Impax Environmental Markets plc

Annual Report and Accounts 2015

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 2015
Net assets	£371.6m
Net asset value ("NAV") per Ordinary Share	178.6p
Ordinary Share price	160.0p
Ordinary Share price discount to NAV	10.4%

Performance summary

	% change[1]
Share price total return per Ordinary Share	5.8%
NAV total return per Ordinary Share[2]	6.0%
FTSE ET100 Index	5.0%
MSCI AC World Index	3.3%

[1]Total returns in sterling for the year to 31 December 2015
[2]Source: Morningstar

Further financial information can be found in the financial record on page 49.

Chairman's Statement

John Scott
Chairman

The last year was one of strong growth for environmental and resource efficiency markets. During 2015 (the "Period"), Impax Environmental Markets plc ("IEM" or the "Company") out-performed both its environmental comparator index and its global comparator index. It is pleasing to see the resilience of environmental markets against a more volatile backdrop for global equities, commodity prices, political unrest, and emerging markets.

We are seeing growing investor acknowledgement of environmental and resource-related risks including extreme weather, longer term climate change, and issues such as the Volkswagen emissions scandal. The Company is well positioned to benefit from this shift in investor awareness as it focuses on the investment opportunities in innovative, high-growth companies that seek to mitigate these environmental risks, or facilitate adaptation. The universe of companies in which our Manager can invest continues to grow.

During 2015, global environmental policies have continued to tighten. In the shorter term, tighter emissions standards and pollution regulation favour many companies in which the Company invests. The outcome of the Paris Climate Agreement in December 2015 also provides a view of the likely long-term regulatory framework. The build up to the Paris talks, and the media attention they received, has fuelled investor interest and sentiment in environmental markets. At the same time the global fossil fuel divestment movement is accelerating, increasing the focus on low carbon energy investment strategies. This would appear to be taking place notwithstanding the fall in the price of fossil fuels.

The dramatic decline in the oil price since June 2014 has a limited, but complex, correlation with environmental markets. The Manager provides insight into the winners and losers at a sector level but it is worth highlighting that far from being the death knell for the sector that some commentators predicted, lower oil prices did not prevent renewable energy being IEM's best performing sector in 2015.

Although many investors are currently negative on prospects for emerging markets, additional government commitments to counter severe pollution problems support further high growth for environmental companies in many regions. For example, China's negotiating stance at the Paris Climate talks was more conciliatory than in the past, and proved to be instrumental in the final, successful, outcome.

In the Interim Report I flagged that in response to client interest, the manager planned to develop a methodology to quantify the net positive environmental impact of the portfolio. We believe IEM is the first listed equity fund to quantify its net positive carbon impact. The Company's investment objective of seeking sustainable, above market returns over the longer term is unchanged, but by adding quantitative metrics to the reporting process investors should now have a clearer understanding of the positive environmental outcomes of their allocation. The impact data for the year is highlighted after the Manager's Report on page 7.

Investment Performance

For the 12 months ended 31 December 2015 the net asset value per share ("NAV") of IEM achieved a total return of 6.0% and ended the year at 178.6p. During 2015, IEM's share price total return was 5.8% and ended the year at 160p.

The Company outperformed its global comparator index, the MSCI All Countries World Index ("ACWI"), which rose 3.3% (total return, GBP) over the Period. IEM's environmental comparator index, the FTSE ET100, returned 5.0% over the Period. A detailed explanation of performance and a breakdown of the absolute contributors and detractors are covered in the Manager's Report.

Discount and Buybacks

During the year, the discount to NAV at which the Company's Ordinary Shares traded ranged from 6% to 14% and ended the year at 10.4%. The Company bought back 11,966,244 Ordinary Shares in the year at an average discount to NAV of 13%. The buybacks enhanced the NAV per Ordinary Share by approximately 1.3p, equivalent to 0.7% of the NAV per Ordinary Share at the year end.

Since the last continuation vote in 2013, the discount has narrowed from approximately 15% at that time to 10%[1] at the end of each financial year, in line with the Company's stated discount control policy adopted in May 2013. The Company has bought back a total of 42.3 million Ordinary Shares over this period, demonstrating the Board's commitment to acting in the interests of shareholders in this regard.

Interest in growth opportunities in Environmental Markets has gathered strong momentum in recent years and earnings delivery of companies in the portfolio have

[1] Share price discount to NAV at end of financial year: 2013: 10.7%, 2014:10.2%, 2015:10.4%

consistently outperformed global equity markets. In addition, wealth managers are now reporting new appetite for "positive impact" and "fossil free" investment styles. In this context, the managers believe that IEM is well placed to attract a wider group of investors given its significant size and long operating record. The Board is committed to the continued use of buybacks when necessary to manage the discount at around 10% in normal market conditions.

Dividend

The Company's net revenue for the year was £3.1 million, equivalent to 1.5p per Ordinary Share. As a result, the directors are recommending a dividend for the year ended 31 December 2015 of 1.45p per share (2014: 1.4p). If approved at the Company's AGM, this dividend will be paid on 24 May 2016 to shareholders on the register as at the close of business on 22 April 2016. 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

The Company's £30 million multi-currency revolving credit facility with The Royal Bank of Scotland plc was fully drawn down throughout the Period and at the end of the Period the Company's net gearing was 7%. The facility fell due for renewal on 8 January 2016 and has been extended for a further three year period on materially the same terms.

Continuation Vote

In accordance with the Articles of Association of the Company, an Ordinary Resolution that the Company continues as an investment trust for a further three year period will be proposed at the forthcoming AGM. The Board strongly believes that IEM offers an attractive opportunity for investors to obtain exposure to environmental and resource efficiency markets and recommends that shareholders vote in favour of the resolution.

Outlook

Since the start of 2016, equity markets have been volatile but the Company's portfolio has proved resilient. From 1 January 2016 to 18 March 2016 the NAV has risen 6.4% and the share price has risen by 4.8%. During this period the MSCI ACWI and FTSE ET100 indices have both gained by 1.4%.

Although investor sentiment in global equity markets is currently fragile, and market volatility looks set to continue, the Board perceives that investor interest in environmental markets is currently much higher than we have witnessed for several years, with a number of high profile catalysts to drive future performance. This must be driven to some extent by the widespread belief that weather patterns are becoming more extreme, that so-called '100-year events' appear to be happening on a frighteningly shorter cycle and by extensive coverage of pollution disasters such as the Delhi smog (to name but one), which prompted extreme measures of traffic control.

The announcement of the UK's EU referendum will undoubtedly cause further uncertainty and volatility in equity markets. However, we do not expect the outcome of the referendum to have a material impact on the Company's performance in the longer term.

IEM provides a route to achieve investment exposure to the commercial and political determination to deal with these phenomena. Our solid, long term record, in a specialist market with relatively few competitors as pure play environmental investment opportunities, should ensure the Company is attractive to investors and well positioned for future growth.

John Scott
Chairman

23 March 2016

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

During the Period, IEM proved resilient, with most environmental sectors delivering strong returns in 2015. The strong global policy drivers and tightening of environmental regulations have been positive for the Company. Perhaps most importantly, the Paris Agreement has underscored the impact that environmental risk can have on portfolios. Environmental issues can have profound short- and long-term effects on company share prices and portfolio performance, and we seek to mitigate these risks and exploit the opportunities.

Drivers of Environmental Markets and Key Developments

Oil price – low correlation to environmental markets' performance

Since publication of the interim report, the oil price[1] more than halved, reaching a low point just below $28 a barrel this January. The decline has been driven by slowing demand and persistent oversupply. We maintain our position that the implications for environmental markets are complex, but ultimately do not constitute a material headwind to performance. The impact has been mixed, with renewables the best performing sub-sector in the past year. Chemicals for water treatment and insulation and packaging businesses benefitted from lower input costs but, conversely, selected water infrastructure, recycling and environmental consultancies saw some weakness in oil and gas exposed divisions. The portfolio has limited exposure to these challenged areas, which may present opportunities once the impact of the lower oil price has been fully reflected in their earnings.

Disruption in the Transport Sector

The Volkswagen emissions scandal highlighted a number of issues regarding the future of transportation. Volkswagen has certainly tarnished the brand of 'clean diesel', but diesel will continue to be an important fuel and increasingly sophisticated devices will be needed to reduce the pollutants it produces.

While regulators are imposing stricter emissions limits we have seen the mismatch in vehicle testing regimes that allows vast differences between laboratory and "real world" results. We expect the recent increased awareness of this will result in tightening of the actual emissions allowed, requiring both more sophisticated testing (Horiba), greater engine efficiency (BorgWarner, Norma) and cleaner engine emissions (Umicore).

Electrification of vehicles is increasing, not just in the adoption of pure electric vehicles but also within the conventional internal combustion engine. Increased electrification will continue to play a key role in improving fuel efficiency and reducing pollution from the transport sector (Sensata, LEM). Hybrid vehicles are expected to increase market share significantly in the medium-term.

Looking further ahead, technology giants Apple and Google look set to play key roles in the transport sector, joining other disrupters such as Tesla and Uber. Key themes are ride sharing, increasing connectivity, and autonomous vehicles. These developments could generate potential investment risks as well as additional opportunities. For example, global vehicle demand may decline, but the lower production volume will almost certainly be coupled with significantly more energy efficiency technology to make cleaner, safer vehicles.

Renewable energy – strong market growth and positive outlook

Renewable energy markets continued to grow rapidly during the Period, predominantly driven by the rapidly falling cost of technology which continues to reduce industry reliance on subsidies and to open up new regional markets. Future policy developments should provide further long term support.

We believe solar equipment manufacturers currently offer superior investment opportunities as the wind sub-sector is relatively mature, as demonstrated by the recent escalation of merger and acquisition activity. Meanwhile, the Renewable Energy Independent Power Producers ("IPPs") have continued to build more projects and have been creating value by selling these assets at significantly higher prices. IEM's holdings in this area performed well. The share prices in "Yieldcos", which acquire operating assets that produce a predictable cash flow, were weak. IEM has no exposure to these, as we do not believe the business model is currently attractive.

[1] WTI

Policy and Regulation in Environmental Markets

The Paris Climate Agreement concluded in December with 195 nations, responsible for 95% of global Greenhouse Gas emissions, agreeing a legally binding framework to keep the global temperature increase "well below" 2˚C, and to pursue efforts to limit it to 1.5˚C. This will require an 80% reduction in the consumption of fossil fuels by 2050. It is inevitable that environmental regulations will ratchet up considerably in the years ahead, leading to further strong long term investment in the energy efficiency and renewables sectors.

In December, the US introduced legislation to extend the solar investment tax credit (ITC) of 30% until 2019. The rate will drop gradually to 2021 when it will be held at 10%. The production tax credit (PTC) for wind generation was also extended until 2019. These announcements provide stronger support for the US renewables sector than the market had expected.

Meanwhile in Europe, the European Commission updated the Circular Economy package. Re-use and recycling targets for municipal waste have been set at 65% by 2030, with a binding target to reduce landfill of municipal waste to a maximum of 10% by 2030. 75% of all packaging waste must be recycled by 2030. These announcements will need to be implemented at national level and should lead to significant capex in recycling facilities and companies active in this area.

Absolute Performance Contributors and Detractors

Contributors

Performance was broadly positive across regions and sectors.

Renewables companies delivered the strongest positive performances, with favourable market developments as outlined above, supplemented by stock picking. For example, SMA Solar (Germany) more than doubled on recovery of its end markets and the successful execution of an extensive turnaround plan.

Buildings Energy Efficiency companies continued to thrive on the combination of recovering construction markets and tightening efficiency standards. Kingspan (Ireland) and Nibe (Sweden) also benefitted from increasing market penetration of their products together with the successful integration of recent acquisitions.

Merger and acquisition activity continued to highlight the attractiveness of Environmental Markets, with Pall Corp (as mentioned in the interim report) acquired by US industrial group Danaher at approximately a 28% premium to the share price prior to the takeover.

Detractors

The Light Emitting Diode ("LED") markets weakened further during the Period, with industry commoditisation weighing on margins for chip manufacturer Epistar (Taiwan), and delaying capex plans which impacted Aixtron (Germany). We expect these challenging trends will continue and so have cut our exposure to these markets.

Companies with exposure to oil and gas (discussed above) were weak, especially water holdings Pentair and Franklin Electric (both US), and hazardous waste company Clean Harbors (US) which treats waste oil. We believe oil and gas exposures in these holdings represent a relatively small part of these businesses and that valuations are attractive relative to the long term prospects of these strong franchises.

Portfolio Activity and Current Structure

The sub-sector breakdown for IEM is set out on page 12, along with the comparison with the FTSE ET100.

At the end of the Period the portfolio comprised 61 listed holdings, down from 67 at the end of the previous year. This reduction was driven particularly by a focus on reducing exposure to the worsening economic cycle. A number of more 'defensive' holdings were added, particularly in the Sustainable Food, Agriculture and Forestry sector including United Natural Foods (US) and Eurofins (France).

The portfolio remains well diversified by both geography and by sub-sector (see page 12). IEM is underweight Energy and overweight Water and Waste compared to the ET100, and in regional terms is overweight Europe and underweight North America versus the MSCI ACWI.

Unquoted Companies

At 31 December 2015, the value of the Company's investments in unquoted companies was £9.1m, representing 2.4% of net assets. 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 2015	**10.9**
Net valuation and FX changes	-1.8
Valuation at 31 December 2015	**9.1**

Manager's Report continued

Outlook for 2016

Equity markets have had a volatile start to 2016, with the economic slowdown in China and oil price weakness sparking concerns about the outlook for the global economy. While recognising this challenging backdrop, we remain convinced that IEM will continue to deliver superior earnings growth compared to global markets (MSCI ACWI), as it has done over the last four years. We believe the Company is well positioned to deliver resilient performance in view of this superior growth, together with a portfolio valuation below the long term average and a historically low premium to the MSCI ACWI.

In the near term, we recognise the incremental uncertainty surrounding a potential "Brexit", but believe this risk is manageable given the diversified nature of the portfolio, a Sterling weighting in line with global indices, and natural hedging within the businesses in which we invest. In the medium to long term, we believe the Paris Climate Agreement offers significant scope for several positive policy catalysts, which are not priced into current valuations. Our investment hypothesis is clearly resonating with investors, who are demonstrating more interest in environmental and resource markets than we have witnessed in recent years.

Impax Asset Management Limited
23 March 2016

Measuring our positive environmental impact

This section forms part of the Manager's Report.

With over 80% of the underlying revenue of IEM's portfolio companies generated by products and services that use resource more efficiently and provide solutions to environmental problems, it has always seemed reasonable to believe that the fund has a net positive environmental impact. In 2015, in response to client demand, we devised a methodology to assess the positive impact at the underlying company level and to attribute a portion of that impact to the portfolio based on our percentage equity ownership.

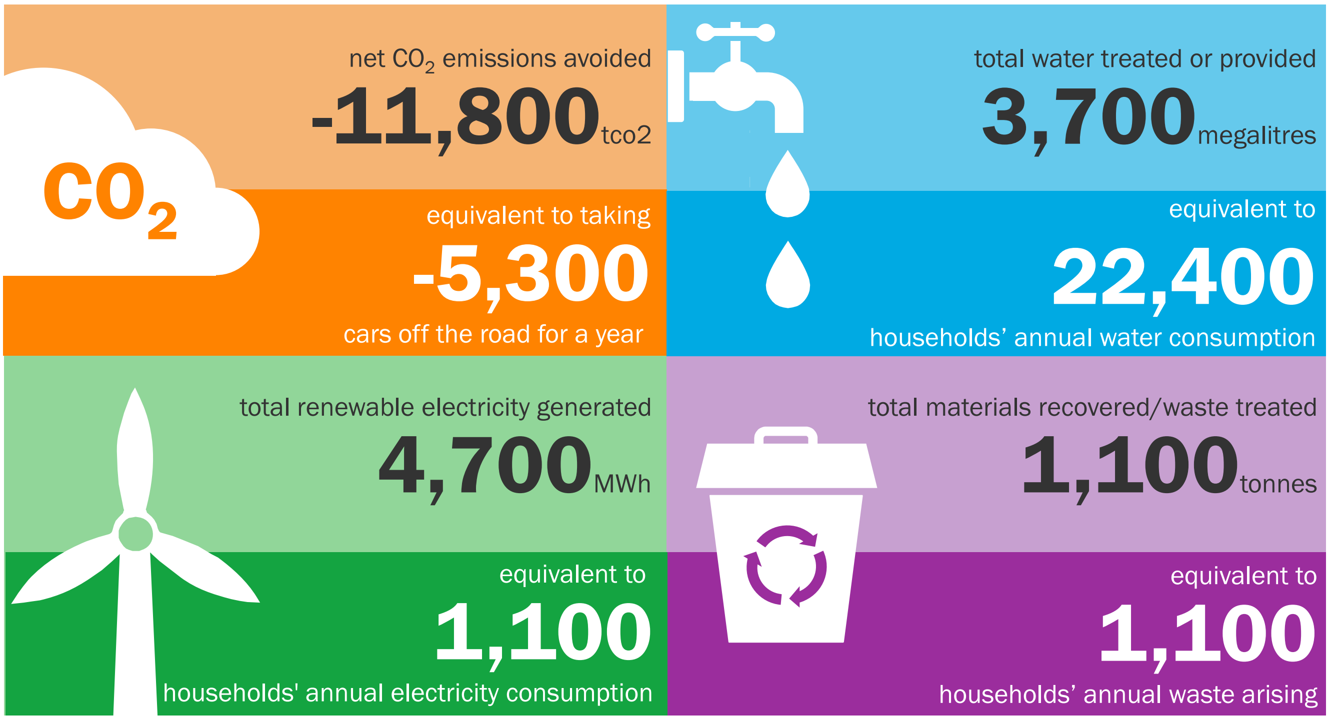
Impax Asset Management is now able to assure investors that IEM does indeed have a quantifiable net positive environmental impact. We believe IEM is the first listed equities fund to disclose a net carbon position and our methodology is breaking new ground in the field of positive impact investing.

This approach is more sophisticated than carbon footprinting which measures only scope 1 and 2 emissions. These refer respectively to the direct emissions from sources owned or controlled by the company and emissions from a company's consumption of electricity. A carbon footprint measurement takes no account of the positive impact of products such as insulation materials or other energy efficiency products, or the producers of renewable energy, throughout their product lifetime which can significantly offset the emissions from the manufacturing process.

This work provides a useful additional metric for investors seeking to reduce carbon risk, to offset high emissions in alternative strategies, or simply to improve their understanding of the extent of the positive outcomes of their investment decision.

The methodology has been subject to independent assurance by Ernst & Young LLP having been engaged by Impax Asset Management Limited. Details can be found on our website. (www.impaxenvironmentalmarkets.co.uk).

The positive impact of a £10m investment in IEM



[1] Environmental impact was translated into everyday equivalents using the UK Green Investment Bank's calculator. The data applies to the portfolio holdings as at 31 December 2015, based on the latest environmental impact data available from investee companies for 2014.

Investment Policy, Results, Viability Statement 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 2015, the Company had investments totalling in aggregate £167.5m (2014: £186.3m) by value invested in this sub-sector representing 42.0% (2014: £46.8%) of the Company's investments 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 2015, the Company had investments totalling in aggregate £102.2m (2014: £93.6m) by value invested in this sub-sector representing 25.6% (2014: 23.5%) of the Company's investments 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 2015, the Company had investments totalling in aggregate £129.3m (2014: £118.2m) by value invested in this sub-sector representing 32.4% (2014: 29.7%) of the Company's investments 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 assets 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 net assets.

**The Company did not exceed either of the above maximum exposures during the year ended 31 December 2015. The Company held investments in 4 unquoted companies as at 31 December 2015, the largest one being Ensyn which represented 2.4% 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). As at 31 December 2015, the Company held one investment, Thermax (India), through a participatory note.*

(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.

The borrowings of the Company shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to one third of the aggregate of:

(i) the amount paid up on the share capital of the Company; and

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

**The Company has a £30 million multi-currency revolving credit facility which expires in January 2019.*

**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 £3,132,000 (2014: £3,384,000). 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 1.45p per Ordinary Share (2014: 1.4p per Ordinary Share) absorbing £2,897,000 (2014: £3,043,000) 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 24 May 2016 to shareholders on the register at the close of business on 22 April 2016.

The Company made a capital return after tax of £16,131,000 (2014: £1,742,000). Therefore the total return after tax for the Company was £19,263,000 (2014: £5,126,000).

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 17). 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 2015	3 years to 31 December 2015	5 years to 31 December 2015	10 years to 31 December 2015
NAV of the Company[1]	6.0%	44.5%	29.0%	101.1%
Share price of the Company[1]	5.8%	59.9%	28.5%	80.6%
MSCI AC World	3.3%	37.7%	42.7%	85.3%
FTSE ET100/ET50[2]	5.0%	55.1%	14.0%	63.8%
FTSE All-Share Index	1.0%	23.4%	33.8%	71.8%

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 10.4% during the year ended 31 December 2015 and within a range of 6% to 14%. The year end discount to NAV was 10.4%.

Ongoing charges

Based on the Company's average net assets during the year ended 31 December 2015, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.11% (2014: 1.12%).

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:

Investment Policy, Results, Viability Statement and Other Information continued

(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.

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 61 quoted companies together with 4 unquoted companies.

Further detail on the financial implications of market risks is provided in note 16 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, and the 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 20 to 23.

(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 buybacks 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.

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

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 details on financial risks and risk mitigation are disclosed in note 16 to the accounts.

Viability statement

The continuation of the Company is subject to the approval of shareholders every three years, with the next vote at the AGM in May 2016. The directors have assessed the viability of the Company for the five years to 31 December 2020 taking into account the long-term nature of the Company's investment strategy, the principal risks outlined above and its gearing. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2020.

In their assessment of the prospects of the Company, the directors have considered each of the principal risks and uncertainties set out above and have focussed on the level of discount at which the Company's shares trade, and the liquidity and solvency of the Company. The directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements including buying back shares in order for the Company's discount control policy to be achieved. Portfolio changes, market developments, level of discount and share buybacks are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The directors do not expect there to be any material increase in the annual ongoing charges of the Company over the period of their assessment. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the Period. Proceeds from the sale of the Company's investments could be used to repay the Company's bank loans which at the date of this report represented, in aggregate, less than 10% of the Company's investments.

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. As at 31 December 2015 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 21).

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 15 of this Annual Report was approved by the Board of Directors on 23 March 2016.

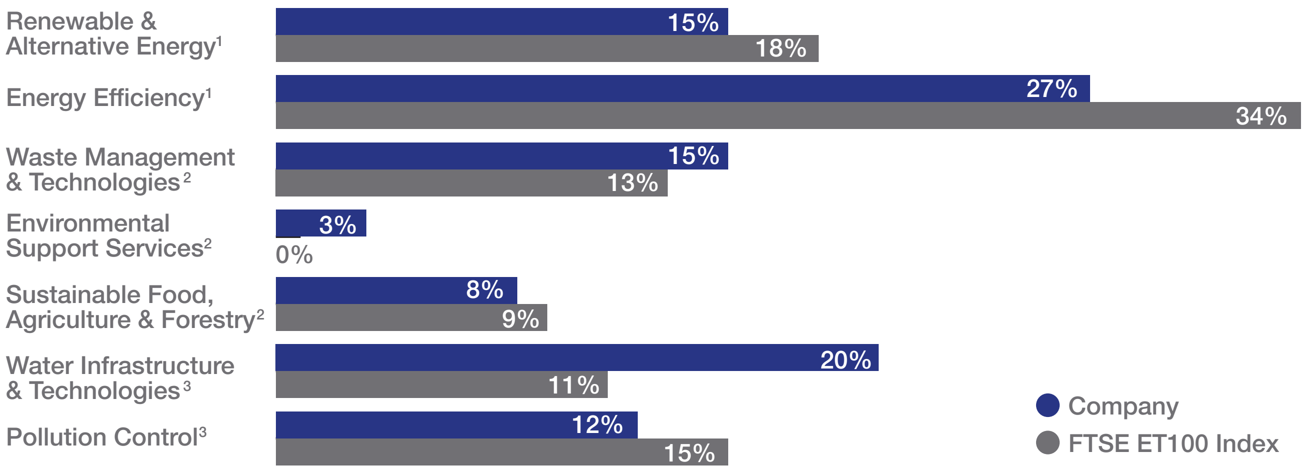
For and on behalf of the Board
William Rickett
Director

23 March 2016

Structure of the Portfolio

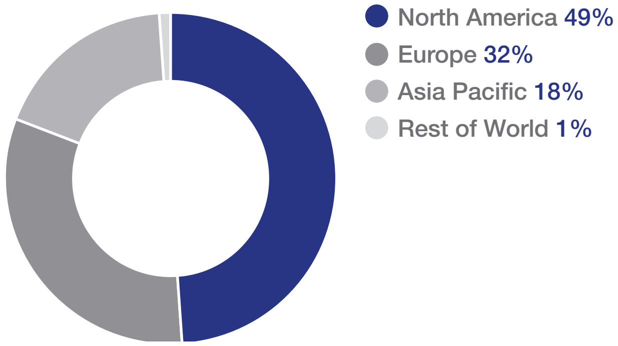
As at 31 December 2015

Breakdown by Environmental Markets Classification System

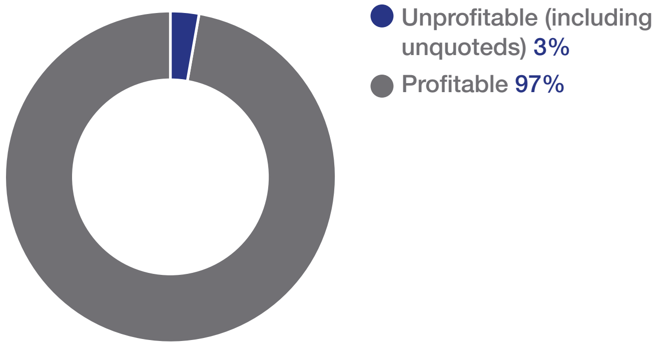


Investment policy classification
[1]Alternative Energy and Energy Efficiency
[2]Waste Technologies and Resource Management
[3]Water Treatment and Pollution Control

Breakdown by Region

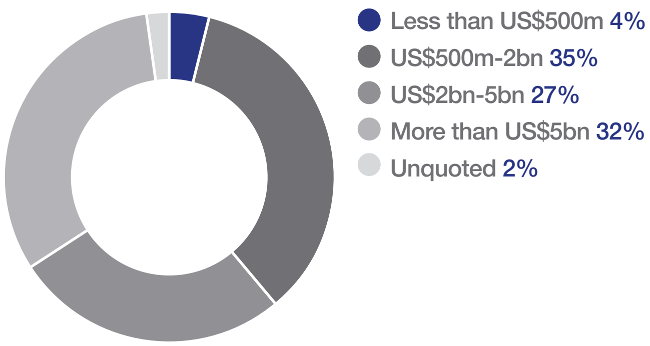


Breakdown by Company Profitability[1]



[1]based on next 12 months' earnings estimates

Breakdown by Market Capitalisation



Ten Largest Investments

As at 31 December 2015

1. Horiba

(Japan) 3.5% of net assets (2014: 2.3%)

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semiconductor industries. The company is benefiting from tightening regulations in the automotive sector, which is of particular focus following the Volkswagen emissions scandal. Horiba has a strong balance sheet and is well positioned to grow.

http://www.horiba.com

2. American Water Works

(United States) 3.4% of net assets (2014: 2.1%)

American Water Works is the largest publicly traded US water and waste water utility, with an attractive mix of regulated and market-based businesses. It is growing earnings per share through operating efficiencies, and it benefits from an environment of high capital expenditure and stricter regulation. The company is an active consolidator of the highly fragmented and capital constrained US market.

http://www.amwater.com

3. Xylem

(United States) 3.3% (2014: 3.0%)

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. About 40% of its revenue is from aftermarket sales, providing stable revenue throughout uneven investment cycles. It is well-positioned to continue building future earnings through acquisitions.

http://www.xyleminc.com

4. LKQ Corporation

(United States) 3.1% (2014: 2.8%)

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 strong pricing power. The company is expanding successfully in international markets where this sector is immature.

http://www.lkqcorp.com

5. EDP Renovaveis

(Spain) 3.1% of net assets (2014: 1.8%)

EDP Renovaveis is a leading global wind farm operator with over 9GW of capacity. It is the third largest operator in the US, where it will benefit from the recently extended Production Tax Credits, and is crystallising value for shareholders through asset sales and reinvestment. It has a promising pipeline of projects (c.16GW) which should underpin future growth.

http://www.edpr.com

6. Tomra

(Norway) 3.0% of net assets (2014: 2.0%)

Tomra is the world's foremost supplier of machinery for materials sorting and recovery. Its food sorting business has grown significantly in recent years, driven by acquisitions. This provides some balance against the more cyclical metals recycling market.

http://www.tomra.com

Ten Largest Investments continued

7. Clean Harbors

(United States) 2.7% (2014: 2.3%)

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. The company has a defensive core business based on the collection and disposal of hazardous waste, which has a high barrier to entry due to significant regulatory costs. In the past it has acquired several companies and we expect this to continue, as the company seeks to cross-sell new and existing services.

http://www.cleanharbors.com

8. Spirax-Sarco Engineering

(United Kingdom) 2.5% (2014: 3.1%)

Spirax-Sarco specialises in technologies that make efficient use of steam and other industrial fluids. It has highly diversified end markets with food (14%) the largest sector. It has a very strong sales channel where its sales engineers effectively act as outsourced consultants to Spirax's customers, recommending which systems and products they should buy.

http://www.spiraxsarco.com

9. Ensyn

(Unquoted) 2.4% (2014: 2.3%)

Ensyn is a second generation biofuels company which extracts bio-oils and value added chemicals from biomass using proven technology based around pyrolysis. The company's main commercial market is North America. It has strong strategic partnerships with UOP Honeywell and Chevron in the energy sector and Fibria in the forestry space, and is making good progress on executing commercial projects.

http://www.ensyn.com/

10. BorgWarner

(United States) 2.4% (2014: 2.7%)

BorgWarner is a major global supplier of fuel efficient automotive systems and components for powertrain and drivetrain applications. Increasing fuel efficiency standards will be long term growth drivers and the company is set to benefit from a recovery in European auto demand which represents more than half of its revenue.

http://www.borgwarner.com

Details of Individual Holdings

As at 31 December 2015

Company	Sector	Country of main listing	Current value £'000	% of Net Assets
Horiba	Pollution Control	Japan	12,803	3.5%
American Water Works	Water Infrastructure & Technologies	United States	12,585	3.4%
Xylem	Water Infrastructure & Technologies	United States	12,092	3.3%
LKQ	Waste Management & Technologies	United States	11,339	3.1%
EDP Renovaveis	Renewable & Alternative Energy	Spain	11,175	3.1%
Tomra Systems	Waste Management & Technologies	Norway	11,017	3.0%
Clean Harbors	Waste Management & Technologies	United States	10,168	2.7%
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	9,395	2.5%
Ensyn	Renewable & Alternative Energy	Unquoted	9,097	2.4%
BorgWarner	Energy Efficiency	United States	8,969	2.4%
Watts Water Technologies	Water Infrastructure & Technologies	United States	8,381	2.3%
Ormat Technologies	Renewable & Alternative Energy	United States	8,357	2.2%
Sunpower	Renewable & Alternative Energy	United States	8,280	2.2%
Power Integrations	Energy Efficiency	United States	7,973	2.1%
NIBE Industrier	Energy Efficiency	Sweden	7,877	2.1%
Itron	Energy Efficiency	United States	7,788	2.1%
ENN Energy Holdings	Pollution Control	China	7,558	2.0%
Trina Solar	Renewable & Alternative Energy	China	7,271	2.0%
Rinnai	Energy Efficiency	Japan	7,151	1.9%
Smith	Waste Management & Technologies	United Kingdom	7,114	1.9%
United Natural Food	Sustainable Food, Agriculture & Forestry	United States	7,085	1.9%
Donaldson	Pollution Control	United States	6,956	1.9%
Kemira	Water Infrastructure & Technologies	Finland	6,814	1.8%
Lem Holding	Energy Efficiency	Switzerland	6,743	1.8%
Huaneng Renewables	Renewable & Alternative Energy	China	6,709	1.8%
Top twenty five holdings			**220,697**	**59.4%**
Other quoted holdings			**178,349**	**48.0%**
Other unquoted holdings			**–**	**0.0%**
Total holdings in companies			**399,045**	**107.4%**
Cash			3,294	0.9%
Other net assets			(30,741)	(8.3%)
Total net assets			**371,598**	**100.0%**

All the above holdings are quoted unless otherwise stated.

At 31 December 2015, the Company held the following investments in unquoted companies:

Company	Country	Current value £'000	% of Total Net Assets
Ensyn	United States	9,097	2.4%
Emergya Wind Technologies	Netherlands	–	0.0%
New Earth Recycling & Renewable	United Kingdom	–	0.0%
Pelamis Wave Power	United Kingdom	–	0.0%
Total		**9,097**	**2.4%**

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 2015.

Strategic report
The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 15.

Corporate governance
The Corporate Governance Statement on pages 20 to 23 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 2015.

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 is or will be made available 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 relevant reporting period which is the year ended 30 September 2015. These disclosures are available on the AIFM's website or are available on request from the AIFM.

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 2015	107%	108%

Share issues
The authority to issue new shares for cash granted at the Annual General Meeting held on 19 May 2015 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 19,962,080 Ordinary Shares (representing approximately 9.99% of the shares in issue, excluding Treasury Shares, at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the Annual General Meeting. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 10% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

Discount control
The Board 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 buybacks and renewal of authority to purchase own shares
During the year ended 31 December 2015 the Company purchased 11,966,244 of its own Ordinary Shares and since the year end a further 8,280,390 Ordinary Shares have been bought back. These shares were purchased at a discount to net asset value.

The authority for the Company to purchase its own shares granted by the Annual General Meeting held on 19 May 2015 will expire at the conclusion of the forthcoming Annual General Meeting. The directors recommend that a new authority to purchase up to 29,953,112 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 Ordinary Shares in Treasury.

Policy on sale of treasury shares and issue of new shares
Unless otherwise authorised by shareholders, Ordinary Shares will not be issued at less than net asset value and 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 May 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.

For the reasons given in the Chairman's Statement, the directors recommend that shareholders vote in favour of the continuation of the Company.

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. This facility has been extended for a further three years until January 2019. Under the terms of the facility the Company may draw down loans of, in aggregate, up to £30 million at point of drawdown. As at 31 December 2015, the facility was fully drawn down and the Company's loans outstanding totalled, in aggregate, £30.4 million. Loans have been drawn down in Sterling and US dollars. 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.

Depositary and custodian
BNP Paribas Securities Services has been appointed as the Company's depositary and custodian since 3 July 2014.

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 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 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.

Directors' Report continued

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 253,799,129 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 8,280,390 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 2015, 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	21,190,783	10.2
East Riding of Yorkshire Council	14,928,368	7.2
Church Commissioners for England	13,551,666	6.5
Rathbone Brothers plc	11,025,031	5.3
Kames Capital plc	11,000,510	5.3
Wells Capital Management Inc	10,154,001	4.9

Since the year end, the Company has been notified that the 1607 Capital Partners LLC holding in the Company has decreased to 19,111,083 Ordinary Shares.

There are no other significant changes since the year end of which the Board is aware.

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 2015, the Company held £3.3m in cash and £390m in quoted investments. It is estimated that approximately 89% 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 2015 were £4.1m, which represented approximately 1.11% 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 unaudited net assets at 18 March 2016 were £380m.

Continuation vote
The Company will put forward a resolution for its continuation at the Annual General Meeting. The Directors recommend that shareholders vote in favour of the resolution.

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

23 March 2016

Corporate Governance

Introduction

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

The Listing Rules and the Disclosure Rules and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "UK Code"), as issued by the Financial Reporting Council ("FRC"). The UK Code can be viewed at www.frc.org.uk.

The related AIC Corporate Governance Guide for Investment Companies issued in February 2015 (the "AIC Code") provides specific corporate governance guidelines to investment trusts. The FRC has confirmed that AIC member companies who follow and report against the AIC Code will be meeting their obligations in relation to the UK Code. The AIC Code can be viewed at www.theaic.co.uk.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses the principles set out in the 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 Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive (UK Code provision A2.1)
- executive directors' remuneration (UK Code various provisions of section D)
- the need for an internal audit function (UK Code provision C3.6)

For the reasons set out in the AIC Guide, and as explained in the UK 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 Scott was appointed as Chairman of the Company on 21 May 2014. Mrs Le Blan has been appointed as the Board's senior independent director.

The Board believes that during the year ended 31 December 2015 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. All of the directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

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.

In addition to those stated above, Mr Scott holds other public company directorships in Alternative Asset Opportunities PCC, Bluefield Solar Investment Fund Limited, CC Japan Income & Growth Trust plc and JP Morgan Claverhouse Investment Trust plc.

Vicky Hastings Mrs Hastings has worked for over 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 Trustee of Moorfields Eye Charity.

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 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.

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

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. Upon joining the Board, any new directors receive an induction and relevant training is available to directors on an ongoing basis.

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 27 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 25 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
John Scott	4/4	2/2	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	4/4	2/2	1/1	1/1	1/1

Note: meetings attended/eligible to attend.

In addition, there were two Board meetings and a Nominations Committee meeting to deal with administrative matters and 2 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.

Corporate Governance continued

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

The latest external evaluation of the Board was completed by Lintstock Limited in March 2016. 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 29 and a Statement of Going Concern is on page 18. The Report of the Independent Auditor is on pages 30 to 33.

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 Board has agreed policies with the Manager on key operational issues. 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. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes consideration of relevant service provider internal controls report. There are no significant findings to report from the review.

Principal risks
The directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report.

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 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 report provides details of the remuneration for the directors of the Company (the "Remuneration Policy"). The Remuneration Policy was approved by shareholders at the AGM held on 19 May 2015. The provisions set out in this policy apply until they are next put forward for shareholder approval. The 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. 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

This Remuneration Policy has been effective since its approval by shareholders on 19 May 2015.

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

23 March 2016

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 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 30.

Remuneration committee

The Company currently has four non-executive directors.

Prior to 1 April 2015, fees were payable at the rate of £30,000 to the Chairman, £24,000 to the Chairman of the Audit Committee and £20,000 to the other directors.

During the year a review of directors' remuneration was performed by the Remuneration Committee. The level of fees payable to the directors had 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 recommended, and the Board approved, that, with effect from 1 April 2015, annual directors' fees would 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. There has been no further increase in directors' fees since the changes were made in April 2015.

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

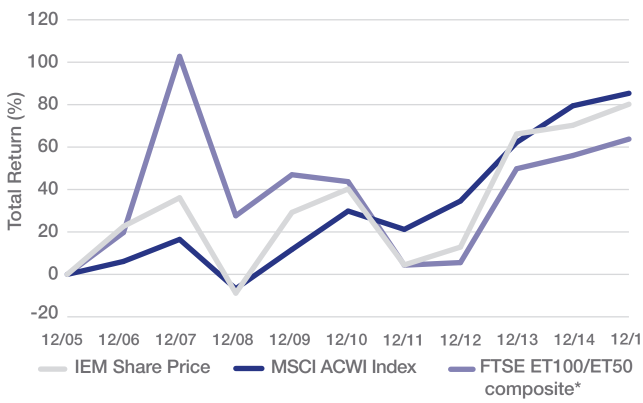
Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him/her, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by him/her, on the grounds of his/her 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 Directors' and Officers' 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 2015 £'000	Fees and taxable benefits 2014 £'000
John Scott (appointed as Chairman with effect from 21 May 2014)	32	26
Vicky Hastings	22	20
Julia Le Blan	26	24
William Rickett	22	20
Richard Bernays (retired as Chairman on 21 May 2014)	–	12
	102	102

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.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2014 was put forward at the Annual General Meeting held on 19 May 2015. 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 19 May 2015. The resolution was passed with proxies representing 100% of the shares voted being in favour of the resolution.

Relative importance of spend on pay

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

	2015 £'000	2014 £'000	Difference £'000
Income receivable	5,258	5,422	(164)
Spend on Directors' fees	102	102	–
Management fees and other expenses	4,141	4,191	(50)
Share buybacks	18,322	14,741	3,581
Dividends paid to shareholders	3,043	2,683	360

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 2015 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 2015*	Ordinary Shares At 1 January 2015
V Hastings	19,500	12,500
J Le Blan	14,907	5,000
W Rickett	5,000	5,000
J Scott	35,087	10,000

* Shareholdings held as at 31 December 2015 are unchanged at the date of this report.

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 2015:-

(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

23 March 2016

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 of the Audit Committee. 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 2 Audit Committee meetings during the year ended 31 December 2015. Mrs Le Blan, Mrs Hastings, Mr Rickett and Mr Scott attended both meetings.

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 2015:

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 Administrator. 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
Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Audit Committee reviewed the Administrator's procedures for recognition of income and reviewed 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
Incorrect amounts may be paid to the Manager and recognised in the accounts if the fees are not calculated correctly. Management fee calculations are circulated to the directors prior to payment. The Audit Committee reviewed the procedures in place for the calculation of management fees.

Allocation of management fees and finance costs to capital
Amounts may be incorrectly allocated to revenue or 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 Company may suffer tax on gains on the realisation of investments if investment trust status is not maintained. 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 Accounts could be prepared on an incorrect accounting basis which might result in an incorrect valuation of financial assets and liabilities. The Audit Committee reviewed the Company's financial resources and considered the forthcoming continuation vote 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 18.

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 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the

Report of the Audit Committee continued

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

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, FRS 102 The Financial Reporting Standard 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 work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements 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 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
William Rickett
Director

23 March 2016

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Impax Environmental Market plc's financial statements comprise:

Company
Income Statement for the year ended 31 December 2015
Balance Sheet as at 31 December 2015
Statement of Changes in Equity for the year then ended
Statement of Cash Flows for the year then ended
Related notes 1 to 18 to the financial statements

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• Incorrect valuation of the quoted and unquoted/illiquid investment portfolio and failure to maintain proper legal title of these assets • Going concern and longer-term viability
Audit scope	• We performed an audit of the complete financial information of Impax Environmental Markets Plc.
Materiality	• Overall materiality of £3.7m represents 1% of net assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we reported to the Audit Committee
Incorrect valuation of the quoted and unquoted/illiquid investment portfolio and failure to maintain proper legal title of these assets The investment portfolio at the year-end comprised of quoted equity investments of £390 million and unquoted investments of £9 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 performed the following procedures:** We confirmed all the year-end prices of quoted investments to an independent source. We have reviewed the applied methodologies on valuations of material unlisted investments to confirm they are consistent with FRS102 fair valuation principles. We obtained third party evidence to support key inputs to the valuation of unlisted investments. We agreed the number of shares held for each security to confirmations of legal title received from the Company's custodian BNP Paribas Securities Services and third party evidence.	▶ Based on the work performed we had no matters to report to the Audit Committee.

Risk	Our response to the risk	What we reported to the Audit Committee
Going concern and longer term viability 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 May 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 the Company.	**We performed the following procedures:** We made enquiries of the Audit Committee of their assessment of the upcoming continuation vote and the procedures that they had performed to conclude on the appropriateness of the going concern basis. We obtained documentation from the Company's broker summarising the results of their consultations with substantial shareholders. We sought representations that the board is not aware of any major shareholders who have expressed an intention to vote against the company. We made enquiries of the Audit Committee of the procedures that they had performed to satisfy themselves over the Company's longer-term viability. We considered the Company's performance and obtained and reviewed the revenue and cash flow projections for the Company as produced by the Administrator for the Board. We reviewed the disclosures made within the Company's financial statements in relation to Going Concern and longer-term viability.	▶ We confirmed that whilst there could be no absolute certainty over the outcome of the continuation vote, that based on the procedures performed we were satisfied with the Audit Committee's assesment in relation to going concern and viability together with the related disclosures in the financial statements.

The scope of our audit
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of company-wide controls, including controls at the Impax Asset Management and Cavendish levels, changes in the business environment and other factors such as recent Service Organisation Control ('SOC') reporting when assessing the level of work to be performed at each entity.

There are no changes to our scope from the prior year.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £3.7m (2014: £3.7m), which is 1% (2014: 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.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £2.8m (2014: £2.8m). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £180k (2014: £188k) for the revenue column of the Statement of Comprehensive Income, being 5% of the return on ordinary activities before taxation.

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

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £189k (2014: £189k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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.

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.

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

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.

Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, 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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern set out on page 18, and longer-term viability, set out on page 11; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Julian Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 March 2016

Notes:

1. The maintenance and integrity of Impax Environmental Markets Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 31 December 2015

	Notes	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Gains on investments	13	–	19,167	19,167	–	4,736	4,736
Income	2	5,258	–	5,258	5,422	–	5,422
Investment management fees	3	(872)	(2,619)	(3,491)	(882)	(2,642)	(3,524)
Other expenses	3	(650)	–	(650)	(667)	–	(667)
Return on ordinary activities before finance costs and taxation		**3,736**	**16,548**	**20,284**	**3,873**	**2,094**	**5,967**
Finance costs	5	(139)	(417)	(556)	(117)	(352)	(469)
Return on ordinary activities before taxation		**3,597**	**16,131**	**19,728**	**3,756**	**1,742**	**5,498**
Taxation	6	(465)	–	(465)	(372)	–	(372)
Return on ordinary activities after taxation		**3,132**	**16,131**	**19,263**	**3,384**	**1,742**	**5,126**
Return per Ordinary Share	7	1.45p	7.46p	8.91p	1.52p	0.78p	2.30p

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

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

"Return on ordinary activities after taxation" is also the "Total comprehensive income for the period".

The notes on pages 38 to 48 form part of these accounts

Balance Sheet

At 31 December 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments at fair value through profit and loss	9	399,045	398,099
Current assets			
Income receivable		124	86
Sales – future settlements		99	–
Taxation recoverable		214	236
Other debtors		85	10
Cash at bank and in hand		3,294	7,180
		3,816	7,512
Creditors: amounts falling due within one year			
Accrued liabilities	10	(906)	(922)
		(906)	(922)
Net current assets		2,910	6,590
Total assets less current liabilities		401,955	404,689
Creditors: amounts falling due after more than one year			
Bank loan	11	(30,357)	(30,989)
Total net assets		371,598	373,700
Capital and reserves: equity			
Share capital	12	25,380	26,577
Share premium account		16,035	16,035
Capital redemption reserve		7,071	5,874
Share purchase reserve		149,988	168,310
Capital reserve	13	167,606	151,475
Revenue reserve		5,518	5,429
Shareholders' funds		371,598	373,700
Net assets per Ordinary Share	14	178.57p	169.81p

Approved by the Board of directors and authorised for issue on 23 March 2016 and signed on their behalf by:

William Rickett
Director

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

The notes on pages 38 to 48 form part of these accounts

Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening equity as at 1 January 2015		**26,577**	**16,035**	**5,874**	**168,310**	**151,475**	**5,429**	**373,700**
Share buybacks	12	(1,197)	–	1,197	(18,322)	–	–	(18,322)
Dividend paid	8	–	–	–	–	–	(3,043)	(3,043)
Profit for the year		–	–	–	–	16,131	3,132	19,263
Closing equity as at 31 December 2015		**25,380**	**16,035**	**7,071**	**149,988**	**167,606**	**5,518**	**371,598**

For the year ended 31 December 2014

	Note	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening equity as at 1 January 2014		**32,451**	**16,035**	**–**	**183,051**	**149,733**	**4,728**	**385,998**
Share buybacks	12	(874)	–	874	(14,741)	–	–	(14,741)
Cancellation of treasury shares	12	(5,000)	–	5,000	–	–	–	–
Dividend paid	8	–	–	–	–	–	(2,683)	(2,683)
Profit for the year		–	–	–	–	1,742	3,384	5,126
Closing equity as at 31 December 2014		**26,577**	**16,035**	**5,874**	**168,310**	**151,475**	**5,429**	**373,700**

The notes on pages 38 to 48 form part of these accounts

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation		20,284	5,967
Less: Tax deducted at source on income from investments		(465)	(372)
Add: Realisation of investments at book cost		130,394	94,211
Less: Purchase of investments		(138,980)	(140,473)
Adjustment for losses on investments held		7,640	31,879
Foreign exchange non cash flow losses		876	1,102
(Increase)/decrease in debtors		(197)	1,533
Decrease in creditors		(4)	(886)
Net cash flow from operating activities		19,548	(7,039)
Financing activities			
Bank loan (repaid) / drawn down		(1,494)	29,910
Finance costs paid		(575)	(42)
Share buybacks		(18,322)	(15,912)
Equity dividends paid	8	(3,043)	(2,683)
Net cash flow (used in)/from financing		(23,434)	11,273
(Decrease)/increase in cash		(3,886)	4,234
Opening balance at 1 January		7,180	2,946
Balance at 31 December		3,294	7,180

The notes on pages 38 to 48 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 November 2014.

This is the first year that the Company has adopted FRS 102 The Financial Reporting Standard ("FRS 102"). The impact of FRS 102 on the Company is detailed in note 17.

Amounts in the accounts have been rounded to the nearest £'000 unless otherwise stated.

(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.

(c) Reporting currency
The accounts are presented in sterling which is the functional currency of the Company. Sterling is the reference currency for this UK registered and listed company.

(d) 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.

(e) 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.

(f) Expenses
All expenses are accounted for on an accruals basis. Expenses are recognised through the Income Statement as revenue items except as follows:

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 are charged as a capital item in the Income Statement.

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.

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

(g) Taxation
Irrecoverable taxation on dividends is recognised on an accruals basis in the Income Statement.

Deferred taxation
Provision is made for deferred taxation in accordance with FRS 102. A deferred tax asset is only recognised to the extent that it is regarded as recoverable.

(h) 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.

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

2. Income

	2015 £'000	2014 £'000
Income from investments:		
Dividends from UK listed investments	800	721
Dividends from overseas listed investments	4,458	4,701
Total income	5,258	5,422

3. Fees and expenses

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Investment management fees	872	2,619	3,491	882	2,642	3,524
Secretary and administrator fees	180	–	180	186	–	186
Depositary and custody fees	115	–	115	134	–	134
Directors' fees	102	–	102	102	–	102
Directors' other employment costs	15	–	15	13	–	13
Broker retainer	34	–	34	5	–	5
Auditor's remuneration						
– for audit services	27	–	27	25	–	25
– other assurance services*	7	–	7	7	–	7
Association of Investment Companies	12	–	12	31	–	31
Registrar's fees	30	–	30	26	–	26
Marketing fees	35	–	35	44	–	44
Other expenses	93	–	93	94	–	94
	650	–	650	667	–	667
Total expenses	1,522	2,619	4,141	1,549	2,642	4,191

* Fees payable to the Auditors for other services were £7,000 (2014: £7,000) in relation to taxation compliance.

The main terms of the management agreement are summarised in the Directors' Report on page 17.

4. Directors' fees

Prior to 1 April 2015, 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. With effect from 1 April 2015, the fees payable to the directors were: £33,000 to the Chairman, £26,500 to the Chairman of the Audit Committee and £22,000 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.

Further detail on directors' fees in the year is provided in the Directors' Remuneration Implementation Report on page 25.

5. Finance costs

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Interest charges	135	406	541	114	342	456
Direct loan costs	4	11	15	3	10	13
	139	417	556	117	352	469

Notes to the Financial Statements continued

6. Taxation

(a) Analysis of charge in the year:

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Overseas taxation	465	–	465	372	–	372
Taxation	465	–	465	372	–	372

(b) Factors affecting total 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 20.25% applicable to the year ended 31 December 2015 (2014: 21.49%). These corporation tax rates are blended rates as a result of changes in the standard rates of UK corporation tax during the years ended 31 December 2015 and 31 December 2014. The standard rate UK corporation tax rate at 31 December 2015 was 20% (2014: 21%).

The differences are explained below:

	2015 £'000	2014 £'000
Total profit before tax per accounts	19,728	5,498
Corporation tax at 20.25% (2014: 21.49%)	3,994	1,182
Effects of:		
Non-taxable UK dividend income	(162)	(155)
Non-taxable overseas dividend income	(903)	(1,011)
Movement in unutilised management expenses	838	901
Movement on non-trade relationship deficits	113	101
Gains on investments not taxable	(3,881)	(1,018)
Overseas tax	465	372
Total tax charge for the year	465	372

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 £32,900,000 (2014: £28,202,000). 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% (2014: 20%) amounts to £6,580,000 (2014: £5,640,000).

7. Return per share

Return per share is based on the net gain on ordinary activities after taxation of £19,263,000 comprising a revenue return of £3,132,000 and a capital return of £16,131,000 (2014: gain of £5,126,000 comprising a revenue return of £3,384,000 and a capital return of £1,742,000) attributable to the weighted average of 216,297,621 (2014: 223,268,664) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

8. Dividends

	2015 £'000	2014 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2014 of 1.4p (2013: 1.2p)	3,043	2,683
Dividends not reflected in the financial statements:		
Recommended ordinary dividend for the year ended 31 December 2015 of 1.45p (2014: 1.4p) per share	2,897	3,043

If approved at the Annual General Meeting, the dividend will be paid on 24 May 2016 to shareholders on the register as at the close of business on 22 April 2016.

9. Investments at fair value through profit and loss

	2015 £'000	2014 £'000
Analysis of closing balance:		
UK quoted securities	36,951	37,928
UK unquoted securities	–	2,311
Overseas quoted securities	352,997	349,258
Overseas unquoted securities	9,097	8,602
Total investments	399,045	398,099
Movements during the year:		
Opening balance of investments, at cost	334,926	288,664
Additions, at cost	138,980	140,473
Disposals, at cost	(130,394)	(94,211)
Cost of investments at 31 December	343,512	334,926
Revaluation of investments to fair value:		
Opening balance of Capital reserve – investments held	63,173	95,051
Losses on investments held	(7,640)	(31,878)
Balance of Capital reserve – investments held at 31 December	55,533	63,173
Fair value of investments at 31 December	399,045	398,099

During the year, the Company incurred transaction costs on purchases totalling in aggregate £190,000 (2014: £315,000) and on disposals totalling in aggregate £179,000 (2014: £213,000).

10. Accrued liabilities

	2015 £'000	2014 £'000
Finance costs payable	433	445
Other accrued expenses	473	477
	906	922

11. Bank loan

	2015 £'000	2014 £'000
Bank loan		
Less than one year	–	–
Between one and two years	–	30,989
Between two and five years	30,357	–

The Company has a 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 2015 loans of US$22,000,000 and £15,425,000 were outstanding. The facility expires on 8 January 2019.

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.

Notes to the Financial Statements continued

12. Share capital

At 31 December	Number	2015 Authorised, issued and fully paid £'000	Number	2014 Authorised, issued and fully paid £'000
Ordinary Shares of 10p				
Opening balance	265,765,373	26,577	324,509,373	32,451
Shares bought back in year	(11,966,244)	(1,197)	(9,763,000)	(976)
Shares bought back to be held in Treasury in year	–	–	1,019,000	102
Shares cancelled from Treasury in year	–	–	(50,000,000)	(5,000)
Closing balance	253,799,129	25,380	265,765,373	26,577

At the year end 45,698,109 (2014: 45,698,109) of the above Ordinary Shares were held in Treasury.

Ordinary Share buybacks
During the year, the Company bought back 11,966,244 (2014: 9,763,000) Ordinary Shares for an aggregate cost of £18,322,000 (2014: £14,741,000). 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 8,280,390 Ordinary Shares have been bought back and cancelled.

13. Capital reserve

Disposal of Investments

	2015 £'000	2014 £'000
Opening balance	88,302	54,681
Gains on disposal of investments	27,649	37,615
Net foreign exchange loss	(841)	(1,151)
Unquoted investment transaction gains	–	151
Investment management fees charged to capital	(2,619)	(2,642)
Finance costs charged to capital	(417)	(352)
Balance at 31 December	112,073	88,302

Investments held

	2015 £'000	2014 £'000
Opening balance	63,173	95,052
Movement on valuation of investments held	(7,640)	(31,879)
Balance at 31 December	55,533	63,173
Capital reserve balance at 31 December	167,606	151,475

Gains on investments in year (per Income Statement)

	2015 £'000	2014 £'000
Gains on disposal of investments	27,649	37,766
Net foreign exchange loss	(841)	(1,151)
Movement of valuation of investments held	(7,640)	(31,879)
Gains on investments	19,167	4,736

14. Net asset value per Ordinary Share

Net asset value per Ordinary Share is based on net assets of £371,598,000 (2014: £373,700,000) divided by 208,101,020 (2014: 220,067,264) Ordinary Shares in issue (excluding shares held in Treasury) at the Balance Sheet date.

There is no dilution to net asset value per Ordinary Share as the Company has only Ordinary Shares in issue.

15. Related party transactions

Details of the management contract can be found in the Directors' Report on page 17. Fees payable to the Manager are detailed in note 3 on page 39; the relevant amount outstanding as an accrual at the year end was £289,000 (2014: £290,000). The directors' fees are disclosed in note 4 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 25.

The Manager's group has a holding in Ensyn which is an unquoted investment in the Company's portfolio. The Manager has procedures in place to mitigate any conflicts of interest from this investment.

16. 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 2015 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 2015.

	2015 % change[1]	2014 % change
Australian Dollar	5.6%	n/a
Canadian Dollar	11.2%	2.7%
Danish Krone	5.3%	6.5%
Euro	5.0%	6.7%
Hong Kong Dollar	(5.8%)	(6.3%)
Japanese Yen	(5.4%)	6.6%
Korean Won	1.8%	(2.5%)
Norwegian Krone	10.5%	14.0%
Swedish Krona	2.5%	12.4%
Swiss Franc	(5.1%)	4.9%
Taiwanese Dollar	(1.1%)	(0.3%)
US Dollar	(5.8%)	(6.3%)

[1]Percentage change of Sterling against local currency from 1 January 2015 to 31 December 2015

Based on the financial assets and liabilities at 31 December 2015 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 2015 and the Company's net assets at 31 December 2015 would have been as follows:

	2015 Potential effect £'000	2014 Potential effect £'000
Australian Dollar	(669)	–
Canadian Dollar	(334)	(281)
Danish Krone	(426)	(589)
Euro	(5,525)	(5,670)
Hong Kong Dollar	(2,446)	(2,541)
Japanese Yen	(2,605)	(2,144)
Korean Won	(491)	(500)
Norwegian Krone	(1,590)	(757)
Swedish Krona	(788)	(968)
Swiss Franc	(674)	(791)
Taiwanese Dollar	(578)	(771)
US Dollar	(20,085)	(20,203)
Total	(36,211)	(35,215)

Notes to the Financial Statements continued

Based on the financial assets and liabilities at 31 December 2015 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 2015 and the Company's net assets at 31 December 2015 would have been as follows:

	2015 Potential effect £'000	2014 Potential effect £'000
Australian Dollar	669	–
Canadian Dollar	334	281
Danish Krone	426	589
Euro	5,525	5,670
Hong Kong Dollar	2,446	2,541
Japanese Yen	2,605	2,144
Korean Won	491	500
Norwegian Krone	1,590	757
Swedish Krona	788	968
Swiss Franc	674	791
Taiwanese Dollar	578	771
US Dollar	20,085	20,203
Total	36,211	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.

The loans which are taken out by the Company are typically for interest periods of between 6 and 12 months. Prevailing interest rates are taken into account when deciding on the length of interest period.

(iii) Other Price Risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. The Company is well diversified across different sub-sectors and geographies and has a volatility level similar to global stock market indices such as the MSCI ACWI Index to which the Company has had an annualised tracking error of 8.7% over the ten year period to 31 December 2015. The historic 3-year (annualised) volatility of the Company to 31 December 2015 is 11.3%.

At the year end the Company held investments with an aggregate market value of £399,045,000. All other things being equal, the effect of a 10% increase or decrease in the share prices of the investments held at the year end would have been an increase or decrease of £39,905,000 in the profit after taxation for the year ended 31 December 2015 and the Company's net assets at 31 December 2015.

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 2015 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	1.3	1.7	2.4
5 day return	2.9	3.8	5.3
10 day return	4.1	5.3	7.5
21 day return	6.0	7.7	10.9

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 2015.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 3.8% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 2.4% or more on any given day.

Credit Risks

BNP Paribas Securities Services (the "Depositary") has been appointed as custodian and depositary to the Company.

Cash at bank at 31 December 2015 included £2,741,000 (2014: £7,090,000) held in its bank accounts at the Depositary. The Company also held £553,000 (2014: £90,000) 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. At the year end, the Depository held £389.9 million in respect of quoted investments and £2.7 million in respect of cash on behalf of the Company.

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

Liquidity Risks

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

As shown in the quantitative analysis below, on 31 December 2014, 5.7% of the portfolio by value (excluding unquoted investments) might have taken more than three months to be realised.

Quantitative Disclosures

As described above, the Manager has carried out a maturity analysis of the Company's quoted investments at 31 December 2015 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	67%
Percentage of portfolio by value that could be liquidated in one month	89%
Percentage of portfolio by value that could be liquidated in three months	94%
Percentage of portfolio by value that could be liquidated in one year	96%

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 4 unquoted companies with an aggregate total value of £9,097,000 (2014: £10,913,000); these investments have been valued at fair value at the year end.

Financial liabilities by maturity at the year end are shown below:

	2015 £'000	2014 £'000
Less than one year	906	922
Between one and two years	–	–
Between two and five years*	30,357	30,989
	31,263	31,911

*Bank loans

Notes to the Financial Statements continued

Classification of financial instruments
FRS 102 (see note 13) requires that the classification of financial instruments be valued by reference to the source of inputs used to derive the fair value. The classifications and their descriptions are below:

Level a
The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

Level b
When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level c
If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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

	2015 Level a £'000	2015 Level b* £'000	2015 Level c £'000	2015 Total £'000	2014 Level a £'000	2014 Level b* £'000	2014 Level c £'000	2014 Total £'000
Investments at fair value through profit and loss								
– Quoted	384,138	5,810	–	389,948	380,993	6,193	–	387,186
– Unquoted	–	–	9,097	9,097	–	–	10,913	10,913
	384,138	5,810	9,097	399,045	380,993	6,193	10,913	398,099

*Level b investments detailed above are holdings in quoted companies held through broker participatory notes. As at 31 December 2015 and 31 December 2014 the Company held one investment, Thermax (India), through a participatory note.

The valuation of level c investments is based on unobservable inputs.

The movement on the Level c unquoted investments during the year is shown below:

	2015 £'000	2014 £'000
Opening balance at 1 January	10,913	10,957
Additions during the year	–	–
Disposals during the year	–	–
Valuation adjustments	(1,816)	(44)
Closing balance at 31 December	9,097	10,913

Unquoted investments are valued using relevant financial data available on those investments and applying International Private Equity and Venture Capital guidelines. This includes, where appropriate, consideration of price of recent market transactions, earnings multiples, discounted cash flows, net assets and liquidity discounts.

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 2015 comprised:

	2015 Interest Bearing £'000	2015 Non-interest Bearing £'000	2015 Total £'000	2014 Interest Bearing £'000	2014 Non-interest Bearing £'000	2014 Total £'000
Investments						
Australian Dollar	–	6,688	6,688	–	–	–
Canadian Dollar	–	3,336	3,336	–	2,805	2,805
Danish Kroner	–	4,264	4,264	–	5,886	5,886
Euro	–	55,249	55,249	–	56,696	56,696
Hong Kong Dollar	–	24,455	24,455	–	25,409	25,409
Japanese Yen	–	26,046	26,046	–	21,438	21,438
Korean Won	–	4,907	4,907	–	5,001	5,001
Norwegian Kroner	–	15,895	15,895	–	7,565	7,565
Sterling	–	36,950	36,950	–	45,980	45,980
Swedish Kroner	–	7,877	7,877	–	9,679	9,679
Swiss Franc	–	6,743	6,743	–	7,906	7,906
Taiwanese Dollar	–	5,782	5,782	–	7,705	7,705
US Dollar	–	200,853	200,853	–	202,029	202,029
	–	399,045	399,045	–	398,099	398,099
Cash at bank						
Floating rate – £ sterling	3,294	–	3,294	7,180	–	7,180
Short term debtors	–	522	522	–	332	332
Short term creditors	–	(906)	(906)	–	(922)	(922)
Long term creditors	–	(30,357)	(30,357)	–	(30,989)	(30,989)
	3,294	368,304	371,598	7,180	366,520	373,700

Capital management

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

At 31 December 2015 there were 253,799,129 Ordinary Shares in issue (of these shares 45,698,109 were held in Treasury at the year end).

The Company has a stated discount control policy. 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 (including the Company's discount control policy) can be found in the Directors' Report.

The Company bought back 11,966,244 (2014: 9,673,000) Ordinary Shares during the year.

Use of distributable reserves is disclosed in note 18.

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 facility has been extended to 8 January 2019. 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 2015 the loan to value ratio was 7.7% (2014: 7.9%).

Notes to the Financial Statements continued

17. Impact of new accounting standards

The accounts for the year ending 31 December 2015 have been prepared for the first time under FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland which is applicable to accounting periods beginning on, or after, 1 January 2015. This does not have any significant impact on the financial statements other than minor changes to the presentation and terminology used in the accounts. The Company's financial position and performance has not been affected and no gap adjustment has been made in these financial statements. There have been no material changes to the Company's accounting policies.

The profit or loss of the Company and the Company's equity for the year ended 31 December 2015 and the year ended 31 December 2014 have not been affected by the introduction of the above standard.

18. Distributable reserves

The Company's distributable reserves consist of the share purchase reserve, capital reserve and revenue reserve.

The Company currently pays dividends from the revenue reserve. Share buybacks are funded from the share purchase reserve.

10 Year Financial Record

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Size of fund (£ millions)	224	393	305	394	453	345	341	386	374	372
Net asset value per Share[1]	110.6p	128.3p	99.6p	127.2p	142.7p	117.0p	126.0p	167.9p	169.8p	178.6p
Share price	115.4p	128.9p	85.0p	119.1p	129.8p	95.8p	102.9p	150.0p	152.8p	160.0p
Premium/(discount)[2]	4.3%	0.5%	(14.7%)	(6.4%)	(9.0%)	(18.1%)	(18.3%)	(10.7%)	(10.2%)	(10.4%)

Year ending 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net asset value return[3]	19.4%	16.2%	-22.1%	28.4%	12.6%	-17.2%	8.5%	34.1%	1.7%	6.0%
MSCI ACWI Index[4]	6.1%	9.8%	-20.0%	19.9%	16.2%	-6.7%	11.0%	20.5%	10.6%	3.3%
FTSE ET100[4]	N/A	N/A	-38.9%	21.3%	6.8%	-24.4%	3.4%	40.7%	4.1%	5.0%
Revenue return per Share	0.2p	0.5p	0.9p	0.8p	0.8p	1.0p	0.9p	1.3p	1.5p	1.5p
Dividends paid	–	0.2p	0.3p	0.85p	0.75p	0.75p	0.9p	0.9p	1.2p	1.4p
Ongoing charges[5]	1.4%	1.3%	1.2%	1.1%	1.1%	1.1%	1.2%	1.1%	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 2015

	NAV	Share price	MSCI ACWI Index	FTSE ET100 Index[1]
1 year	6.0%	5.8%	3.3%	5.0%
2 years	7.8%	8.5%	14.3%	9.3%
3 years	44.5%	59.9%	37.7%	55.1%
4 years	56.9%	72.8%	52.9%	56.9%
5 years	29.0%	28.5%	42.7%	14.0%
6 years	45.6%	39.5%	65.9%	11.4%
7 years	88.1%	98.4%	98.8%	28.3%
8 years	45.6%	32.7%	59.1%	-19.2%
9 years	69.1%	47.3%	74.7%	36.8%
10 years	101.1%	80.6%	85.3%	63.8%

Notes

1. ET50 data up until 31 Dec 2013 and then ET100 thereafter.

Financial Calendar

Annual General Meeting

17 May 2016 at 2:30 p.m.
Norfolk House
31 St. James's Square
London SW1Y 4JR

Dividend

Record date: 22 April 2016
Payment date: 24 May 2016
Amount: 1.45p 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 buyback	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)
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
25 Churchill Place
Canary Wharf
London E14 5EY

* Registered in England no. 4348393

www.impaxenvironmentalmarkets.co.uk

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 17 May 2016 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 2015, 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 2015.

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 re-appoint 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 1.45p per Ordinary Share of the Company in respect of the year ended 31 December 2015.

10. That the Company should continue as an investment trust for a further three year period.

Special Business

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 £19,962,080 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 2017 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 29,953,112 (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 2017 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

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

13. That, subject to the passing of resolution 11, in substitution for any existing power under section 570 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are hereby empowered, pursuant to section 570 of that Act, to allot and make offers or agreements to allot equity securities (as defined in section 560 of that Act) and/or sell equity securities held as Treasury shares pursuant to section 573 of that Act, in each case for cash pursuant to the authority and for the period of the authority conferred by resolution 11 up to an aggregate nominal amount of £1,996,208 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
23 March 2016

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 pm on 15 May 2016 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 15 May 2016 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 15 May 2016 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 245,518,739 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 199,820,630. 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 9:00 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays):
      (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);
      (ii) From Overseas: +44 371 664 0300 (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.

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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 Square, London SW1Y 4JR on 17 May 2016 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 auditors' report for the year ended 31 December 2015.				
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 re-appoint 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 1.45p per Ordinary Share.				
10. That the Company should continue as an investment trust for a further three year period.				
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 ______________ 2016

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 15 May 2016 (48 hours prior to the Annual General Meeting).

Cut along dotted line