Further detail on the duties of the Remuneration Committee can be found in the Corporate Governance statement on page 18.

Directors' Service Contracts

The directors do not have service contracts with the Company. The directors are not entitled to compensation on loss of office. The directors have appointment letters which do not state any specific term. However, they are subject to re-election by shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the directors or any special rights attached to such shares.

Directors' Indemnities

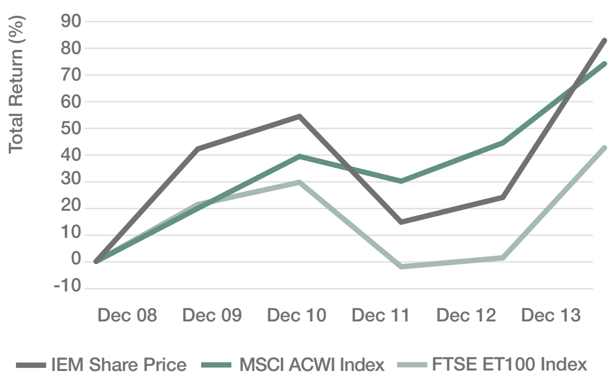
Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by him, on the grounds of his negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's D&O insurance policy has been fully utilised.

Director Search and Selection Fees

During the year, a new director search and selection process was conducted with the assistance of Trust Associates (a third party consultancy) which resulted in the Board appointing Mr Scott and Mrs Hastings as directors of the Company. Trust Associates is entirely independent of the Board of directors and the Company.

Performance

The following chart shows the performance of the Company's share price by comparison to two relevant indices, both on a total return basis. The Company does not have a specific benchmark but has deemed the MSCI ACWI Index and the FTSE ET100 Index to be the most appropriate comparators for this report.



Directors' Emoluments for the Year (Audited)

The directors who served during the year received the following remuneration for qualifying services.

	Fee and taxable benefits 2013 £'000	Fees and taxable benefits 2012 £'000
Richard Bernays	30	30
Keith Niven (retired on 21 May 2013)	8	22
Dr Robert Arnott (retired on 17 May 2012)	–	8
Charles Berry (retired on 21 May 2013)	8	20
Julia Le Blan	24	22
William Rickett	20	20
John Scott (appointed on 7 February 2013)	18	–
Vicky Hastings (appointed on 21 May 2013)	12	–
	120	122

Directors' Remuneration Implementation Report continued

There are no other taxable benefits payable by the Company. None of the above fees were paid to third parties.

The fee rates for the year ended 31 December 2013 were set out in the Annual Report for the year ended 31 December 2012. A non-binding ordinary resolution to approve the Directors' Remuneration Report contained in the Annual Report for the year ended 31 December 2012 was put forward at the Annual General Meeting held on 21 May 2013. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

Relative Importance of Spend on Pay

The following table sets out the total level of directors' remuneration compared to the distributions to shareholders by way of dividends and share buy backs, and the management fees and other expenses incurred by the Company.

	2013 £'000	2012 £'000	Difference £'000
Income receivable	5,101	4,500	501
Spend on Directors' fees	120	122	(2)
Management fees and other expenses	4,166	3,973	193
Share buy backs	52,547	23,277	29,270
Dividends paid to shareholders	2,309	2,613	(304)

The information in the table above is required by the regulations with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

Directors' Holdings (Audited)

At 31 December 2013 and at the date of this report the directors had the following holdings in the Company. All holdings were beneficially owned.

	Ordinary Shares At 31 December 2013	Ordinary Shares At 1 January 2013
R Bernays	28,664	28,664
V Hastings	–	–
J Le Blan	5,000	5,000
W Rickett	5,000	5,000
J Scott	10,000	–

As at the date of this report the shareholdings were unchanged from 31 December 2013 except for Vicky Hastings who now holds 12,500 Ordinary Shares in the Company.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 31 December 2013:

(a) the major decisions on Directors' remuneration;
(b) any substantial changes relating to Directors' remuneration made during the year; and
(c) the context in which the changes occurred and decisions have been taken.

Richard Bernays
Chairman

4 April 2014

Directors' Remuneration Policy Report

This policy provides details of the remuneration for the directors of the Company (the "Remuneration Policy"). A resolution to approve the Remuneration Policy will be put forward at the Company's Annual General Meeting to be held on 21 May 2014. If shareholders approve the Remuneration Policy, the provisions set out in this policy will apply until they are next put forward for shareholder approval. The Company's remuneration policy must be put forward for shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, shareholder approval will be sought for the proposed new policy prior to its implementation.

All the directors are non-executive directors and the Company has no other employees.

Service Contracts

The directors do not have service contracts with the Company. The directors have appointment letters and, following initial election by shareholders, are subject to re-election by shareholders at a maximum interval of three years although in line with best practice the directors put themselves forward for re-election by shareholders voluntarily on an annual basis.

Fees

The directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The directors' fees will be paid at fixed annual rates and do not have any variable elements. The maximum level of fees payable, in aggregate, to the directors of the Company is currently £150,000 per annum.

The non-executive directors shall be entitled to fees at such rates as determined by the Board subject to the current aggregate maximum of £150,000 per annum. The current annual fee rates payable to the directors are: £30,000 to the Chairman, £24,000 to the Chairman of the Audit Committee and £20,000 to the other directors.

The directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a director of the Company and cease on date of termination of appointment. The directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of directors.

Current and Future Policy

Component	Director	Current annual rate[1]	Purpose of reward	Operation
Annual fee	Chairman of the Board	£30,000	For services as Chairman of a plc	Determined by the Board
Annual fee	Other directors	£20,000	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	£4,000	For additional responsibility and time commitment	Determined by the Board
Expenses	All directors	Not applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

[1]Annual rates are at the discretion of the Board subject to aggregate maximum payable to all directors of £150,000.

Statement of Consideration of Conditions Elsewhere in the Company

As stated above the Company has no employees other than the non-executive directors of the Company. Therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Remuneration Policy will be reviewed on an annual basis by the Remuneration Committee and any changes are subject to approval by the Board. The remuneration payable to the directors will take into account a number of factors, inter alia, the experience of the directors, the complexity of the Company and prevailing market rates for the investment trust sector.

Effective date

If approved at the Annual General Meeting of the Company, the Remuneration Policy will be effective from the date of such approval.

Report of the Audit Committee

Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies two, independent non-executive directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit Committee also reviews the Company's internal financial controls and its internal control and risk management systems. 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 has considered the non-audit work of the auditor this year and does not consider that this compromises its independence. Non-audit work consisted of tax assurance in preparing the Company's corporation tax return.

Composition

All of the directors except the Chairman of the Company are members of the Audit Committee. Mrs Le Blan is chairman. The Audit Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. All members of the audit committee have recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal function under periodic review.

Meetings

There were three Audit Committee meetings during the year ended 31 December 2013. Mrs Le Blan and Mr Rickett attended all the meetings. Mr Berry and Mr Niven attended the meeting prior to their retirement as directors. Mrs Hastings and Mr Scott attended the two meetings they were eligible to attend following their appointment to the Audit Committee.

Financial Statements and Significant Accounting Matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2013.

Valuation and Existence of Investments

The Company holds virtually all of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. The Audit Committee reviewed the procedures in place for ensuring accurate valuation and existence of investments and discussed the valuation and existence of the Company's investments at the year end with the Manager and the Secretary. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Company's custodian's records.

The Company holds a small proportion of the portfolio in unquoted companies. The Manager provided valuation recommendations for the investments in unquoted companies held at the year end and these were discussed and approved by the Audit Committee.

The Audit Committee discussed the approach to the audit of the valuation and existence of investments with the external auditor prior to the commencement of the audit. The results of the audit in this area were reported by the external auditor and there were no significant issues raised.

Financial Statement Presentation

The Audit Committee obtained assurances from the Manager and the Secretary that the financial statements had been prepared appropriately and questioned the external auditor on this area. There were no unresolved issues.

Allocation of Management Fees and Finance Costs to Capital

The Audit Committee reviewed the basis of allocating management fees and finance costs to capital and agreed that allocating 75% of such costs to capital remained an appropriate basis. The assessment involved an analysis of the expected split of the Company's future long-term returns as well as a review of past returns.

Going Concern

The Audit Committee reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 16.

Conclusion with respect to the Annual Report and Financial Statements

The Audit Committee has concluded that the annual report for the year ended 31 December 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Audit tender

Ernst & Young LLP has been appointed as external auditor to the Company since its launch in February 2002. In line with good corporate governance practice, a tender of the audit was conducted during the financial year under review. The incumbent auditor and two other firms were invited to participate in the tender. The tender was completed in October 2013. The Audit Committee concluded that the continuing appointment of Ernst & Young LLP was in the best interests of the Company.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review and tender process, the Audit Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the shareholders of the Company.

Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

Julia Le Blan
Audit Committee Chairman

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.impaxenvironmentalmarkets.co.uk and www.impaxam.com websites which are maintained by the Company's Manager, Impax Asset Management Limited ("IAM"). The maintenance and integrity of the website maintained by IAM is, so far as it relates to the Company, the responsibility of IAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Directors' confirmation statement

The directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board
Julia Le Blan
Director

4 April 2014

Independent Auditor's Report to the Members of Impax Environmental Markets Plc

We have audited the financial statements of Impax Environmental Markets plc for the year ended 31 December 2013 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its net deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- The valuation of the investment portfolio, including unquoted investments.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £3.9 million, which is 1 per cent of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75 per cent of materiality, namely £2.9 million. Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our planning materiality level.

We have agreed with the Audit Committee to report all audit differences in excess of £0.2 million, as well as differences below that threshold that, in our view warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we agreed the year end prices for Level 1 and 2 investments to an independent source; and
- with the assistance of our valuation experts, we considered the appropriateness of the valuation techniques applied to Level 3 investments.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Impax Environmental Markets Plc continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 16, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code 1 specified for our review.

Julian Young (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
4 April 2014

Income Statement
For the year ended 31 December 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains on investments	10	–	99,093	99,093	–	22,153	22,153
Income	2	5,101	–	5,101	4,500	–	4,500
Investment management fees	3	(869)	(2,608)	(3,477)	(813)	(2,438)	(3,251)
Other expenses	3	(689)	–	(689)	(722)	–	(722)
Return on ordinary activities before taxation		3,543	96,485	100,028	2,965	19,715	22,680
Taxation	5	(387)	–	(387)	(328)	–	(328)
Return on ordinary activities after taxation		3,156	96,485	99,641	2,637	19,715	22,352
Return per ordinary share	6	1.28p	39.07p	40.35p	0.93p	6.98p	7.91p

The total column of the Income Statement is the profit and loss account of the Company. The revenue and capital columns contain supplementary information as recommended by the Association of Investment Companies SORP.

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

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement.

The notes on pages 33 to 41 form part of these accounts

Balance Sheet

At 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments at fair value through profit and loss	8	383,715	334,680
Current assets			
Income receivable		99	283
Sales – future settlements		1,551	236
Taxation recoverable		187	170
Other debtors		28	18
Cash at bank and in hand		2,946	6,873
		4,811	7,580
Creditors: amounts falling due within one year			
Purchases – future settlements		(2,121)	(597)
Accrued liabilities		(407)	(450)
		(2,528)	(1,047)
Net current assets		2,283	6,533
Total net assets		385,998	341,213
Capital and reserves: equity			
Share capital	9	32,451	32,451
Share premium account		16,035	16,035
Share purchase reserve		183,051	235,598
Capital reserve	10	149,733	53,248
Revenue reserve		4,728	3,881
Shareholders' funds		385,998	341,213
Net assets per Ordinary Share	11	167.95p	126.02p

Approved by the Board of directors and authorised for issue on 4 April 2014 and signed on their behalf by:

Julia Le Blan
Director

Impax Environmental Markets plc is incorporated in England with registered number 4348393.

The notes on pages 33 to 41 form part of these accounts

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2013

	Share Capital £'000	Share Premium Account £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2013	32,451	16,035	235,598	53,248	3,881	341,213
Share buy backs	–	–	(52,547)	–	–	(52,547)
Dividend paid (May 2013)	–	–	–	–	(2,309)	(2,309)
Profit for the year	–	–	–	96,485	3,156	99,641
Closing shareholders' funds as at 31 December 2013	32,451	16,035	183,051	149,733	4,728	385,998

For the year ended 31 December 2012

	Share Capital £'000	Share Premium Account £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2012	32,451	16,035	258,875	33,533	3,857	344,751
Share buy backs	–	–	(23,277)	–	–	(23,277)
Dividend paid (May 2012)	–	–	–	–	(2,613)	(2,613)
Profit for the year	–	–	–	19,715	2,637	22,352
Closing shareholders' funds as at 31 December 2012	32,451	16,035	235,598	53,248	3,881	341,213

The notes on pages 33 to 41 form part of these accounts

Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Cash inflow from investment income and bank interest		5,285	4,461
Cash outflow from management and other expenses		(4,208)	(3,930)
Cash inflow from disposal of investments		135,261	110,309
Cash outflow from purchase of investments		(84,948)	(78,731)
Cash outflow from foreign exchange costs		(56)	(103)
Cash outflow from taxation		(405)	(405)
Net cash flow from operating activities	12	50,929	31,601
Equity dividends paid	7	(2,309)	(2,613)
Financing			
Share buy backs		(52,547)	(23,277)
Net cash flow from financing		(52,547)	(23,277)
Increase/(decrease) in cash		(3,927)	5,711
Opening balance at 1 January		6,873	1,162
Balance at 31 December		2,946	6,873

The notes on pages 33 to 41 form part of these accounts

Notes to the Financial Statements

1. Accounting policies

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

The accounts have been prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

(a) Basis of Accounting
The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice "Financial statements of investment trust companies and venture capital trusts" ("SORP") issued by the Association of Investment Companies in January 2009.

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

Changes in fair value are included in the Income Statement as a capital item.

Transaction costs incurred on the acquisition and disposal of investments are charged to the Income Statement as a capital item.

(c) Income from Investments
Investment income from shares is accounted for on the basis of ex-dividend dates. Overseas income is grossed up at the appropriate rate of tax but UK dividend income is not grossed up for tax credits.

Special Dividends are assessed on their individual merits and may be credited to the Income Statement as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Income Statement as a revenue item. Interest receivable is accrued on a time apportionment basis and reflects the effective interest rate.

(d) Capital Reserves
Profits achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Income Statement and allocated to the capital reserve.

(e) Investment Management Fees
In accordance with the Company's stated policy and the directors' expectation of the split of future returns, three quarters of investment management fees, net of attributable tax, are charged as a capital item in the Income Statement. If applicable, tax relief in respect of costs allocated to capital is credited to capital via the capital column of the Income Statement on the marginal basis.

(f) Deferred Taxation
Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that a liability will crystallise. Deferred tax is recorded in accordance with FRS19 'Deferred tax'. Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is regarded as recoverable.

(g) Foreign currency translation
All transactions and income in foreign currencies are translated into sterling at the rates of exchange on the dates of such transactions or income recognition. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as either a capital or revenue item depending on the nature of the gain or loss.

Notes to the Financial Statements continued

2. Income

	2013 £'000	2012 £'000
Income from investments:		
Dividends from UK listed investments	1,037	813
Dividends from overseas listed investments	4,064	3,645
Loan note interest	–	42
Total income	5,101	4,500

3. Fees and expenses

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fees	869	2,608	3,477	813	2,438	3,251
Secretary and administrator fees	181	–	181	172	–	172
Custodian's fees	119	–	119	108	–	108
Directors' fees	120	–	120	122	–	122
Directors' other employment costs	16	–	16	13	–	13
Broker retainer	55	–	55	53	–	53
Auditors remuneration						
– for audit services	25	–	25	26	–	26
– for taxation compliance services	7	–	7	11	–	11
Association of Investment Companies	26	–	26	29	–	29
Registrar's fees	20	–	20	43	–	43
Marketing fees	27	–	27	35	–	35
Public relations fees	3	–	3	9	–	9
Consultant fees	33	–	33	16	–	16
Other expenses	57	–	57	85	–	85
	689	–	689	722	–	722
Total expenses	1,558	2,608	4,166	1,535	2,438	3,973

The main terms of the management agreement are summarised in the Directors' Report on page 15.

4. Directors' fees

During the years ended 31 December 2013 and 31 December 2012, the fees payable to the directors were: £30,000 to the Chairman, £24,000 to the Chairman of the Audit Committee and £20,000 to the other directors. There were no other emoluments. Employers' National Insurance upon the fees is included as appropriate in directors' other employment costs under note 3.

5. Taxation

(a) Analysis of charge in the year:

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Overseas taxation	387	–	387	328	–	328
Taxation	387	–	387	328	–	328

(b) Factors affecting current tax charge for the year:

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK of 23.25% applicable to the year ended 31 December 2013 (2012: 24.49%).

The differences are explained below:

	2013 £'000	2012 £'000
Total profit before tax per accounts	100,028	22,680
Corporation tax at 23.25% (2012: 24.49%)	23,253	5,555
Effects of:		
Non-taxable UK dividend income	(241)	(199)
Non-taxable overseas dividend income	(945)	(893)
Movement in unutilised management expenses	968	963
(Gains)/losses on investments not taxable	(23,035)	(5,426)
Overseas tax	387	328
Total current tax charge for the year	387	328

Investment companies which have been approved by the HM Revenue & Customs under section 1158 of the Corporation Tax Act 2010 are exempt from tax on capital gains. Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation of investments.

(c) The Company has unrelieved excess management expenses of £23,543,000 (2012: £19,377,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised. The unrecognised deferred tax asset calculated using a tax rate of 20% (2012: 24%) amounts to £4,709,000 (2012: £4,650,000).

Financials

6. Return per ordinary share

Return per share is based on the net gain on ordinary activities after taxation of £99,641,000 comprising a revenue return of £3,156,000 and a capital return of £96,485,000 (2012: gain of £22,352,000 comprising a revenue return of £2,637,000 and a capital return of £19,715,000) attributable to the weighted average of 246,946,495 (2012: 282,457,992) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

7. Dividends

	2013 £'000	2012 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2012 of 0.9p (2011: 0.9p)	2,309*	2,613
Dividends not reflected in the financial statements:		
Recommended ordinary dividend for the year ended 31 December 2013 of 1.2p (2012: 0.9p) per share	2,686	2,339

If approved at the Annual General Meeting, the dividend will be paid on 28 May 2014 to shareholders on the register as at the close of business on 25 April 2014.

* The difference between the recommended dividend for the year ended 31 December 2012 and the amount paid in 2013 was due to 3,272,484 Ordinary Shares being bought back following the date of approval of the Annual Report for the year ended 31 December 2012 but before the record date of the final dividend for that year.

Notes to the Financial Statements continued

8. Investments at fair value through profit and loss

	2013 £'000	2012 £'000
Analysis of closing balance:		
UK quoted securities	42,161	42,201
UK unquoted securities	2,866	3,227
Overseas securities	330,597	280,999
Overseas unquoted securities	8,091	8,253
Total investments	383,715	334,680
Movements during the year:		
Opening balance of investments, at cost	307,777	369,587
Additions, at cost	86,505	78,988
Disposals, at cost	(105,618)	(140,798)
Cost of investments at 31 December	288,664	307,777
Revaluation of investments to fair value:		
Opening balance of Capital reserve – investments held	26,903	(27,374)
Net movement	68,148	54,277
Balance of Capital reserve – investments held at 31 December	95,051	26,903
Fair value of investments at 31 December	383,715	334,680

During the year, the Company incurred transaction costs on purchases totalling in aggregate £167,000 (2012: £154,000) and on disposals totalling in aggregate £221,000 (2012: £167,000).

9. Share capital

At 31 December	Number	2013 £'000	Number	2012 £'000
Allotted, issued and fully paid				
Ordinary Shares of 10p	324,509,373	32,451	324,509,373	32,451

At the year end 94,679,109 (2012: 53,738,625) of the above Ordinary Shares were held in Treasury.

Ordinary Share buy backs

During the year, the Company bought back 40,940,484 (2012: 23,963,322) Ordinary Shares to be held in Treasury for an aggregate cost of £52,547,000 (2012: £23,277,000). Since the year end a further 6,030,000 Ordinary Shares have been bought back of which 1,019,000 were bought back to be held in Treasury and the remainder were cancelled. On 13 February 2014 50,000,000 shares held in Treasury were cancelled. At the date of this report 45,698,109 Ordinary Shares are held in Treasury.

10. Capital reserve

Disposal of Investments

	2013 £'000	2012 £'000
Opening balance	26,344	60,907
Gains on disposal of investments	30,991	(32,017)
Net foreign exchange loss	(46)	(108)
Investment management fees charged to capital	(2,608)	(2,438)
Balance at 31 December	54,681	26,344

Investments held

	2013 £'000	2012 £'000
Opening balance	26,904	(27,374)
Movement on valuation of investments held	68,148	54,278
Balance at 31 December	95,052	26,904
Capital reserve balance at 31 December	149,733	53,248

Gains on investments in year (per Income Statement)

	2013 £'000	2012 £'000
Gains on disposal of investments	30,991	(32,017)
Net foreign exchange loss	(46)	(108)
Movement of valuation of investments held	68,148	54,278
Gains on investments	99,093	22,153

11. Net asset value per ordinary share

Net assets per Ordinary Share is based on net assets of £385,998,000 (2012: £341,213,000) divided by 229,830,264 (2012: 270,770,748) Ordinary Shares in issue (excluding shares held in Treasury) at the Balance Sheet date.

12. Cash flow statement

Reconciliation of net return on ordinary activities before finance costs and taxation to net cash flow from operating activities

	2013 £'000	2012 £'000
Return on ordinary activities before finance costs and taxation	100,028	22,680
Less: Tax deducted at source on income from investments	(387)	(328)
Add: Realisation of investments at book cost	105,618	140,799
Less: Purchase of investments	(86,505)	(78,988)
Adjustment for gains on investments held	(68,148)	(54,278)
Foreign exchange non cash flow gain/(loss)	(10)	5
(Increase)/decrease in debtors	(1,148)	1,438
Increase in creditors	1,481	273
Net cash flow from operating activities	50,929	31,601

13. Related party transactions

Details of the management contract can be found in the Directors' Report on page 15. Fees payable to the Manager are detailed in note 3 on page 34; the relevant amount outstanding as an accrual at the year end was £298,819 (2012: £268,375). The directors' fees are disclosed in note 4 and the Directors' Remuneration Implementation Report on page 21.

The Manager's group has a holding in Ensyn. The Manager has procedures in place to mitigate any conflicts of interest from this investment.

14. Financial risk management

The principal components of financial risk management cover the areas of market risks, credit risks, liquidity risks and capital management. Each risk and its management is summarised below.

Market Risks

The potential market risks are (i) currency risk, (ii) interest rate risk, and (iii) other price risk. Each is considered in turn below.

(i) Currency Risk

The Company invests in global equity markets and therefore is exposed to currency risk as it affects the value of the shares in the base currency. These currency exposures are not hedged. The Manager monitors currency exposure as part of its investment process. Currency exposures for the Company as at 31 December 2013 are detailed in the table at the end of this note.

Notes to the Financial Statements continued

Currency sensitivity

The below table shows the strengthening/(weakening) of Sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2013.

	% change[1]
Canadian Dollar	8.2%
Danish Krone	(2.4%)
Euro	(2.4%)
Hong Kong Dollar	2.0%
Japanese Yen	19.3%
Korean Won	0.9%
Norwegian Krone	10.1%
Swedish Krona	0.7%
Swiss Franc	(0.9%)
Taiwanese Dollar	4.4%
US Dollar	2.0%

[1]Percentage change of Sterling against local currency from 1 January 2013 to 31 December 2013

Based on the financial assets and liabilities at 31 December 2013 and all other things being equal, if Sterling had strengthened against the local currencies by 10%, the impact on the profit after taxation for the year ended 31 December 2013 and the Company's net assets at 31 December 2013 would have been as follows:

	Potential effect £'000
Canadian Dollar	(393)
Danish Krone	(1,129)
Euro	(8,304)
Hong Kong Dollar	(2,173)
Japanese Yen	(2,272)
Korean Won	(448)
Norwegian Krone	(663)
Swedish Krona	(1,044)
Swiss Franc	(633)
Taiwanese Dollar	(552)
US Dollar	(16,260)
Total	(33,871)

(ii) Interest Rate Risk

The Company is typically fully invested in global equities but will from time to time hold interest bearing assets. These assets are cash balances that earn interest at a floating rate and UK Treasury Bills when large amounts of cash are held. The Company does not have interest bearing liabilities.

(iii) Other Price Risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. The Company is well diversified across different sub-sectors and geographies and has a volatility level similar to global stock market indices such as the MSCI ACWI Index to which the Company has had an annualised tracking error of 8.4% over the ten year period to 31 December 2013. The historic 3-year (annualised) volatility of the Company to 31 December 2013 is 21.0%.

At the year end the Company held investments with an aggregate market value of £383,715,000. All other things being equal, the effect of a 10% increase or decrease in the fair value of the assets held at the year end would have been an increase or decrease of £38,372,000 in the profit after taxation for the year ended 31 December 2013 and the Company's net assets at 31 December 2013.

Overall Sensitivity
The Manager has used the Axioma World-Wide Fundamental Equity Risk Model to calculate value at risk ("VAR"). This model has been used to estimate the maximum expected loss from the portfolio held at 31 December 2013 over 1 day, 5 day, 10 day and 21 day time periods given the historical performance of the fund over the previous five years. The data in the previous five years is analysed under discrete periods to provide 1 in 10, 1 in 20 and 1 in 100 possible outcomes. The results of the analysis are shown below.

	Expected loss as percentage at limit		
	1 in 10 (90%)	1 in 20 (95%)	1 in 100 (99%)
1 day return	0.9	1.2	1.6
5 day return	2.0	2.6	3.7
10 day return	2.9	3.7	5.2
21 day return	4.1	5.3	7.5

The above analysis has been based on the following main assumptions:

- The distribution of share price returns will be the same in the future as they were in the past.
- The portfolio weightings will remain as they were at 31 December 2013.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 2.6% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 1.6% or more on any given day.

Credit Risks
Cash at bank at 31 December 2013 included £2,744,000 (2012: £6,565,000) held at the Company's custodian, The Northern Trust Company (the "Custodian"). The Company also held £203,000 (2012: £308,000) at Lloyds Bank. The Board has established guidelines that, under normal circumstances, the maximum level of cash to be held at any one bank should be the lower of i) 5% of the Company's net assets and ii) £15 million. These are guidelines and there may be instances when this amount is exceeded for short periods of time.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis.

There is credit risk on dividends receivable during the time between recognition of the income entitlement and actual receipt of dividend.

Substantially all of the assets of the Company at the year end were held by the Custodian or sub-custodians of the Custodian. Bankruptcy or insolvency of the Custodian or its sub-custodians may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. The Company's exposure to the Custodian amounted to £372.8 million in respect of quoted investments and £2.7 million in respect of cash. Following the year end the Company terminated the appointment of the Custodian and appointed BNP Paribas Securities Services as custodian to the Company.

The Company invests in broker-issued participatory notes to provide economic exposure to underlying shares or securities when it is impracticable to invest directly in those shares or securities. The Company may be exposed to risk of loss in the event of default or insolvency of any counterparty used to acquire such investments. The Board has set a maximum limit for investment through participatory notes at 5% of net asset value, subject to a further limit of 2% per broker (both limits at time of investment).

Liquidity Risks
The Company invests in a range of global equities with different market capitalisations and liquidities and therefore needs to be conscious of liquidity risk. The Manager monitors the liquidity risk by carrying out a "Maturity Analysis" of the Company's listed equities based on the 3 month Average Liquidities of each investment and assuming 20% of the daily traded volume.

As shown in the quantitative analysis below, on 31 December 2013, 8.2% of the portfolio by value (excluding unquoted investments) might have taken more than three months to be realised.

Notes to the Financial Statements continued

Quantitative Disclosures
As described above, the Manager has carried out a maturity analysis of the Company's quoted investments at 31 December 2013 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	58.7%
Percentage of portfolio by value that could be liquidated in one month	82.4%
Percentage of portfolio by value that could be liquidated in three months	91.8%
Percentage of portfolio by value that could be liquidated in one year	96.3%

The Company may invest up to 10% of its net assets into pre-IPO investments which are possible candidates for flotation. At the year end the Company held investments in five unquoted companies with an aggregate total value of £10,957,000 (2012: £11,480,000); these investments have been valued at fair value at the year end.

Classification of financial instruments
FRS 29 requires that the classification of financial instruments be valued by reference to the source of inputs used to derive the fair value. The following classifications are used:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

The classification of the Company's investments held at fair value is detailed in the table below:

		2013				2012		
	Level 1 £'000	Level 2* £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2* £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss								
– Quoted	367,555	5,203	–	372,758	318,539	4,661	–	323,200
– Unquoted	–	–	10,957	10,957	–	–	11,480	11,480
	367,555	5,203	10,957	383,715	318,539	4,661	11,480	334,680

*Level 2 investments detailed above are holdings in quoted companies held through broker participatory notes. As at 31 December 2013 and 31 December 2012 the Company held one investment, Thermax (India), through a participatory note. The movement relates to the change in valuation of this holding.

The movement on the Level 3 classified investments during the year is shown below:

	2013 £'000	2012 £'000
Opening balance at 1 January	11,480	14,156
Additions during the year	–	153
Disposals during the year	–	(108)
Valuation adjustments	(523)	(2,721)
Closing balance at 31 December	10,957	11,480

Financial assets and liabilities
The Company's investments are mainly in securities of companies quoted on recognised stock exchanges. These investments are carried in the balance sheet at fair value by reference to their market bid prices. Any unquoted securities are measured at fair value which is determined by the directors in accordance with the International Private Equity and Venture Capital guidelines. All liabilities are included at fair value.

The Company's financial assets and liabilities at 31 December 2013 comprised:

	2013 Interest Bearing £'000	2013 Non-interest Bearing £'000	2013 Total £'000	2012 Interest Bearing £'000	2012 Non-interest Bearing £'000	2012 Total £'000
Investments						
Canadian Dollar	–	3,928	3,928	–	10,285	10,285
Danish Krone	–	11,285	11,285	–	6,302	6,302
Euro	–	83,038	83,038	–	63,352	63,352
Hong Kong Dollar	–	21,726	21,726	–	14,433	14,433
Japanese Yen	–	22,715	22,715	–	15,235	15,235
Korean Won	–	4,477	4,477	–	4,741	4,741
Norwegian Krone	–	6,627	6,627	–	6,557	6,557
Sterling	–	45,027	45,027	–	45,429	45,429
Swedish Krona	–	10,442	10,442	–	8,779	8,779
Swiss Franc	–	6,330	6,330	–	9,738	9,738
Taiwanese Dollar	–	5,523	5,523	–	4,568	4,568
US Dollar	–	162,597	162,597	–	145,261	145,261
	–	383,715	383,715	–	334,680	334,680
Cash at bank						
Floating rate – £ sterling	2,946	–	2,946	6,873	–	6,873
Short term debtors	–	1,865	1,865	–	707	707
Short term creditors	–	(2,528)	(2,528)	–	(1,047)	(1,047)
	2,946	383,052	385,998	6,873	334,340	341,213

Capital management

The Company considers its capital to consist of Ordinary Shares of 10p each and its share capital and reserves.

At 31 December 2013 there were 324,509,373 Ordinary Shares in issue (of these shares 94,679,109 were held in Treasury at the year end).

The Company bought back 40,940,484 Ordinary Shares during the year.

The Company did not have any borrowings during the year. The Company entered into a two year £30 million multi-currency revolving credit facility in January 2014. The Company's policy on borrowings is detailed in the Directors' Report.

The Manager and the Company's broker monitor the demand for the Company's shares and the directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares can be found in the Directors' Report.

The Company has no externally imposed capital requirements.

10 Year Financial Record

As at 31 December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Size of fund (£ millions)	38	107	224	393	305	394	453	345	341	386
Net asset value per Share[1]	76.7p	92.6p	110.6p	128.3p	99.6p	127.2p	142.7p	117.0p	126.0p	167.9p
Share price	71.3p	94.0p	115.4p	128.9p	85.0p	119.1p	129.8p	95.8p	102.9p	150.0p
Premium/(discount)[2]	(7.0%)	1.5%	4.3%	0.5%	(14.7%)	(6.4%)	(9.0%)	(18.1%)	(18.3%)	(10.7%)

Year ending 31 December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net asset value return[3]	15.7%	20.7%	19.4%	16.2%	-22.1%	28.4%	12.6%	-17.2%	8.5%	34.1%
MSCI ACWI Index[4]	7.4%	24.0%	6.1%	9.8%	-20.0%	19.9%	16.2%	-6.7%	11.0%	20.5%
FTSE ET100[4]	N/A	N/A	N/A	N/A	-38.9%	21.3%	6.8%	-24.4%	3.4%	40.7%
Revenue return per Share	0.1p	0.1p	0.2p	0.5p	0.9p	0.8p	0.8p	1.0p	0.9p	1.3p
Dividends paid	–	–	–	0.2p	0.3p	0.85p	0.75p	0.75p	0.9p	0.9p
Ongoing charges[5]	1.6%	1.6%	1.4%	1.3%	1.2%	1.1%	1.1%	1.1%	1.2%	1.1%
MSCI World Index[4,7]	7.0%	22.4%	5.3%	7.2%	-17.9%	15.7%	15.3%	-4.8%	10.7%	24.3%
FTSE ET50 Index[4,7]	6.1%	24.5%	19.7%	69.4%	-37.1%	15.2%	-2.2%	-27.4%	1.2%	41.9%

Notes

1. Net asset value per Share is measured on a diluted basis in years 2005 to 2010 when warrants were in issue. Warrants were issued in the year ended 31 December 2005 with a subscription price of 96p per Share. The final subscription date was 15 June 2010.
2. Share price premium/(discount) to net asset value.
3. Total return (discrete annual returns).
4. Net total return for MSCI indices and total return for FTSE indices (discrete annual returns).
5. Total expense ratio up to and including 2011.
6. N/A = not applicable (no data for this period).
7. Used as comparator indices in previous years.

Total returns to 31 December 2013

	NAV	Share price	MSCI ACWI Index	FTSE ET100 Index
1 year	34.1%	47.4%	20.5%	40.7%
2 year	45.7%	59.3%	33.8%	45.5%
3 year	19.7%	18.5%	24.9%	10.0%
4 year	34.8%	30.6%	45.2%	17.5%
5 year	76.6%	85.7%	74.0%	42.5%
6 year	34.7%	24.2%	39.2%	-12.9%
7 year	56.7%	37.9%	52.9%	N/A
8 year	89.4%	69.1%	62.2%	N/A
9 year	129.2%	123.1%	101.0%	N/A
10 year	164.5%	186.4%	116.0%	N/A

Financial Calendar

Annual General Meeting

21 May 2014 at 2:30 p.m.
Norfolk House
31 St. James's Square
London SW1Y 4JR

Dividend

Record date: 25 April 2014
Payment date: 28 May 2014
Amount: 1.2p per Ordinary Share

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or “AIF”	Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or “AIFMD”	A European Union directive which came into force on 22 July 2013 and must be implemented in the UK by 22 July 2014.
Annual General Meeting or “AGM”	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Custodian	An entity that is appointed to safeguard a company’s assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary’s duties include, inter alia, safekeeping of the Company’s assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or “FCA”	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be sold at short notice.
Net assets	An investment company’s assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company’s ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Share buy back	A purchase of a company’s own shares. Shares can either be bought back for cancellation or to be held in treasury.
Share price	The price of a share as determined by a relevant stock market.

Glossary continued

Total return	A measure of performance that takes into account both income and capital returns.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Value at Risk	A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Directors, Manager and Advisers

Directors
Richard Bernays (Chairman)
Charles Berry (retired 21 May 2013)
Vicky Hastings (appointed 21 May 2013)
Julia Le Blan
Keith Niven (retired 21 May 2013)
William Rickett, CB
John Scott, DL (appointed 7 February 2013)

Broker
Canaccord Genuity Limited
9th Floor
88 Wood Street
London EC2V 7QR

Custodian
BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Investment Manager
Impax Asset Management Limited
Norfolk House
31 St James's Square
London SW1Y 4JR

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

Secretary & Administrator
Cavendish Administration Limited
145-157 St John Street
London EC1V 4RU

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Banker
The Royal Bank of Scotland PLC
280 Bishopsgate
London EC2M 4RB

* Registered in England no. 4348393

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at Norfolk House, 31 St. James's Square, London SW1Y 4JR on 21 May 2014 at 2:30 p.m. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions.

Ordinary Business

1. To receive the Company's annual accounts for the year ended 31 December 2013, with the reports of the directors and auditors thereon.

2. To approve the directors' remuneration implementation report included in the Annual Report.

3. To elect Vicky Hastings as a director of the Company.

4. To re-elect Julia Le Blan as a director of the Company.

5. To re-elect William Rickett as a director of the Company.

6. To re-elect John Scott as a director of the Company.

7. To reappoint Ernst & Young LLP as auditors to the Company.

8. To authorise the directors to fix the remuneration of the auditors until the conclusion of the next Annual General Meeting of the Company.

9. To declare a final dividend of 1.2p per Ordinary Share of the Company in respect of the year ended 31 December 2013.

Special Business

10. To approve the directors' remuneration policy included in the Annual Report.

11. That the directors be and are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot relevant securities (as defined in section 551 of the Companies Act 2006) up to an aggregate nominal amount equal to £2,235,764 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 (excluding Treasury Shares) at the date of the Annual General Meeting and that this 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 2015 or, if earlier, on the expiry of 15 months from the passing of this resolution (the "section 551 period") but so that the directors may, at any time prior to the expiry of the section 551 period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the section 551 period and the directors may allot relevant securities in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 10p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 33,547,660 (representing 14.99 per cent of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 10p;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2015 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That, subject to the passing of resolution 11, in substitution for any existing power under section 570 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are hereby empowered, pursuant to section 570 of that Act, to allot and make offers or agreements to allot equity securities (as defined in section 560 of that Act) and/or sell equity securities held as Treasury shares pursuant to section 573 of that Act, in each case for cash pursuant to the authority and for the period of the authority conferred by resolution 11 up to an aggregate nominal amount of £2,235,764 as if section 561(1) of that Act did not apply to such allotment (subject to a maximum of 9.99 per cent. of the aggregate nominal value of the issued share capital at the date of this resolution).

14. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board
Anthony Lee
For and on behalf of
Cavendish Administration Limited
Company Secretary
4 April 2014

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

Notes to Notice of Annual General Meeting

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.impaxenvironmentalmarkets.co.uk

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 6:00 p.m. on 19 May 2014; or, if this meeting is adjourned, at 6:00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU at 2:00 p.m. on 19 May 2014 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Capita Registrars no later than 48 hours before the rescheduled meeting.

   On completing the Form of Proxy, sign it and return it to Capita Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required.

Appointment of Proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST

Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 2:00 p.m. on 19 May 2014 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Capita Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

   - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
   - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
   - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

   If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Notes to Notice of Annual General Meeting continued

Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. The total number of shares in issue in the Company is 269,498,373 Ordinary Shares of 10p each. Of these 45,698,109 are held in Treasury. Therefore, the total number of Ordinary Shares with voting rights is 223,800,264. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling Capita Asset Services' shareholder helpline (lines are open from 8:30 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays):
      (i) From UK: 0871 664 0300 (calls cost 10p per minute plus network extras);
      (ii) From Overseas: +44 208 639 3399 (calls from outside the UK are charged at applicable international rates); or
    - in writing to Capita Asset Services.

    You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Form of Proxy

Impax Environmental Markets plc

I/We

of

(BLOCK CAPITALS PLEASE)

being (a) member(s) of Impax Environmental Markets plc appoint the Chairman of the meeting, or (see note 1)

of

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Norfolk House, 31 St. James's Square, London SW1Y 4JR on 21 May 2014 at 2:30 p.m. and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution	For	Against	Withheld	Discretionary
1. To receive and adopt the Directors' report, the annual accounts and the Auditor's Report for the year ended 31 December 2013.				
2. To approve the Directors' Remuneration Implementation Report.				
3. To elect Vicky Hastings as a Director.				
4. To re-elect Julia Le Blan as a Director.				
5. To re-elect William Rickett as a Director.				
6. To re-elect John Scott as a Director.				
7. To reappoint Ernst & Young LLP as auditors to the Company.				
8. To authorise the Directors to fix the remuneration of the auditors.				
9. To declare a final dividend of 1.2p per Ordinary Share.				
10. To approve the Directors' Remuneration Policy.				
11. To give authority to allot new shares.				
12. To give authority for the Company to purchase its own shares.				
13. To give authority to allot new shares free from pre-emption rights.				
14. To authorise calling general meetings (other than Annual General Meetings) on 14 clear days' notice.				

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature　　Dated this　　day of　　2014

Notes
1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
3. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
4. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
7. The completion of this form will not preclude a member from attending the Meeting and voting in person.
8. Any alteration of this form must be initialled.

Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU, so as to arrive before 2.30 p.m. on 19 May 2014 (48 hours prior to the Annual General Meeting).

Cut along dotted line

Impax Environmental Markets plc
Annual Report and Accounts 2013