Impax

Impax Environmental Markets plc
Annual Report and Accounts 2014

Contents

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 2014
Net assets	£373.7m
Net asset value ("NAV") per Ordinary Share	169.8p
Ordinary Share price	152.5p
Ordinary Share price discount to NAV	10.2%

Performance summary

	% change[1]
Share price total return per Ordinary Share	1.7%
NAV total return per Ordinary Share[2]	1.7%
FTSE ET100 Index	4.1%
MSCI AC World Index	10.6%

[1]Total returns in sterling for the year to 31 December 2014
[2]Source: Morningstar

Further financial information can be found in the financial record on page 44.

Chairman's Statement

John Scott
Chairman

Following a strong performance in 2013, the past year was more challenging for global equities with periods of significant volatility. At the start of 2014 we saw the 'Polar Vortex' grip most of the United States, contributing to a 2% contraction of GDP in the first quarter before robust growth returned. Concerns about the health of many Eurozone economies resurfaced, while geopolitical tensions in Ukraine and the Middle East also had a marked effect on investor sentiment.

Impax Environmental Markets plc ("IEM" or the "Company") had a somewhat disappointing year, lagging both its global and environmental comparator indices as many investors shifted towards larger cap and more defensive stocks. However, the Board remains positive about IEM's potential for long term outperformance as the prospects for environmental markets continue to strengthen.

In the second half of the year, in a move which seemed to take most commentators completely by surprise, the price of oil fell sharply. The effect of this on the Company's target markets has proved complex. There has been much public debate and heightened negative sentiment around the impact of low cost oil on renewables but there have also been many positive consequences. Further details are outlined in the Manager's Report.

Climate change maintains its prominence in the media as we approach December's United Nations Climate Change Conference ("COP21") in Paris. The objective of the conference is to seek agreement on a long term framework for greenhouse gas reductions. In spite of considerable differences of opinion between developed and less developed countries on how to (and in some cases, whether we in fact need to) limit emissions, environmental policy remains high on political agendas, and international negotiations are likely to intensify news flow around pollution control efforts. Meanwhile, rising investment in renewables and improving energy efficiency – much of which is driven by long term political commitments – continue to underpin the high growth investment opportunities for IEM.

As a significant percentage of the carbon reserves of traditional energy companies can never be burned if global warming is to be held at +2^{0}C compared to pre-industrial levels, many investors are increasingly concerned that these companies may be overvaluing assets on their balance sheets; what is the value of an oil reservoir which can never be exploited? Several high profile institutions have already sold or declared their intention to sell their holdings in fossil fuel assets, and a "carbon divestment campaign" is gathering momentum. By offering exposure to low carbon energy markets, IEM is well placed to benefit from the growing investor appetite for participation in sectors that are set to benefit from changing approaches to the price of carbon or other policies aimed at reducing emissions.

Investment Performance

For the 12 months ended 31 December 2014 ("the Period"), the net asset value per share ("NAV") of IEM achieved a total return of 1.7% and ended the year at 169.8p. The continuing discount control policy maintained the discount within the target range. During the year, IEM's share price returned 1.7% (total return) and ended the year at 152.5p.

IEM's environmental comparator index, the FTSE ET100, rose 4.1% over the Period and the Company underperformed relative to its global comparator index, the MSCI All Countries World Index ("ACWI"), which rose 10.6% (total return, GBP over the Period). A detailed explanation of performance and a breakdown of the absolute contributors and detractors are covered in the Manager's Report. In particular, not owning Tesla hurt the Company, relative to the ET100, but the Managers continue to look with some wonderment at a company which at its 2014 peak was worth some US$36 billion, yet in the year under review achieved sales of $3.2 billion and delivered only 33,000 vehicles – roughly what Toyota manufactures in a day.

Discount and Buybacks

During the year, the discount to NAV at which the Company's Ordinary Shares traded ranged from 8% to 13% and ended the year at 10.2%. The Company bought back 9,763,000 Ordinary Shares in the year at an average discount to NAV of 12%. The buybacks enhanced the NAV per Ordinary Share by approximately 0.8p, equivalent to 0.5% of the NAV per Ordinary Share at the year end.

On 13 February 2014, the Company cancelled 50 million of the Ordinary Shares being held in treasury leaving 45,698,109 shares in treasury which can only be resold at a premium to NAV. All the Ordinary Shares bought back since 13 February 2014 have been cancelled.

Dividend

The Company's net revenue for the year was £3.4 million, equivalent to 1.5p per Ordinary Share. As a result, the directors are recommending a dividend for the year ended 31 December 2014 of 1.4p per share (2013: 1.2p). If approved at the Company's AGM, this dividend will be paid on 27 May 2015 to shareholders on the register as at the close of business on 24 April 2015. As the primary objective of the Company is capital growth, it should not necessarily be assumed that this level of dividend will be paid in future years.

Gearing

In January 2014, the Company entered into a £30 million, two year, multi-currency, revolving credit facility with The Royal Bank of Scotland plc. This is the first time that the Company has used gearing; the entire facility has been drawn down and invested broadly across existing holdings. At the end of the Period the Company's net gearing was 6%.

Alternative Investment Fund Managers Directive (AIFMD)

In July 2014, the Board announced that it had appointed Impax Asset Management (AIFM) Limited as the Company's investment manager (the "Manager"), following the authorisation of Impax Asset Management (AIFM) Limited as an alternative investment fund manager by the UK's Financial Conduct Authority. The Manager replaces Impax Asset Management Limited as the Company's investment manager and this change comes about purely as a result of the AIFMD. The personnel managing the portfolio remain unchanged, as do the management fee and notice period.

During the year, following completion of a review of its arrangements, the Company appointed BNP Paribas Securities Services as its custodian and subsequently, in accordance with the requirements of AIFMD, as its depositary.

Board of Directors

Richard Bernays retired as Chairman of the Company at the conclusion of the last AGM. The Board and the Manager wish to express their considerable thanks to Richard for his vision in agreeing to chair the Company at launch, for his wise stewardship during the early years and his valuable leadership throughout twelve years of service.

Annual Report/Shareholder communications

Our investment philosophy is based on the efficient use of natural resources. Therefore, in order to reduce our paper consumption we plan to publish future Annual and Half-yearly Reports in soft copy format only on the IEM website (www.impaxenvironmentalmarkets.co.uk). This will be the last printed document that is automatically mailed to shareholders. You may of course opt to receive a hard copy and these will also be available on request.

Outlook

As at 27 March 2015 the NAV has risen 6.3% and the share price has risen by 4.8% since the year end. During this period the FTSE ET100 and MSCI ACWI indices have gained by 9.8% and 7.2% respectively.

The long term secular drivers of IEM's target markets remain compelling and the Board shares the Manager's view that the Company's portfolio is well positioned and attractively valued. Although we are cautious on the global macro-economic backdrop and believe that growth may remain stubbornly slow in some regions, the persistence of loose monetary policy around the world should prove generally supportive of valuations. We are confident that the current market environment presents an excellent opportunity for the Company to invest in undervalued long term growth.

John Scott
Chairman
31 March 2015

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Two key factors dominated global equity markets during 2014. The first was a rotation out of small caps and industrials, following their outperformance in 2013. Investor preference shifted to large caps and more defensive sectors such as healthcare, where IEM is inevitably underweight. Although some sub-sectors, such as Energy Efficiency and Water Infrastructure, proved robust, the Company's small cap industrial bias resulted in underperformance against our global comparator index, the MSCI ACWI. The second factor was a fall in the oil price of 45% in the fourth quarter. IEM has proved resilient to this jolt, and investment performance was broadly in line with global markets in the last three months of the year.

Drivers of Environmental Markets and Key Developments

Oil price – negative sentiment but positive for some sectors

The lower oil price has created considerable negative sentiment around environmental markets but has not led to material underperformance. Understanding the influence of a lower oil price on each sector within the Company's universe is complex and requires a detailed analysis of the underlying drivers of investee companies and the business models involved. For example, in Energy Efficiency there is some potential downside where companies' products are in direct competition with oil (eg electric vehicles); on the other hand, a declining oil price tends to be positive for companies with high exposure to consumer spending.
In the water sector we have witnessed both positive and negative impacts, with the lower cost of oil proving positive for many water treatment companies where oil is an input cost for many chemicals.

Mergers & Acquisitions – anticipate increasing levels of activity

Takeovers of IEM's portfolio companies have been a significant contributor to performance since inception of the Company with large companies acquiring specialist technology and service providers as the demand for resource efficiency solutions grow. There were two acquisitions of portfolio companies during the Period. Nutreco (Sustainable and Efficient Agriculture, Netherlands) was the subject of an agreed offer by SHV, following a bidding war with Cargill, and Danfoss acquired Vacon (Industrial Energy Efficiency, Finland). In addition, we saw acquisitive behaviour from several of our investee companies; for example, Kingspan announced two North American acquisitions during 2014, followed by the purchase of Joris Ide, (a manufacturer of insulation panels) in January.

Waste – focus on specialist recyclers

General waste and recyclers continued to suffer from over-capacity and weak commodity prices. During the year we shifted our focus to the hazardous waste companies such as Stericycle (focused on medical waste disposal), and the specialist recyclers that are able to dominate their waste stream such as LKQ, which recycles car parts from insurance write offs.

Electric vehicles – preference for fuel efficiency in traditional engines

Innovation in fuel efficiency and alternative transportation technology continued in 2014, with the market's primary focus on electric vehicles (EVs) in general, and Tesla in particular. Tesla's growing brand recognition, with its high performance EV targeted at "technology early adopters", drove its stock to record levels, contributing to 60% of the FTSE ET100's 4% rise. However, the stock price has declined in recent months as the company experienced increased competition from traditional manufacturers with BMW and GM launching their own EVs. Since the start of 2015, Daimler and Toyota, which were early investors in Tesla, have also sold or reduced their holdings.

IEM is invested in parts of the value chain which focus on design advice to EV manufacturers (eg Ricardo) and makers of specialist components to facilitate the electrification of vehicles (eg LEM). Although we expect a gradual acceleration in the take-up of EVs as battery technology and vehicle range improve, the EV market currently constitutes a very small percentage of total vehicle sales. Thus, for the foreseeable future we continue to prioritise investment in companies delivering improvements in fuel efficiency in the traditional combustion engine (eg Sensata and BorgWarner).

Policy and Regulation in Environmental Markets

The policy landscape continues to be dominated by the UN's climate negotiations. The EU has already made good progress in advance of the Paris meeting. It has endorsed a binding target to cut greenhouse gases by at least 40% from 1990 levels by 2030, as part of the EU 2030 Energy and Climate Package, and is on track to meet its previous goal of a 20% reduction by 2020.

In addition, the US and China announced ambitious targets to cut their greenhouse gas emissions. The US will pursue a 28% reduction (compared to 2005 levels) by 2025, a significant improvement on the current target of 17% below 2005 emissions by 2020. China has committed to begin reducing total carbon dioxide emissions by 2030, with the intention to reach this goal earlier.

The local pollution challenges in Asia continue to make the headlines. We expect the new governments in China, India and Japan to maintain their commitments to deliver on environmental improvements to benefit public health. The sharp decline in the oil price is already supporting higher infrastructure spending as fossil fuel subsidies are reduced (in India and Indonesia), or fuel consumption taxes are increased (in China) to provide cash for these longer term investments. In the coming months we expect to learn the priorities for China's next Five Year plan and are confident that this will continue to prioritise local environmental improvement. While in India, ambitious projects to clean up the Ganges River system, extend off grid solar power to rural areas, and invest in high speed rail infrastructure are key features of President Modi's strategy to deliver economic growth.

Addition of Public Transportation sub-sector

The investment opportunities in environmental markets continue to increase as the universe of companies expands. FTSE recently added a new sub-sector, Public Transportation, within Pollution Control. This includes operators of transportation networks and bicycle manufacturers. This sub-sector is now included in IEM's investment universe but we do not currently hold any stocks.

Absolute Performance Contributors and Detractors

Contributors

Energy Efficiency remained one of our key themes during 2014, benefiting from the on-going cyclical recovery in construction, growth in industrial and automotive end markets, and increasingly stringent energy efficiency regulations. The most notable contributors were from the Buildings Energy Efficiency sub-sector: portfolio holdings NIBE Industrier (ground source heat pumps, Sweden) and Thermax Limited (energy efficient power generation equipment, India). The latter benefited from a large order placed by Reliance Industries and a market re-rating following the election of the Modi Government.

The Water Infrastructure and Technologies sub-sector delivered good performance, reflecting strong construction markets, the recovery in municipal spending and investor preference for the defensive characteristics of Water Utilities. Pall Corporation (water treatment equipment, US), Xylem (water infrastructure, US) and California Water (water utility, US) all made material contributions to performance.

The single largest contributor to performance was Vestas (wind power generation, Denmark), where a new management team took over in mid-2013 and has made effective progress in improving the company's profitability.

M&A activity was also a meaningful contributor, with portfolio holdings Nutreco and Vacon acquired at 14x and 18x TTM EV/EBITDA[1] respectively, versus 10x for the portfolio.

Detractors

Our solar holdings, such as SMA Solar Technology (solar inverters, Germany), were underperformers. This was partly due to market misperceptions about the negative influence of the oil price on the sub-sector: in reality, oil prices have a negligible effect on these markets. Solar stocks are more closely correlated to government targets, technology costs and power prices. We believe that this adverse sentiment and the resulting sell-off have been overdone and are currently seeking buying opportunities.

Recycling & Value Added Waste Processing companies were weakened by overcapacity in processing and disposal facilities and lower key commodity prices. This led to weakness in recycling and value added waste processing companies such as Schnitzer Steel Industries (metal recycling, US). We reduced our holding in this company earlier in the Period, thus mitigating some of the stock price fall.

Small and micro-cap holdings also underperformed following good performance in 2013, which impacted Regenersis (mobile phone refurbishment and recycling, UK).

[1]Enterprise value trailing twelve months, earnings before income, taxes, depreciation and amortization - a financial metric to assess the valuation of a target company.

Manager's Report continued

Portfolio Activity and Current Structure

The sub-sector breakdown for IEM is set out on page 11, along with the comparison with the FTSE ET100.

At the end of the Period the portfolio comprised 67 listed holdings, the same number as last year. We continued to find high quality opportunities in Energy Efficiency, particularly in the US. We have increased our Solar Energy Generation exposure on weakness, added holdings in Sustainable Food, Agriculture and Forestry and added to our Asia Pacific companies. We exited 11 holdings, mainly on the basis of valuation.

The portfolio remains well diversified by both geography and by sub-sector (see page 11). Compared to the ET100, the portfolio is underweight Renewable and Alternative Energy and overweight Waste Management and Technologies (particularly Hazardous Waste) and Water Infrastructure & Technologies (mainly Utilities). Compared with the MSCI ACWI, in regional terms, the Fund is overweight Europe and underweight North America.

Unquoted Companies

At 31 December 2014, the value of the Company's investments in unquoted companies was £10.9m (2013: £11.0m), representing 2.9% of net assets. During the year, we were disappointed to learn that the further expected funding for Pelamis from the Scottish Government was withdrawn, due to a change in policy. Regrettably this resulted in the company entering administration. The valuations of unquoted holdings are regularly reviewed and we continue to work towards timely exits from these assets.

Movements in the year were as follows:

	£m
Valuation at 1 January 2014	11.0
Net valuation and FX changes	(0.1)
Valuation at 31 December 2014	10.9

Outlook for 2015

We maintain a prudent approach to equity market valuations, which look set to remain volatile given the uncertainty of macro-economic conditions and fragile investor sentiment. Nevertheless, the underlying fundamentals of environmental markets are solid, and relative valuations are currently attractive with forecast earnings growth well above that predicted for broader global equity markets.

The portfolio is currently valued at a two year low relative to the MSCI ACWI. We continue to monitor the many catalysts that should trigger a re-rating of devalued stocks, and therefore expect to see increased levels of M&A activity; which has historically been a notable contributor to performance.

Impax Asset Management Limited
31 March 2015

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 2014, the Company had investments totalling in aggregate £186.3m by value invested in this sub-sector representing 46.8% 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 2014, the Company had investments totalling in aggregate £93.6m by value invested in this sub-sector representing 23.5% 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;
- environmental sensing, testing and monitoring; and
- air pollution control technologies.

**As at 31 December 2014, the Company had investments totalling in aggregate £118.2m by value invested in this sub-sector representing 29.7% 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 2014. The Company held investments in 5 unquoted companies as at 31 December 2014, the largest one being Ensyn which represented 2.3% 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.

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.

**In January 2014 the Board approved the Company entering into a £30 million two year multi-currency revolving credit facility.*

**The above disclosures do not form part of the investment policy.*

Results and dividend

The Company's revenue return after tax for the year amounted to £3,384,000 (2013: £3,156,000). 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 1.4p per Ordinary Share (2013: 1.2p per Ordinary Share) absorbing £3,042,862 (2013: £2,685,603) 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 27 May 2015 to shareholders on the register at the close of business on 24 April 2015.

The Company made a capital return after tax of £1,742,000 (2013: £96,485,000). Therefore the total return after tax for the Company was £5,126,000 (2013: £99,641,000).

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 16). 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 Management Engagement 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 2014	3 years to 31 December 2014	5 years to 31 December 2014	10 years to 31 December 2014
NAV of the Company[1]	1.7%	48.0%	37.3%	130.2%
Share price of the Company[1]	1.7%	62.0%	32.8%	126.8%
MSCI AC World	10.6%	48.1%	60.6%	122.4%
FTSE ET50/ET100[2]	4.1%	48.9%	5.7%	93.4%
FTSE All-Share Index	1.2%	37.3%	51.8%	107.6%

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
[2]ET50 data up until 31 December 2013 and then ET100 thereafter

Discount

The Company's shares traded at an average discount to NAV of 10.8% during the year ended 31 December 2014 and within a range of 8% to 13%. The year end discount to NAV was 10.2%.

Ongoing charges

Based on the Company's average net assets during the year ended 31 December 2014, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.12% (2013: 1.13%).

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 17 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

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.

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 Board monitors key person risks as part of its oversight of the Manager.

The control of risks related to the Company's business areas is described in detail in the corporate governance report on pages 19 to 21.

(iv) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act could result in 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. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006 could result in financial penalties or legal proceedings against the Company or its directors. Failure of the Manager to meet its regulatory obligations could have adverse consequences on the Company.

Risk mitigation

The Company has contracted out relevant services to appropriately qualified professionals. The Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

(v) Level of share price discount to net asset value

Returns to shareholders may be affected by the level of discount at which the Company's shares trade.

Risk mitigation

The Board has made a statement on discount control.

The Company utilises its powers to buy back the Company's own shares when circumstances are appropriate. The Board monitors the level of discount and share buy backs at Board meetings and receives regular shareholder feedback from the Company's Manager and Broker.

(vi) Financial risks

The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. Further details on these risks and risk mitigation are disclosed in note 17 to the accounts.

Investment Policy, Results and Other Information continued

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 2014 the Company had four directors of whom two are male and two are female. The Board's policy on diversity is contained in the corporate governance report (see page 20).

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 set out on pages 1 to 14 of this Annual Report was approved by the Board of Directors on 31 March 2015.

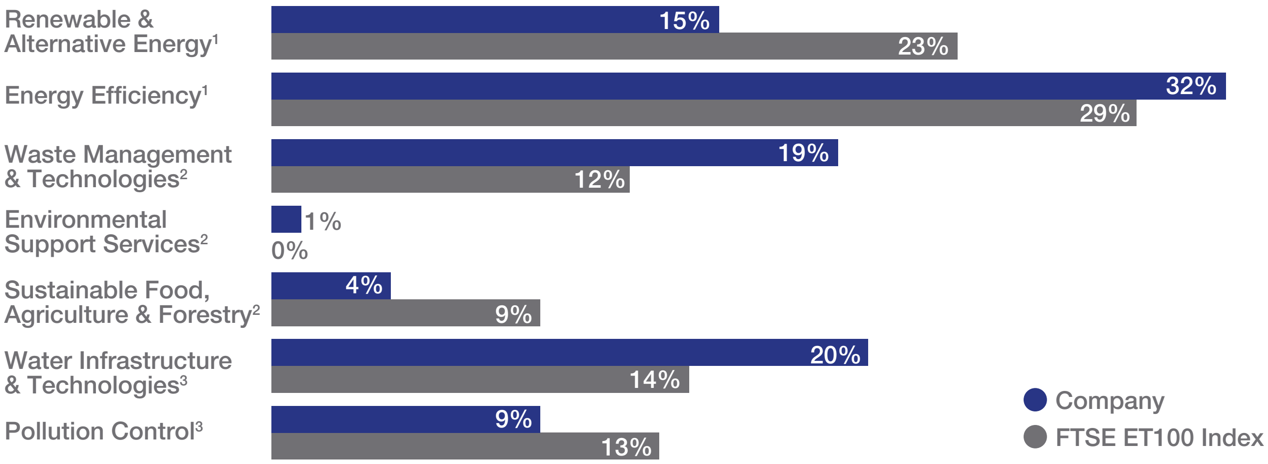
For and on behalf of the Board
Julia Le Blan
Director

31 March 2015

Structure of the Portfolio

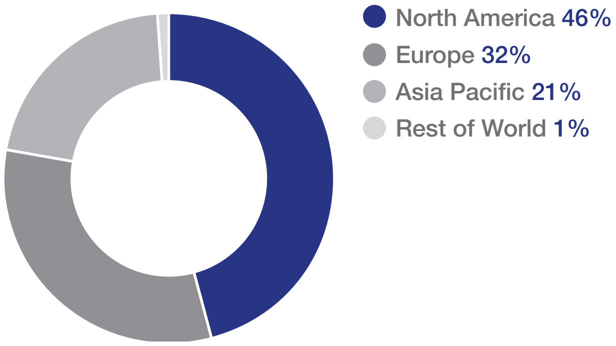
As at 31 December 2014

Breakdown by Environmental Markets Classification System

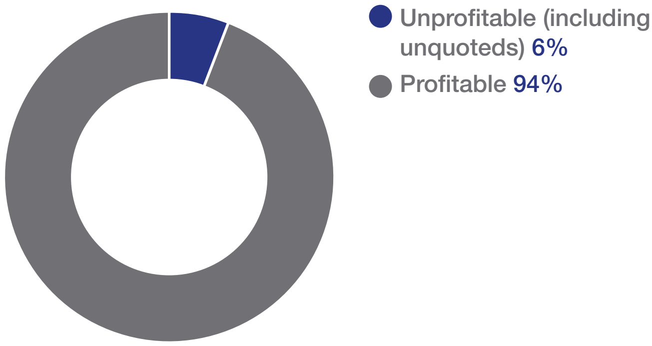


Investment policy classification
[1]Alternative Energy and Energy Efficiency
[2]Waste Technologies and Resource Management
[3]Water Treatment and Pollution Control

Breakdown by Region

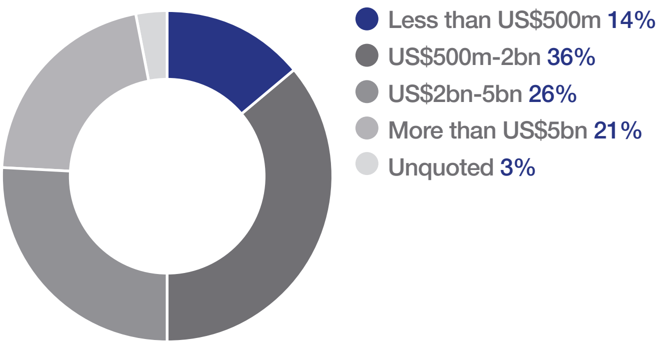


Breakdown by Company Profitability[1]



[1]based on next 12 months earnings estimates

Breakdown by Market Capitalisation



Ten Largest Investments

As at 31 December 2014

1 Kingspan

(Ireland) 3.2% of net assets (2013: 3.3%)

Kingspan provides low energy building solutions such as insulated panels and boards, and environmental housing solutions such as solar hot water and rainwater harvesting. As well as benefiting from the cyclical recovery in construction markets to which it has significant operating leverage, it has taken advantage of the weak conditions to make strategic acquisitions and has also invested to expand the technological edge of its products. Kingspan remains a high quality business that is poised to benefit over the longer term from the increasing regulatory focus on energy efficient buildings.

http://www.kingspan.com

2 Spirax-Sarco Engineering

(United Kingdom) 3.1% (2013: 1.5%)

Spirax-Sarco specialises in technologies that help its customers make efficient use of steam and other industrial fluids. One of its key attributes is its very strong sales channel where its sales engineers effectively act as outsourced consultants to Spirax's customers and recommend which systems and products they should buy. It continues to benefit from its sustained investment in research and development to accelerate the flow of new products and has achieved structural improvements to its margins by consolidating its manufacturing facilities.

http://www.spiraxsarco.com

3 Xylem

(United States) 3.0% (2013: 1.8%)

Xylem provides highly engineered technologies for the global water industry. It benefits from diversified end market exposures coupling relatively defensive utility sales with more cyclical industrial and construction markets. Management has delivered solid profit margin improvement in recent years through a focus on costs and optimising processes. They have made successful bolt-on acquisitions recently and are well positioned to build value through larger deals in the medium-term.

http://www.xyleminc.com

4 Pall Corp

(United States) 3.0% (2013: 3.0%)

Pall is a supplier of filtration, separation and purification technologies that provide solutions for the complex removal of solid, liquid and gaseous contaminants from a wide variety of liquids and gases. It has a high proportion of recurrent sales, strong cash flow generation and strongly growing end markets. Since the arrival of the latest management team a greater focus on organic growth and return on invested capital has driven operating margins from mid-teens to high-teens with a medium term target of over 20%. In addition, Pall remains a potential M&A target among the US industrial peer group.

http://www.pall.com

5 China Longyuan Power Group

(China) 3.0% (2013: 1.3%)

China Longyuan is a high quality developer and operator of wind farms. It is in a strong position to lead the development of wind power in China due to its strong track record and backing by one of the top state owned power producers. This will allow it to continue its rapid capacity additions and it has also been improving its profitability by reducing the impact of grid curtailment. Importantly for us as investors, its disclosure of operational data is more transparent than its Chinese peers.

http://www.clypg.com

6 Stericycle

(United States) 2.8% (2013: 1.5%)

Stericycle manages regulated waste and provides an array of related and complementary services. It has a dominant market position in the US medical waste market with strong secular drivers such as an ageing population and increasing regulation. Stericycle is also expanding into the large international market, which now represents about 30% of the company's sales and is seeing improving margins.

http://www.stericycle.com

7 LKQ Corporation

(United States) 2.8% (2013: 2.1%)

LKQ is the largest provider of recycled and aftermarket vehicle parts in the United States. The company's growth is driven by the increased use of recycled parts that has resulted from insurance companies' desire to reduce costs of collision repair. LKQ occupies a dominant market position in the US with high barriers to entry and pricing power. It offers a compelling offering to customers, being able to sell at a large discount to original equipment manufacturers' prices, and is expanding strongly in international markets.

http://www.lkqcorp.com

8 BorgWarner

(United States) 2.7% (2013: 1.7%)

BorgWarner is a leading global supplier of fuel efficient automotive systems and components for powertrain and drivetrain applications. It has long-term structural growth drivers in the form of increasing fuel efficiency standards and is set to benefit from a recovery in European demand which represents more than half of its revenue. It continues to see positive end-market demand from the US and China

http://www.borgwarner.com

9 NIBE Industrier

(Sweden) 2.5% (2013: 2.7%)

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. During 2013 it made a key strategic acquisition in the United States which will provide a platform for continued growth and diversification from its traditional European home market. It has an impressive history of integrating acquisitions to complement organic growth.

http://www.nibe.com

10 Clean Harbors

(United States) 2.3% (2013: 3.3%)

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.
A strategic review during 2014 resulted in a planned carve-out of its oil and gas field services business and an increased emphasis on diversifying the product range produced by its oil re-refining and recycling business.

http://www.cleanharbors.com

Details of Individual Holdings

As at 31 December 2014

Company	Sector	Country of main listing	Current value £'000	% of Net Assets
Kingspan	Energy Efficiency	Ireland	12,034	3.2%
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	11,446	3.1%
Xylem	Water Infrastructure & Technologies	United States	11,216	3.0%
Pall Corp	Water Infrastructure & Technologies	United States	11,179	3.0%
China Longyuan Power Group	Renewable & Alternative Energy	China	11,063	3.0%
Stericycle	Waste Management & Technologies	United States	10,418	2.8%
LKQ	Waste Management & Technologies	United States	10,293	2.8%
BorgWarner	Energy Efficiency	United States	10,102	2.7%
NIBE Industrier	Energy Efficiency	Sweden	9,678	2.5%
Clean Harbors	Waste Management & Technologies	United States	8,691	2.3%
Horiba	Pollution Control	Japan	8,652	2.3%
Itron	Energy Efficiency	United States	8,607	2.3%
Ensyn[1]	Renewable & Alternative Energy	United States	8,602	2.3%
Pentair	Water Infrastructure & Technologies	United States	8,584	2.3%
CLARCOR	Pollution Control	United States	8,501	2.3%
Generac Holdings	Energy Efficiency	United States	8,479	2.3%
Donaldson	Pollution Control	United States	8,089	2.2%
Watts Water Technologies	Water Infrastructure & Technologies	United States	8,065	2.2%
Epistar	Energy Efficiency	Taiwan	7,705	2.1%
American Water Works	Water Infrastructure & Technologies	United States	7,679	2.1%
Tomra Systems	Waste Management & Technologies	Norway	7,565	2.0%
A. O. Smith	Energy Efficiency	United States	7,561	2.0%
Nutreco	Sustainable Food, Agriculture & Forestry	Netherlands	7,306	1.9%
Lee & Man Paper	Waste Management & Technologies	Hong Kong	7,301	1.9%
Sensata Technologies Holding	Energy Efficiency	Netherlands	7,273	1.9%
Top twenty five holdings			**226,089**	**60.5%**
Other quoted holdings			**169,699**	**45.4%**
Other unquoted holdings			**2,311**	**0.6%**
Total holdings in companies			**398,099**	**106.5%**
Cash			7,180	1.9%
Other net assets			(31,579)	(8.4%)
Total net assets			**373,700**	**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 2014.

The Company held the following investments in unquoted companies:

Company	Country	Current value £'000	% of Total Net Assets
Ensyn	United States	8,602	2.3%
New Earth Recycling & Renewable	United Kingdom	2,311	0.6%
Pelamis Wave Power	United Kingdom	–	–
Emergya Wind Technologies	Netherlands	–	–
STE	United Kingdom	–	–
Total		**10,913**	**2.9%**

Directors' Report

Impax Environmental Markets plc Board: (from left to right) **Vicky Hastings, John Scott, Julia Le Blan, William Rickett**

The directors present their report and accounts for the year ended 31 December 2014.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 14.

Corporate governance

The Corporate Governance Statement on pages 19 to 21 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 and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. 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 2014.

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. Impax Asset Management (AIFM) Limited (the "AIFM") received its authorisation as an Alternative Investment Fund Manager from the FCA with effect from 3 July 2014.

The AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules is included in this Annual Report or will be made available in due course on the AIFM's website (www.impaxam.com).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's first relevant reporting period which will be the year ending 30 September 2015. The AIFM will make the required disclosures on its remuneration after the end of its first relevant reporting period. In line with FCA guidance on AIFMD reporting, no remuneration disclosures are being made in this Annual Report.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 130%. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	130%	130%
Actual leverage at 31 December 2014	107%	108%

Share issues

The authority to issue new shares for cash granted at the Annual General Meeting held on 21 May 2014 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 21,712,990 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.

Directors' Report continued

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."

Share buy backs and renewal of authority to purchase own shares

During the year ended 31 December 2014 the Company purchased 9,763,000 of its own Ordinary Shares and since the year end a further 2,720,000 Ordinary Shares have been bought back. These shares were purchased at a discount to net asset value. On 13 February 2014, the company cancelled 50 million Shares held in Treasury.

The authority for the Company to purchase its own shares granted by the Annual General Meeting held on 21 May 2014 will expire at the conclusion of the forthcoming Annual General Meeting. The directors recommend that a new authority to purchase up to 32,580,354 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

The Royal Bank of Scotland plc is the Company's banker.

Bank loan

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. As at 31 December 2014, the facility was fully drawn down and the Company's loans outstanding totalled, in aggregate, £30,989,000. The breakdown of the loans drawn down at the year end and details of the facility charges can be found in note 11 to the accounts.

The Company did not have any borrowing facilities in place and did not utilise any borrowings during the year ended 31 December 2013.

Custody

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. The Company's custodian, BNP Paribas Securities Services, was appointed as the Company's depositary with effect from 3 July 2014 and the custodian agreement previously in place was terminated and replaced by a depositary agreement at that time.

Retail distribution of investment company shares via financial advisers and other third party promoters

Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to ordinary retail investors have been effective since 1 January 2014. As a result of the 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 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

Impax Asset Management (AIFM) Limited ("IAM") was appointed as the Company's investment manager (the "Manager") with effect from 3 July 2014. This appointment followed the authorisation of Impax Asset Management (AIFM) Limited as an alternative investment fund manager by the UK's Financial Conduct Authority. The Manager replaced the previous investment manager, Impax Asset Management Limited, as the Company's investment manager. This change occurred as a result of AIFMD and the personnel at the Manager managing the portfolio remain unchanged. The management fee and notice period also remain unchanged.

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 per cent 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 265,765,373 Ordinary Shares of 10p nominal value including 45,698,109 Ordinary Shares 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.

Since the year end, the Company has purchased 2,720,000 of its own Ordinary Shares.

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 2014, the following shareholdings comprising 3 per cent or more of the issued share capital (excluding Treasury Shares) of the Company:

	Holding	%
1607 Capital Partners LLC	20,216,083	9.2
Universities Superannuation Scheme	18,613,832	8.5
East Riding of Yorkshire Council	14,928,368	6.8
AEGON UK Group of Companies	12,031,390	5.5
Church Commissioners for England	11,051,666	5.0
Rathbone Brothers plc	11,025,031	5.0

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.

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 2014, the Company held £7.2m in cash and £387.2m in quoted investments. It is estimated that approximately 88.9% 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 2014 were £4.2m, which represented approximately 1.12% 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 27 March 2015 were £392m.

Directors' Report continued

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 re-appoint 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

31 March 2015

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 four non-executive directors including the Chairman.
Mrs Le Blan and Mr Rickett were appointed as directors 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 retired as Chairman of the Company at the Annual General Meeting held on 21 May 2014 and Mr Scott was appointed as Chairman at that time. Mrs Le Blan has been appointed as the Board's senior independent director.

The Board believes that during the year ended 31 December 2014 its composition was appropriate for an investment company of the Company's nature and size. 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.

John Scott (Chairman) 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.

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 is 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 Chairman of Cambridge Economic Policy Associates Ltd and a director of Helius Energy plc, Greencoat UK Wind plc and Smart DCC Ltd.

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.

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 will stand for re-election.

The Board recommends all the directors for re-election for the reasons highlighted above and in the performance appraisal section of this report.

Corporate Governance continued

The directors have appointment letters which do not provide for 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 25 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.

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

The Directors' Remuneration Implementation Report is included on page 23 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. The Management Engagement Committee also reviews the fees payable to the other main service providers to the Company.

Mr Scott is chairman of the Management Engagement Committee. The Management Engagement Committee has formal terms of reference and copies of these are available on the Company's website or 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.

Mr Scott is chairman of the Nominations Committee. The Nominations Committee has formal terms of reference and copies of these are available on the Company's website or on request from the Company Secretary.

Meeting attendance

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

Note: meetings attended/eligible to attend.

In addition, there were four Board meetings to deal with AIFMD and administrative matters and three 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.

An external evaluation of the Board was completed by Linstock Limited in March 2015. Lintstock does not have any other relationship with the Company. 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 and the results reported back to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the directors showed the necessary commitment for the fulfilment of their duties.

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 27 and a Statement of Going Concern is on page 17. The Report of the Independent Auditor is on pages 28 and 29.

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.

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.] The Chairman may be contacted by email at chairman@impaxenvironmentalmarkets.co.uk.

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 Policy Report

This policy provides details of the remuneration for the directors of the Company (the "Remuneration Policy"). The Remuneration Policy will be put forward for approval by shareholders at the Company's Annual General Meeting to be held on 19 May 2015, and, if approved, the provisions set out in this policy 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 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	See note 1 below	For services as Chairman of a plc	Determined by the Board
Annual fee	Other directors	See note 1 below	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	See note 1 below	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 Company's Annual General Meeting, this Remuneration Policy will be effective from the date of approval.

By order of the Board

Anthony Lee
For and on behalf of
Cavendish Administration Limited
Company Secretary
31 March 2015

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.

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 to be put forward for approval at the Company's Annual General Meeting is set out on page 22.

The Directors' Remuneration Implementation Report is 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 28.

Remuneration committee

The Company currently has four non-executive directors.

During the year ended 31 December 2014, 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.

Following the year end a review of directors' remuneration has been performed by the Remuneration Committee. The level of fees payable to the directors has been unchanged since March 2010 although the amount of regulation applicable to the Company has significantly increased since that time. The Remuneration Committee has taken into account independent analysis of current market rates of directors' fees for investment trust companies and has recommended, and the Board has approved, that, with effect from 1 April 2015, annual directors' fees should be increased to £33,000 for the Chairman, £22,000 to the other directors of the Company with an additional annual amount of £4,500 payable to the Chairman of the Audit Committee. The Remuneration Committee believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional directors in the future.

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 20.

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 provide for 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

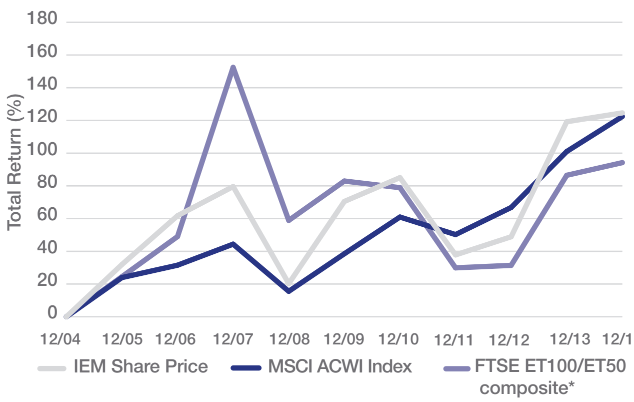
Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or 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

No director search and selection fees were incurred during the year.

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.



*FTSE ET50 Index until 31 December 2013 and then FTSE ET100 Index

Directors' Remuneration Implementation Report continued

Directors' Emoluments for the Year (Audited)

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

	Fees and taxable benefits 2014 £'000	Fees and taxable benefits 2013 £'000
John Scott (appointed on 7 February 2013 and appointed as Chairman with effect from 21 May 2014)	26	18
Vicky Hastings (appointed on 21 May 2013)	20	12
Julia Le Blan	24	24
William Rickett	20	20
Richard Bernays (Chairman retired on 21 May 2014)	12	30
Charles Berry (retired on 21 May 2013)	–	8
Keith Niven (retired on 21 May 2013)	–	8
	102	120

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees was paid to third parties.

The fee rates for the year ended 31 December 2014 were set out in the Annual Report for the year ended 31 December 2013.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2013 was put forward at the Annual General Meeting held on 21 May 2014. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 21 May 2014. The resolution was passed with proxies representing 99.99% of the shares voted being in favour of the resolution. In aggregate, 0.0002% of votes cast were withheld.

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.

	2014 £'000	2013 £'000	Difference £'000
Income receivable	5,422	5,101	321
Spend on Directors' fees	102	120	(18)
Management fees and other expenses	4,191	4,166	25
Share buy backs	14,741	52,547	(37,806)
Dividends paid to shareholders	2,683	2,309	374

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 2014 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 2014	Ordinary Shares At 1 January 2014
V Hastings	12,500	–
J Le Blan	5,000	5,000
W Rickett	5,000	5,000
J Scott	10,000	10,000

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 2014:

(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.

William Rickett
Chairman of the Remuneration Committee

31 March 2015

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 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 the Company's website or 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 needs for an internal function under periodic review. The chairman of the company is a member of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as he has recent and relevant financial experience and was independent on his appointment as chairman and remains so.

Meetings
There were two Audit Committee meetings during the year ended 31 December 2014. Mrs Le Blan, Mrs Hastings and Mr Scott attended both meetings and Mr Rickett attended one meeting.

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 2014.

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.

Recognition of income
The Audit Committee reviewed the Company's income during the year including the treatment of any special dividends receivable in the year.

Financial statement presentation
The Audit Committee obtained assurances from the Manager and the Secretary that the financial statements had been prepared appropriately.

Calculation of management fees
The Audit Committee reviewed the procedures in place for the calculation of management fees.

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.

Tax status
The Audit Committee reviewed the compliance of the Company during the year with the eligibility conditions and ongoing requirements in order for investment trust status to be maintained.

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 17.

Report of the Audit Committee continued

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 2014, 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 ended 31 December 2013. The incumbent auditor and two other firms were invited to participate in the tender. 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
31 March 2015

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 (AIFM) 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

31 March 2015

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

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 2014 and of its profit 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.

What we have audited

We have audited the financial statements of Impax Environmental Markets PLC ("the Company") for the year ended 31 December 2014 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 17. 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 27, 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 & Accounts 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.

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 table also includes our responses to the risks:

Risks Identified	Our Response
The investment portfolio at the year-end comprised of quoted equity investments of £398 million and unquoted investments of £11 million. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	• We agreed all the year end prices of the quoted investments to an independent source using our proprietary pricing tool operated by our team of pricing specialists. • We have reviewed the inputs and assumptions used to value unquoted investments and agreed them to supporting documentation. We also considered the valuation methodologies applied to these investments to confirm they were consistent with fair valuation guidance under UK GAAP. • We agreed the number of shares held in each security to confirmations of legal title received from the Company's custodian BNP Paribas Securities Services.

Our application of materiality

We determined planning materiality for the Company to be £3.7 million which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

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% of planning materiality, namely £2.8 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 reported to the Committee all audit differences in excess of £0.18 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters 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.

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
- is 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 17, 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 specified for our review.

Julian Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 March 2015

Income Statement

For the year ended 31 December 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments	13	–	4,736	4,736	–	99,093	99,093
Income	2	5,422	–	5,422	5,101	–	5,101
Investment management fees	3	(882)	(2,642)	(3,524)	(869)	(2,608)	(3,477)
Other expenses	3	(667)	–	(667)	(689)	–	(689)
Return on ordinary activities before finance costs and taxation		**3,873**	**2,094**	**5,967**	**3,543**	**96,485**	**100,028**
Finance costs	5	(117)	(352)	(469)	–	–	–
Return on ordinary activities before taxation		**3,756**	**1,742**	**5,498**	**3,543**	**96,485**	**100,028**
Taxation	6	(372)	–	(372)	(387)	–	(387)
Return on ordinary activities after taxation		**3,384**	**1,742**	**5,126**	**3,156**	**96,485**	**99,641**
Return per Ordinary Share	7	1.52p	0.78p	2.30p	1.28p	39.07p	40.35p

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 34 to 43 form part of these accounts

Balance Sheet

At 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments at fair value through profit and loss	9	398,099	383,715
Current assets			
Income receivable		86	99
Sales – future settlements		–	1,551
Taxation recoverable		236	187
Other debtors		10	28
Cash at bank and in hand		7,180	2,946
		7,512	4,811
Creditors: amounts falling due within one year			
Purchases – future settlements		–	(2,121)
Accrued liabilities	10	(922)	(407)
		(922)	(2,528)
Net current assets		6,590	2,283
Total assets less current liabilities		404,689	385,998
Creditors: amounts falling due after more than one year			
Bank loan	11	(30,989)	–
Total net assets		373,700	385,998
Capital and reserves: equity			
Share capital	12	26,577	32,451
Share premium account		16,035	16,035
Capital redemption reserve		5,874	–
Share purchase reserve		168,310	183,051
Capital reserve	13	151,475	149,733
Revenue reserve		5,429	4,728
Shareholders' funds		373,700	385,998
Net assets per Ordinary Share	14	169.81p	167.95p

Approved by the Board of directors and authorised for issue on 31 March 2015 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 34 to 43 form part of these accounts

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2014

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2014	**32,451**	**16,035**	**–**	**183,051**	**149,733**	**4,728**	**385,998**
Share buy backs	(874)	–	874	(14,741)	–	–	(14,741)
Cancellation of treasury shares	(5,000)	–	5,000	–	–	–	–
Dividend paid (May 2014)	–	–	–	–	–	(2,683)	(2,683)
Profit for the year	–	–	–	–	1,742	3,384	5,126
Closing shareholders' funds as at 31 December 2014	**26,577**	**16,035**	**5,874**	**168,310**	**151,475**	**5,429**	**373,700**

For the year ended 31 December 2013

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'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**

The notes on pages 34 to 43 form part of these accounts

Cash Flow Statement

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation		5,967	100,028
Less: Tax deducted at source on income from investments		(372)	(387)
Add: Realisation of investments at book cost		94,211	105,618
Less: Purchase of investments		(140,473)	(86,505)
Adjustment for losses/(gains) on investments held		31,879	(68,148)
Foreign exchange non cash flow (gains)/losses		1,102	(10)
Decrease/(increase) in debtors		1,533	(1,148)
(Decrease)/increase in creditors		(886)	1,481
Net cash flow from operating activities		(7,039)	50,929
Returns on investments and servicing of finance			
Finance costs paid		(42)	–
Net cash flow from returns on investments and servicing of finance		(42)	–
Equity dividends paid	8	(2,683)	(2,309)
Financing			
Bank loan	15	29,910	–
Share buy backs		(15,912)	(52,547)
Net cash flow from financing		13,998	(52,547)
Increase/(decrease) in cash	15	4,234	(3,927)
Opening balance at 1 January		2,946	6,873
Balance at 31 December		7,180	2,946

The notes on pages 34 to 43 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.

(h) Finance costs
Finance costs include interest payable and direct loan costs. In accordance with Directors' expectation of the split of future returns, three quarters of finance costs are charged as capital items in the Income Statement. Loan arrangement costs are amortised over the term of the loan.

(i) Financial liabilities
Bank loans and overdrafts are classified as loans and are measured at amortised cost. They are recorded at the proceeds received net of direct issue costs.

2. Income

	2014 £'000	2013 £'000
Income from investments:		
Dividends from UK listed investments	721	1,037
Dividends from overseas listed investments	4,701	4,064
Total income	5,422	5,101

3. Fees and expenses

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Investment management fees	882	2,642	3,524	869	2,608	3,477
Secretary and administrator fees	186	–	186	181	–	181
Depositary and custody fees	134	–	134	119	–	119
Directors' fees	102	–	102	120	–	120
Directors' other employment costs	13	–	13	16	–	16
Broker retainer	5	–	5	55	–	55
Auditor's remuneration						
– for audit services	25	–	25	25	–	25
– other assurance services*	7	–	7	7	–	7
Association of Investment Companies	31	–	31	26	–	26
Registrar's fees	26	–	26	20	–	20
Marketing fees	44	–	44	27	–	27
Consultant fees	–	–	–	33	–	33
Other expenses	94	–	94	60	–	60
	667	–	667	689	–	689
Total expenses	1,549	2,642	4,191	1,558	2,608	4,166

* Fees payable to the Auditor for other services were £7,000 (2013: £7,000) in relation to taxation compliance.

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 2014 and 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. There were no other emoluments. Employers' National Insurance upon the fees is included as appropriate in directors' other employment costs under note 3.

5. Finance costs

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Interest charges	114	342	456	–	–	–
Direct loan costs	3	10	13	–	–	–
	117	352	469	–	–	–

Notes to the Financial Statements continued

6. Taxation

(a) Analysis of charge in the year:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Overseas taxation	372	–	372	387	–	387
Taxation	372	–	372	387	–	387

(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 21.49% applicable to the year ended 31 December 2014 (2013: 23.25%).

The differences are explained below:

	2014 £'000	2013 £'000
Total profit before tax per accounts	5,498	100,028
Corporation tax at 21.49% (2013: 23.25%)	1,182	23,253
Effects of:		
Non-taxable UK dividend income	(155)	(241)
Non-taxable overseas dividend income	(1,011)	(945)
Movement in unutilised management expenses	901	968
Movement on non-trade relationship deficits	101	–
(Gains)/losses on investments not taxable	(1,018)	(23,035)
Overseas tax	372	387
Total current tax charge for the year	372	387

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 and non-trade relationship deficits of £28,202,000 (2013: £23,543,000). 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% (2013: 20%) amounts to £5,640,000 (2013: £4,709,000).

7. Return per ordinary share

Return per share is based on the net gain on ordinary activities after taxation of £5,126,000 comprising a revenue return of £3,384,000 and a capital return of £1,742,000 (2013: gain of £99,641,000 comprising a revenue return of £3,156,000 and a capital return of £96,485,000) attributable to the weighted average of 223,268,664 (2013: 246,946,495) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

8. Dividends

	2014 £'000	2013 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2013 of 1.2p (2012: 0.9p)	2,683*	2,309
Dividends not reflected in the financial statements:		
Recommended ordinary dividend for the year ended 31 December 2014 of 1.4p (2013: 1.2p) per share	3,043	2,686

If approved at the Annual General Meeting, the dividend will be paid on 27 May 2015 to shareholders on the register as at the close of business on 24 April 2015.

* The difference between the recommended dividend for the year ended 31 December 2013 and the amount paid in 2014 was due to 200,000 Ordinary Shares being bought back following the date of approval of the Annual Report for the year ended 31 December 2013 but before the record date of the final dividend for that year.

9. Investments at fair value through profit and loss

	2014 £'000	2013 £'000
Analysis of closing balance:		
UK quoted securities	37,928	42,161
UK unquoted securities	2,311	2,866
Overseas quoted securities	349,258	330,597
Overseas unquoted securities	8,602	8,091
Total investments	398,099	383,715
Movements during the year:		
Opening balance of investments, at cost	288,664	307,777
Additions, at cost	140,473	86,505
Disposals, at cost	(94,211)	(105,618)
Cost of investments at 31 December	334,926	288,664
Revaluation of investments to fair value:		
Opening balance of Capital reserve – investments held	95,051	26,903
Net movement	(31,878)	68,148
Balance of Capital reserve – investments held at 31 December	63,173	95,051
Fair value of investments at 31 December	398,099	383,715

During the year, the Company incurred transaction costs on purchases totalling in aggregate £315,000 (2013: £167,000) and on disposals totalling in aggregate £213,000 (2013: £221,000).

10. Accrued liabilities

	2014 £'000	2013 £'000
Finance costs payable	445	–
Other accrued expenses	477	407
	922	407

11. Bank loan

	2014 £'000	2013 £'000
Bank loan		
Less than one year	–	–
Between one and two years	30,989	–

Bank loan
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. As at 31 December 2014 loans of US$24,000,000 and £15,586,148 were outstanding.

Interest is payable on amounts drawn down under the facility computed at the rate of LIBOR plus a margin of 1.00% per annum. A commitment fee computed at the rate of 0.25% per annum is payable on any amounts not drawn down under the facility.

An arrangement fee of £30,000 was payable to The Royal Bank of Scotland plc at the commencement of the loan agreement.

Notes to the Financial Statements continued

12. Share capital

At 31 December	Number	2014 Authorised, issued and fully paid £'000	Number	2013 Authorised, issued and fully paid £'000
Ordinary Shares of 10p				
Opening balance	324,509,373	32,451	324,509,373	32,451
Shares bought back in year	(9,763,000)	(976)	(40,940,484)	(40,940)
Shares bought back to be held in Treasury in year	1,019,000	102	40,940,484	40,940
Shares cancelled from Treasury in year	(50,000,000)	(5,000)	–	–
Closing balance	265,765,373	26,577	324,509,373	32,451

At the year end 45,698,109 (2013: 94,679,109) of the above Ordinary Shares were held in Treasury.

Ordinary Share buy backs

During the year, the Company bought back 9,763,000 (2013: 40,940,484) Ordinary Shares for an aggregate cost of £14,741,000 (2013: £52,547,000). On 13 February 2014 50,000,000 Shares held in Treasury were cancelled. Prior to 13 February 2014 1,019,000 Ordinary Shares were bought back to be held in Treasury. All Ordinary Shares bought back since 13 February 2014 have been cancelled.

Since the year end a further 2,720,000 Ordinary Shares have been bought back and cancelled. At the date of this report 45,698,109 Ordinary Shares are held in Treasury.

13. Capital reserve

Disposal of Investments

	2014 £'000	2013 £'000
Opening balance	54,681	26,344
Gains on disposal of investments	37,615	30,958
Net foreign exchange loss	(1,151)	(46)
Unquoted investment transaction gains	151	33
Investment management fees charged to capital	(2,642)	(2,608)
Finance costs charged to capital	(352)	–
Balance at 31 December	88,302	54,681

Investments held

	2014 £'000	2013 £'000
Opening balance	95,052	26,904
Movement on valuation of investments held	(31,879)	68,148
Balance at 31 December	63,173	95,052
Capital reserve balance at 31 December	151,475	149,733

Gains on investments in year (per Income Statement)

	2014 £'000	2013 £'000
Gains on disposal of investments	37,766	30,991
Net foreign exchange loss	(1,151)	(46)
Movement of valuation of investments held	(31,879)	68,148
Gains on investments	4,736	99,093

14. Net asset value per Ordinary Share

Net assets per Ordinary Share is based on net assets of £373,700,000 (2013: £385,998,000) divided by 220,067,264 (2013: 229,830,264) Ordinary Shares in issue (excluding shares held in Treasury) at the Balance Sheet date.

15. Cash flow statement – analysis of changes in net debt

	At 31 December 2012 £'000	Cash flow £'000	At 31 December 2013 £'000	Cash flow £'000	Other flows £'000	At 31 December 2014 £'000
Cash and short term deposits	6,873	(3,927)	2,946	4,234	–	7,180
Bank loans falling due in more than one year	–	–	–	(29,910)	(1,079)	(30,989)
	6,873	(3,927)	2,946	(25,676)	(1,079)	(23,809)

The £1,079,000 of other flows during the year represents foreign exchange movements on the bank loans.

16. Related party transactions

Details of the management contract can be found in the Directors' Report on page 16. Fees payable to the Manager are detailed in note 3 on page 35; the relevant amount outstanding as an accrual at the year end was £290,167 (2013: £298,819). The directors' fees are disclosed in note 5 and the Directors' Remuneration Implementation Report on page 23.

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

17. 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 2014 are detailed in the table at the end of this note.

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 2014.

	% change[1]
Canadian Dollar	2.7%
Danish Krone	6.5%
Euro	6.7%
Hong Kong Dollar	(6.3%)
Japanese Yen	6.6%
Korean Won	(2.5%)
Norwegian Krone	14.0%
Swedish Krona	12.4%
Swiss Franc	4.9%
Taiwanese Dollar	(0.3%)
US Dollar	(6.3%)

[1]Percentage change of Sterling against local currency from 1 January 2014 to 31 December 2014

Financials

Notes to the Financial Statements continued

Based on the financial assets and liabilities at 31 December 2014 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 2014 and the Company's net assets at 31 December 2014 would have been as follows:

	Potential effect £'000
Canadian Dollar	(281)
Danish Krone	(589)
Euro	(5,670)
Hong Kong Dollar	(2,541)
Japanese Yen	(2,144)
Korean Won	(500)
Norwegian Krone	(757)
Swedish Krona	(968)
Swiss Franc	(791)
Taiwanese Dollar	(771)
US Dollar	(20,203)
Total	(35,215)

Based on the financial assets and liabilities at 31 December 2014 and all other things being equal, if Sterling had weakened against the local currencies by 10%, the impact on the profit after taxation for the year ended 31 December 2014 and the Company's net assets at 31 December 2014 would have been as follows:

	Potential effect £'000
Canadian Dollar	281
Danish Krone	589
Euro	5,670
Hong Kong Dollar	2,541
Japanese Yen	2,144
Korean Won	500
Norwegian Krone	757
Swedish Krona	968
Swiss Franc	791
Taiwanese Dollar	771
US Dollar	20,203
Total	35,215

(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, typically, UK Treasury Bills when large amounts of cash are held.

The Company had a bank loan in place during the year. The loan interest is based on a variable rate. For illustrative purposes, on a £30 million loan, a 1% increase in LIBOR would result in £300,000 of additional annual interest charge.

(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 9.0% over the ten year period to 31 December 2014. The historic 3-year (annualised) volatility of the Company to 31 December 2014 is 6.4%.

At the year end the Company held investments with an aggregate market value of £398,099,000. 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 £39,810,000 in the profit after taxation for the year ended 31 December 2014 and the Company's net assets at 31 December 2014.

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 2014 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	1.0	1.3	1.8
5 day return	2.2	2.8	4.0
10 day return	3.1	4.0	5.6
21 day return	4.5	5.8	8.2

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 2014.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 2.8% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 1.8% or more on any given day.

Credit Risks
During the year BNP Paribas Securities Services (the "Depositary") was appointed as custodian and, subsequently, depositary to the Company. Previously The Northern Trust Company was the Company's custodian.

Cash at bank at 31 December 2014 included £7,090,000 (2013: £nil) held in its bank accounts at the Depositary. The Company also held £90,000 (2013: £nil) in its accounts with The Royal Bank of Scotland plc. 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 Depositary or sub-custodians of the Depositary. Bankruptcy or insolvency of the Depositary or its sub-custodians may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Depositary 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 Depositary amounted to £387.2 million in respect of quoted investments and £7.1 million in respect of cash.

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 2014, 5.7% 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 2014 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	67.9%
Percentage of portfolio by value that could be liquidated in one month	88.9%
Percentage of portfolio by value that could be liquidated in three months	94.3%
Percentage of portfolio by value that could be liquidated in one year	96.4%

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 £10,913,000 (2013: £10,957,000); 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:

	2014				2013			
	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	380,993	6,193	–	387,186	367,555	5,203	–	372,758
– Unquoted	–	–	10,913	10,913	–	–	10,957	10,957
	380,993	6,193	10,913	398,099	367,555	5,203	10,957	383,715

*Level 2 investments detailed above are holdings in quoted companies held through broker participatory notes. As at 31 December 2014 and 31 December 2013 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:

	2014 £'000	2013 £'000
Opening balance at 1 January	10,957	11,480
Additions during the year	–	–
Disposals during the year	–	–
Valuation adjustments	(44)	(523)
Closing balance at 31 December	10,913	10,957

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 2014 comprised:

	2014 Interest Bearing £'000	2014 Non-interest Bearing £'000	2014 Total £'000	2013 Interest Bearing £'000	2013 Non-interest Bearing £'000	2013 Total £'000
Investments						
Canadian Dollar	–	2,805	2,805	–	3,928	3,928
Danish Krone	–	5,886	5,886	–	11,285	11,285
Euro	–	56,696	56,696	–	83,038	83,038
Hong Kong Dollar	–	25,409	25,409	–	21,726	21,726
Japanese Yen	–	21,438	21,438	–	22,715	22,715
Korean Won	–	5,001	5,001	–	4,477	4,477
Norwegian Krone	–	7,565	7,565	–	6,627	6,627
Sterling	–	45,980	45,980	–	45,027	45,027
Swedish Krona	–	9,679	9,679	–	10,442	10,442
Swiss Franc	–	7,906	7,906	–	6,330	6,330
Taiwanese Dollar	–	7,705	7,705	–	5,523	5,523
US Dollar	–	202,029	202,029	–	162,597	162,597
	–	398,099	398,099	–	383,715	383,715
Cash at bank						
Floating rate – £ sterling	7,180	–	7,180	2,946	–	2,946
Short term debtors	–	331	331	–	1,865	1,865
Short term creditors	–	(31,910)	(31,910)	–	(2,528)	(2,528)
	7,180	366,520	373,700	2,946	383,052	385,998

Capital management

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

At 31 December 2014 there were 270,067,264 Ordinary Shares in issue (of these shares 45,698,109 were held in Treasury at the year end).

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 bought back 9,673,000 Ordinary Shares during the year.

The Company's policy on borrowings is detailed in the Directors' Report.

On 8 January 2014, the Company entered into a two year £30 million multi-currency revolving credit facility with The Royal Bank of Scotland plc. The Company is required to comply with various covenants contained in the facility agreement. In particular the loan to value ratio must not exceed 20% of the Company's adjusted portfolio value as described in the loan agreement with the bank. At 31 December 2014 the loan to value ratio was 7.9%.

10 Year Financial Record

As at 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Size of fund (£ millions)	107	224	393	305	394	453	345	341	386	374
Net asset value per Share[1]	92.6p	110.6p	128.3p	99.6p	127.2p	142.7p	117.0p	126.0p	167.9p	169.8p
Share price	94.0p	115.4p	128.9p	85.0p	119.1p	129.8p	95.8p	102.9p	150.0p	152.8p
Premium/(discount)[2]	1.5%	4.3%	0.5%	(14.7%)	(6.4%)	(9.0%)	(18.1%)	(18.3%)	(10.7%)	(10.2%)

Year ending 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net asset value return[3]	20.7%	19.4%	16.2%	-22.1%	28.4%	12.6%	-17.2%	8.5%	34.1%	1.7%
MSCI ACWI Index[4]	24.0%	6.1%	9.8%	-20.0%	19.9%	16.2%	-6.7%	11.0%	20.5%	10.6%
FTSE ET100[4]	N/A	N/A	N/A	-38.9%	21.3%	6.8%	-24.4%	3.4%	40.7%	4.1%
Revenue return per Share	0.1p	0.2p	0.5p	0.9p	0.8p	0.8p	1.0p	0.9p	1.3p	1.5p
Dividends paid	–	–	0.2p	0.3p	0.85p	0.75p	0.75p	0.9p	0.9p	1.2p
Ongoing charges[5]	1.6%	1.4%	1.3%	1.2%	1.1%	1.1%	1.1%	1.2%	1.1%	1.1%

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) – source: Morningstar.
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).

Total returns to 31 December 2014

	NAV	Share price	MSCI ACWI Index	FTSE ET100 Index[1]
1 year	1.7%	1.7%	10.6%	4.1%
2 years	36.3%	49.9%	33.3%	47.2%
3 years	48.0%	62.0%	48.1%	48.9%
4 years	21.7%	20.4%	38.2%	8.1%
5 years	37.3%	32.8%	60.6%	5.7%
6 years	77.4%	88.8%	96.5%	21.7%
7 years	37.3%	26.3%	54.1%	-23.4%
8 years	59.45%	40.2%	69.1%	29.8%
9 years	89.67%	71.9%	79.4%	55.4%
10 years	130.2%	126.8%	122.4%	93.4%

Notes

1. ET50 data up until 31 Dec 13 and then ET100 thereafter.

Financial Calendar

Annual General Meeting

19 May 2015 at 2:30 p.m.
Norfolk House
31 St. James's Square
London SW1Y 4JR

Dividend

Record date: 24 April 2015
Payment date: 27 May 2015
Amount: 1.4p per Ordinary Share

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or “AIF”	An investment vehicle under AIFMD. 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 has been implemented in the UK.
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.
Leverage	An alternative word for “Gearing”. Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company’s positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
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).

Glossary continued

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 held in treasury.
Share price	The price of a share as determined by a relevant stock market.
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
John Scott DL (Chairman)
Richard Bernays (retired 21 May 2014)
Vicky Hastings
Julia Le Blan
William Rickett, CB

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

Depositary and Custodian
BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA

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

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

Investment Manager
Impax Asset Management (AIFM) 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

* 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 19 May 2015 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 2014, with the reports of the directors and auditors thereon.

2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 31 December 2014.

3. To re-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 approve a final dividend of 1.4p per Ordinary Share of the Company in respect of the year ended 31 December 2014.

Special Business

10. To approve the Directors' Remuneration Policy included in the Annual Report for the year ended 31 December 2014.

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 £2,171,299 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 2016 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 32,580,354 (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 2016 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 10, 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 £2,171,299 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
31 March 2015

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 17 May 2015 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 2:30 p.m. on 17 May 2015 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 Asset Services 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 2:30 p.m. on 17 May 2015 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 263,045,373 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 217,347,264. 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 19 May 2015 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 2014.				
2. To approve the Directors' Remuneration Implementation Report.				
3. To re-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 approve a final dividend of 1.4p 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 ______________ 2015

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 17 May 2015 (48 hours prior to the Annual General Meeting).

Cut along dotted line